ANCOM BERHAD (8440-M)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED DURING THE 50TH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT SELANGOR 1 BALLROOM, DORSETT GRAND SUBANG, JALAN SS 12/1, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN ON THURSDAY, 17 OCTOBER 2019 AT 2.30 P.M.

Before the AGM proceeded to Agenda 1, the Chairman informed the meeting that the Company has received a letter from the Minority Shareholders Watch Group ("MSWG") with questions. The MSWG has requested that the Company presented the questions raised by MSWG and the answers by the Company at the meeting.

Please refer to the Company's website at www.ancom.com.my under the Corporate Governance section for a copy of the letter from MSWG and the Company's reply thereon.

The following are the key questions from the shareholders and the Company's replies thereof: -

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

Q1. Mr Rien Hashim, a proxy requested for a brief presentation on the financial performance of the Group and outlook/ business plans moving forward as to ease shareholders' understanding.

A1. Dato' Siew Ka Wei, the Chairman of the Company ("**Dato' Chairman**") informed that the Group's financial performance and future prospects were disclosed in the Company's Annual Report 2019, a copy of which was circulated to all shareholders earlier. Management will enhance the presentation of the information in the Annual Report going forward.

Q2. Mr Ho Yueh Weng ("Mr Ho"), a shareholder enquired on the capital expenditure ("CAPEX") spent during the financial year 2019, the Group's direction on CAPEX's spending and the expected results to be derived.

He pointed out that most of the segment recorded a decline in profits as compared to last financial year. Mr Ho enquired on the Company's plans to manage the declining results amidst the challenging economic environment.

A2. Mr Lee Cheun Wei, the Group Chief Executive Officer ("**CEO**") informed that the Group spent about RM35 million CAPEX each financial year. The global economy is expected to be slowdown. The immediate outlook of the Group is expected to be challenging due to weak market sentiment.

He continued that the Agricultural Chemicals Division had achieved a growth in profits despite the weak economic environment globally. As Ancom Agrichemical Sdn Bhd is the only active ingredient producer in Malaysia, the Group would be able to capitalise from Agricultural Chemicals Division (being the Group's core competency) and continue to grow the business going forward.

As for the Media Division, the sluggish market in advertising industry is expected to continue. There is no sign of immediate recovery. Management has however collaborated with a regional player in media, i.e. VGI Global Media PLC ("**VGI**"), a listed entity in Thailand with market capitalisation of approximately RM10 million to turnaround media business. Management believed that the media business can be improved following the collaboration with VGI (being the media expertise coupled with their financial resources).

In terms of Industrial Chemicals Division (which is made up of the distribution and manufacturing businesses), the Profit Before Taxation ("**PBT**") for distribution business has declined significantly compared with last financial year. Based on the research report, most petrochemical players had experienced difficult time over the past years. Management expects the challenging business environment will continue to persist in the next 6 to 12 months. Further, the trade dispute between the US and China is expected to have an adverse impact on the distribution and trading businesses of the Group.

Notwithstanding that, Management has been putting effort in reducing the cost as well as implementing cost rationalisation initiatives over the year. Despite the Distribution business registered a lower PBT, the Group managed to achieve Profit After Taxation And Minority Interest (PATAMI) of RM15 million (2018: RM17 million). Management will continue to exercise caution in managing the business moving forward.

Q3. Mr Ho sought clarification on whether the Group had suffered huge losses in Media Division despite there was a gain of RM23.4 million arising from the disposal of its controlling interest in Puncak Berlian Sdn Bhd.

A3. The CEO responded that the Media Division had suffered a loss of approximately RM34 million. He further remarked that most of the media players have been suffering losses in the past few years due to the slowdown in economic activity.

In view of the sluggish market environment in media business, Management had decided to dispose of its controlling interest in Puncak Berlian Sdn Bhd to VGI (a regional media expertise) as to improve the overall financial performance of the Group. Consequential to the disposal, Puncak Berlian Sdn Bhd ceased to be a subsidiary and became a 30% associate (via Redberry Sdn Bhd).

