ANCOM BERHAD
51ST ANNUAL GENERAL MEETING

Questions raised by

Minority Shareholders Watch Group

SUMMARY

<table>
<tr><th></th><th>Questions</th><th>Answers</th></tr>
<tr><td>1</td><td>S5 business acquisition:
• Status
• Benefits to Ancom’s shareholders
• How disposal of logistics will strengthen Nylex’s distribution business</td><td>• TA Securities Holdings Berhad appointed as the Principal Adviser in July 2020. Currently at due diligence and valuation stage with advisors

• Proposed Issue price 10 sen: ALB net asset 5 sen, Gain of 5 sen from NA
• Historically, ALB has been trading mostly in 5 sen to 8 sen range.

• Can participate through Proposed Dividend-in-specie of 1 ALB share for every 10 existing Ancom shares.
• Provide Ancom shareholders opportunity to invest and participate directly in ALB at no cost
• Logistics assets of tank farm and trucking support Nylex distribution business
• Enhance efficiencies and achieve economies of scale</td></tr>
<tr><td>2</td><td>• Why construct a new plant for agrichemicals business now?.
• Capex involved required and funding source
• Any secured sales for new capacity?
• Utilization rate and overall increase in capacity</td><td>• The new Active ingredients has been planned since 2018.
• At request of our customers seeking alternative source of supply outside China.
• Capex for factories @ RM16 million. Production line is about RM4/5 million.
• Estimated annual production capacity is around 1,000MT each product
• Commissionable operationally by June 2021 with optimum production in about two (2) years from commencement.
• Longest time is also the registration of products in respective countries</td></tr>
<tr><td>3</td><td>Hygiene business:
• Performed so far
• What are the catalysts for this segment</td><td><table>
<tr><th>Financial years</th><th>Revenue RM’000</th><th>Y-O-Y Growth %</th></tr>
<tr><td>31-10-2015 (prior to acquisition)</td><td>1,787</td><td>-</td></tr>
<tr><td>31-05-2017</td><td>5,312</td><td>197.3%</td></tr>
<tr><td>31-05-2018</td><td>5,795</td><td>9.1%</td></tr>
<tr><td>31-05-2019</td><td>10,041</td><td>73.3%</td></tr>
<tr><td>31-05-2020</td><td>13,105</td><td>30.5%</td></tr>
</table>
• Revenue has grown significantly since acquisition in 2016
• Sanitation job improved tremendously during covid 19 period
• Produced Sanitiser in 2020, sold in hypermarket and pharmacies</td></tr>
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SUMMARY

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<tr><th></th><th>Questions</th><th>Answers</th></tr>
<tr><td>4</td><td>• Catalysts to propel the distribution business back to profit.
• Will Ancom focus more on the manufacturing business going forward?</td><td>• Performance of distribution business has been affected by lower demand this year
• COVID-19 pandemic has also exacerbated the trading environment
• The industry is going through Low cycle of the business
• Manufacturing business however is doing alright in these period, especially the production of ethanol
• Going forward we focus in agrichemical and industrial chemical business</td></tr>
<tr><td>5</td><td>Strategy for Media division?</td><td>• Divested majority control last year to VGI PLC (“VGI”)
• No longer consolidate the results, we only have associate interest</td></tr>
<tr><td>6</td><td>• What contributed to the goodwill impairment?
• Is any more impairments?</td><td>• Mainly due to adverse economic condition of the COVID-19 Pandemic.
• Subject to market condition, will continue to perform annual test for impairments based on approved accounting standards</td></tr>
<tr><td>7</td><td>Major items of other operating expenses</td><td>• RM5.5 million impairment of goodwill of CKG
• Management will continue to monitor and rationalize its cost structure</td></tr>
<tr><td>8</td><td>• Major components in Other Receivables.
• Why large impairment?
• Probability of recovery
• Was there any portion due from connected/related parties?</td><td>• These are advances to business partners and investments deposits for business rights or ventures
• Requirement for impairment is based on prudent stand of MFRS9 for expected credit loss
• Balance has reduced from RM95m to RM81m. Foresee further reduction
• The impairments made sufficient to address non-recoverable
• No provision made on receivable from connected or related parties.</td></tr>
<tr><td>9</td><td>Impairments on amount owing by associates:
• How it arise?
• Which associates?
• Recoverabalities?
• Any recovered to-date?</td><td><table>
<tr><th>Business segment</th><th>Outstanding RM'000</th><th>Impairments RM'000</th><th>Net RM'000</th></tr>
<tr><td>Media division</td><td>13,202</td><td>(12,254)</td><td>948</td></tr>
<tr><td>Nylex Group</td><td>4,193</td><td>(830)</td><td>3,363</td></tr>
<tr><td>Others</td><td>4,392</td><td>(138)</td><td>4,254</td></tr>
<tr><td>Total</td><td>21,787</td><td>(13,222)</td><td>8,565</td></tr>
</table>
• These advances for working capital requirements.
• Impairment amount seen here is cumulative sum
• Recovery dependent on the future profitability.</td></tr>
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DETAILED ANSWERS

