ANCOM BERHAD DETAILED ANSWERS

Questions raised by

Minority Shareholders Watch Group

52nd Annual General Meeting

OPERATIONAL AND FINANCIAL MATTERS

MSWG Question – Q1

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 favorable scenario sustainable in FY2022 and at least till FY2023?

Company's response

- As discussed on page 24, global food prices and demand have risen in FY2021.

- Generally, higher food prices are would bring in better demand as farmers would have more disposable income to buy crops protection products such and fertilizers and herbicides. Barring any unforeseen circumstances, we believe FY2022 would continue benefit from this trend, but it would be too premature for any outlook into FY2023 as there are many other factors to be considered.

- Other than the demand and supply situations, our average selling prices are dependent on the costs of raw materials and intermediary chemicals. Presently, the costs of intermediary chemicals and raw materials are trending at high prices owing to port congestions and energy rationing in China. Being an active ingredients producer, we can generally pass on such increase in costs to our customers.

OPERATIONAL AND FINANCIAL MATTERS

MSWG Question – Q2

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?

Company's response

- FY2021 has generally been the recovery of sales from our existing customers. Diversifying our risks geographically is one of the strategy we have adopted in managing extreme weather. For FY2021 and 2022, we are actively expanding our footprint in Thailand for the replacement of paraquat market.

- Another strategy is to diversify our portfolio and product range in the agrichemical division. As highlighted on page 29 of the Annual Report, we are also building new facilities to produce new active ingredients. Total new factory space amounts to 70,000 sf and it is expected to be completed by March 2022.

OPERATIONAL AND FINANCIAL MATTERS

MSWG Question – Q3

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?

Company's response

- Logistics Division plays a key role in complementing the Industrial Chemicals Division in facilitating our customers' logistical needs. External sales (as disclosed in Note 4 Operating Segments) contributes to 83.1% of the division's revenue in FY2021. In other words, only 17% of revenue is derived within the Group.

- For growth plan, management has put in place plan to add another 10,000 cbm new storage tank at Westport terminal from the current 44,100 cbm. The construction will commence when steel and copper prices stabilises in the near future,

- For the chemical bulk transportation, replacement of old trucks are done on the yearly basis to provide more efficiency to the operations.

OPERATIONAL AND FINANCIAL MATTERS

MSWG Question – Q4

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?

Company's response

- The major fluctuation in the Other Operating Income is due to lesser recognition of foreign exchange gain from RM5.9 million in FY2020 to RM2.3 million in FY2021. Difference is RM3.6million.
- There was also a non recurrent RM2.8 million gain from the disposal of subsidiary in previous financial year as disclosed on page 107, Note 8.4 Investment in Subsidiaries.
- As Other Operating Income includes income from non-business source and one-off exceptional income, we are unable to estimate the likely contribution to FY2022 results.

CORPORATE GOVERNANCE MATTERS

MSWG Question – Q5

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:

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.

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?

Company's response

- Due to administrative oversight, the Company have not included in the resolution to re-elect Mr Lim Hock Chye to continue to serve as an independent director.
- The Board will re-designate Mr Lim Hock Chye as a Non-Independent Director as soon as possible