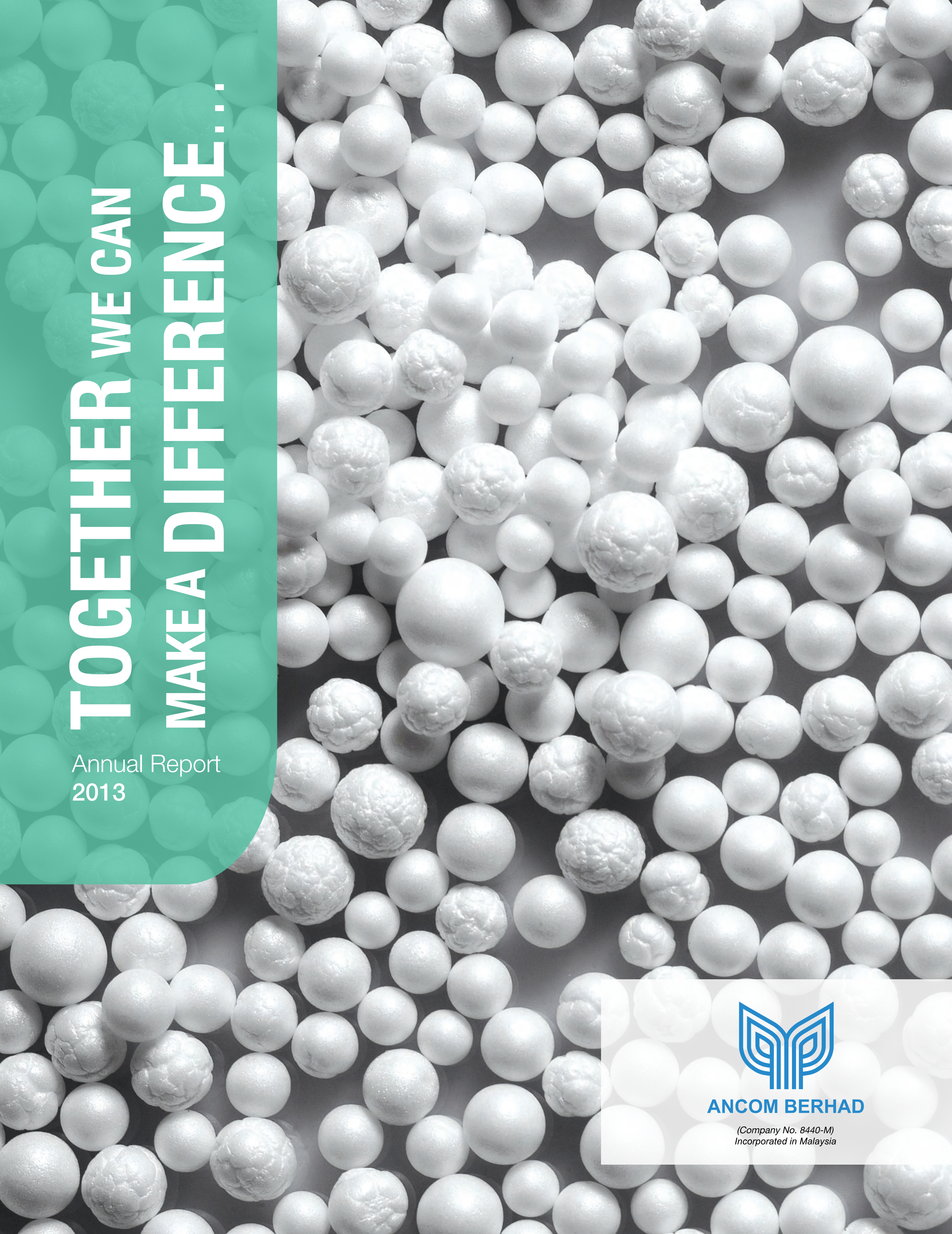
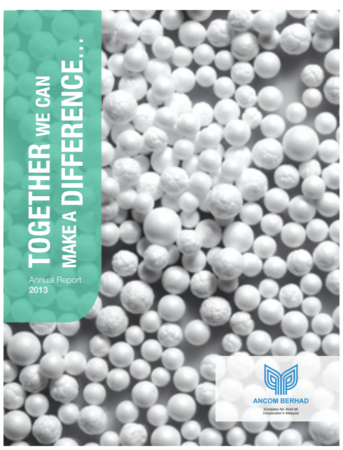


# TOGETHER WE CAN MAKE A DIFFERENCE...

Annual Report
**2013**

**ANCOM BERHAD**

*(Company No. 8440-M)*
*Incorporated in Malaysia*




One of the basic elements of a successful business is to have an understanding of customer needs and to translate this understanding into quality assured products. For over 20 years, we've been at the forefront of innovation, transforming the basics into purpose items which touch every point of our customer's lives. We're rest assured that at Ancom Berhad ("Ancom"), together, we can make a difference.

# CONTENTS

# CORPORATE INFORMATION

## DIRECTORS

**Dato'Johari Razak**
*(Non-Independent Non-Executive Chairman)*

**Dato' (Dr) Siew Ka Wei**
*(Group Managing Director)*

**Tan Sri Dato' Dr Lin See Yan**
*(Independent Non-Executive Director)*

**Datuk Ir (Dr) Mohamed Al Amin Abdul Majid**
*(Non-Independent Non-Executive Director)*

**Chan Thye Seng**
*(Non-Independent Non-Executive Director)*

**Edmond Cheah Swee Leng**
*(Independent Non-Executive Director)*

**Lim Hock Chye**
*(Independent Non-Executive Director)*

## AUDIT COMMITTEE

Edmond Cheah Swee Leng
*(Chairman)*
Dato' Johari Razak
Lim Hock Chye

## REMUNERATION & NOMINATION COMMITTEE

Tan Sri Dato' Dr Lin See Yan
*(Chairman)*
Edmond Cheah Swee Leng
Lim Hock Chye

## COMPANY SECRETARIES

Choo Se Eng
Wong Wai Foong

## REGISTERED OFFICE

Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : (603) 2264 8888
Fax : (603) 2282 2733

## BUSINESS ADDRESS

No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 5000
Fax : (603) 7495 5088

## SHARE REGISTRARS

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : (603) 2264 3883
Fax : (603) 2282 1886

## AUDITORS

BDO (AF: 0206)
Chartered Accountants

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
- Industrial Products Sector

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
CIMB Bank Berhad
AmBank Malaysia Berhad

## SOLICITORS

Shearn Delamore & Co

## DOMICILE

Malaysia

| | 2013 RM'000 | 2012 RM'000 | 2011 RM'000 | 2010 RM'000 | 2009 RM'000 |
|---|---|---|---|---|---|
| Sales | 2,032,564 | 1,705,204 | 1,507,483 | 1,513,137 | 1,650,935 |
| Profit/(Loss) before tax | | | | | |
| - continuing operations | 4,248 | 10,207 | 253 | 34,604 | 15,090 |
| - discontinued operations | - | - | - | - | (25,498) |
| | 4,248 | 10,207 | 253 | 34,604 | (10,408) |
| (Loss)/Profit after tax | | | | | |
| - continuing operations | (12,533) | 404 | (5,898) | 22,855 | 8,707 |
| - discontinued operations | - | - | - | - | (25,498) |
| | (12,533) | 404 | (5,898) | 22,855 | (16,791) |
| Effective rate of tax - % | >100 | 96 | >100 | 34 | 42* |
| Net (Loss)/profit attributable to Ancom shareholders | (19,906) | (9,014) | (12,952) | 1,480 | (6,648) |
| **ASSETS EMPLOYED** | | | | | |
| Property, plant and equipment | 228,418 | 231,537 | 225,433 | 223,017 | 227,729 |
| Investments | 4,389 | 6,693 | 10,827 | 16,165 | 16,301 |
| Other non-current assets | 124,473 | 131,829 | 130,751 | 113,820 | 102,890 |
| Current assets | 613,882 | 642,113 | 576,722 | 549,120 | 533,635 |
| Total assets | 971,162 | 1,012,172 | 943,733 | 902,122 | 880,555 |
| **FINANCED BY** | | | | | |
| Share capital | 218,956 | 218,956 | 218,956 | 218,956 | 218,956 |
| Reserves | 54,153 | 81,994 | 88,970 | 102,567 | 109,905 |
| Less : Treasury Shares, at cost | (2,056) | (2,281) | (2,073) | (2,073) | (2,073) |
| Ancom shareholders' interests | 271,053 | 298,669 | 305,853 | 319,450 | 326,788 |
| Non-controlling interests | 131,078 | 122,691 | 121,854 | 116,454 | 107,763 |
| Total shareholders' funds and non-controlling interests | 402,131 | 421,360 | 427,707 | 435,904 | 434,551 |
| Non-current liabilities | 30,903 | 37,451 | 42,088 | 45,511 | 56,003 |
| Current liabilities | 538,128 | 553,361 | 473,938 | 420,707 | 390,001 |
| Total funds employed | 971,162 | 1,012,172 | 943,733 | 902,122 | 880,555 |
| **SHAREHOLDERS' INTERESTS** | | | | | |
| (Loss)/Earnings per share - sen | (9.22) | (4.17) | (5.99) | 0.65 | (3.07) |
| Gross dividend per share - sen | - | - | - | 1.5 | 18 |
| Net assets per share attributable to Ancom shareholders - RM | 1.24 | 1.36 | 1.40 | 1.46 | 1.49 |
| **OTHERS** | | | | | |
| Depreciation & amortisation | 26,168 | 26,857 | 22,797 | 20,389 | 21,285 |
| Interest expense | 14,405 | 13,868 | 12,931 | 10,508 | 15,761 |

* In respect of continuing operations

# LIST OF PRINCIPAL OFFICES

## ANCOM BERHAD - CORPORATE OFFICE
No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 5000
Fax : (603) 7495 5088

## ANCOM-CHEMQUEST TERMINALS SDN BHD
Jeti Petrokimia, Pelabuhan Barat
42920 Pulau Indah, Port Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3101 1372
Fax : (603) 3101 1279

## ANCOM CROP CARE SDN BHD
No. 31 Jalan Tukul P15/P, Section 15
40200 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5519 4022
Fax : (603) 5510 3888

## ANCOM LOGISTICS BERHAD
No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 5000
Fax : (603) 7495 5088

## ASCENSION LAB SDN BHD
No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor, Malaysia
Tel : (603) 7495 5600
Fax : (603) 7932 2522

## CKG CHEMICALS PTE LTD
133, New Bridge Road
#25-02, Chinatown Point
Singapore 059413
Tel : (65) 6737 2219
Fax : (65) 6235 6342

## DYNAMIC CHEMICAL TRADING PTE LTD
133, Cecil Street
#12-03, Keck Seng Tower
Singapore 069535
Tel : (65) 6224 4142
Fax : (65) 6224 6460

## FERMPRO SDN BHD
302, Blok A
Pusat Dagangan Phileo Damansara I
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

## IENTERPRISE ONLINE SDN BHD
Unit 1003 & 1005, Blok B
Pusat Dagangan Phileo Damansara II
No. 15, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7665 1988
Fax : (603) 7665 1638

## KUMPULAN KESUMA SDN BHD / WEDON SDN BHD
No. 6, Lorong SS13/6A
Subang Jaya Industrial Estate
47500 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 5633 6229
Fax : (603) 5634 9915

## MAGIQADS SDN BHD
No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 3338
Fax : (603) 7495 3339

## MERU UTAMA SDN BHD
No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 1188
Fax : (603) 7495 3333

## MSTI CORPORATION SDN BHD
No. 56-1 & 56-2, Jalan Puteri 5/2
Bandar Puteri, 47100 Puchong
Selangor Darul Ehsan
Malaysia
Tel : (603) 8063 1677
Fax : (603) 8063 1977

## NYLEX (MALAYSIA) BERHAD
Lot 16, Persiaran Selangor, Section 15
40200 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5519 1706
Fax : (603) 5510 0008

## NYLEX SPECIALTY CHEMICALS SDN BHD / SPECIALITY PHOSPHATES (MALAYSIA) SDN BHD
Lot 593 & 624, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3168 8282
Fax : (603) 3168 5711

## PENGANGKUTAN COGENT SDN BHD

PTD 149227, Jalan Berjaya 7
Taman Perindustrian Berjaya
81200 Kempas Lama
Johor Darul Takzim
Malaysia
Tel : (607) 558 3131
Fax : (607) 558 1313

## PERUSAHAAN KIMIA GEMILANG SDN BHD

302, Blok A
Pusat Dagangan Phileo Damansara I
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

## POINT CAST (M) SDN BHD / FOCUS MEDIA NETWORK SDN BHD

No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 1188
Fax : (603) 7495 1117

## PT NYLEX INDONESIA

Desa Sumengko Km31 Kecamatan
Wringinanom, Kabupaten Gresik
East Java, 61176 Indonesia
Tel : (6221) 898 2625
Fax : (6221) 898 2623