Questions raised by

Minority Shareholders Watch Group

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q1

Ancom has proposed a restructuring exercise on 16 July 2020, involving its two subsidiaries namely - Ancom Logistics Berhad (ALB) and Nylex (Malaysia) Berhad.

The restructuring exercise will see the takeover of S5 Holdings Inc., an immigration technology company, by ALB and the disposal of ALB's logistics assets to Nylex. Upon completion of the exercise, ALB will cease to be the subsidiary of Ancom.

What is the status of the restructuring exercise?

What are the benefits of this restructuring exercise to Ancom's shareholders?

In what aspects will the disposal of logistics assets from ALB to Nylex strengthen Nylex's existing industrial chemicals business?

Company's response

- On 30 July 2020, ALB appointed TA Securities Holdings Berhad as the Principal Adviser. Further updates will be announced by ALB from time to time. Currently conducting due diligent and valuation with advisors

- Ancom has a potential gain of 5.05 sen per share based on issue price of 10 sen per share for new ALB shares as purchase consideration for the Proposed Acquisition of S5. The net assets of ALB as at 31 May 2020 was 4.95 sen per share.

- Prior to this proposed restructuring, ALB has been trading mostly in 5 sen to 8 sen range.

- On AGM, the Board has proposed a Final Dividend-in-specie of 1 ALB share for every 10 existing Ancom shares held. Amongst others, this will provide the shareholders of Ancom with an opportunity to invest directly in ALB at no cost and potentially to benefit directly from the future performance of ALB.

- ALB owns and operates a land transportation services and tank farm terminal. These are essential infrastructures for the chemical distribution business of Nylex. The proposed disposal to Nylex would enhance efficiencies and economies of scale from sharing of resources, expertise and experience and a broader customer base.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q2

Under the Agricultural Chemicals Division, Ancom has two plants in Malaysia servicing both the domestic and overseas markets. It also plans to construct a new production plant to cater to its large export markets as well as domestic demand (page 23 of AR2020). Construction of the new plant will start in October 2020 with targeted completion by end of FY2021.

a) With the challenging economic environment and depressed market demand Ancom experienced in FY2020, what is the rationale for Ancom to construct a new plant to expand the agricultural chemicals business now?

b) How much is the capital expenditure to construct the new plant and what is the source of funding?

c) Has the Group entered into any form of agreement with customers to secure purchase order for the upcoming capacity?

d) With the completion of a new plant, what would be the expected overall average utilization rate? What is the expected percentage increase in overall capacity?