Q4. Mr Ho enquired whether Media business would be the key focus of the Group. He also asked the rationale of entering into a share sale agreement with VGI Malaysia for the acquisition of Redberry Sdn Bhd's entire interest in Redberry Ambient Sdn Bhd (formerly known as Focus Media Network Sdn Bhd) ("RBA"), Redberry Outdoors Sdn Bhd, Point Cast (M) Sdn Bhd, Redberry Media Sdn Bhd and Ten Plus Resources Sdn Bhd at a consideration of RM1.3 million.

The CEO informed that the Group will continue to focus on its major sectors i.e. Industrial Chemicals Division and Agricultural Chemicals Division which contribute approximately 90% of the Group's revenue.

Media Division contributes approximately 6% to the Group's revenue (prior to the disposal to VGI).

He remarked that the acquisition of RBA is expected to contribute positively to the revenue and earnings of the Group (estimated approximately RM20 million in revenue and RM4 million in PBT annually).

Q5. Having noted that the Investment Holding and Other Divisions incurred an aggregated segmental loss of RM30.7 million in FY2019 (FY2018: RM29.9 million), Mr Ho enquired on the Group's plan in managing the losses.

A5. The CEO explained that the losses were attributed by corporate expenses and miscellaneous businesses (comprising small businesses that involve in education, call-centre, electrical components and etc.).

He added that the Company had initiated cost reduction measures across the Company and its 2 listed subsidiaries namely, Nylex (Malaysia) Berhad and Ancom Logistics Berhad. The Group managed to reduce its operation cost substantially (approximately RM9 million savings in FY2019 compared to FY2018).

Management is facing challenges to generate profit from miscellaneous businesses. Nevertheless, Management is looking into turnaround plans. Management anticipates that the Other Divisions will achieve better results in the first quarter of financial year 2020. As for those non-performing businesses, Management may consider merger and acquisition.

Q6. **Mr Ho enquired on the reason of higher Finance Costs in FY2019 even though the Group's Borrowings had been reduced to RM368.808 million in FY2019 compared to last financial year of RM390.662 million.**

A6. The CEO clarified that the higher Finance Costs in FY2019 was attributable to the drawdown to finance the increased trading activities in Distribution Division. The distribution business had registered a higher revenue in FY 2019 (RM1.35 billion vs. RM1.20 billion in FY2018).

The reduction in borrowings (approximately RM20 million) happened towards the end of FY2019. The divergence between the Borrowings and Finance Costs was due to timing issues.

Q7. **Mr Ho highlighted on the potential risk arising from the increase in Inventories (FY2019: RM170.868 million vs FY2018: RM129.581 million) and Receivables for FY2019.**

A7. The CEO explained that the increase in Inventories was due to the increased activities in Distribution business. Based on the Group's Inventories of RM170 million and Group's Revenue of RM2 billion, the Group's average period of inventories turnover was less than 1.5 months which is manageable.

He went on to clarify that the number of Receivables in FY2019 had reduced substantially to RM365.96 million as compared to FY2018 of RM510.38 million. The CEO opined that the accounts receivables turnover of the Group is well within the industry average.

Q8. **In terms of Other Investment, Mr Ho enquired the reason for increasing investment in Unit Trusts.**

A8. Management recognised the importance of maintaining Company's liquidity due to its nature of business. Management has considered and decided to increase its investment in short-term financial instrument, in particular, Unit Trusts, an alternative to cash management and yield higher interest.

Q9. **Mr Ho enquired the basis of bonus payment of RM4.032 million to an Executive Director during FY2019.**

A9. The CEO clarified that the remuneration and bonus payment to Directors were commensurate with better performance and financial results across the Group especially the Agricultural Chemicals Division which achieved a PBT of RM47 million for FY2019.

