

23 October 2024

Reference: MSWG-CM-03-05/24
By Email

The Board of Directors
ANCOM LOGISTICS BERHAD
Unit C508, Block C, Kelana Square
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Malaysia

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

Dear Directors,

ANNUAL GENERAL MEETING (“AGM”) OF ANCOM LOGISTICS BERHAD (“ALB” or “THE GROUP”) TO BE HELD ON TUESDAY, 29 OCTOBER 2024

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

Operational & Financial Matters

1. 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?

Minority Shareholders Watch Group

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- 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?

2. 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.

3. 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?

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?

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?

4. 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?

5. 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?

Sustainability Matters

1. 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.

2. 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?

Corporate Governance Matters

1. 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.
2. 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?

3. 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?

We look forward to your reply. Additionally, please present the questions raised and the related answers to the shareholders present at the forthcoming AGM.

Thank you.

Yours sincerely



MINORITY SHAREHOLDERS WATCH GROUP