Company's response

- We have planned for the new plants for the production of new active ingredient since 2018 as we see it as an opportunity to offer our customers an alternative source of supply outside China (the main producer currently).
- Customers are seeking alternative source of supply to reduce reliance on single country and to avoid supply interruptions as happened in the last few years.
- The construction costs is approximately RM16 million for the two factories.
- A further capex of RM4 to RM5 million for three (3) new customised production lines with an estimated annual production capacity of up to 1,000MT each.
- Our exiting customers will be the key buyers for the new product.
- The plant is expected to be operational by June 2021 and we expect to achieve optimum utilization of the plants in about two (2) years from commencement.
- Registration of our new products with the respective countries' pesticide boards will take time to complete.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q3

In recent years, the Group has also expanded its presence in the downstream activities of agricultural chemicals which include pest control, hygiene and fumigation business (page 20 of AR2020).

How have these new ventures into downstream activities performed so far?

What will be the catalysts for this segment?

Company's response

- Entopest Environmental Services Sdn Bhd and its subsidiary, Entopest Environmental Services (PG) Sdn Bhd are involved in the provision of pest control, hygiene and sanitation services.

- Entopest Environmental Services Sdn Bhd was acquired in financial year ended 31 May 2016 and its revenue growth since its acquisition are summarised below:

Financial years	Revenue RM'000	Y-O-Y Growth %
31-10-2015 (prior to acquisition)	1,787	-
31-05-2017	5,312	197.3%
31-05-2018	5,795	9.1%
31-05-2019	10,041	73.3%
31-05-2020	13,105	30.5%

- We foresee demand for our services to grow under the new normal environment as authorities impose plus business and public demands for higher standard of hygiene and cleanliness.

- Demand for sanitisation services has spiked during COVID-19 period and we expect this to continue. We have also ventured into the production and sale of sanitizers in hypermarkets and pharmacies.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q4

The distribution arm of the industrial chemical division suffered from losses due to lower sales volume and prices notwithstanding it being the largest revenue contributor (RM940 million) to the Group. In contrast, the manufacturing arm recorded a profit before tax (PBT) of RM10.5 million against RM92 million revenue in FY2020.

a) What will be the catalysts to propel the distribution business back to profit after two years of consecutive losses at the pre-tax level?

b) Given the difference in the profitability of distribution and manufacturing arms, will Ancom focus more on the manufacturing business going forward?

Company's response

- The distribution business was affected by two (2) major factors in FY2020:
  - Volatility and sharp drop in crude oil prices. Crude oil was at USD64.22 per barrel in June 2019, dropped to low of USD18.38 per barrel in April 2020 before recovering to USD29.38 per barrel in May 2020; and
  - Shutdown of economy caused by COVID-19.
- We are at the low cycle of the distribution business. This crisis may see many weaker players in the market existing from the business. Once the market recovers, we believe there will be greater opportunities for the Group.
- Our manufacturing business saw increased in demand for ethanol, the main ingredients for sanitizers.
- Both distribution and manufacturing businesses are integral part of Group's core business. Historically, segmental profit before taxation of the distribution business in FY2018 and FY2017 were RM24.9 million and RM28.8 million respectively. We believe that once market recovers, the profitability of distribution business should return.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q5

The media division suffered from three consecutive years of losses at pre-tax level with loss before tax (LBT) of RM7.7 million recorded in FY20 (FY2019: LBT of RM11.9 million).

Outlook for the media division is expected to be challenging in the near term.

What will be the effective strategy to turn around the division?

Company's response

- The COVID-19 Pandemic has hit the media and advertising industry severely. Despite this, we have posted a lower loss in the media segment compared to last financial year, mainly due to the disposal of our majority stake in the key media companies last year.

- VGI Global Media PLC ("VGI") now has the controlling stake in these key media companies. Being the media expert and their successful track record in the region coupled with their strong financial resources and they are confident of turning around these media assets. VGI is a listed company in Thailand with a market capitalization of RM7 billion.

- With a strong partner like VGI, we are confident that the media business can improve once the COVID-19 Pandemic situation is under control.

