

**ANCOM LOGISTICS  
BERHAD**  
**58<sup>TH</sup> ANNUAL GENERAL MEETING**

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Questions raised by  
Minority Shareholders Watch Group

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q1

ALB posted a widened net loss in FY2024 with a net loss of RM3.74 million (FY2023: RM385,000), notwithstanding a marginally higher revenue of RM31.4 million during the year.

The loss was primarily caused by the impairment for doubtful debts for other receivables amounting to RM1.9 million (FY2023: RM0.2 million) and higher tax paid in the year.

a) How likely can the Group turn around its financial performance in FY2025? With the new tank farm capacity coming on stream, how will the Group perform financially in FY2025?

b) As of 31 May 2024, capital commitments amounted to RM8.76 million were contracted but not provided for (page 102, Note 23 – Capital Commitments, AR2024).

What is the utilisation of the contracted amount? What are the services to be provided for?

## Company's response

The Group's performance in FY2025 will be dependent on the overall industrial chemical industry as we provide the logistical support for the companies in this industry, especially for Pengangkutan Cogent, our trucking business.

We expect the construction of new tank farm to be fully completed by end of November 2024. Once construction is complete, the tank farm will be subject to inspections and approvals from the authorities, such as Bomba, DOSH, Municipal Councils etc, before we are given the Certificate of Completion and Compliance ("CCC"). Only when the CCC we can start commercializing our new tank space.

Therefore, it is likely that new contributions from the new tank farms will only start in end of FY2025 or early FY2026.

The capital commitments of RM8.76 million is mostly for the remaining capex for the constructions of the new tank farm.

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q2

**The construction of an additional 10,000 m3 capacity for its tank farm, which commenced in November 2022, is expected to be completed by the end of 2024 (page 13 of AR 2024).**

a) How is the progress of construction? Is the targeted completion date intact? When will the Group secure the approval from relevant authorities for the issuance of Certificate of Completion and Compliance?

b) What is the expected revenue to be generated by the new capacity in the first year of operation?

c) With the additional capacity, what will be the total capacity for ALB's tank farm? What is the estimated utilisation rate vis-à-vis current level of utilization?

d) Please share the quantum of offtake secured thus far.

## Company's response

As discussed in the earlier question, we expect the construction of new tank farm to be fully completed by end of November 2024 and issuance of the CCC expected in the middle of 2025. However, the timing of CCC issuance is at the prerogative of various authorities.

Once the new 10,000cbm capacity is available, we expect this new space to contribute approximately RM3.0 million additional revenue annually. In the first year of operations, the revenue contribution would be dependent on how fast we can onboard new customers after obtaining CCC.

Our current capacity is 44,100cbm. With the additional 10,000cbm, our capacity would be 54,100cbm. We are quite confident that both the current and new capacity will be fully taken-up.

The capex for this expansion was partially finance with bank borrowings.

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q3

### Key Audit Matters (pages 61 – 62, AR2024)

#### a. Recoverability of deposits

As of 31 May 2024, the gross deposits of the Group and the Company amounted to RM6.6 million and RM6.5 million, respectively, as disclosed in Note 9 to the financial statements (page 62, AR2024). Notably, the Group and the Company have further impaired deposits amounted to RM1.87 million (FY2023: RM171,000) during FY2024 (page 84, AR2024).

i) Under the Trade and Other Receivables (page 84, Note 9, AR2024), deposits of RM4.958 million (FY2023: nil) were categorised as non-current other receivables in FY2024. At the same time, an impairment loss of RM1.509 million (FY2023: nil) was made during the year.

- Why did the Group impair RM1.509 million of deposits not long after the deposit of RM4.958 million was paid? To whom is the RM4.958 million deposit being paid? What is the nature of the payment? What circumstances led to the non-recoverability of the deposits?
- What measures are to be taken to avoid a similar scenario from happening in the future? What is the probability of recovering the deposits in full? Is further provision required in FY2025?

## Company's response

*Please see next slide*

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q3 (Con't)

### **Key Audit Matters (pages 61 – 62, AR2024)**

#### **a. Recoverability of deposits (Con't)**

**ii) Referring to MSWG Question 1 raised at the 57th AGM held on 27 October 2023, ALB had received RM3.2 million of the RM10 million refundable deposits, which was paid upon the signing of an Offer to Purchase Agreement with S7 Holdings Sdn Bhd on 1 September 2020 for the acquisition of 76.38% stake of S5 Holdings Inc.**

- Has the Group fully recovered the outstanding deposits?
- The refundable deposit of RM10 million was expected to be repaid by 31 December 2022 via four instalments. If S7 fails to refund the deposit in full to ALB by 31 December 2022, ALB is entitled to create an enforceable security interest over the Security Documents and enforce its security created under the Security Documents and charge S7 late interest at the rate of 4% from the day the Refundable Deposit is supposed to be paid till the date it is fully repaid.

(Excerpt from ALB's announcement dated 13 May 2022).

How much late payment interest has the Group received due to the delay in the full refund of deposits from S7?

## Company's response

On 23 October 2024, we have initiated legal action against S7 Holdings Sdn Bhd ("S7"). This matter is fixed for case management on 6 November 2024.

