



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

7 October 2019

BY FAX/HAND

(Fax No: 03 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: 53rd Annual General Meeting (AGM) of ANCOM LOGISTICS BERHAD
("ANCOM") to be held on Thursday, 17 October 2019

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

Strategy & Financial Matters

- 1). We note on Page 3 of the Annual Report that the Group has been incurring net losses attributable to owners of the parent over the last 5 financial years (FY2015 to FY2019) though the losses are on a declining trend.
 - (a) What are the main reasons for the continuing losses and what measures are being taken to address the problems?
 - (b) When is the Group expected to turn around?

- 2). As stated on Page 11 (MD&A), the Company, through its 51% equity interest in Ancom-ChemQuest Terminals Sdn. Bhd, owns and manages the leasing operations of a chemical tank farm and terminal in West Port located in Port Klang, Selangor.

Please elaborate on the operations of the farm and terminal in terms of capacity, utilization and any expansion plans.

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

Tingkat 11, Bangunan KWSP, No 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 KUALA LUMPUR.

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- 3). As reported on Page 11 (MD&A), since FY2018, Cogent has been on a fleet rationalisation programme for its chemical road tankers. New trucks have been purchased to replace ageing ones in phases. The programme has resulted in better operational efficiencies, lower down time and an overall better turnaround time.
- (a) How many new trucks have been purchased in FY2018 and FY2019 and what is the total fleet size and average age?
 - (b) Please elaborate on the 'lower down time and an overall better turnaround time' along with comparison figures.
- 4) On Page 11, it is stated that overall, the petrochemicals industry is experiencing a slowdown given low demand and market uncertainties. This could negatively affect the movement and carriage of chemical products, which may weaken demand for the road transportation and tank farm services that the Group provides. However, on the same page, it is also reported that the tank farm and terminal business continued to perform well as demand for chemical storage is still robust.

Please explain along with data or statistics wherever possible. When is the petrochemicals industry expected to pick up?

Corporate Governance Matters

- 1) Paragraph 9.21(2(b) of Main Market Listing Requirements (MMLR) requires a listed entity to publish on its website a summary of the key matters discussed at the annual general meeting.
However, the Company's website does not show any such summary being published.

Please explain the non-compliance with the MMLR.

- 2) Two independent directors namely Lim Hock Chye and Safrizal Bin Mohd Said have both served as independent directors for more than 12 years. The Board has also decided not to adopt the 2-tier voting process to re-elect Independent Directors who have served for a cumulative period of more than 12 years.

We are concerned about the succession planning at the Board level as two out of three independent directors have served as independent directors for more than 12 years. We are also not satisfied with the non-adoption of the 2-tier voting process and the reasons for not doing so.

Please explain if the company plans to implement two-tier voting?

- 3). We refer to Practice 12.3 of the Malaysian Code on Corporate Governance which stipulates that listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –
- including voting in absentia; and
 - remote shareholders' participation at General Meetings.

The Company states in its Corporate Governance Report that it has applied Practice 12.3 by providing the explanations which are not relevant.

The Company is deemed as not applying the Practice as the Practice requires the Company to facilitate greater shareholder participation which includes leveraging technology to not only facilitate electronic voting but also remote shareholder participation.

Please take note.

We would appreciate if the Board could present the points raised here, and their related answers, for 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/CCF/nkk/ANCOM LOGISTICS/AGM 2019



ANCOM LOGISTICS BERHAD (6614-W)

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16 October 2019

Badan Pengawas Pemegang Saham Minoriti Berhad
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Original by Hand

Attention: Mr Devanesan Evanson

Dear Sirs,

**Re: 53RD ANNUAL GENERAL MEETING ("AGM") OF ANCOM LOGISTICS BERHAD
("ALB" OR "COMPANY"):
- Queries Raised by the Minority Shareholders Watchdog Group ("MSWG")**

We refer to your letter dated 7 October 2019.

On behalf of the Board of Directors ("Board") of ALB, please find attached the presentation slides which contain the information in response to the issues raised in your said letter.

We value your comments and trust that the above has clarified the issues raised.

Yours faithfully,
On behalf of the Board of Directors of
ANCOM LOGISTICS BERHAD

LIM CHANG MENG
Chief Financial Officer

ANCOM LOGISTICS BERHAD

53RD ANNUAL GENERAL MEETING

Questions raised by
Minority Shareholders Watch Group

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q1

We note on page 3 of the Annual Report that the Group has been incurring net losses attributable to owners of the parent over the last 5 financial years (FY2015 to FY2019) though the losses are on a declining trend.

- a) What are the main reasons for the continuing losses and what measures are being taken to address the problems?
- b) When is the Group expected to turn around?

Company's response

- There are essentially two (2) businesses under this division, namely trucking and tank farm.
- The Group can increase revenue by:
 - Increase the number of trucks to achieve better economy of scale.
 - Explore to expand the capacity of the tank farm by approximately 20,000 cubic meter.
- Both trucking and tank farm business have been profitable in the last two financial years. The losses are mainly due to corporate expenses incurred in the holding company.
- The key focus going forward to further increase the profits from the two businesses while rationalizing the costs in the holding company.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q2

As stated on page 11 (MD&A), the Company, through its 51% equity interest in Ancom ChemQuest Terminals Sdn Bhd owns and manages the leasing operations of a chemical tank farm and terminal in West Port located in Port Klang, Selangor.