Q10. **In respect of the Liability Insurance for Officers, Directors and Auditors ("D&O Insurance"), Mr Ho enquired a brief summary on protection coverage, amount of premium paid and whether the Group has made any insurance claims.**

A10. The CEO informed that the D&O Insurance is to protect the Directors and Officers of the Company and the Group (including subsidiary and associate companies) against potential costs and personal liabilities that they might incur arising from the claims made against them arising out of the performance of their duties. The total insurance premium paid in FY2019 was RM13,000, with a coverage of RM10 million (maximum). The Group has not made any insurance claims thus far.

Q11. Mr Ho enquired on the implication on the Company if there is a claim against a Director who has lost in legal suit.

A11. The CEO clarified that the Directors and Officers are protected under the D&O Insurance up to the maximum claims of RM10 million should there is a legal action brought against the Directors or Officers for alleged wrongful acts in their capacity as Directors or Officers of the Group.

Q12. Mr Rien Hashim posted the following questions: -

(i) Is there any profit or revenue generated from the investment in Property, Plant and Equipment ("PPE") totalling RM35.9 million during FY2019?
(ii) Whether the net assets per ordinary share of RM1.37 has been taken into account when determining impairment loss.
(iii) How is the Group to utilise tax losses carried forward?

He also put forward the following suggestions: -

(i) To improve the Investor Relations i.e. having additional session with investors to share on the Group's business, products and performance.
(ii) To upload the signed Audited Financial Statements ("AFS") to the website.
(iii) To consider downsizing the number of the Board members for cost saving purpose.
(iv) To have a proper planning and preparation for Annual General Meeting such as availability of seats, provision of lunch or refreshment, door gift etc.
(v) To declare dividends as to reward shareholders.
(vi) To insert the photo of senior management in the Annual Report.
(vii) To set up a proper channel for shareholders to raise their concerns or complaints.
(viii) To prepare and release a media statement highlighting key financial results when release Quarterly Results to Bursa Securities.
(ix) To increase Board gender diversity.

A12. The CEO responded that: -

(i) The CAPEX was mainly for replacement or purchases of new plant and equipment for business operations purpose. There are about 10 new factories across South East Asia principally involved in agrichemicals, polymers and manufacturing activities. The PPE of RM35 million is equivalent to approximately 2% of the Group revenue of RM2 billion which was considered adequate.

(ii) On impairment, Management had accorded to the necessary audit procedures and performed impairment tests for all its major trade receivables in accordance with MFRS 9 – *Financial Instruments*. The impairment for loss of receivables has accounted for the net assets of RM1.37 per ordinary share.

(iii) Management endeavours to fully utilise the tax losses carried forward under the Group relief pursuant to the Income Tax Act 1967. The Group had been utilising the tax losses in Media Division to offset against the profit-making division i.e. Agricultural Chemicals Division.

The Board took note of the aforesaid suggestions. The CEO continued that: -

(i) Management will consider the suggestion of having additional session with investors as to foster meaningful relationship and allows them to understand the direction the Group is heading towards.

(ii) The Company had complied with the requirements under the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad wherein the Directors shall prepare and finalise its audited financial statements and table to the shareholders at the AGM. A copy of the signed AFS will be lodged with the Companies Commission of Malaysia within 30 days after the AGM.

Due to confidentiality and in pursuance to Personal Data Protection Act 2010, the signature of the Directors and Officers should not be disclosed or made available in public domain.

(iii) Currently the Board has a total of 7 Directors comprising 2 Executive Directors, 1 Non-Independent Non-Executive Director and 4 Independent Non-Executive Directors. Each Director has equipped with diverse skills, knowledge and experience in various fields which are relevant to the Group. Given the size of the business as well as the total revenue generated during the year (RM2 billion), Management opined that the current size and composition of the Board is appropriate.

(iv) Management endeavour to manage the proceedings of AGM in a more efficient way moving forward.

(v) The Company had in October 2018 undertaken a bonus issue of 21,892,942 new ordinary shares on the basis of 1 bonus share for every 10 existing ordinary shares held as to reward the existing shareholders of the Company. In view of the weak global demand and anticipation of economic slowdown, the Company intends to conserve cash for working capital or new business opportunity (if any). Hence, the Board did not recommend any dividend declaration in the current year.