## REDBERRY SDN BHD

No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 1188
Fax : (603) 7495 1106

## REDBERRY CONTACT CENTER SDN BHD

Level 14, Menara Aik Hua
6 Changkat Raja Chulan
50200 Kuala Lumpur
Malaysia
Tel : (603) 2718 4222
Fax : (603) 2031 2028

## REDBERRY OUTDOORS SDN BHD / REDBERRY OUTDOORS PRODUCTIONS SDN BHD

No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 1155
Fax : (603) 7495 1134

## UNRESERVED SDN BHD

No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 1288
Fax : (603) 7956 6808

## WHEEL SPORT MANAGEMENT SDN BHD

No. 2A, Jln 13/2, Sek 13
46200 Petaling Jaya
Selangor Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 1190
Fax : (603) 7495 1191

# CORPORATE STRUCTURE

As at 31 May 2013

- 100% Rhodemark Development Sdn Bhd

**ANCOM BERHAD**

- 100% Ancom Crop Care Sdn Bhd
  - 100% Polytensides Sdn Bhd
  - 100% Ancom Bioscience Sdn Bhd
  - 100% Timber Preservatives Sdn Bhd
- 100% Ascension Lab Sdn Bhd
- 100% Redberry Sdn Bhd
  - 100% Redberry Outdoors Sdn Bhd
    - 100% Redberry Outdoors Productions Sdn Bhd
  - 83.9% Focus Media Network Sdn Bhd
  - 51% Redberry Animation Sdn Bhd
  - 49% Redberry Media Sdn Bhd
  - 100% Point Cast (M) Sdn Bhd
  - 64% Meru Utama Sdn Bhd
  - 77% Wheel Sport Management Sdn Bhd
  - 100% Redberry Contact Center Sdn Bhd
  - 40% MagiqAds Sdn Bhd
  - 100% UnReserved Sdn Bhd
  - 100% Twinstar Synergy Sdn Bhd
- 45% MSTi Corporation Sdn Bhd
- 64% IEnterprise Online Sdn Bhd

* Only major companies are shown in the Corporate Structure.

- 11.87% — **ANCOM LOGISTICS BERHAD**
- 100% — Ancom Overseas Ventures Sdn Bhd
  - 0.03% — ANCOM LOGISTICS BERHAD
- 100% — Synergy Tanker Sdn Bhd
  - 15.37% — ANCOM LOGISTICS BERHAD
- 19.80% — **ANCOM LOGISTICS BERHAD**
  - 67% — Ancom Components Sdn Bhd
  - 100% — Synergy Trans-Link Sdn Bhd
    - 51% — Ancom-ChemQuest Terminals Sdn Bhd
    - 100% — Pengangkutan Cogent Sdn Bhd
    - 100% — Sinsenmoh Transportation Pte Ltd
- 21.30% / 24.25% — **NYLEX (MALAYSIA) BERHAD**
  - 100% — Nycon Manufacturing Sdn Bhd
  - 100% — Nycon Polymer Marketing Sdn Bhd
  - 100% — PT Nylex Indonesia
  - 100% — Perusahaan Kimia Gemilang Sdn Bhd
    - 90% — Dynamic Chemical Trading Pte Ltd
    - 100% — Perusahaan Kimia Gemilang (Vietnam) Company Ltd
    - 51% — PT PKG Lautan Indonesia
    - 55% — Ancom Kimia Sdn Bhd
  - 100% — Fermpro Sdn Bhd
  - 100% — Kumpulan Kesuma Sdn Bhd
  - 100% — Wedon Sdn Bhd
  - 100% — CKG Chemicals Pte Ltd
  - 100% — Nylex Specialty Chemicals Sdn Bhd
  - 51% — Speciality Phosphates (Malaysia) Sdn Bhd
  - 70% — Malaysian Roofing Industries Sdn Bhd

# BOARD OF DIRECTORS

**DATO' JOHARI RAZAK**
*Age 58, Non-Independent Non-Executive Chairman*

Dato' Johari joined the Board on 27 November 1992. He was appointed as the Group Managing Director on 2 July 1994 and the Executive Chairman on 30 July 2003. He was re-designated to his present position on 1 August 2007. He is currently a member of the Audit Committee of the Company.

Dato' Johari holds a Bachelor of Laws degree from the University of Kent, United Kingdom. He was called to the Bar of England and Wales at Lincoln's Inn in 1976 and was admitted as an Advocate and Solicitor of the High Court of Malaya in 1977. He practiced law with a leading law firm in Malaysia from 1979 and was a Partner of the firm from 1981 to 1994. He re-joined the firm as a Partner on 1 August 2007.

Presently, Dato' Johari is the Chairman of Daiman Development Berhad, a Director of Hong Leong Industries Berhad, British American Tobacco (Malaysia) Berhad, GLM Reit Management Sdn Bhd (Manager for Tower REIT), Deutsche Bank (Malaysia) Berhad and Daiman Golf Berhad. In the academic field, he is an Adjunct Professor at University of Technology Mara Law Faculty.

**DATO' (DR) SIEW KA WEI**
*Age 57, Group Managing Director*

Dato' Siew joined the Board on 23 October 1985. He was appointed as the Deputy Group Managing Director on 17 October 1995 and assumed his present position on 30 July 2003.

Dato' Siew graduated with a Bachelor of Science (Hons) degree in Chemical Engineering and a Master of Science degree in Operational Research from the Imperial College of Science, Technology and Medicine, London, United Kingdom. He has extensive working experience of more than 30 years in the field of petrochemicals locally and internationally.

Currently, Dato' Siew is also the Group Managing Director of Nylex (Malaysia) Berhad and the Executive Vice Chairman of Ancom Logistics Berhad, both subsidiaries of the Company listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad. He is currently the President of the Imperial College Alumni Association of Malaysia and a Governor of the Board of Governors for Marlborough College of Malaysia.

Dato' Siew was the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 10,500 chief executive officers and leaders of major companies and organisations over the world. He became a director of the International Board of Directors of YPO in 2000 and served until 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. In April 2013, Dato' Siew was conferred an honourble degree in Doctor of Business Administration honoris causa by the HELP University.

Dato' Siew is a substantial shareholder of the Company.

**TAN SRI DATO' DR LIN SEE YAN**
*Age 72, Independent Non-Executive Director*

Tan Sri Lin joined the Board on 30 October 2000 and is currently the Chairman of the Remuneration and Nomination Committee.

Tan Sri Lin is an independent strategy and financial consultant. Qualified as a Chartered Statistician, he graduated from the University of Malaya in Singapore and Harvard University (where he received three degrees, including a PhD in Economics). He is also a British Chartered Scientist, London; Professor of Economics (Adjunct), Universiti Utara Malaysia; Professor of International Finance & Business (Adjunct), Universiti Malaysia Sabah as well as an Eisenhower Fellow and a Fellow of the IMF Institute (Washington DC); Royal Statistical Society (London); Malaysian Institute of Bankers; Malaysian Insurance Institute (Hon.); Malaysian Institute of Management and Malaysian Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies.

Tan Sri Lin has a long and distinguished history of service with the Government of Malaysia and the private sector. He was Chairman/ President and Chief Executive Officer of the Pacific Bank Group and for 14 years previously, Deputy Governor of Bank Negara Malaysia, having been a central banker for 34 years. Tan Sri Lin continues to serve the public interest after his retirement, some current appointments include Member of the Prime Minister's Economic Council Working Group; key Steering Committees at the Ministry of Higher Education; member of the Asian Shadow Financial Regulatory Committee; Governor, Asian Institute of Management, Manila; Director, Monash University Malaysia Sdn Bhd; Chairman Emeritus, Harvard Graduate School Alumni Council at Harvard University in Cambridge (USA); President of Harvard Club of Malaysia and Economic Advisor to the Associated Chinese Chambers of Commerce & Industry Malaysia. In addition, he is a Trustee of the Tun Ismail Ali Foundation (PNB), Harvard Club of Malaysia Foundation, Malaysian Economic Association Foundation, Jeffrey Cheah Foundation and Program Pertukaran Fellowship Perdana Menteri Malaysia.

Tan Sri Lin is currently a Director of Genting Berhad, Wah Seong Corporation Berhad, JobStreet Corporation Berhad, IGB REIT Management Sdn Bhd (Manager for IGB REIT) and Top Glove Corporation Berhad. He also sits on the boards of a number of other public listed and private businesses in Singapore and Indonesia.

**DATUK IR. (DR) MOHAMED AL AMIN ABDUL MAJID**
*Age 58, Non-Independent Non-Executive Director*

Datuk Al Amin joined the Board on 16 June 1997.

Datuk Al Amin qualified with a Diploma in Technology from Oxford College of Further Education and holds a degree in Bachelor of Science in Civil Engineering from the University of Aston, Birmingham, United Kingdom from which he was conferred an Honorary Doctorate Degree - Doctor of Science. He is a Corporate Member of Institute of Engineers Malaysia ("IEM") and is a professional Engineer.

Datuk Al Amin began his career as a Project Engineer with Perbadanan Kemajuan Negeri Perak ("PKNP") in 1979 and was later appointed as Executive Director of Maju Bangun Sdn Bhd, a subsidiary of PKNP. Subsequently, Datuk Al Amin started his own business involving in a wide range of businesses such as construction, investment, distributorship, general trading and project management.

Currently Datuk Al Amin is the Executive Chairman of Nylex (Malaysia) Berhad and Country View Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad, and Redberry Sdn Bhd, a wholly-owned subsidiary of the Company. He is also the Chairman of SME Corporation Malaysia [formerly known as Small Medium Industries Development Corporation ("SMIDEC")], an important government agency in the development and enhancement of small and medium enterprises in Malaysia under the Ministry of International Trade and Industry since October 2006; and Chairman of MCIS Zurich Insurance Berhad.

Since October 2010, Datuk Al Amin has been a Council Member of National Information Technology Council ("NITC") of Malaysia, an organisation that strategically manages ICT in the interest of the nation.

**EDMOND CHEAH SWEE LENG**
*Age 59, Independent Non-Executive Director*

Mr. Cheah joined the Board on 30 August 2005. He is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Mr. Cheah is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England & Wales. He is also a Certified Financial Planner.

Mr. Cheah started his career as an Audit Manager with a professional accounting firm in London. He was later the Manager in charge of portfolio investment in a merchant bank in Malaysia and subsequently in charge of the corporate and planning division of a public listed company in Malaysia. Mr. Cheah was formerly the Chief Executive Officer / Executive Director and a member of the Investment Committee of Public Mutual Berhad, the largest private unit trust management company in Malaysia. He was also a Council Member and Chairman of the Secretariat of the Federation of Malaysian Unit Trust Managers ("FMUTM"); a former Task Force Member on Islamic Finance for the Labuan Offshore Financial Services Authority ("LOFSA"); a former member on the Securities Market Consultation Panel in Bursa Malaysia Securities Berhad and a founder member and a past President of the Financial Planning Association of Malaysia ("FPAM") and the Treasurer for the Society for the Prevention of Cruelty to Animals ("SPCA").

Mr. Cheah is currently an Investment Committee Member and Director of MAAKL Mutual Berhad; Chairman of Adventa Berhad, a company listed on the Main market of Bursa Malaysia Securities Berhad and a Director of Nylex (Malaysia) Berhad and Ancom Logistics Berhad, both subsidiaries of the Company and listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad.

(Not in picture)

**LIM HOCK CHYE**
*Age 58, Independent Non-Executive Director*

Mr Lim joined the Board on 1 December 2011. He is currently a member of the Audit Committee and the Remuneration and Nomination Committee of the Company.

Mr Lim is a law graduate with a LLB (Hons) degree from the University of London, United Kingdom and holds a Certificate in Legal Practice.

He was formerly a consultant with an organisation promoting good corporate governance and practices in Malaysia. Prior to that, he was a Deputy Editor with the Star Newspaper, where he wrote for the Business Section.

Currently, he is a panel speaker for Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors. He continues to lecture on promotion of good corporate governance within Corporate Malaysia. He is currently the Group Director of Strategic Planning & Corporate Affairs of HELP International Corporation Berhad, a position he has held since April 2008.

Mr Lim is currently a Director of Nylex (Malaysia) Berhad and Ancom Logistics Berhad, both subsidiaries of the Company and listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad.

**CHAN THYE SENG**
*Age 56, Non-Independent Non-Executive Director*

Mr. Chan joined the Board on 19 October 1999.

Mr. Chan graduated with a Bachelor of Law (Hons) degree from University College Cardiff, United Kingdom. He had 13 years experience as a practicing lawyer, after having been called to the Bar at Middle Temple in 1980 and the Malaysian Bar in 1982.

Mr. Chan was previously on the Boards of the Kuala Lumpur Commodities Exchange and Malaysian Futures Clearing Corporation Sdn Bhd. He is currently the Managing Director / Chief Executive Officer of Pacific & Orient Berhad ("P&O") and Pacific & Orient Insurance Co. Berhad, a subsidiary of P&O.

