

23 October 2024

Reference: MSWG-CM-03-06/24
By Email

The Board of Directors
ANCOM NYLEX 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**
Te Hock Wee
Company Secretaries

Dear Directors,

ANNUAL GENERAL MEETING (“AGM”) OF ANCOM NYLEX BERHAD (“ANB” or “THE COMPANY”) TO BE HELD ON TUESDAY, 29 OCTOBER 2024

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

Operational & Financial Matters

1. On 23 September 2024, Hamburg-based chemical marketing firm Helm AG emerged as a substantial shareholder of ANB with a total shareholding of about 13% in ANB- via a private placement exercise.

ANB said the development is set to benefit ANB with broader access to the European market. The Company plans to leverage Helm AG’s market expertise and geographical reach to improve its financial performance.

In FY2023, ANB’s revenue from the European market came in at only RM375,000, representing just 0.02% of its total revenue of RM2.04 billion respectively.

- a) What form of collaboration and synergy is set to take place between ANB and Helm AG? What is the total addressable market for ANB’s products in Europe? Which segment of products will drive ANB’s growth in Europe?

- b) Helm AG had purchased the 30 million treasury shares that ANB sold before the completion of the private placement.

What are the total proceeds received from the sale of treasury shares? How much is the profit/loss recorded compared to the cost of purchase?

- 2. For the financial year under review, the Company charted good progress for its new active ingredient (AI) in its Agrichemicals business. Having obtained the Certificate of Completion and Compliance (CCC) for its new Agrichemicals production facility in Klang, the Company has begun production trials of the new active ingredient and delivered samples to its clients for their in-house quality checks and assessments (page 24 of AR 2024).
 - a. What is the new AI about? How were the outcomes and feedback from clients on the quality and efficacy of the new active ingredient?
 - b. When will the new active ingredient be ready for commercial production?
 - c. Please describe the value chain of a new AI from conception, different phases of production, to commercialisation.
 - d. Additionally, the development of another new AI is underway, with machine installation planned for early 2025 and production targeted in the second half of 2025. What is the unique proposition of the new AI compared to other existing products available?
 - e. What are the market supply and demand dynamics for the two new AIs? Is the market highly competitive?
- 3. The Company hopes that the soybean plantation market can present a gradual growth opportunity to it in the next few years. Meanwhile, it has also secured a long-term supply contract for timber preservatives with a longstanding US customer in June 2024, which is expected to sustain order flow and contribute positively to the Agrichemicals division's performance (page 33 of AR 2024).
 - a. What is the prospect of the soybean plantation market? Has the Group been able to seize any growth opportunity?
 - b. What is the value and duration of the long-term supply contract for timber preservatives?
- 4. The Industrial Chemicals division is the largest revenue contributor to ANB with sales of RM1.29 billion in FY2024. The division encompasses two main business activities: manufacturing and distribution.

- a. Although the revenue of the Industrial Chemicals division in FY2024 was doubled that of the Agrichemicals Division, its PBT of RM14.5 million was almost seven times lower than RM103.4 million posted by the latter (pages 29 - 30, 151 AR2024).

Is the thin profit margin a norm among industrial chemicals producers and distributors in the industry? What is the revenue breakdown between manufacturing and distribution of chemical products? How does the Group improve the profitability of the division?

- b. ANB is one of the two key producers of ethanol in Malaysia. What is ANB's market share of ethanol in Malaysia?
5. Bursa Securities had on 29 January 2024 suspended the trading of Nylex (Malaysia) Berhad's shares with effect from 7 February 2024. Nylex has until 26 January 2025 to submit a regularisation plan to the relevant authorities based on the latest extension granted by Bursa Securities on 24 September 2024 (page 32 of AR 2024).
 - a. What is the status of the collaboration to propose to build and operate a Light Rail Transit system in Johor Bahru?
 - b. What is Plan B to salvage the listing status of Nylex if the said proposal is unable to materialise?

Sustainability Matters

1. ANB sets a target of reducing electricity intensity by 2 - 3% by FY2024-2025 (page 57 of AR2024).

What is the baseline number used to monitor the overall performance of energy management? How did the FY2024 numbers perform compared to the baseline?

2. ANB broadened the scope of carbon emissions assessments to 25 operating companies from seven in FY2023 and FY2022.
 - a. With wider coverage of operating subsidiaries, how many % of operations has the Group covered for the reporting of carbon emissions?
 - b. In line with the Group's objective to reduce its carbon footprint, what is the targeted carbon emissions reduction (by percentage) compared to the baseline? What is the baseline figure for comparison? Please consider including the baseline emissions number for better comparison and assessment by shareholders in the future.
 - c. Scope 3 emissions totalled 21,328.45 tCO₂e making up about 36% of ANB's total emissions in FY2024. 99.7% of the Scope 3 emissions were generated by the Logistics division on account of Category 13 (Leased Assets) (page 61 of AR2024).

