



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

20 October 2021

BY FAX/HAND

(FAX: 03-2783 9111)

The Chairman and
Board of Directors

ANCOM BERHAD

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Attention: Choo Se Eng
Wong Wai Foong
Company Secretaries

**Re: 52nd Annual General Meeting (AGM) of Ancom Berhad ("Ancom") 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 issues: -

Operational & Financial Matters

- 1) Ancom's Agricultural Chemicals Division generated revenue of RM332.0 million for the financial year ended 31 May 2021, which was a 38% year-on-year increase from RM241.2 million in FY2020.

As demand for food supplies rose, sales of the agricultural chemical products rose naturally in tandem with the higher food production (page 24 of Annual Report 2021).

- a) What were the respective average percentage increases in prices and demand in volume for the agricultural chemical products?
 - b) Is the favourable scenario sustainable in FY2022 and at least till FY2023?
- 2) Floods, bushfires and droughts could cause crop failures, thus reducing the demand for agricultural chemicals products. To mitigate such risk, the Group is constantly exploring and expanding its client base to include customers from different regions (page 27 of AR2021).

How successful has the Group been in expanding its client base geographically in FY2021 compared to FY2020 and in terms of number of clients? What is in the pipeline going forward?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

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- 3) The Group's Logistics Division will continue to complement the Industrial Chemicals Division by providing intra-group logistics support as well as offering bulk cargo services to customers in the Southeast Asian and South China regions (page 30 of AR2021).

What percentage of the Logistics Division revenue is earned from outside the Group? What are the plans in growing the Division more aggressively to contribute more meaningfully to the Group revenue?

- 4) Ancom's Other operating income declined sharply from RM17.716 million in FY2020 to RM9.067 million in FY2021 (page 77 of AR2021).

What are the major components in the segment that registered significant decrease and why? What is the likely contribution of other operating income for FY2022?

Corporate Governance Matters

- 1) Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:

- a) **Practice 4.2:** The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

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.

Ancom's response: Applied - Shareholders' annual approval to retain Independent Directors who have served for more than 9 years.

Departure – The Board has decided not to adopt the 2-tier voting process to retain Independent Directors who have served for a cumulative period of more than 12 years.

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MSWG's comment: Ancom's independent non-executive director (INED), Mr. Lim Hock Chye was appointed to the Board on 1 December 2011 and by the AGM date on 26 October 2021, he would have served as INED for a tenure of almost 10 years.

If the board intends to retain him as INED beyond 9 years, why was there no resolution proposed to justify and seek annual shareholders' approval?

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

A handwritten signature in black ink, appearing to read 'De', is positioned above the printed name of the signatory.

DEVANESAN EVANSON
Chief Executive Officer
DE/LCY/ANCOM/AGM2021

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