Mr. Chan is a substantial shareholder of the Company through his shareholding in P&O, a substantial shareholder of the Company.

**Notes :**

1. All the Directors of the Company are Malaysian. None of the Directors has any family relationship with any other Directors and/or substantial shareholders of the Company.
2. Other than certain Related Party Transactions as disclosed in this Annual Report, the Directors do not have any business interest which conflict with their positions in the Company.
3. None of the Director has been convicted for any offence other than traffic offences (if any) within the past ten (10) years.
4. Please refer to page 23 - Statement on Corporate Governance of this Annual Report for the Directors' meeting attendance records.
5. Please refer to page 44 to 45 - Directors' Report of this Annual Report for the Directors' securities holdings in the Company and its related corporations.

# CHAIRMAN'S STATEMENT

**"Dear Shareholders,
On behalf of the Board of Directors, I would like to take this opportunity to present to you the Annual Report and audited financial statements of the Group and the Company for the financial year ended 31 May 2013 ("FY2013")."**

## Performance

The Group posted higher revenue of RM2.03 billion in FY2013 as compared to RM1.75 billion in the last financial year ended 31 May 2012 ("FY2012"). Higher revenue was mainly contributed by the continuous strong performance from the Agricultural and Industrial Chemical Division and Polymer Division. Despite higher revenue, profit before taxation ("PBT") decreased to RM4.2 million from RM10.2 million in FY2012 due to higher losses incurred in the Media Division.

The net loss attributable to shareholders, after non-controlling interests, increased to RM19.9 million in FY2013 compared with RM9.0 million in FY2012. Consolidated net loss per share increased to 9.22 sen in FY2013 compared with 4.17 sen in FY2012 while the consolidated net assets per share fell to RM1.24 as at the end of FY2013 from RM1.36 as at the end of FY2012.

## Review of Operations

Agricultural and Industrial Chemicals Division posted revenue of RM1.75 billion in FY2013 compared with RM1.48 billion in FY2012. This division remains the pillar for the Group. Revenue growth was primarily contributed by the higher revenue from our Indonesian subsidiary and also better performance of subsidiaries in Malaysia. As a result, segmental profit before taxation rose to RM42.1 million in FY2013 from RM36.1 million in FY2012.

Revenue from the Polymer Division decreased by 7.4% in FY2013 to RM125.4 million compared with RM135.4 million in FY2012. Lower sales of Films and Coated Fabrics ("FCF") products led to the decline in revenue as we faced fierce competitions from the cheaper imported PVC products. Despite lower revenue, Polymer Division was able to post higher PBT of RM14.1 million in FY2013 compared with RM13.6 million in FY2012. In FY2013, this division incurred lower inventories write-off of RM1.3 million compared to RM2.9 million in FY2012.

Revenue from the Logistics Division has increased marginally to RM52.6 million in FY2013 from RM51.6 million in FY2012. However, its segmental profit before tax fell to RM6.1 million in FY2013 compared with RM7.8 million in FY2012. Higher operational overheads and expenses incurred during the year have affected the segmental profit in FY2013.

Media Division posted significant higher revenue of RM80.9 million in FY2013 from RM70.5 million in FY2012. Despite higher revenue, its segmental loss before tax increased to RM25.4 million in FY2013 compared with RM15.0 million in FY2012. Large contracts secured and delivered during the year have contributed to the rise in its revenue. The division still incurred high amortisation and impairment charges from the acquisition costs of its media assets and marketing rights in prior years.

The Investment Holding Division has incurred segmental loss before tax of RM33.7 million in FY2013 compared with RM32.3 million in FY2012. Major costs incurred include interest expenses and corporate expenses.

## Significant event

On 23 August 2013, our subsidiary Ancom Logistics Berhad ("ALB"), entered into a conditional share sale agreement ("CSSA") with CWT Limited for the proposed disposal of the entire equity interest in Sinsenmoh Transportation Pte Ltd for a net consideration of approximately RM46.0 million. The expected gain on disposal is approximately RM18.8 million for ALB Group level. As at the date of this report, the conditions precedents contained in the CSSA are still being finalised.

## Prospects for Next Financial Year

There remain uncertainties in the global economic conditions, which may have an impact to the Group's businesses, the Board will continue to exercise caution in managing the Group's businesses in the coming financial years. The Board will continue to explore ways to improve its revenue growth while strengthening its operational and productivity efficiencies.

The Board is of the view that, barring unforeseen circumstances, the financial performance and prospects of the Group will be satisfactory in the next financial year.

## Appreciation

The Board wishes to express its appreciation to the shareholders for their unwavering loyalty and support. The Board also wishes to thank its valued customers, suppliers, bankers, business associates and the regulatory authorities for their continued assistances and co-operations.

Last but not least, the Board wishes to express its heartfelt gratitude to the Management and staffs of the Group for their continuous dedications and commitments.

**Dato' Johari Razak**
Non-Executive Chairman
16 October 2013
Petaling Jaya,
Selangor Darul Ehsan

# PERUTUSAN PENGERUSI

> **"Para Pemegang Saham sekalian, bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk mengemukakan kepada anda Laporan Tahunan dan Penyata Kewangan Diaudit untuk Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Mei 2013 ("TK2013")."**

## Prestasi

Kumpulan telah mencatatkan hasil yang lebih tinggi sebanyak RM2.03 bilion pada TK2013 berbanding RM1.75 bilion yang diperolehi pada tahun kewangan sebelumnya berakhir 31 Mei 2012 ("TK2012"). Sebahagian besar hasil yang lebih tinggi ini berpunca daripada prestasi yang kekal mantap yang diraih daripada Bahagian Kimia Pertanian dan Perindustrian serta Bahagian Polimer. Meskipun memperolehi hasil yang lebih tinggi, namun keuntungan sebelum cukai ("PBT") telah merosot kepada RM4.2 juta daripada RM10.2 juta pada TK2012 disebabkan oleh kerugian yang lebih tinggi yang ditanggung oleh Bahagian Media.

Kerugian bersih yang boleh diagihkan kepada para pemegang saham, selepas ditolak kepentingan minoriti, telah meningkat kepada RM19.9 juta pada TK 2013 berbanding RM9.0 juta pada TK2012. Kerugian bersih disatukan sesaham meningkat kepada 9.22 sen pada TK2012 berbanding 4.17 sen pada TK2012 manakala aset bersih disatukan sesaham merosot kepada RM1.24 setakat akhir TK2013 daripada RM1.36 setakat akhir TK2012.

### Ulasan Operasi

Bahagian Kimia Pertanian dan Perindustrian mencatatkan hasil berjumlah RM1.75 bilion pada TK2013 berbanding RM1.48 bilion yang diperolehi pada TK2012. Bahagian ini terus menjadi tonggak kekuatan Kumpulan. Pertumbuhan hasil ini diraih terutamanya daripada anak syarikat kami di Indonesia serta prestasi yang lebih mantap oleh anak syarikat di Malaysia. Akibatnya, keuntungan sebelum cukai mengikut segmen meningkat kepada RM42.1 juta pada TK2013 daripada RM36.1 juta pada TK2012.

Hasil yang diperolehi daripada Bahagian Polimer merosot sebanyak 7.4% pada TK2013 kepada RM125.4 juta berbanding RM135.4 juta pada TK2012. Jualan yang lebih rendah bagi produk Filem dan Fabrik Bersalut ("FCF") telah membawa kepada pengurangan hasil memandangkan kami berhadapan dengan persaingan yang amat sengit daripada produk PVC import yang lebih murah. Biarpun hasil yang diperolehi adalah rendah, namun Bahagian Polimer telah mencatatkan PBT yang lebih tinggi berjumlah RM14.1 juta pada TK2013 berbanding RM13.6 juta pada TK2012. Pada TK2013, bahagian ini menanggung hapus kira inventori yang lebih rendah, iaitu sebanyak RM1.3 juta berbanding RM2.9 juta pada TK2012.

Hasil daripada Bahagian Logistik memperlihatkan sedikit peningkatan kepada RM52.6 juta pada TK2013 daripada RM51.6 juta pada TK2012. Walau bagaimanapun, keuntungan mengikut segmen merosot kepada RM6.1 juta pada TK2013 berbanding RM7.8 juta pada TK2012. Overhed dan perbelanjaan operasi yang lebih tinggi yang ditanggung sepanjang tahun telah menjejaskan keuntungan mengikut segmen pada TK2013.

Bahagian Media mencatatkan hasil yang ketara lebih tinggi berjumlah RM80.9 juta pada TK2013 daripada RM70.5 juta yang diperolehi pada TK2012. Biarpun hasil yang diperolehi adalah lebih tinggi, namun kerugian mengikut segmen telah meningkat kepada RM25.4 juta pada TK2013 berbanding RM15.0 juta pada TK2012. Kejayaan memperolehi kontrak yang besar dan disempurnakan pada tahun ini telah menyumbang kepada peningkatan hasil. Walau bagaimanapun, bahagian ini masih lagi berhadapan dengan caj pelunasan dan hapus kira yang tinggi daripada kos pengambilalihan aset media dan hak pemasaran pada tahun-tahun sebelumnya.

Bahagian Pegangan Pelaburan menanggung kerugian mengikut segmen sebanyak RM33.7 juta pada TK2013 berbanding kerugian mengikut segmen berjumlah RM32.3 juta pada TK2012. Kos utama yang ditanggung meliputi perbelanjaan faedah serta perbelanjaan korporat.

### Peristiwa Penting

Pada 23 Ogos 2013, anak syarikat kami, Ancom Logistics Berhad, ("ALB") telah menandatangani perjanjian penjualan saham bersyarat ("CSSA") dengan CWT Limited dengan tujuan untuk melupuskan seluruh kepentingan ekuiti dalam Sinsenmoh Transportation Pte Ltd bagi pertimbangan bersih kira-kira RM46.0 juta. Keuntungan daripada jualan ini adalah kira-kira RM18.8 juta bagi peringkat Kumpulan ALB. Pada tarikh laporan ini, syarat terdahulu yang terkandung dalam CSSA masih belum dimuktamadkan.

### Prospek bagi Tahun Kewangan yang Berikutnya

Oleh kerana keadaan ketidakpastian masih wujud dalam persekitaran ekonomi global yang boleh memberi kesan terhadap perniagaan Kumpulan, Lembaga akan terus mengamalkan sikap berhati-hati dalam menguruskan perniagaan Kumpulan bagi tahun kewangan akan datang. Lembaga akan terus mencari jalan untuk meningkatkan hasil pertumbuhan di samping mengukuhkan lagi kecekapannya dari sudut operasi dan produktiviti.

Pada pandangan Lembaga, sekiranya tiada aral melintang, prestasi kewangan dan prospek Kumpulan pada tahun kewangan berikutnya adalah memuaskan.

### Penghargaan

Kumpulan ingin menyampaikan penghargaannya kepada para pemegang saham di atas kesetiaan serta sokongan teguh yang telah mereka berikan. Lembaga juga ingin mengucapkan terima kasih kepada mereka yang amat dihargai, iaitu para pelanggan, pembekal, pihak bank, rakan niaga serta pihak berkuasa kawal selia di atas bantuan dan kerja sama mereka yang berterusan.

Akhir kata, Lembaga turut merakamkan ucapan terima kasih yang tulus ikhlas kepada pihak Pengurusan dan kakitangan Kumpulan atas dedikasi serta iltizam mereka yang tidak pernah kunjung padam.

**DATO' JOHARI RAZAK**
Pengerusi Bukan Eksekutif
16 Oktober 2013
Petaling Jaya
Selangor Darul Ehsan

# OPERATIONAL REVIEW

## OVERVIEW

Ancom Berhad was incorporated in Malaysia on 3 March 1969 as Ansul (Malaysia) Sdn Bhd to pioneer the manufacturing of agricultural chemicals and herbicides in Malaysia. After several changes in management and shareholders, Ancom assumed its present name on 9 September 1989 and was listed on the Kuala Lumpur Stock Exchange on 29 March 1990.

Today, Ancom is a diversified group involving in the following business divisions:

a) Agricultural and industrial chemicals - manufacturing and sale of agricultural and industrial chemicals;
b) Polymer - manufacturing and marketing of polymer products;
c) Logistics - transportation, container haulage, bulk cargo handling, chemicals warehousing and related services;
d) Information technology - provision of information technology services and sales of computer hardware and software; and
e) Media - provision of digital and out-of-home advertising media space.

Ancom is the holding company of Nylex (Malaysia) Berhad and Ancom Logistics Berhad, both are listed on the Bursa Malaysia Securities Berhad's Main Board and ACE Market respectively.

## AGRICULTURAL AND INDUSTRIAL CHEMICALS DIVISION

This division represents the largest business to the Group. The manufacturing and sale of agricultural chemicals include a wide range of herbicides, pesticides and insecticides based on Monosodium Methyl Arsenate and Glyphosate. These are manufactured in two factories in Malaysia servicing the domestic market as well as export to such faraway places like Cuba, South America, Africa and Central Asia. In respect of industrial chemicals, the products include ethanol, phosphoric acid, adhesives and sealants. These are marketed and distributed to the Asia-Pacific region.

