



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

13 October 2021

BY EMAIL/FAX/HAND
(Fax No: 603 -7804 1316)

The Board of Directors
Ancom Logistics Berhad
Unit C508, Block C, Kelana Square,
Jalan SS7/26, Kelana Jaya,
47301 Petaling Jaya,
Selangor Darul Ehsan

Attention: Choo Se Eng/ Stephen Geh Sim Whye
Company Secretaries

Dear Directors,

Re: 55th Annual General Meeting (“AGM”) of Ancom Logistics Berhad (“ALB” or the “Company”) to be held on Tuesday, 26 October 2021

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following questions: -

Operational & Financial Matters

1. In FY2021, the Group posted lower revenue of RM30.5 million compared with RM30.9 million last year. Despite lower revenue, profit before taxation grew from RM2.1 million to RM2.3 million in FY2021, mainly attributed to cost cutting exercises and better performance in the investment holding activities (page 12 of Annual Report (AR) 2021).

What are the cost components subjected to the cost cutting exercises in FY2021?
How much costs did the Group reduce in FY2021?

2. Trucking business under Pengangkutan Cogent Sdn Bhd (“PCSB”) operated under a highly disruptive environment in FY2021. Business volume decreased, and revenue declined to RM19.5 million in FY2021 compared to RM20.3 million in the previous year, while segmental profit before taxation declined to RM1.0 million from RM1.2 million last year (page 12 of AR 2021).

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia . Company No:524989-M)

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- (a) What was the average utilisation rate of the fleet of trucks in FY2021? How does that compare to the average utilisation rate before the pandemic i.e. FY2020?
 - (b) With the recent relaxation of Covid-19 restrictions, how has the Company finetuned its trucking's operations to adapt to the new operating environment? Is the Group affected by manpower constraints?
 - (c) Given that the trucking business depends on demand for transportation of chemical products, what is the Company's view on the outlook for petrochemicals industry in 2022? What is the expected impact of the prolonged pandemic on trucking's operations and financial position in FY2022?
 - (d) PCSB has embarked on its truck replacement program since 2018, how many trucks have been replaced to-date and how many more are left to be replaced? Please provide current fleet size and age of trucks.
 - (e) What is the annual capex for replacement of trucks?
3. ALB together with its holding company, Ancom Berhad, had on 16 July 2020, entered into a Heads of Agreement ("HOA") with S7 Holdings Sdn. Bhd., Merrington Assets Limited, MY E.G. Capital Sdn. Bhd. and Avocat Sdn. Bhd. for, amongst others, the Proposed Acquisition of the entire share capital of S5 Holdings Inc (page 13 of AR 2021).

What is causing the delay in the progress of negotiations with the vendors of the Proposed Acquisition as it has been more than a year since the Company entered into a HOA?

4. "Administrative and other operating expenses" have increased by 16% from RM4.65 million in FY2020 to RM5.39 million in FY2021 (page 51 of AR 2021).
- (a) What are the reasons for the increase in administrative and other operating expenses? Please provide a breakdown of the expenses.
 - (b) What are the Company's pro-active efforts to improve the cost structure?

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Corporate Governance Matters

5. Under Practice 4.2 of the Malaysian Code on Corporate Governance (“MCCG”), it is stated that “If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders’ approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders’ approval through a two-tier voting process”.

Mr. Lim Hock Chye (“Mr. Lim”) and Encik Safrizal Bin Mohd Said (“Encik Safrizal”) have served the board for 18 years 10 months and 17 years 11 months respectively as the Independent Non-Executive Directors. The board will seek shareholders’ approval for Resolution 9 and Resolution 10 to retain Mr. Lim and Encik Safrizal to continue to act as the Independent Directors of the Company until the conclusion of next Annual General Meeting (AGM) of the Company. The board has decided not to adopt the two-tier voting process for the said approval (Page 101 of AR 2021).

Based on the Company’s reply letters dated 16 October 2019 and 21 October 2020 to MSWG’s letters dated 7 October 2019 and 13 October 2020 respectively, the Company responded that the board would discuss on this matter and consider the suggestion by MSWG to adopt the two-tier voting process. What is the board’s concern in adopting two-tier voting for resolutions to retain Mr. Lim and Encik Safrizal as the independent directors?

6. ALB in its Corporate Governance (CG) Report 2021 states that it has applied Practice 4.5 which requires the board to disclose in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. Currently, the Company does not have any women directors on the board. The board has formulated a Diversity Policy but there was no disclosure in its annual report on gender diversity targets and measures to meet those targets. Hence, the Company has not applied Practice 4.5.

Does the board plan to have women directors? If so, by when?

Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



Devanesan Evanson
Chief Executive Officer
DE/RF/ALB/AGM2021