Please elaborate on the operations of the farm and terminal in terms of capacity, utilisation and any expansion plans.

Company's response

- ACQT's terminal for the bulk storage of liquid chemicals facilities comprise forty-eight (48) tanks with combined capacities of 44,100 cubic meter, eight (8) loading bays, five (5) drumming stations and a warehouse measuring approximately 7,000 sq. ft.
- Presently, the tank farm is fully utilised in terms of rental of chemical storage space.
- The management is exploring on the expansion of the tank farm storage capacity by another 20,000 cubic meter.
- Initial discussions are being initiated with the relevant authorities and West Port on the operational and commercial terms.
- Formal timelines for the expansion will only be set once the operational and commercial terms have been agreed upon.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q3

As reported on Page 11 (MD&A), since FY2018, Cogent has been on a fleet rationalisation programme for its chemical road tankers. New trucks have been purchased to replace ageing ones in phases. The programme has resulted in better operational efficiencies, lower down time and an overall better turnaround time.

How many new trucks have been purchased in FY2018 and FY2019 and what is the total fleet size and average age?

Please elaborate on the lower down time and an overall better turnaround time along with comparison figures.

Company's response

- The average capital expenditure of RM3 million has been budgeted for the replacement of trucks. The replacement rate is about 10 trucks annually.
- The current fleet size and age are as follow:

Number of trucks		
Age of trucks (years)	FY2019	FY2018
1 to 5	33	17
6 to 10	24	27
11 to 15	19	18
More than 15	11	20
Total	87	82

- Older trucks are prone to breakdowns and unscheduled repairs. The gradual replacement program will reduce such incidences and enable Cogent to provide better services and turnaround time for its customers.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q4

On page 11, it is stated that overall, the petrochemicals industry is experiencing a slowdown given low demand and market uncertainties. This could negatively affect the movement and carriage of chemical products, which may weaken demand for the road transportation and tank farm services that the Group provides. However, on the same page, it is also reported that the tank farm and terminal business continued to performed well as demand for chemical storage is still robust.

Please explain along with data or statistics wherever possible, when is the petrochemical industry is expected to pick-up?

Company's response

- Revenue from tank farm business is typically contracted for two (2) to three (3) years and specific tanks are contracted to each customer.
- The tank farm business of the tank farm could be affected if there is a prolonged downturn in the petrochemical industry and overall economy. Movement of chemicals does not significantly affect revenue from this business.
- Trucking business is sensitive frequencies of product deliveries would be reduced immediately in line with the demand and supply situations.
- Maybank Investment Bank Research on 23 September 2019 reported that the second quarter of 2019 were bad for most petrochemical companies around the world. The first quarter of 2019 was exceptionally challenging for the petrochemical sector.
- Given the volatility and uncertainty that remains, it is difficult to predict the trend of the industry. Management will nevertheless continue to exercise caution in managing the business.

CORPORATE GOVERNANCE

MSWG Question – Q1

Listing requirements require a listed entity to publish on its website a summary of the key matters discussed at the AGM. However, the Company's website does not show any such summary being published.

Please explain the non-compliance.

Company's response

The Company has published on its website a summary of the key matters discussed at the 52nd Annual General Meeting as well as the minutes of the said Annual General Meeting at http://www.ancomlogistics.com.my/corporate_governance.php in complied with the Listing Requirements.

CORPORATE GOVERNANCE

MSWG Question – Q2

Two independent directors namely Lim Hock Chye and Safrizal bin Mohd Said have both served as independent directors for more than 12 years. The Board has also decided not to adopt the 2-tier voting process to re-elect Independent Directors who have served for a cumulative period of more than 12 years.

We are concerned about the succession planning at the Board level as two out of three independent directors have served as independent directors for more than 12 years. We are also not satisfied with the non-adoption of the 2-tier voting process and the reasons for not doing so.

Please explain if the company plans to implement the 2-tier voting?

Company's response

- The Board takes note of the concern raised by MSWG about the succession planning at the Board level as 2 out of the 3 independent directors have served as independent directors for more than 12 years and on MSWG's non-satisfaction with the non-adoption of a 2-tier voting process on the retention of the independent directors who have served a cumulative period of more than 12 years.
- The Board will discuss these matters in its coming Board meeting. An update will be provided to the MSWG when a decision is made by the Board.

CORPORATE GOVERNANCE

MSWG Question – Q3

Company's response

We refer to Practice 12.3 of the Malaysian Code on Corporate Governance which stipulates that listed companies with large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:

- Including voting in absentia; and
- Remote shareholders' participation at General Meetings.

The Company states in its Corporate Governance Report that it has applied Practice 12.3 by providing the explanations which are not relevant.

The Company is deemed as not applying the Practice as the Practice requires the Company to facilitate greater shareholder participation which includes leveraging technology to not only facilitate electronic voting but also remote shareholder participation.

Please take note.

- The Board takes note of MSWG's comments on the Company's response to Practice 12.3 of the Malaysian Code on Corporate Governance in its Corporate Governance Report ("CGR").

- The Company will ensure that it make the correct response in its CGR in future.