The key subsidiaries included in this division include:
- Ancom Crop Care Sdn Bhd ("ACC") and its subsidiaries:
    - Polytensides Sdn Bhd
    - Ancom Bioscience Sdn Bhd
    - Timber Preservatives Sdn Bhd
- Perusahaan Kimia Gemilang Sdn Bhd ("PKG") and its subsidiaries
    - Dynamic Chemical Trading Pte Ltd
    - Perusahaan Kimia Gemilang (Vietnam) Company Ltd
    - PT PKG Lautan Indonesia
    - Ancom Kimia Sdn Bhd
- Fermpro Sdn Bhd
- Nylex Specialty Chemicals Sdn Bhd ("NSC")
- Speciality Phosphates (Malaysia) Sdn Bhd
- Kumpulan Kesuma Sdn Bhd
- Wedon Sdn Bhd
- CKG Chemicals Pte Ltd ("CKG")

## POLYMER DIVISION

This Division manufactures and markets a wide range of products, namely PVC and PU leather cloth, films and sheets, pre-fabricated drains, bulk chemical containers, road barriers, rubbish bins, playground equipment, water tanks and other custom mouldings.

The key subsidiaries included in this division include:
- Nylex (Malaysia) Berhad ("NYLEX") and the following subsidiaries:
    - Nycon Manufacturing Sdn Bhd ("Nycon")
    - Nylex Polymer Marketing Sdn Bhd ("NPM")
    - PT Nylex Indonesia ("PTNI")

## LOGISTICS DIVISION

This division provides bulk liquid chemical related logistics services in Malaysia and Singapore. The bulk liquid terminals are strategically located within Port Klang, West Port Bulk Liquid Terminal and Free Trade Zone. It owns and operates a large fleet of prime movers, road tankers and lorries, and provides cross border bulk chemical land transportation between Malaysia and Singapore.

The key subsidiaries included in this division include:
- Ancom-ChemQuest Terminals Sdn Bhd ("ACT")
- Pengangkutan Cogent Sdn Bhd ("PCSB")
- SinSenMoh Transportation Pte Ltd ("SSM")

## INFORMATION TECHNOLOGY ("IT") DIVISION

The IT Division specialises in supply of computer hardware, software and related products as well as providing software consultation services to the public and private sectors. The division is also a supplier of applications, specialising in application development utilising the Oracle core technologies. Its applications include Enterprise Resource Planning, Corporate Treasury, Co-operations and Credit Guarantee System. Its other applications include Gaming System, Wireless Work In Progress System and many more.

During the financial year, the division started an on-line website for personal financial planning called Ringgit Plus (www.ringgitplus.com) under Ascension Lab Sdn Bhd, a newly incorporated subsidiary.

The key subsidiaries included in this division include:
- MSTi Corporation Sdn Bhd
- iEnterprise Online Sdn Bhd
- Ascension Lab Sdn Bhd

## MEDIA DIVISION

The Media Division of the Group owns and operates multiple media platforms, which includes outdoor billboards, in-door advertisements in the airports, advertisements on buses, advertisements in hypermarkets and digital screens with primary focus in the Klang Valley. It also operates an outsourced customer contact centre catering mainly to financial institutions, insurance companies and telecommunication companies. The division holds the rights for organising and promoting international and local motor sport events.

During the financial year, the division sets up a printing press line under its wholly-owned subsidiary, Twinstar. The division also secures the rights to operate and manage advertisements in a major chain of cinemas in Malaysia. These efforts help in expanding and diversifying the revenue base for the media division.

The key subsidiaries included in this division include:
- Redberry Sdn Bhd and its subsidiaries:
  - Meru Utama Sdn Bhd ("MUSB")
  - Redberry Outdoor Sdn Bhd ("RBO")
  - Focus Media Network Sdn Bhd ("FMN")
  - Point Cast (M) Sdn Bhd ("PCM")
  - Redberry Contact Center Sdn Bhd ("RBCC")
  - Wheel Sport Management Sdn Bhd ("WSM")
  - Twinstar Synergy Sdn Bhd ("Twinstar")
  - and associate:
    - Magiqads Sdn Bhd ("MQADS")

## REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

During the current financial year ended 31 May 2013 (“FY2013”), the Group posted higher revenue of RM2.03 billion compared with RM1.75 billion in the previous financial year ended 31 May 2012 (“FY2012”). Agricultural and Industrial Chemical Division and Polymer Division remain the dominant divisions in the Group. Despite higher revenue, profit before taxation (“PBT”) decreased to RM4.2 million from RM10.2 million in FY2012 due to higher losses incurred in the Media Division.

## AGRICULTURAL AND INDUSTRIAL CHEMICALS DIVISION

The Division posted revenue of RM1.75 billion in FY2013 compared with RM1.48 billion in FY2012. The revenue growth was mainly attributed to the higher revenue posted by the subsidiary in Indonesia as well as better performance of subsidiaries in Malaysia. Consequently, segmental profit before taxation rose to RM42.1 million in FY2013 from RM36.1 million FY2012.

ACC and its subsidiaries continued to receive strong demand from overseas throughout FY2013. Expansion of the MSMA plant in FY2012 has helped ACC to fulfill the additional orders. Revenue of ACC grew by 20.5% to RM150.0 million in FY2013 compared with RM124.7 million in FY2012, while PBT increased to RM35.4 million in FY2013 from RM18.5 million in FY2012, which is in line with the higher revenue earned.

PKG posted 13.0% higher revenue in FY2013 (FY2012: +20%). However, profit margins were eroded following the intense competitions in both domestic and regional markets. Asian manufacturers are now setting up local distribution units to compete directly with PKG. Furthermore, prolonged stagnation of prices for some of our products coupled with higher freight charges on bulk chemical vessels in the region have also affected our profit margins. Nevertheless, PKG has recently secured new supplies for some of our core products and this bodes well for the coming year.

Fermpro is a leading supplier of ethanol to the domestic market. As anticipated, the sales of phosphoric acid in NSC has declined by 8.9% in FY2013. This was mainly due to lower demands from the local palm oil refineries in the weak CPO prices environment. Rising costs of raw materials from China has also affected the profit of NSC in FY2013.

For the regional subsidiaries, the overall results in FY2013 are satisfactory. After two years of losses, CKG in Singapore managed to post a marginal profit in FY2013. Although revenue from the Vietnamese unit was relatively flat, the losses were reduced by about 25.1%. Revenue from our Indonesian unit soared by 171.2%. However, the unit continues to chalk up losses due to higher marketing and finance costs and foreign exchange losses.

## POLYMER DIVISION

Polymer Division posted revenue of RM125.4 million in FY2013, a decrease of 7.4% as compared with RM135.3 million in FY2012. Our manufacturing plant in Shah Alam experienced decline in revenue from the Films and Coated Fabrics (“FCF”) products as we faced fierce competition from the cheaper imported PVC products. Revenue from the FCF business unit decreased to RM51.9 million in FY2013 from RM55.9 million in FY2012.

In the chemical container business, Nycon managed to sustain its intermediate bulk containers sales under strong competition, registering revenue of RM10.8 million in FY2013 compared with RM10.7 million in FY2012. The exports sales of our geo synthetics drainage business line continue to improve. However, due to the lack of prefabricated vertical drains projects in our local market in FY2013, the overall revenue declined by 18.2% compared with FY2012.

The revenue generated from our Surabaya operations in Indonesia grew by 15.8% in FY2013 compared with FY2012, underscored by strong consumer demand and a growing Indonesian economy. There is strong demand for our PVC leather cloth products in the automotive re-trim and furniture industries in Java. Our market has expanded to Sumatera, Kalimantan, Sulawesi and Papua as a result of successful marketing efforts implemented in FY2013. This has resulted in 80% capacity utilisation in the Surabaya plant. We have embarked on a plan to increase our Surabaya capacity in 2015 to cater for higher demand.

Despite lower revenue, the Polymer Division achieved higher segmental profit before tax of RM14.1 million in FY2013 compared with RM13.6 million in FY2012. This was due to lower inventories written off amounting to RM1.2 million in FY2013 compared with RM2.8 million in FY2012.

## LOGISTICS DIVISION

Revenue from the Logistics Division (excluding inter-segment sales) increased marginally to RM52.6 million in FY2013 from RM51.6 million in FY2012 with lower volume taken up by group companies. However, its segmental profit fell to RM6.1 million in FY2013 compared to RM7.8 million in FY2012. Higher operational overheads incurred during the year have affected the segmental profit in FY2013.

ACT operates a tank farm consisting of 48 tanks with capacities of 43,000 cubic meters in Westport Klang, Selangor. ACT provides bulk storage facilities for liquid chemicals servicing MNC petrochemicals companies in the region. ACT continues to experience strong demand for its tank farms throughout FY2013 due to shortages of such facilities. Revenue of ACT grew by 9.6% in FY2013 (FY2012: +31.1%). The higher growth rate in FY2012 was due to the additional capacities which went operational in that year. ACT should continue to benefit from the prevailing strong demand for its services. PBT of ACT grew by 7.2% in FY2013 (FY2012: +9.9%), which was supported by stronger revenue earned.

SSM specialises in bulk liquid chemical transportation, container haulage and bulk cargo handling services and provides warehousing services within Malaysia and Singapore. It owns a fleet of prime movers, road tankers and lorries catering to its customers within Singapore whilst transportation services to Malaysia is complemented by PCSB. In FY2013, revenue of SSM increased by only 0.1% (FY2012: +5.4%). The lower growth rate in revenue of SSM was due to the spill-over effects from the loss of certain key customers towards the end of FY2012. Efforts to regain the contracts have been successful during the year, and this has enabled SSM to generate better revenue in the second half of FY2013. However, PBT declined by 16.8% (FY2012: -33.8%) in FY2013 due to higher overheads incurred for its fleet maintenance.

PCSB owns and operates a fleet of approximately 90 road tankers. It provides cross border bulk chemicals land transportation services between Malaysia and Singapore. The revenue of PCSB decreased marginally by 2.4% in FY2013 (FY2012: +1.4%). The loss of contracts in SSM has partially affected the revenue of PCSB. Its PBT fell by 59.2% (FY2012: -11.9%) due to lower revenue coupled with higher direct operational costs of the fleet incurred.

## INFORMATION TECHNOLOGY (“IT”) DIVISION

The IT Division of the Group posted revenue of RM17.7 million (excluding inter-segment sales) compared with RM10.7 million in FY2012. However, its segmental loss before tax remained flat at RM0.8 million in FY2013 (FY2012: RM0.8 million). The division is primarily involved in the public sector IT projects and applications development. The profit margins continue to be eroded due to the highly competitive tendering processes in the public sector.

## MEDIA DIVISION

Revenue for the Media Division rose to RM80.9 million in FY2013 from RM70.5 million in FY2012. Segmental loss increased to RM25.4 million in FY2013 from RM15.0 million in FY2012.

Higher revenue in FY2013 was primarily due to large contracts secured and delivered during the year. In FY2013, revenue from advertising in the airport remains the pillar for the division.One of the biggest success of the division was the securing of a cinema advertising arrangement with a major cinema chain in Malaysia. This helped in the expansion of media platforms available to our customers. Despite higher revenue, the division continued to post segmental loss in FY2013. This was largely due to the amortisation of acquisition costs of its media assets in prior years. These assets are being amortised over a period of 5 to 15 years.

The core units within the Media Division are MUSB, RBO/RBOP, RBCC and FMN.

MUSB owns the exclusive rights to the KLIA and LCCT advertisings, which is the premium product of the division. Revenue of MUSB increased by 13.4% in FY2013 (FY2012: +18.6%). The continued success we have in combined group efforts have enabled us to attract major advertisers to the airport. MUSB managed to turnaround since FY2012 at its company level with the higher revenue and better negotiated costs.

RBO/RBOP manages the advertising concessions for the outdoor billboards and buses. In FY2013, although revenue grew by 61.0% (FY2012: -9.0%), RBO posted loss before taxation of RM0.5 million compared to loss before taxation of RM0.2 million in FY2012. This was due to higher operating costs incurred coupled with impairments on certain debtors incurred during the year.

RBCC is an outsourced customer contact centre. Its revenue grew 27.5% in FY2013 (FY2012: +27.4%) and it remains one of the key players in the call-centre industry. However, its PBT decreased by 10.1% in FY2013 (FY2012: +52.9%) due to higher operating costs in managing the call centre and initial setting up costs of the additional seats installed during the financial year. Nevertheless, RBCC's performance is expected to improve when the additional seats are fully operational.

During the financial year, FMN/PCM secured the advertising platform in a major cinema chain in Malaysia. Revenue grew 54.0% in FY2013 (FY2012: -7.2%) after the successful launching of the new media platform for FMN/PCM. However, loss before tax increased by 68.2% arising from the costs incurred on the withdrawal of its media platforms from a hypermarket. The new advertising platform in the cinema has so far proven to be popular with advertisers and this should contribute positively to FMN/PCM in the next financial year.