As a background, the Company had entered into a Head of Agreement ("HOA") with various parties (including S7) on 16 July 2020 for the acquisition of the entire shares in S5 Holdings Inc ("S5"), as announced by the Company on 16 July 2020. This was part of the reverse take-over exercise ("Proposed RTO") of S5 into the Company.

In the course of the RTO, ALB entered into an Offer to Purchase Agreement ("OPA") with S7 where ALB paid a RM10 million refundable deposit for the acquisition of S5 subject to terms to be mutually agreed and to permit the Company to conduct due diligence on S5 and its subsidiaries ("Refundable Deposit").

As security for the Refundable Deposit, Y.M. Syed Mohammad Hafiz Bin Syed Razlan ("SMH"), the shareholder of S7, had offered as security in favour of ALB, 20 ordinary shares representing 2% of the issued and paid-up capital of S7 ("Pledged Shares"). ALB has the right to sell the Pledged Shares at its absolute discretion and in the event of any deficiency after the sale of the Pledged Shares and SMH agrees to make good and pay on demand to ALB such deficiency.

The Refundable Deposit was to be refunded within 14 days from 15 April 2022, the date which HOA lapsed. Up till to-date, a total sum of RM3.5 million was paid by S7, leaving a balance of RM6.5 million, which is now the subject legal actions initiated on 23 October 2023. No late interest has been received so far on the outstanding amount.

The net carrying value of the Refundable Deposit is RM4.5 million, being RM6.5 million outstanding amount less RM2.0 million provision for impairment, which may require further provision for impairment depending on the outcome of the legal actions.

This was a one-off event which occurred during the aborted RTO exercise of S5.

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q3 (Con't)

### **Key Audit Matters (pages 61 – 62, AR2024)**

#### **b. Recoverability of trade receivables**

As of 31 May 2024, gross trade receivables of the Group amounted to RM5.387 million. The Group has further impaired trade receivables amounted to RM134,000 during FY20204 (page 61, AR2024), External auditor BDO PLT determined that this is a key audit matter (KAM) because “it requires management to exercise significant judgment in determining the probability of default by trade receivables and appropriate forward-looking information to assess the expected credit loss allowances”.

The recoverability of trade receivables has persistently been a KAM since FY2017.

What are the areas of concern resulting in the persistent inclusion of this as a KAM since then? How will ALB manage the receivables to mitigate the abovementioned risk?

What is the probability of recovering the trade receivables in full? Is further provision required in FY2025?

## Company's response

As at 31 May 2024, trade receivables (Note 9, page 84) amounted to RM4.96 million (2023: RM4.62 million) out of the total current assets of RM14.67 million (2023: RM20.89 million).

The other major current assets of the Group is Cash and Bank Balances of RM4.61 million (2023: RM5.96 million). Since it's cash and bank balance, the risk is insignificant.

The average collection cycle for the trade receivables is 58 days (2023: 55 days) which is within the normal 60 days of credit period generally given to our customers.

The management constantly monitors and assess the recovery of the trade receivables amount. Many of our customers are long term and reputable customers, which we have dealing with them for many years without much issues.

At every year end, we will carry out an assessment on the recoverability and expected credit loss on the trade receivables for impairments. We will carry out the same during the financial year 2025 audit.

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q4

**With a sharp increase in total debts to RM15.031 million from RM2.347 million a year ago, ALB's gearing ratio spiked to 0.85 times from 0.11 times previously (page 95, Note 21(a) - Capital Management, AR2024).**

Is the significantly higher gearing ratio a concern for the Group? What is the comfortable gearing ratio? If the ideal ratio is lower than the current gearing ratio, how does the Group plan to deleverage?

## Company's response

As discussed earlier in Q2, the capex for the expansion of the additional 10,000cbm tank farm was partially financed with bank borrowings. Therefore, the increase in debts during this financial year was mainly due to the drawdown of the bank borrowings for the progress payments.

The additional borrowings are long term in nature, which was used to finance the capex for tank farm.

Currently, the Group generates RM5.3 million (2023: RM5.1 million) net cash flow from operations annually. The Group generates sufficient cash flows from operations to cover the repayment of our bank borrowings, even without the additional revenue source from the new tanks' capacity.

We expect the gearing ratio to gradually reduce over the years with profits generated from our exiting business and also from the new tank capacities.

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q5

On 22 April 2024, ALB entered into a Heads of Agreement with Greenheart Sdn Bhd, Choong Wee Keong and How Yoon For (collectively refer to as the Vendors) regarding a series of corporate exercise entailing a proposed acquisition of Green Lagoon Technology Sdn Bhd (GLTSB) for RM120 million, proposed private placement and proposed disposal (page 104 of AR2024)

At which stage is the discussion between ALB and the Vendors for the proposed acquisition of GLTSB?

## Company's response

We are currently at preliminary stages of this exercise. Our principal adviser is TA Securities.

We will be making appropriate announcements as and when we have achieved certain milestones in this exercise.



