

AGX GROUP BERHAD (“AGX” or “THE COMPANY”)

[REGISTRATION NO. 201901042663 (1351993-K)]

- ACQUISITION OF A 30% EQUITY INTEREST IN AGX LOGISTICS (THAILAND) CO., LTD. (FORMERLY KNOWN AS JK FREIGHT GLOBAL CO., LTD.)

1. INTRODUCTION

The Board of Directors (“**Board**”) of AGX wishes to announce that the Company had on 16 July 2024 entered into a shareholders’ agreement with Kongsak Chakornviroj and Phetdavanh Phatsalouphon (“**the Parties**”) for the acquisition of 6,000 shares representing 30% equity interest in AGX Logistics (Thailand) Co., Ltd. (Formerly known as JK Freight Global Co., Ltd.) (Company Registration No. 0105567071204) (“**AGX Thailand**”) for a total cash consideration of THB600,000 (approximately equivalent to RM77,000) (“**Purchase Consideration**”) (“**Acquisition**”). The shareholders’ agreement sets out the financial, managerial, administrative and other arrangements agreed between the parties in relation to their participation in AGX Thailand and the manner in which the affairs of AGX Thailand will be regulated.

2. INFORMATION OF THE AGX THAILAND

AGX Thailand is a private limited company incorporated on 1 April 2024 under the laws of Thailand. AGX Thailand’s principal place of business is located at 49 T.I.T. Tower Room 1707, 17th Floor, Soi Chan 43, Bangklo, Bangkholaem, Bangkok 10120. As at the date of the shareholders’ agreement, the paid-up capital of AGX Thailand is THB2,000,000 comprising of 20,000 ordinary shares.

The principal activities of AGX Thailand are to provide logistics services in Thailand.

The acquisition was completed on 31 July 2024 and AGX Thailand has become an associate of AGX. The shareholding structure of AGX Thailand is as follows:

Shareholders	No. of ordinary shares	%
Kongsak Chakornviroj	10,200	51
AGX Group Berhad	6,000	30
Phetdavanh Phatsalouphon	3,800	19
Total	20,000	100

As at 31 July 2024, the directors of AGX Thailand are (a) Kongsak Chakornviroj and (b) Phetdavanh Phatsalouphon.

3. SALIENT TERMS OF THE SHAREHOLDERS’ AGREEMENT

The Parties entered into this shareholders’ agreement are agreeable to co-operating with each other in a joint venture to conduct logistics and any other business as may be agreed by the Parties from time to time.

a) Operation of the Business

- AGX agrees to allow AGX Thailand to use AGX’s name and logo for its marketing and business operations. AGX Thailand is not allowed to use AGX’s name and logo if and when AGX is no longer a shareholder of AGX Thailand.
- AGX Thailand shall be empowered to carry out any business framed under its Memorandum and Articles of Association or as from time to time altered by special resolution.

- The primary objectives of AGX Thailand shall be to conduct logistics business in Thailand.
- The objectives of AGX Thailand shall be conducted in the best interests of AGX Thailand on sound commercial profit-making principles so as to generate the maximum achievable profits.

b) Quorum for Board of Directors

- Board of Directors of AGX Thailand shall consist of at least two directors and one of the directors shall be nominated by Kongsak Chakornviroj and AGX respectively.
- The quorum for all meetings of the Board (including adjourned meetings) shall be two (2) directors comprising of at least one (1) director from AGX.

c) Management of AGX Thailand

The management of AGX Thailand will be handled by Kongsak Chakornviroj or any personnel nominated by Kongsak Chakornviroj, including hiring and appointment of the key personnel of AGX Thailand.

d) Conflicts of Interest

- Each of the shareholders and the management of AGX Thailand shall declare all conflicts of interest to the Board and all direct and deemed interests (whether financial or otherwise) which he may have in any company or companies which are or which may from time to time be doing business with AGX Thailand or which are or which may from time to time be in direct or indirect competition with AGX Thailand.
- All transactions by AGX Thailand with the shareholders or directors or any person(s) connected to them shall be at arms-length pricing.