## INVESTMENT HOLDING DIVISION

The division incurred segmental loss before tax (excluding dividend income from subsidiaries) of RM33.7 million in FY2013 compared to RM32.3 million in FY2012. Major costs incurred include interest expenses and corporate expenses.

## PROSPECTS AND OUTLOOK

There remained uncertainties in the global economic conditions, which might have an impact to the Group's businesses, the Board will continue to exercise caution in managing the Group's businesses in the coming financial years. The Board will continue to explore ways to improve its revenue growth while strengthening its operational and productivity efficiencies.

The Board is of the view that, barring unforeseen circumstances, the financial performance and prospects of the Group will be satisfactory in the next financial year.

## INTRODUCTION

The Board of Directors of the Company ("Board") acknowledges the importance of adopting good corporate governance practices in discharging its duties and responsibilities, to safeguard and enhance shareholders' value and financial performance of the Company and its subsidiary companies ("Group"). The Board has taken steps as diligent as practical and is committed towards adopting the Corporate Governance Framework of the Group, which complies with the principles of the Malaysian Code on Corporate Governance 2012 ("Code") with reference to the Corporate Governance Guide ("Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year ended 31 May 2013. The principles as set out in the Code which has been adopted in our Corporate Governance Framework are summarised below:

1. Establish Clear Roles and Responsibilities;
2. Strengthen Composition;
3. Reinforce Independence;
4. Foster Commitment;
5. Uphold Integrity in Financial Reporting;
6. Recognise and Manage Risks;
7. Ensure Timely and High Quality Disclosure; and
8. Strengthen Relationship Between Company and Shareholders

The Board is pleased to report below the Group's application of the Principles and the extent to which the Group has complied with the Recommendations as set out in the Code throughout the financial year ended 31 May 2013.

## 1. ESTABLISH CLEAR ROLES AND RESPONSOBILITIES

### Board Roles and Responsibilities

The Board comprises seven (7) Directors, one (1) of them is an Executive Director, who is also the Group Managing Director and six (6) are Non-Executive Directors, including the Non-Executive Chairman who is a Non-Independent Director. Three (3) of the Non-Executive Directors are Independent Directors. The composition of the Board complied with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") which required at least one-third (1/3) of its members to be Independent Directors.

The Board comprised Directors who are persons with a wide range of experience, acumen, skill and functional knowledge in business and public services with a diverse academic background in legal, accounting, economics, corporate finance and marketing. The profile of the Directors are set out in pages 8 to 11 of this Annual Report. All Board members are persons of caliber and credibility with extensive expertise and wealth of experience in legal, accounting, corporate finance, marketing and business practice to augment the Group's continuous growth and success.

The presence of a majority of Non-Executive Directors on the Board provided the necessary check and balances on the conduct on the Group Managing Director in managing the business of the Group. The Independent Non-Executive Directors are not employees of the Group and do not participate in the day to day operations of the Group. They are all independent of management and are free from any business or other relationship which would materially interfere with the exercise of their independent judgement. They are people of caliber, credibility and have the necessary skill and experience to bring an independent judgement on the issues of strategy, business performance, resources and standards of conduct. They provided independent views in the Board's discussions. They are involved actively in the Board Committees of the Company.

The principal duties and responsibilities of the Board are as follows:

- Formulating and charting the strategic direction and setting out short and long term plans and objectives of the Group;
- Reviewing, approving and adopting the Group's annual budgets, key operational initiatives, major investment and funding decisions;
- Overseeing and reviewing the Group business operations and performance within a systematic and controlled environment;
- Reviewing the risk management framework and adequacy and integrity of the Group's internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group;
- Establishing a succession plan for senior management;
- Overseeing the development and implementation of a shareholders' communication policy for the Company; and
- Promoting ethical and the best corporate governance cultures within the Group.

The Board played an active role in formulating the Group's strategic direction with the Group Managing Director and its management team. It does not involve in the day-to-day business operations of the Group which are being delegated to the Group Managing Director and its management team.

The key matters reserved for the Board's approval include the Annual Business Plan, significant corporate proposals including mergers and acquisitions, Group business restructuring and new issue of securities; acquisitions and disposal of significant assets and expenditure above a certain amount. The roles of the Non-Executive Chairman and the Group Managing Director are distinct and separated with clear division of responsibilities to ensure a balance of power and authority. The Group Managing Director has overall responsibility for the day-to-day management of the Group's business and operations and for implementing the Board's policies and decisions. He is supported by the management team and the various divisional heads. The Chairman holds a Non-Executive position and is primarily responsible for ensuring the Board's effectiveness and conduct in discharging its responsibilities.

At the beginning of each financial year, management would present the strategy for the new financial year together with the annual budget and financial performance forecasts to the Board for approval. The Board would appraise the Group's actual business and financial performances against the budget and forecasts at the quarterly Board meetings. At the quarterly Board meetings, the Group Managing Director provides the Board with an update on the Group's key strategic initiatives and key operational issues.

The Board has established an Audit Committee and a Remuneration & Nomination Committee which are entrusted with specific responsibilities to oversee the affairs of the Company with authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, the Chairman of the respective Board Committees would report to the Board on the key matters discussed by the Board Committees at its respective meetings. Minutes of the Board Committee meetings are also enclosed together with the Board papers for the Directors' attention.

The activities of the Audit Committee and the Remuneration & Nomination Committee are further discussed in separate sections of this Statement.

### Board Charter

The Board is mindful of the need to safeguard the interest of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter.  A copy of the Company's Board Charter is available at the Company's website at www.ancom.com.my.

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their roles and responsibilities to ensure accountability.

The Board Charter focuses on the following areas:

- Board composition and Board Committees;
- The duties and responsibilities of the Board members; and
- The Code of Ethics for the Board members.

The Board Charter shall be reviewed and updated from time to time to reflect changes to the Board's practices and amendments of the relevant rules, requirements and regulations.

### Board Meetings

The Board holds its Board meetings quarterly and additional meetings were convened as and when necessary as determined by the Chairman.

The Board held four (4) Board meetings during the financial year. The attendance record of the Directors is as follows :

| | Name of Directors | Attendance |
|---|---|---|
| 1 | Dato' Johari Razak<br>(Chairman, Non-Independent Non-Executive Director) | 4/4 |
| 2 | Tan Sri Dato' Dr. Lin See Yan<br>(Independent Non-Executive Director) | 4/4 |
| 3 | Dato' (Dr) Siew Ka Wei<br>(Group Managing Director) | 4/4 |
| 4 | Datuk Ir (Dr) Mohamed Al Amin Abdul Majid<br>(Non-Independent Non-Executive Director) | 3/4 |
| 5 | Chan Thye Seng<br>(Non-Independent Non-Executive Director) | 4/4 |
| 6 | Edmond Cheah Swee Leng<br>(Independent Non-Executive Director) | 3/4 |
| 7 | Lim Hock Chye<br>(Independent Non-Executive Director) | 4/4 |

All the Directors have attained the minimum attendance during the financial year as required under the Listing Requirements.

### Formalised Ethical Standard Through Code of Ethics

The Board adheres to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia in discharging its overall role effectively. The Code of Ethics requires all Directors to observe high ethical business standards and to apply these values to all aspects of the Group's business and professional practices and act in good faith in the best interest of the Group and its shareholders.

### Strategically Promoting Sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. The activities thus far, demonstrating the Group's commitment to the global environmental, social, governance and sustainability agenda, appears on pages 38 to 39, Corporate Social Responsibility Statement of this Annual Report.

### Access to Information and Advice

All Directors have unrestricted access to information of the Group and on an on-going basis, the Directors interact with the management team to seek further information, updates or explanation on any aspect of the Group's operations or businesses. The Directors have access to the advice and services of the Company Secretaries and may engage independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate, at the Company's expense.

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contained minutes of meetings, operational and financial performance reports, details of corporate proposals, the quarterly Interim Financial Reports or the annual Audited Financial Statements, reports of the Board Committees, Internal Audit Reports and other matters for the Directors' perusal before the Board/Committee meetings.

Senior management staff or professional advisers appointed to advise the Company on its corporate proposals were invited to attend the Board meetings and to provide the Board with explanation and clarifications to facilitate informed decision making.

### Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries. The Company Secretaries regularly update and appraise the Board on new regulations issued by the regulatory authorities and on matters related to ethics and good corporate governance. The Company Secretaries attend and ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company. The Company Secretaries worked closely with the Chairman and the Group Managing Director to ensure that there are timely and appropriate information flows within the Board and to the Board Committees.

## 2. STRENGTHEN COMPOSITION

### Remuneration and Nomination Committee

The Board has combined the functions of the Remuneration Committee and Nomination Committee into one Remuneration & Nomination Committee ("R&N Committee") which was established on 24 September 2001.

The R&N Committee is responsible for identifying and recommending suitable candidates for Board memberships and also for reviewing and assessing the performance of the Directors, the effectiveness of the Board as a whole and the Board Committees.

It is also responsible for reviewing the gender diversity, the required mix of skills and experience and core competencies which the Non-Executive Directors should bring to the Board. In making its recommendation, the R&N Committee would consider the candidates' skill, knowledge, expertise and experience, professionalism, integrity and in the case of independent Non-Executive Directors - the candidates' ability to discharge such responsibilities and functions expected from them.

The R&N Committee is also entrusted with the responsibility to review candidates for key management positions to determine their remuneration packages and to formulate selection, compensation and succession policies for the Group.

During the financial year ended 31 May 2013, the members of the R&N Committee, all of whom are Independent Non-Executive Directors, are as follows:

Tan Sri Dato' Dr Lin See Yan (Chairman)
Edmond Cheah Swee Leng (Member)
Lim Hock Chye (Member)

### Re-election

In accordance with the Company's Articles of Association, a Director is subject to retire and be eligible for re-election at the first annual general meeting of the Company after his appointment.

The Articles also provide that at least one-third (1/3) of the Board, who are longest in office since their last election, shall be subject to retirement by rotation every year and that each Director shall retire at least once in every three (3) years but he shall be eligible for re-election at the annual general meeting. The Group Managing Director does not have a service contract which the notice period for termination is more than one year. The Group Managing Director is also subject to retirement at least once every three (3) years and he shall be eligible for re-election at the annual general meeting.

The motions to re-elect Directors is voted on individually, unless a resolution for the re-election of two (2) or more Directors by a single resolution shall have been passed by the annual general meeting without any vote against it.

The R&N Committee is responsible for making recommendation to the Board on the re-election of Directors who are re-retiring pursuant to the Articles of Association of the Company. In making the recommendation, the R&N Committee would consider the Director's qualifications, skill and experience and their commitment to the Board in discharging their roles and responsibilities, through attendance at their respective meetings. To assist shareholders in making their decision in the re-election of Directors, sufficient information such as personal profile, attendance at Board and Committee meetings and the shareholdings in the Company of the Directors standing for re-election were furnished in the Annual Report.

### Annual Assessment

The Board reviews and evaluates its own performance and the performance of its Committee on an annual basis, with a view to meeting current and future requirements of the Group. The Board evaluation comprises a Board and Board Committee assessment, an individual assessment and an assessment of independence for Independent Directors. The R&N Committee also reviewed its composition annually with a view to identity new candidates who can bring new experience knowledge and expertise to the Board.

The result of assessment would form the basis of the R&N Committee's recommendation to the Board for nomination of new Directors and the re-election of Directors retiring at the company's AGM.

### Remuneration of Directors

The R&N Committee also assume the task of recommending to the Board the remuneration package for the Executive Directors in all its forms, drawing from outside advice as necessary at the Company's expense, taking into consideration the Executive Directors' responsibilities, contributions and performances, as well as the market-rate for similar positions in comparable companies. The R&N Committee is also responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fee, after taking into account comparison with payment by similar companies, to the Board for its endorsement.

It is the ultimate responsibility of the Board as a whole to decide the remuneration for the Directors. The Directors' fees would be submitted to the shareholders for approval at the annual general meeting of the Company.

The R&N Committee was also responsible for reviewing the remuneration of the Group Managing Director and made recommendation on the same for the Board approval. The Group Managing Director's remuneration consists of monthly salary, bonuses, benefit-in-kind ("BIK") and other benefits which the Board will approve from time to time. The Group Managing Director's remuneration is linked to the performance of the Group in the financial year. The Group Managing Director did not participate in the Board deliberation on his remuneration at the Board meeting.

The following are the remuneration of the Non-Executive Directors of the Company:

### Directors' fee

For the financial year ended 31 May 2012, the Chairman of the Board and the Non-Executive Directors of the Board received RM70,000 and RM50,000 respectively as Directors' fee per annum. The members of the Audit Committee received RM30,000 each while the members of the R&N Committee received RM20,000 each per annum. These were as recommended by the R&N Committee and the total Directors' fee of RM456,000 was approved by the shareholders at the 43rd Annual General Meeting of the Company.