# SUSTAINABILITY MATTERS

## MSWG Question – Q1

*In its transportation sector, Pengangkutan Cogent Sdn Bhd (Cogent) is progressively updating its fleet, replacing older vehicles with more eco-friendly models that utilise Euro 5-compliant, energy-efficient fuel systems. Cogent also ensures regular maintenance across its entire fleet to maintain optimal performance and efficiency. Additionally, the Group's drivers are trained not to leave engines running when vehicles are idle, minimising unnecessary emissions and contributing to a cleaner environment (page 22 of AR 2024).*

*How have these initiatives or actions optimised energy consumption and boosted efficiency in line with the Group's commitment to environmental responsibility? Kindly illustrate with data comparisons over the years.*

## Company's response

	Pengangkutan Cogent		
	FY2022	FY2023	FY2024
Diesel (litres)	1,715,851	1,338,736	1,727,940
Transportation (distance in km)	3,165,704	3,462,307	4,251,677
Fuel efficiency (km/L):	1.84	2.59	2.46

Fuel efficiency improved from 1.84 km/L in FY2022 to 2.59 km/L in FY2023 and 2.46 km/L in FY2024.

In FY2023, the company replaced 3 trucks with Euro 5 units, contributing to improved fuel efficiency.

# SUSTAINABILITY MATTERS

## MSWG Question – Q2

**ALB's Occupational Safety and Health disclosure on page 27 of AR2024 is brief and does not include clear initiatives and key performance indicators such as loss time injury, accidents and fatalities.**

How and when does the Company endeavour to improve on its disclosure?

## Company's response

The Company recognizes the importance of comprehensive Occupational Safety and Health (“OSH”) disclosures and is committed to enhance its reporting in the next cycle.

# CORPORATE GOVERNANCE MATTERS

## MSWG Question – Q1

***Practice 4.4 of the Malaysian Code on Corporate Governance (MCCG) Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.***

### ***ALB's response:***

***Applied. The Board conducted a materiality evaluation internally in 2024, that included an assessment of its oversight regarding sustainability risks and opportunities that are vital to the Group's overall performance. Additionally, the performance evaluation for senior management incorporated a detailed review of the Group's progress on its sustainability priorities (page 18 of Corporate Governance Report 2024).***

*a) What are the KPIs and targets adopted and the achievements made in addressing the Company's material sustainability risks and opportunities?*

*b) A timeframe of "within 1 year" was mentioned in ALB's explanation of MCCG Practice 4.4. Please explain the reason for setting the one-year timeframe since ALB has already applied the Practice.*

## Company's response

Following the ANB Group timeline, ALB is actively working to establish a Key Performance Indicator (KPI) for carbon emissions reduction, with a target to be finalized within FY2025.

The one-year timeframe mentioned in ALB's response for Practice 4.4 reflects the company's commitment to aligning its sustainability KPIs with industry standards and internal goals. While ALB has already applied the practice through the performance evaluations of the Board and senior management, the additional year provides an opportunity to refine and formalize these KPIs. This includes setting measurable targets, such as the reduction of carbon emissions, and ensuring that these goals are both ambitious and realistic in addressing the company's material sustainability risks and opportunities.

# CORPORATE GOVERNANCE MATTERS

## MSWG Question – Q2

***ALB said it has applied MCCG Step Up Practice 4.5 which states that there is a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company (page 19, CGR2024).***

***However, ALB's explanation focused on the sustainability governance and reporting structure of ALB's holding company Ancom Nylex Berhad (ANB).***

*How do ANB's sustainability initiatives, which encompassed a diversified business activity aligned with ALB's businesses and operations?*

## Company's response

ANB Group, in which ALB and its subsidiaries are part of, has drawn up a comprehensive sustainable initiatives covering all the companies with ANB Group. The initiatives at ANB Group level is still evolving as we seek to expand and improve on our ESG framework.

The core business of ANB Group are in the Agrichemicals and Industrial Chemicals industries. ALB, which is in the chemical storage and transportation businesses, are integral part of ANB Group's business, especially in the Industrial Chemicals business.

Therefore, in establishing the sustainability initiatives of ANB Group as a whole, it is important that ALB's initiatives are also planned together to achieve a comprehensive framework.

# CORPORATE GOVERNANCE MATTERS

## MSWG Question – Q3

***ALB departed from MCCG Practice 5.9 as there is only one woman director on board or 14.3% of total board.***

***The Board has set a two-year timeframe to adopt the Practice (page 30 of CGR 2024).***

*a) What are the challenges/issues faced by the Company in sourcing for women directors?*

*b) What benefits has the board experienced from the appointment of Datin Joanne Marie Lopez since 30 May 2023? How has the board's performance been impacted in relation to these benefits?*

## Company's response

The appointment of Datin Joanne Marie Lopez, who is an economist and experienced fund manager, has brought diversity in ideas, viewpoints, and problem-solving approaches in the Board's discussion and decision making.

With her appointment, the Board is taking steps to achieving the MCCG's Practice 5.9 in appointing at least 30% of women Directors on the Board within a 2-year time frame. Her appointment also demonstrated the Company's alignment with social responsibility principles, enhancing the Company's reputation among stakeholders, customers, investors, and employees which may indirectly influences the Company's future financial performance.