- Nevertheless, management will continue to monitor and rationalize our costs structure in the media business especially during this pandemic period.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q6

The Investment Holding and Others Divisions incurred a marginal decline in aggregated loss of RM30.2 million in FY2020 compared to RM30.7 million in FY2019. Included in the segmental loss was a one-off goodwill impairment amounting to RM5.5 million (page 24 of AR2020).

What contributed to the goodwill impairment?

Is any other impairment for the segment expected in the near term?

Company's response

- The RM5.5 million goodwill impairment was made after taking into consideration the adverse economic and financial impact of the COVID-19 Pandemic to the Group.
- Goodwill is tested for impairment on an annual basis of the respective cash generating units. Based on the approved accounting standards, the carrying value of goodwill is tested against the projected future cash flows of these cash generating units.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q7

Other operating expenses increased significantly from RM8.298 million in FY2019 to RM14.278 million in FY2020. (Page 68 of AR).

What are the major items with significant increase in expenses?

Going forward, are operating expenses expected to increase substantially?

Company's response

- The higher operating expenses is mainly due to RM5.5 million impairment of goodwill.

- Management will continue to monitor and rationalise its cost structure to improve on costs efficiencies for the group.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q8

As at end of FY2020, Ancom made an impairment amounting to RM21.86 million on its trade receivables of RM221.07 million (page 114 of AR2020). The impaired amount is 9.8% of the total receivables during the year, as compared to 7.98% in FY2019 (or equivalent to RM23.13 million out of total RM290 million trade receivables in FY2019).

a) What are the measures that could be taken to ensure better collection in the future? Given the significant impairment made, is there a need for Ancom to tighten its credit policy in order to reduce the risk of non-payment by customers?

b) Why did the Company not renegotiate the terms of trade receivables or secure collateral or credit enhancement for trade receivables during FY20?

Company's response

- The other receivables comprises mainly advances to business partners and investment deposits for business rights and ventures.
- The impairments are made in accordance to MFRS 9 for expected credit loss for the trade receivables.
- In view of the effects from the COVID-19 Pandemic, management has taken a more prudent approach on the assessment of credit risk for the current financial year as all businesses are affected. The balance has reduced from RM81 million to RM95 million in FY2020.
- We are reviewing our credit terms with our customers with a view of tightening of credit policy. However, such measures have to take into account other factors especially for our long term customers and business partners as most of businesses are affected by the COVID-19 Pandemic.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q9

Ancom has also made an impairment amounting to RM13.73 million on its Other Receivables. The impairment made up 17.1% of total the RM80.490 million Other Receivables (page 112 of AR2020).

What are the major components in Other Receivables?

Why was there a considerable amount of impairment?

What is the probability of recovering the impaired amount?

Was there any portion due from connected/related parties?

Company's response

- Other receivables mainly comprises advances to business partners and investment related amounts. Net balance has reduced from RM94.6 million to RM80.5 million and we will continue to monitor the balance.
- The impairments are made in accordance to MFRS 9 for expected credit loss for the receivables and is sufficient to address non-recoverable amounts.
- In view of the effects from the COVID-19 Pandemic, management has taken a more prudent approach on the assessment of credit risk for the current financial year as all businesses are affected.
- There is no provision made on receivable from connected or related parties.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q10

There was a huge impairment loss of RM13.222 million (60.7%) made in respect of amounts owing by associates totaling RM21.79 million as at end of FY2020 (page 117 of AR2020).

How did such a huge impairment loss arise?

To which associates do the impaired amount relate to?

Are these amounts recoverable?

How much of it been recovered to-date?

Company's response

- The impairments are mainly related to advances made to these associates:

Business segment	Outstanding RM'000	Impairments RM'000	Net RM'000
Media division	13,202	(12,254)	948
Nylex Group	4,193	(830)	3,363
Others	4,392	(138)	4,254
Total	**21,787**	**(13,222)**	**8,565**

- These amounts are cumulative balance as at balance sheet date.
- These advances are made to fund the working capital requirements of the associates.
- Recovery would be dependent on the future profitability of these associates.