In addition, the Non-Executive Directors also received attendance allowance amounting to RM416.67 for each Board and Board committee meeting attended. Other than the Non-Executive Chairman who is provided with a car and a driver, the other Non-Executive Directors are not entitled to any BIK.

The R&N Committee had not engaged a consultant to do a comparative study on the Directors' remuneration. However, based on the members' personal experience, the R&N Committee is of the opinion that the amount of Directors' fee and allowances paid in the previous year ended 31 May 2012 were reflective of the market rates and had recommended the same amount of remuneration be paid to the Non-Executive Directors in the current financial year ended 31 May 2013.

The Board has endorsed the R&N Committee's recommendation and will propose the same quantum of Directors' fee for the Board and Board Committees for the current financial year ended 31 May 2013 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The remuneration of the Group Managing Director comprises of monthly salary, bonuses, BIK and other benefits that the Board will approve from time to time. The Group Managing Director is not entitled to the Director's fee and attendance allowance for the Board and Board Committee meeting he attended.

Subject to the approval of the Company's shareholders on the Directors' fee, the details of the remuneration received and receivable by the Directors from the Company and its subsidiaries during the financial year ended 31 May 2013, by category and in bands of RM50,000, are as shown below :

| Remuneration by category | | Executive Director | Non-Executive Director | Total |
|---|---|---|---|---|
| Fees | RM'000 | - | 794 | 794 |
| Salaries and bonuses (including EPF) | RM'000 | 8,728 | 2,230# | 10,958 |
| Other emoluments | RM'000 | 700 | 87 | 787 |
| Benefits-in-kind | RM'000 | 64 | 66 | 130 |
| **Total** | RM'000 | 9,492 | 3,177 | 12,669 |

| Remuneration in bands of RM50,000 | Executive Director | Non-Executive Director | Total |
|---|---|---|---|
| RM50,001 to RM100,000 | - | 1 | 1 |
| RM100,001 to RM150,000 | - | 2 | 1 |
| RM250,001 to RM300,000 | - | 2 | 2 |
| RM2,300,001 to RM2,350,000 | - | 1# | 1 |
| RM9,450,001 to RM9,500,000 | 1 | - | 1 |
| **Total** | 1 | 6 | 7 |

# This is paid/payable to Datuk Ir (Dr) Mohamed Al Amin Abdul Majid, a Non-Independent Non-Executive Director who is the Executive Chairman of the subsidiaries, Nylex (Malaysia) Berhad and Redberry Sdn Bhd.

In addition to the above, the Company has taken up a Directors' and Officers' Liability ("D&O") insurance for the benefit of all the Directors. The D&O insurance covers the defense costs and legal representation expenses of the Directors in respect of actions against them in respect of liabilities arising from them acting in their capacity as Director of the Company and/or its subsidiaries. It does not indemnify a Director if he is proven to have acted fraudulently or dishonestly or for any intentional breach of the law.

## 3. REINFORCE INDEPENDENCE

### Assessment of Independence

The Board, through the R&N Committee, assessed the independence of the Independent Directors. The criteria for assessing include the non-existence of significant business relationship or transaction by the Independent Directors with the Group. The Independent Directors are not employees of the Group and do not participate in the day to day operation of the Group. They are free from any business or other relationship which would materially interfere with the exercise of their independent judgement. They are people of caliber, credibility and have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, business performance, resources and standards of conduct. They provided independent views in the Board's discussion. They are involved actively in the Board Committees of the Company.

The presence of a majority of Non-Executive Directors on the Board provided the necessary check and balances on the conduct on the Group Managing Director in managing the business of the Group.

### Tenure of Independence

The Board noted Recommendation 3.2 of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years.

From the date the Independent Directors were appointed, they were required to provide an undertaking to Bursa Securities confirming and declaring that they are independent directors as defined under Paragraph 1.01 of the Listing Requirements.

The Board is of the view that the length of service of the Independent Directors should not affect a directors' independence but rather the important criterias that must be possess by the Independent Directors are their independence from management and they are free from any business and other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. In addition, as the Board had adopted the criterias set out under the definitions of "independent director" in the Listing Requirements to assess independence of directors, accordingly, the Board believes that Recommendation 3.2 of the Code (assessment of independent director should also include tenure) and Recommendation 3.3 of the Code (the Board is allowed to seek shareholders' approval for Independent Directors after nine (9) years tenure to remain as independent director) are irrelevant. Pursuant thereto, the Board is satisfied that Tan Sri Lin See Yan has fulfilled the criterias and would continue to retain him as Independent Director of the Company, notwithstanding that he has served as Independent Director of the Board for more than nine (9) years as at 31 May 2013.

### Separation of the Positions of the Chairman and the Group Managing Director ("GMD")

The position of the Chairman and the GMD are held by 2 different persons which different roles and responsibilities. The distinct and separate roles of the Chairman and the GMD, with a clear division of responsibilities, ensure a balance of power and authorities, such that no one individual has unfettered powers of decision making.

As mentioned above, the composition of the Board complies with the Listing Requirements which required at least one-third (1/3) of its members to be Independent Directors. However, the composition is not in line with Recommendation 3.5 of the Code where the Board must consist of a majority of Independent Directors when the Chairman of the Board is not an Independent Director. The Chairman of the Board, Dato Johari Razak, is a Non-Executive Non-Independent Director while the Board now consists of four (4) Non-Independent Directors and three (3) Independent Directors.

Notwithstanding the current composition, the Board is satisfied that it is in the interest of the Company to retain Dato Johari Razak, a practicing solicitor and partner of a law firm in the country, as Chairman of the Board as he is an experienced corporate director and with his legal knowledge and experience both in the business and legal circles, is able to provide strong leadership to the Board by marshaling the Board's priority more objectively.

## 4. FOSTER COMMITMENT

All the Directors have committed sufficient time to carry out their duties for the tenure of their appointments. To ensure that the Directors have the time to focus and fulfill their roles and responsibilities, the Directors do not hold more than five (5) directorships in public listed companies as required in the Listing Requirements, except for Tan Sri Lin See Yan, who holds directorship in six (6) public listed companies including a REIT. Tan Sri Lin, who is now retired and is a full time professional independent director, has written to Bursa to request for a waiver to comply with the Listing Requirements until 31 December 2013. The request has been approved by Bursa.

At the end of each calendar year, the Company Secretaries would draw a proposed timetable for all the Board and Committee meetings, including the annual general meeting, to be held in the next calendar year, to ease the Directors in planning their attendances at the Board/Committee meetings.

The Directors are also required to inform the Board should they accept new board directorship in other public listed companies or non-listed public companies or companies engaging in similar business as the Company.

### Continuing Development Program

All Directors have attended the Directors' Mandatory Accreditation Programme and are aware of the requirements of the Continuing Education Programme prescribed by the Listing Requirements.

The Board will assume the onus of determining and overseeing the training needs of the Directors and will encourage Directors to attend courses, seminars and trainings to enhance their skills and knowledge and to keep abreast with the relevant changes in laws, regulations and business environment to effectively discharge their responsibilities. In addition to the updates on relevant guidelines and statutory and regulatory requirements provided by the Company Secretaries from time to time, some Directors have on their own initiative requested to attend courses, according to their individual needs as a Director or as members of a Board Committee on which they serve.

The following are the seminars/courses/trainings attend by the Directors during the financial year:

***Dato' Johari Razak***

- Directors Continuing Education Forum organized by the British American Tobacco (Malaysia) Berhad in November 2012; and

- Training on Risk Management and Internal Control organized by Ernst & Young in May 2013.

In addition, Dato Johari, a practicing lawyer, also gave talk on duties and obligations of directors and officers arising pursuant to Listing Regulations and the Capital Markets and Services Act; talk on Banking and Financial Institution Act and Financial Services Act during the financial year.

***Datuk Ir (Dr) Mohamed Al Amin Abdul Majid***

- Half day seminar on "Related Party Transactions - Caution for Investors in Asia" organised by Country View Berhad in October 2012.

***Tan Sri Dato' Dr Lin See Yan***

- Director Continuing Education Programme 2012 organised by Guinness Anchor Berhad and Fraser & Neave Holdings Berhad in June 2012;

- Listed Company Directors Programme Module 4 on Nomination Committee Essentials and Listed Company Directors Programme Module 5 on Remuneration Committee Essentials organized by the Singapore Institute of Directors ("SID") in August 2012;

- SID Directors Conference on Corporate Governance in the New Normal in September 2012;

- Introduction to the Competition Act 2010 organised by KrisAssets Holdings Berhad in September 2012;

***Tan Sri Dato' Dr Lin See Yan*** *(continued)*

- Selection, Dynamics and Performance of a Board organised by the Singapore Corporate Awards & Singapore Exchange; and

- Board Effectiveness Breakfast Events - Taking Your Organisation to the Next Level in Governance and Value organized by the Singapore Exchange in January 2001.

***Chan Thye Seng***

- Continuing Professional Development Programme in "Role of Board in Corporate Fraud Oversight" organized by the Asian Academy for Corporate Administration in May 2013.

***Lim Hock Chye***

- Directors Training on The Personal Data Protection Act, 2012 and Malaysian Code on Corporate Governance, 2012 in April 2013.

As a panel speaker for Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors, Lim Hock Chye continues to give lectures and seminars and spoke as a panelist on Audit Quality Framework at the National Accounting Educators Symposium 2013 in May 2013.

The other Directors, namely Dato' (Dr.) Siew Ka Wei and Edmond Cheah Swee Leng, have not attended any courses or trainings during the financial year. Dato' (Dr.) Siew, the Group Managing Director, was indisposed during the financial year due to his work commitments and the need to oversee the Group's various business operations in and outside the country. Edmond Cheah Swee Leng, a prominent corporate director, has not found suitable courses to attend during the financial year.

The Board will identify courses or trainings which the Board considers relevant and useful for Dato' (Dr.) Siew Ka Wei and Edmond Cheah Swee Leng to attend in the next financial year.

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board strives to present true and fair, comprehensive, balanced and meaningful evaluation and assessment of the Group's financial performance, financial position and future prospects of the Group in the annual Audited Financial Statements and the quarterly Interim Financial Reports of the Company and of the Group in accordance with the Companies Act, 1965 ("CA"), the Malaysian Financial Reporting Standards ("MFRSs") and the Listing Requirements.

The Board ensures the integrity of the Group's reporting and its compliance with the CA, the MFRSs and the Listing Requirements as its regconises that accountability in financial disclosures is integral practice of good corporate governance.

A statement by the Board on its responsibilities for preparing the annual Audited Financial Statements is set out in page 40 of this Annual Report.

The Group's Quarterly Interim Financial Reports are reviewed by the Audit Committee together with the management while the annual Audited Financial Statements are reviewed by the Audit Committee together with the management and the External Auditors. Thereafter, the Audit Committee will recommend to the Board to approve the same. The Audit Committee also provides assurance to the Board with support from the External Auditors that all the statutory financial statements and reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position.

The Board has a formal and transparent relationship with the External Auditors. The Audit Committee recommends to the Board on the appointment of the External Auditors which is subject to the approval of the shareholders of the Company at the annual general meeting. The Board will determine the External Auditors' remuneration as authorised by the shareholders at the annual general meeting.

The report of the Audit Committee is set out in pages 32 - 35 of this Annual Report.

## 6. RECOGNISED AND MANAGE RISKS

As at the date of this Statement, the Board is in the process of formalising the Group wide Risk Management Framework for the Group. This will be implemented in the financial year ending 31 May 2014.

The Board acknowledges its responsibility to maintain a sound Internal Control system covering not only financial controls but also operational and compliance controls to identify risks in the operation, financial and to design measures to manage those risks. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board, through the Audit Committee, seeks the regular assurance on the continuity and effectiveness of the internal control system through independent reviews by the Internal Auditors.

As per its Terms of Reference, the Audit Committee has been explicitly accorded the power to appoint, to decide on the remuneration and the resignation/dismissal of the Internal Auditors. It has also been empowered to ensure that the internal audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has all the authorities and resources to carry out its responsibilities. It would also approve the Internal Audit plan.

The Audit Committee Report and the Statement on Risk Management and Internal Control are separately set out in pages 32 - 35 and 36 - 37 respectively of this Annual Report.

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

In line with the Listing Requirements and best practices, the Company must disclose to the public all material information necessary for investors to make informed investment decision and take reasonable steps to ensure that all investors enjoy equal access to such information. The Board commits to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's Investor Relation ("IR") portal (www.ancom.com.my).

Information is considered material  if it is reasonably expected to have a material effect on the price, value and market activity of the Company's securities or the decision of a holder of security or an investor in determining his choice of actions.

The Company Secretary is responsible to compile such information for the approval of the Board soonest possible and release such information to the market as stipulated by Bursa Securities.