Why did the Group include leased assets in the Scope 3 emissions calculation? Based on which standard that the inclusion was incorporated?

- d. ANB expects the proposed acquisition of Green Lagoon Technology Sdn Bhd (GLTSB) by Ancom Logistics Berhad would lower the Group's carbon emissions significantly (page 59 of AR2024).

How significant will the reduction in carbon emissions be, considering the classification of ALB from a subsidiary to an associate company post-completion of a series of corporate exercises (page 31 of AR2024)?

3. In FY2024, ANB incurred a fine of RM200,000 related to environmental compliance issues. Since then, the Company has implemented robust countermeasures to prevent such occurrences in the future. Measures taken include the installation of Industrial Effluent Treatment Systems (IETS) to ensure compliant discharge; and partnering with contractors licensed by the Department of Environment (DOE) for scheduled waste disposal (page 56 of AR 2024).
 - a. What offence did the Company commit? To which business division that the fine was related?
 - b. What are the root causes of the environmental compliance issues or what exactly was the reason? What are the lessons learned from environmental compliance issues?

Corporate Governance Matters

1. ANB's Managing Director/Group CEO Datuk Lee Cheun Wei and independent non-executive directors (INED) Datuk Dr. Abd Hapiz Abdullah received other emoluments amounting to RM600,000 and RM650,5000 respectively in FY2024 (page 108 of AR2024).

Compared to the year before, Datuk Lee and Datuk Dr. Abd Hapiz received zero and RM356,500 of other emoluments (page 87 of AR2023).

- a. What do the other emoluments comprise?
- b. Save for Datuk Dr. Abd Hapiz, the other INEDs did not receive other emoluments from the Group (page 87 of AR2023). Why is Datuk Dr. Abd Hapiz the only INED entitled to receive the other emoluments?
- c. Why was there a significant increase of 82.46% in other emoluments paid to Datuk Dr. Abd Hapiz in FY2024?
- d. **MSWG's comments:** Including the other emoluments, Datuk Dr. Abd Hapiz received a total remuneration of RM775,000 in FY2024 (FY2023:RM595,400), which was significantly higher than other INEDs with remuneration ranging between RM93,000 and RM210,200 (FY2023: RM72,500 and RM167,300) (page 108 of AR2024).

On top of this, Datuk Dr. Abd Hapiz is also the chairman of the Remuneration & Nomination Committee (RNC), which is tasked to recommend the remuneration structure for directors to the Board (page 104 of AR2024).

This raises concerns about potential conflict of interest (COI) or where one's objectivity or independence could be impaired, considering the substantial payout received (vis-a-vis other INEDs) and duties at RNC.

- e. Please explain the rationale of remunerating Datuk Lee with other emoluments of RM600,000 in FY2024.
2. Whistleblowing reports are directly channeled to the Group Chief Integrity Officer (CIO) and copied to the company secretary and chairman of the Audit Committee. Mr Phillip Karupiah is the Group CIO and the Group Human Resources (HR) Director (pages 17 and 51 of AR2024).

How does the Group mitigate the risks of COI and self-reviewing if HR-related improper conduct or grievances arise? To enhance the impartiality and integrity of whistleblowing reporting procedures, will the Group consider appointing an independent party not involved in managerial matters as the primary receiving channel?

3. ANB has departed from Practice 5.9 of the Malaysian Code on Corporate Governance (MCCG) which encourages a board to comprise at least 30% women directors. As of FY2024, ANB's Board consists of eight members, including one female director, Christina Foo (INED), representing 12.5% of the Board.

Nevertheless, the Company has set a target to achieve at least two female representations within the next financial year (page 34 of Corporate Governance Report 2024).

- a. What is the strategy taken to achieve the target? Does the Board face any challenges/issues in sourcing for women directors?
- b. What benefits has the board experienced from the appointment of Ms. Christina Foo since 19 September 2022? How has the board's performance been impacted in relation to these benefits?

We look forward to your reply. Additionally, please present the questions raised and the related answers to the shareholders present at the forthcoming AGM.

Thank you.

Yours sincerely

A handwritten signature in black ink, consisting of stylized, cursive letters that appear to be 'MSWG'.

MINORITY SHAREHOLDERS WATCH GROUP