(vi) Investors or the public who wish to raise any enquiry, opinions or recommendations relating to the Company may channel their enquiries to the Company Secretaries or through the Company's website at www.ancom.com.my.

Q13. Mr David Wong, a shareholder, enquired on the Company's action if a Director had proven to have breach the law and caused huge losses to the Company (where the D&O insurance does not indemnify such Director).

A13. The CEO stated that theoretically the Company will claim losses from such Director if he is found to be fraudulently or intentionally breach the law that caused losses to the Company.

Q14. Mr Rien Hashim enquired an update on the court case relating to the claim made by Nylex (Malaysia) Berhad ("Nylex") against Utusan Melayu (Malaysia) Berhad ("Utusan") in September 2018.

A14. The CEO briefed that the Group had via Nylex and Redberry Sdn Bhd ("**Redberry**") filed legal claims against Utusan to claim for return of deposits totalling RM18.5 million (i.e. Nylex claimed for RM10 million while Redberry claimed for RM8.5 million). The case was fully resolved in February 2019. Nylex and Redberry had subsequently entered into settlement agreements with Utusan in April 2019 to recover the total claimable amount of RM18.5 million. The summary of judgement was set out in Note 42 of the AFS under Significant Events.

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTs")

Q1. Mr Rien Hashim requested for a summary of major RRPTs undertaken by the Group.

A1. The CEO informed that the Company is seeking mandate from the shareholders to continue to enter into 2 RRPTs with a related party namely Malay Mail Sdn Bhd, i.e. (i) the provision of advertising space in the newspaper and other media channels by Malay Mail Sdn Bhd to Ancom Group, and (ii) the provision of printing services by Twinstar Synergy Sdn Bhd to Malay Mail Sdn Bhd. The two RRPTs are in the ordinary course of business of the Group and are necessary for its day-to day operations.

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK MANDATE

Q1. Mr Ho enquired the benefits to the Company or shareholders when the Company bought back its own shares regularly. He also enquired whether the Company has established any Dividend Policy.

A1. The CEO informed that the Group's Net Tangible Assets stood at RM1.34. However, the Company's share price is in the range of RM0.40 to RM0.70 which is substantially undervalued as compared to its book value. Given poor market sentiment, the Company opined that share buy-back would stabilise the supply, demand and price of the Company's shares in the open market, thereby reducing the volatility of its share price.

As for shareholders, share buy-back would increase the percentage of ownership held by each shareholder as the shares that are held as treasury shares shall not be taken into account in calculating the percentage of shareholdings.

He also highlighted that one of the options to utilise its treasury shares (i.e. shares retained from the shares bought back) is to distribute shares dividend to shareholders of the Company in future. As mentioned earlier (Q&A 12), he informed that the Company did not recommend any dividend payout as the Company has decided to conserve its cash for better management and debt reduction in anticipation of global economic slowdown moving forward.

Dato' Chairman added that the Company will only buy back its own shares after due consideration, in particular, the potential impact on the Company's earnings and financial condition.

Q2. Mr Ho enquired whether the Company has ever discussed on the need of institutional investor(s).

A2. The CEO informed that the Company has been engaging with fund managers constantly to understand their expectations and concerns to invest into Company's shares. Generally, they are interested on profitable companies instead. Thus, the Company would have to address all its loss-making businesses in order to attract institutional investors.

Q3. Mr Ho enquired the rationale of venturing into money lending business.

A3. Dato' Chairman explained that the investment in DJ Money Matters Sdn Bhd ("**DJ Money**"), an associate which is principally engaged in money lending business is merely to provide financial assistance to the customers of the Group. Such arrangement is also a way to strengthen business alliances with customers. The investment in DJ costs about RM2 million.

Q4. Mr David Wong, a shareholder, enquired whether the Company would adopt a Dividend Policy as to attract institutional investors and at the same time to boost the Company's profiles.

A4. The CEO informed that the Company will consider the adoption of Dividend Policy once the Group has resolved those loss-making subsidiary companies.