The Board recognises that certain material information may be prudent to be temporarily withheld from public disclosure at exceptional circumstances. The Board commits to ensure that the strictest confidentiality is maintained and that the market activity is closely monitored to observe sign of leakage of information or insider trading which will warrant an immediate announcement by the Company or action to be taken against any possible insider trading.

The Company's IR portal (www.ancom.com.my) provides all relevant corporate information and it is accessible by the public. The Company's website includes share price information, all announcements made by the Company, Annual Reports, financial results, as well as the corporate governance statement of the Company.

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLERS

### Investors' Relations and Shareholders' Communication

The Board recognises the importance of transparency and accountability to its shareholders and the need for regular, effective and comprehensive communications with the Company's shareholders and investors. The Company maintained active communications with its shareholders and investors on the Group's performance, business activities, financial performance, material information and corporate events through the issuance of annual reports, announcements, quarterly financial reports, circulars and press releases. The Company has established an IR portal at www.ancom.com.my for the benefits of the shareholders and investors. Copies of the Company's Annual Reports, quarterly Interim Financial Reports, announcements, circulars and press releases, as well as Company's share prices performances and financial ratios are also posted on the IR portal and these are accessible by the shareholders and investors without any restriction.

Shareholders and investors are also able to pose questions and queries to the Company via the IR portal or e-mail at corp@ancom.com.my and these questions and queries would be attended by the Company's senior management or the Board, as the case maybe.

The Board also encouraged shareholders to communicate with the Company through other channels. The Board has decided not to appoint a Director to whom any queries or concerns may be conveyed as shareholders and investors are now able to convey their view and queries through the Company's IR portal at www.ancom.com.my or e-mail at corp@ancom.com.my.

### General Meetings

The Company's general meetings are the principal forum for dialogue between the Company and its shareholders.

The current minimum notice period for general meeting is as prescribed in the Listing Requirements and the Board believes that such notice period is adequate. Notwithstanding the Board noted the Recommendation of the Code and will endeavor to serve the notices of meeting earlier than the minimum prescribed notice period whenever possible in future.

At the general meetings, the Board encourages and welcomes shareholders to ask questions regarding the affairs of the Group, its financial performance and the resolutions being proposed at the meetings. The Group Managing Director would give a briefing on the performance during the financial year and his view and insights on the future prospects of the Group's businesses. The Chairman, when presenting the agenda items for voting, would give a brief background on the items to be voted and shareholders are invited to give their views and comments before voting took place.

Shareholders would be informed of their right to demand for a poll vote on the resolutions before the commencement of the general meeting. In line with the Listing Requirements to encourage more shareholders' participation at the Company's general meetings, the Company allows its member who is entitled to attend and vote at the general meeting to appoint a proxy to attend and vote for him and that the proxy so appointed may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The Company is in the process of amending its Articles of Association to include explicitly the right of a proxy to speak at general meetings.

The Company holds its general meetings at venue that is easily accessible by the shareholders and at a time convenient to the shareholders to encourage them to attend the meetings.

The Company held its 43rd Annual General Meeting ("AGM") at the Hilton Petaling Jaya at No. 2 Jalan Barat, 46200 Petaling Jaya. The Notice of the AGM and the annual Audited Financial Statements and the related circulars were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice was advertised in a national English newspaper within the prescribed deadlines. All the Directors and a total of 104 shareholders and proxies attended the AGM.

The shareholders approved all the resolutions put forth at the AGM and the results of the AGM were announced to the shareholders via the Bursa Link and on the Company's IR portal on the same day after the AGM.

Proceedings of the AGM were properly minuted and the shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

The Notice for the forthcoming 44th AGM of the Company, which will be held on 20 November 2013, is on pages 167 to 169 of this Annual Report.

## CONCLUSION

The Board recognises the importance of good corporate governance and the Board believes that it has managed the affairs of the Group in accordance with good corporate governance standards which are in compliance with the Recommendations as set out in the Code, except where stated otherwise above. The Board will strive to continually improve on the Group's Corporate Governance Framework in order to achieve the highest standard of good corporate governance practices.

# AUDIT COMMITTEE REPORT

Pursuant to Paragraph 15.15 of the Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors of the Company ("Board") is pleased to present its Audit Committee Report for the financial year ended 31 May 2013.

## 1. TERMS OF REFERENCE

### COMPOSITION

The Audit Committee shall be appointed by the Board from amongst its members. The Audit Committee shall comprise at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors as prescribed in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

All members of the Audit Committee must be financially literate with sufficient financial experience and ability and at least one (1) of them shall be a member of the Malaysian Institute of Accountants or a person who fulfills the requirements under Paragraph 15.09(1)(c) of the Listing Requirements. No alternate director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee shall be elected at the first Audit Committee meeting held after each annual general meeting of the Company, from amongst its members and he shall be an Independent Non-Executive Director. The Chairman so elected shall hold office until the commencement of the first Audit Committee meeting held after each annual general meeting of the Company.

If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members being less than the required number of three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of members. All members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board or until they cease to be a Director of the Company.

One of the Company Secretaries shall be the Secretary of the Audit Committee.

### OBJECTIVES

The objectives of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to risk management, internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("Group"), particularly in:

1. maintaining a good corporate governance standard as well as a sound system of internal control;
2. facilitating the effective discharge of its stewardship responsibilities in respect of strategic business operations and related controls;
3. ensuring the implementation of appropriate risk management framework for identification of principal risks associated with the Group's business;
4. reviewing the adequacy and integrity of the Group's risk management framework, its system of internal control and management information system; and
5. reviewing and ensuring the financial statements reported are meeting the applicable accounting standards, financial reporting standards and other statutory requirements.

### FUNCTIONS

1. The duty of the Audit Committee shall include the following:

   A. EXTERNAL AUDIT
      i. To consider the appointment of the External Auditors, the audit fee and any question of resignation or dismissal;
      ii. To discuss with the External Auditors before the audit commences, the audit plan, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
      iii. To review the quarterly interim financial reports and year-end audited financial statements of the Group, which includes-
         a. changes in accounting policies and practices;
         b. significant adjustments arising from the audit;
         c. the going concern assumptions; and

iv. To review the audit report, the assistance given by the employees of the Company to the External Auditors, and to discuss problems and reservations arising from the interim and final audits, and other any matter the auditors may wish to discuss (in the absence of management where necessary)

B. INTERNAL AUDIT

i. To do the following, in relation to the internal audit function -
    a. determine the scope and functions and ensure that the internal audit function is independent of the activities it audits;
    b. approve the annual internal audit programme;
    c. review the competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    d. review results of the internal audit programmes, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
    e. review any appraisal or assessment of the performance of members of the internal audit function;
    f. if applicable, approve any appointment or termination of senior staff members of the internal audit function;
    g. if applicable, take cognizance of resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning;
    h. ensure that the internal audit function reports directly to the Audit Committee. However, if applicable, on a day to day basis, the Audit Committee may select a representative to liaise with the representative of the Internal Auditors.

ii. To review any related party transactions and conflict of interest situation that may arise within the Company and its subsidiaries; including any transaction, procedure or course of conduct that raise questions of management integrity;

iii. To review the quality, adequacy and effectiveness of the Group's internal control functions; and

iv. To consider other topics as defined by the Board which would be beneficial to the Company and help to ensure the effective discharge of the Committees' duties and responsibilities.

2. The representatives of the Internal Auditors and the External Auditors should normally attend the Audit Committee meeting. Invitees may attend the Audit Committee meetings upon the invitation of the Audit Committee. The Audit Committee shall convene meetings with the External Auditors, Internal Auditor(s) or both, excluding the attendance of other Directors and employees of the Company and the Group whenever it deems necessary.

3. The Chairman of the Audit Committee should engage on a continuous basis with senior management such as the Chairman, the Group Managing Director, the Chief Financial Officer and other senior operating staff, the Internal Auditors and External Auditors in order to be kept informed of matters affecting the Company and the Group.

4. In discharging the functions as stated in (1) above, the Audit Committee shall have, at the cost of the Company:
    i. the explicit authority to investigate any matter within its Terms of Reference;
    ii. all the resources that are required to perform its duties;
    iii. full and unrestricted access to any information pertaining to the Company and the Group;
    iv. direct communication channels with the External Auditors and the Internal Auditors; and
    v. the authority to obtain independent professional and other advices and to secure the attendance of the advisers with relevant experience and expertise if it considers necessary.

## MEETING

The Audit Committee shall meet every quarterly or at other frequencies as directed by the Board and at any time upon the request of any members of the Audit Committee, the External Auditors or the Internal Auditors and/or at the Chairman's discretion.

The quorum for each meeting shall be two (2) members, all of whom must be Independent Directors. Agenda shall be sent to all Audit Committee members and any other persons who may be required to attend the meeting at least seven (7) days prior to the meeting unless such requirement is waived by the Audit Committee members at the meeting.

Decision of the Audit Committee shall be by majority of vote. In the case of equality of vote, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the Audit Committee members attending the meeting, shall have a second and casting vote.

### MINUTES

The minutes of each Audit Committee meeting, after the same have been affirmed by the subsequent Audit Committee meeting and signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat.

The minutes shall be kept by the Secretary and are subject to inspection by the Audit Committee members and the Board upon request.

Copies of the minutes shall be distributed to the Audit Committee members.

## 2. MEMBERS AND MEETINGS

The membership of the Audit Committee during the financial year is as listed below:

- Chairman - Edmond Cheah Swee Leng (Independent Non-Executive Director)
- Member - Dato' Johari Razak (Non-Independent Non-Executive Chairman)
- Member - Lim Hock Chye (Independent Non-Executive Director)

Edmond Cheah Swee Leng is a member of the Malaysian Institute of Accountants (MIA). The composition of the Audit Committee during the financial year complied with the Terms of Reference of the Audit Committee.

## 3. SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee carried out its duties as set out in its Terms of Reference. The Audit Committee held four (4) meetings which were attended by all the members. The Internal Auditors and the External Auditors attended three (3) Audit Committee meetings respectively. There were no private sessions held with the External Auditors without the presence of management during the financial year.

Below is a summary of the activities undertaken by the Audit Committee during the financial year:

- Reviewed the quarterly Interim Financial Reports with the management before recommending them for the Board's approval for release to Bursa Securities; and
- Reviewed the annual Audited Financial Statements with the management and External Auditors prior to submission to the Board for approval for release to Bursa Securities.

The reviews above were to ensure, inter-alia, that the quarterly Interim Financial Reports and the annual Audited Financial Statements complied with the provisions of the Companies Act, 1965, the Listing Requirements, the approved Malaysian Financial Reporting Standards ("MFRSs") and other statutory and regulatory requirements.

- Reviewed and approved the External Auditors' statutory audit plan including the scope of the audits for the financial year prior to the commencement of the audits with the External Auditors;
- In respect of the statutory audit plan, to appraise with the management the significant changes to the MFRSs and the significant areas of audit emphasis and the possible impact of these changes and areas of audit emphasis to the Group's annual Audited Financial Statements;
- Reviewed and approved the Internal Auditors' internal audit plan, including the scope of the audits for the financial year prior to the commencement of the audits with the Internal Auditors;
- Reviewed with the External Auditors the results of their audit, the audit report and the internal control recommendations in respect of the weaknesses noted in the Group's internal control system, if any, in the course of their audit and the management's responses and remedial actions to be undertaken in relation to the weaknesses noted therein;
- Reviewed the External Auditors' performance with the management, their independence and suitability for their re-appointment, the reasonableness of their remuneration and made recommendation to the Board for acceptance and for their reappointment (subject to approval by the shareholders);
- Reviewed the quarterly Internal Audit Reports with the Internal Auditors on audit findings on major weaknesses in the Group's internal control system and the management responses thereon and monitoring the remedial actions taken in response to the weaknesses noted;

- Reviewed the related party transactions and the conflict of interest situations entered into by the Group and the disclosures in the annual Audited Financial Statements, if any; and
- Reviewed the performance of the Internal Auditors and the resources requirements thereof.

During the Board meetings, the Chairman of the Audit Committee briefed the Board on the matters discussed during the Audit Committee meetings. The Chairman of the Committee also briefed the Board on their deliberations pertaining to the Internal Audit Reports, the quarterly Interim Financial Reports, the annual Audited Financial Statements and the recommendations of the Committee thereon to the Board to adopt the quarterly Interim Financial Reports and the annual Audited Financial Statements.

## 4. INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent and adequately resourced Internal Audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the Group's risk management and internal control system. During the financial year, the Audit Committee outsourced the Group's Internal Audit functions to Sterling Business Alignment Consulting Sdn Bhd, a professional consulting firm.

As per the Terms of References for the Audit Committee, the Audit Committee has been explicitly accorded the power to ensure that the Internal Audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has all the authorities and resources to carry out its responsibilities.

During the financial year, the Internal Auditors carried out their responsibilities according to the Internal Audit Plan approved by the Audit Committee. Amongst the responsibilities of the Internal Auditors were:

a. to assist the Board in reviewing the adequacy and effectiveness of the Group's internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of management information system and consequently to determine the future requirements for internal control system and to co-develop a prioritised action plan;
b. to perform assessment of the Group's business operation and to identify the business processes within the Group that internal audit should focus on; and
c. to allocate audit resources to areas within the Group that provide the Audit Committee and the management with efficient and effective level of audit coverage.