4. RATIONALE AND BENEFITS OF THE ACQUISITION

The Acquisition provides an opportunity to AGX Group to penetrate Thailand's market via a physical presence and generate additional revenue to the Group's existing business segments. Furthermore, the expansion is in line with AGX's long-term business plan to expand its physical presence in Asia-Pacific region.

The Board is optimistic with Thailand's rapidly growing economy and favourable business environment, will presents a strategic market for AGX's services.

Other key rationale for the Acquisition are as follows:

a) Market Opportunity

The logistics market share in Thailand is expected to increase by USD 8.89 billion from 2021 to 2026, and the market's growth momentum will accelerate at a compound annual growth rate (CAGR) of 4.95%. Growing e-commerce propels the demand for logistics services, which is one of the key factors driving the Thailand logistics market growth.⁽¹⁾ AGX can obtain a competitive advantage by investing in a local company that operates in this profitable market.

⁽¹⁾ *Extracted from Logistics Market in Thailand by End-user and Function – Forecast and Analysis 2022-2026, published by Technavio on Feb 2022.*

Technavio is a leading global market research company providing comprehensive research reports and analysis across various industries. The company offers insights into market trends, growth drivers, challenges, and competitive landscapes.

b) Strategic Partnership

Our two local partners in Thailand own an established logistics company specialising in land transportation, including cross-border shipments. On the other hand, our group has core strengths in international freight forwarding with a strong network worldwide. Hence, the joint venture in Thailand will complement each other's strengths and create synergy between the two groups.

c) Immediate Customer Base

AGX Thailand already has some immediate customers and projects in place, laying a solid platform for revenue generating from the start. This reduces the risk involved in launching a new business from scratch.

5. RISK FACTORS IN RELATION TO THE ACQUISITION

Save for the following potential associated risk factors identified in relation to this Acquisition and the corresponding mitigation plans, AGX is not expected to materially change the business risk profile of AGX except for general business risks:

a) Market Risk

Fluctuations in the Thailand market could impact the performance of AGX Thailand. Economic downturns, changes in consumer behaviour, or shifts in government policies may affect demand for logistics services.

This risk is planned to be mitigated by offering diversified services to cater to various industries and sectors within the logistics market, implementing flexible pricing strategies to adapt to changing market conditions, closely monitoring market trends and customer demands to proactively adjust business strategies, and establishing long-term contracts with key clients to provide stability in revenue streams during market fluctuations.

b) Key People Risk

Dependency on Kongsak Chakornviroj and Phetdavanh Phatsalouphon as the local experts for AGX Thailand's operation may expose AGX Thailand to risks.

This risk is planned to be mitigated by signing a shareholders' agreement with our local partners, outlining the terms and conditions of the collaboration, and implementing succession planning to identify and develop talent within the organisation to mitigate the impact of key personnel leaving.

c) Financial Risk

Insufficient liquidity, cash flow constraints, or overleveraging could hinder AGX Thailand's ability to fund operations, pursue growth opportunities, or withstand economic downturns.

This risk is planned to be mitigated by conducting regular financial forecasting and budgeting to anticipate cash flow needs and identify potential liquidity issues in advance, maintaining a conservative approach to debt management to avoid overleveraging, exploring alternative financing options such as equity financing or strategic partnerships to supplement cash flow and support growth initiatives, and implementing cost-saving measures and efficiency improvements to optimise operational expenses.

6. FINANCIAL EFFECT OF THE ACQUISITION

The Acquisition of AGX Thailand will not have any material effect on the share capital and substantial shareholders' shareholdings of AGX, earnings per share, net assets per share and gearing of the AGX for the financial year ending 31 December 2024.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors, major shareholders of AGX and/or persons connected with a director or major shareholder of the Company, has any interest, direct and/or indirect in the Acquisition.

8. STATEMENT BY THE BOARD OF DIRECTORS

The Board of AGX, having considered all aspects of the Acquisition, is of the opinion that the Acquisition is in the best interest of the Company.

9. HIGHEST PERCENTAGE RATIO PURSUANT TO RULE 10.02(G) OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("AMLR")

The highest percentage ratio applicable to the Acquisition pursuant to Rule 10.02(G) of the AMLR is 0.26%, based on the total assets of AGX Group as of 31 December 2023.

This announcement is dated 31 July 2024.