At the Audit Committee meetings, the Internal Auditors presented the quarterly Internal Audit Reports to the Audit Committee for review and discussion. The quarterly Internal Audit Reports highlighted major weaknesses identified in the Group's internal control system. The Internal Auditors also recommended the corrective actions to overcome the weaknesses as well as the management's response to the findings and the recommendations. Target was set for the appropriate corrective actions to be effected and the Internal Auditors would report their findings from the follow-up reviews in the subsequent Audit Committee meetings.

## 5. CONCLUSION

The Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established above during the financial year under review. The Audit Committee is satisfied that, during the financial year under review, the Group's internal control system was adequate and effective.

Please refer pages 36 - 37 of this Annual Report for the Statement on Risk Management and Internal Control.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad

## INTRODUCTION

The Board of Directors of the Company ("Board") recognised and is committed to maintain a sound internal control system and effective risk management framework within the Group to safeguard its assets and shareholders' investment as stipulated in the Malaysian Code on Corporate Governance 2013 ("Code").

The Board is pleased to provide the Group's Statement on Risk Management and Internal Control for the financial year ended 31 May 2013 made pursuant to Paragraph 15.26(b) of the Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the Task Force with the support and endorsement by Bursa Securities.

For the purpose of this Statement, the Group means the Company and its subsidiaries, excluding the associates. This Statement does not cover the associates as the Company does not have control over the operations, management and internal control system of these companies.

## RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

As at the date of this Statement, the Group has in place an Internal Control system in the Group. However, the Board is in the process of formalising a Group-wide Risk Management Framework for the Group. This will be implemented in the financial year ending 31 May 2014.

The Board is responsible for the establishment and maintenance of a sound Internal Control system in the Group which will encompass the Group-wide Risk Management Framework. The Board is also responsible for reviewing the adequacy, effectiveness and integrity of the Group's Internal Control system. There were ongoing and independent reviews carried out by the Internal Audit function of the Group on the Group's Internal Control system during the financial year under review.

## RISK MANAGEMENT PROCESS AND INTERNAL CONTROL

The Group has an ongoing process for identifying, evaluating and managing key risks and its internal controls for selected subsidiaries. The Board has delegated the management of risks in the Group's daily operations to the management team. These processes are embedded within the Group's business operations and guided by the operational manuals and policies and procedures of the Group.

The Board is satisfied with the review on the adequacy, effectiveness and integrity of the Group's Internal Control system undertaken during the financial year and it has received the assurance from the Group Managing Director and the Chief Financial Officer.

It is important to note that, nevertheless, the Group's Internal Control system is designed to manage and mitigate, rather than to eliminate, the risk that may impede the achievement of the Group's business objectives due to its inherent limitations and the consideration of cost factor. As such, the Group's Internal Control system can only provide reasonable and not absolute assurance against material misstatement of management or financial information, financial losses or frauds.

## KEY ELEMENTS OF INTERNAL CONTROL

The main features of the Group's Internal Control system during the financial year ended 31 May 2013 are summarised as follows:

- **Organisation structure and responsibility levels**

  The Group's organisational structure has clearly defined level of authorities and lines of responsibility. There are proper segregation of duties and responsibilities to ensure accountability and to eliminate the incidence of an employee having a total control of a business process.

  The Board entrusted the daily running of the business to the Group Managing Director and his management team. Experienced and competent employees were placed in positions of responsibility to ensure that the objectives of the Group's internal control system are achieved. The Board will also ensure that the Group's Risk Management Framework to be implemented will be managed by competent management personnel.

The Board of Directors received timely information pertaining to the operation, performance and profitability of the Group and was alerted of any significant matters that required its immediate attention by the Group Managing Director.

- **Audit Committee and internal audit**

  The Audit Committee was entrusted by the Board to ensure that an effective and adequate Internal Control system is in place and to implement the Risk Management Framework in the financial year ended 31 May 2014. To assist the Audit Committee in discharging its duties and responsibilities, the Audit Committee had outsourced the Internal Audit functions to a professional consulting firm to take charge of the Group's Internal Audit function.

  The Audit Committee has been empowered to ensure that the Internal Audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has all the authorities and resources to carry out its responsibilities. The Board has also empowered the Audit Committee to review and assess the performance of the Internal Audit function.

  The Internal Audit function conducts independent reviews of the key activities within the Group's operating units based on a detailed Internal Audit plan which has been approved by the Audit Committee.

  The Internal Audit function reports its findings on the Group's Internal Control system quarterly to the Audit Committee. The Internal Audit function would report any incidence of non-compliance of the Group's Internal Control system and any other matters that would have a material effect on the Group's operational and financial results.

  During the financial year under review, the Board was satisfied that there were continuous efforts by management to address and resolve areas with control weaknesses.

- **Reporting and review**

  The Group Managing Director held meetings whenever applicable with senior management to discuss and resolve operational, corporate, financial and key management issues. A report on Group's performance as compared to set targets would be presented to the Board by the management during the Board meetings.

  The Group's quarterly Interim Financial Report and annual Audited Financial Statements would only be released to Bursa Malaysia Securities Berhad after being reviewed by the Audit Committee and approved by the Board.

- **Group Policies and Procedures**

  The Group's Policies and Procedures are a formal guide to the management and employees of the Group in carrying out their day-to-day duties. The Group's Policies and Procedures cover the following core areas:- authority limits and authorisation mandates, protection and maintenance of assets, human resources management, sales, financial, procurement and operations. The Limits of Authority in the Group's Policies and Procedures will delineate authority limits to the appropriate persons to ensure accountability and segregation of duties.

## CONCLUSION

The Board is of the view that the Group's Internal Control system during the financial year under review and up to the date of issuance of the financial statements was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would jeopardise the value of the Group's assets and shareholders' investment.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Board of Directors of the Company (“Board”) understands the need for business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders. In that respect, the Company and its subsidiaries (“Group”) has adopted the following broad principals in carrying out its activities:

- the Group shall conduct its business ethically and with integrity, honesty and fairness and with the utmost level of corporate governance;
- the Group shall not breach the regulations and laws, and shall respect the culture of the countries in which it operates;
- the Group will build relationship with its shareholders, suppliers, customers, employees, partners and authorities that are based on trust, mutual respect, and win-win proposition; and
- the Group shall manage its activities according to the principles of sustainable development for the needs of future generations.

The Group has carried out its activities during the financial year ended 31 May 2013 which focuses on four main focal areas as disclosed below:

### Environment

As a responsible corporation, the Group has initiated various sustainable environmental conservation efforts. Chemical wastes are sent to Kualiti Alam for proper disposal and monthly reports on the scheduled waste are submitted to the Department of Environment. Used materials such as papers, paper cartons and cardboard boxes are re-used, where possible, or sent to recycling centres. Used photocopy ink cartridges are sent to ink suppliers for re-use to help save the environment.

Wherever practical, the Group uses only eco-friendly chemicals in its products.

### Workplace

The Group values its employees and emphasises on the development of human resources. Various activities focusing on safety and health were organised by the Group to promote a healthy and positive work environment for its employees:

- Proactive measures were taken to reduce employees’ exposure to the noise, such as providing ear plugs and soundproofing the affected areas where possible. Annual Employee Audiometric Hearing tests were conducted to ensure employees’ hearing is in good condition. Annual medical check-ups were also conducted for the benefits of the factory workers;
- Scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on site drills were conducted to ensure that employees are well trained to handle emergency situations;
- Regular training on workplace safety, product handling, inspection of fire fighting equipment; fire safety talk by the Public Fire Safety & Prevention Education Centre, the personal protection equipment talk and fire and chemical handling drills were carried out for the employees on a regular basis;
- Regular first aid training to employees were conducted at the Group’s Bulk Liquid Terminal; and
- Regular fire drill conducted with Bomba Malaysia/West Port Bomba at the Group’s Bulk Liquid Terminal to test the emergency response readiness in the event of fire or accident at the Terminal.

Management and Supervisory Development programmes which provide career advancement opportunities were also organised by the Group for potential employees.

### Community

Consistent with one of the important focal area of Corporate Social Responsibility which is to be responsible to the community in which the Group operates, the Group provided industrial training/internship opportunities to eight students from five local institutes of higher learning during the financial year.

Employees of the Group are encouraged to volunteer in community projects. During the financial year, the Group organised various fund raising activities for old folks home and orphanages; donated bloods for hospitals, contributed foods and building materials to local villagers in Indonesia; made donation to schools, charity organisations and other community projects in Malaysia, Singapore, Vietnam and Indonesia.

### Marketplace

Last but not least, the Group also recognises its duty to be socially responsible to its customers, suppliers, shareholders and other stakeholders. Hence, with effect from January 2007, Material Safety Data Sheets were developed on the Group's products range for customers to ensure safe and proper usage and handling of our products.

Supplier Audits are regularly conducted to ensure that materials provided by our suppliers meet the standards imposed by the Department of Environment ("DOE") or Environmental Quality Act, 1974 ("EQA").

# DIRECTORS' RESPONSIBILITIES STATEMENT IN RELATION TO THE PREPARATION OF AUDITED FINANCIAL STATEMENTS

Pursuant to Paragraph 15.26(a) of the Listing Requirements of Bursa Malaysia Securities Berhad

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare financial statements for each financial year which shall give a true and fair view of the state of affairs of the Company and of the Company and its subsidiaries ("Group") as at the end of the financial year and of the results and cashflows of the Company and of the Group for the financial year then ended.

Pursuant to paragraph 15.26 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Directors are required to issue a Statement explaining their responsibilities in the preparation of the audited financial statements.

The Directors hereby state that they are responsible to ensure that the Company and the Group maintain proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group and the results and cashflows for the financial year ended 31 May 2013. The Directors are also responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 1965 in Malaysia, the Listing Requirements and other statutory and regulatory requirements.

In preparing the audited financial statements of the Company and the Group for the financial year ended 31 May 2013 ("Financial Statements"), the Directors have:

- adopted accounting policies which are appropriate and consistently applied;
- made judgement and estimates which are reasonable and prudent;
- adopted the assumptions that the Company and the Group will operate as a going concern; and
- ensured that all applicable approved accounting standards have been duly complied subject to any material departure being disclosed and explained in the Financial Statements.

The Directors have also provided the Auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate to enable them to give their audit report on the Financial Statements.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2013.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 41 to the financial statements.There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Loss for the financial year | (12,533) | (3,286) |
| Attributable to: | | |
| Owners of the parent | (19,906) | (3,286) |
| Non-controlling interests | 7,373 | - |
| | (12,533) | (3,286) |

## DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

The Directors do not recommend any final dividend payment in respect of the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

**REPURCHASE/RESALE OF SHARES**

At the 43rd Annual General Meeting held on 21 November 2012, the shareholders of the Company, by an ordinary resolution, renewed the authority given to the Directors to purchase the Company's own shares based on the following terms:

(i) The number of ordinary shares to be repurchased shall, in aggregate with the Treasury Shares then still held by the Company, not exceed 10% of the total issued and paid up share capital of the Company for the time being;

(ii) The amount to be utilised for the repurchase of shares by the Company shall not exceed the total retained earnings and share premium of the Company as at 31 May 2012; and

(iii) The Directors may retain the ordinary shares so repurchased as Treasury Shares and may resell such Treasury Shares or distribute the Treasury Shares as share dividend or to cancel the ordinary shares so repurchased in a manner that they deem fit and expedient in accordance with the Companies Act, 1965 in Malaysia and the applicable guidelines of Bursa Malaysia Securities Berhad.

During the financial year, the total shares repurchased/resold by the Company and the consideration paid/received are as follows:

| Month | Number of shares repurchased | ← Purchase price → Lowest RM | Highest RM | Average RM | Total consideration RM |
|---|---|---|---|---|---|
| June 2012 | 233,500 | 0.3550 | 0.3900 | 0.3682 | 86,538 |
| July 2012 | 74,900 | 0.3500 | 0.3900 | 0.3754 | 28,396 |
| August 2012 | 176,200 | 0.3700 | 0.3900 | 0.3799 | 67,394 |
| September 2012 | 628,000 | 0.3800 | 0.3900 | 0.3857 | 243,268 |
| November 2012 | 10,000 | 0.3850 | 0.4350 | 0.4100 | 4,186 |
| December 2012 | 4,600 | 0.3800 | 0.3800 | 0.3800 | 1,790 |
| May 2013 | 20,000 | 0.3150 | 0.3150 | 0.3150 | 6,349 |
| | 1,147,200 | | | | 437,921 |

| Month | Number of shares resold | ← Selling price → Lowest RM | Highest RM | Average RM | Total consideration RM |
|---|---|---|---|---|---|
| October 2012 | 1,735,000 | 0.4350 | 0.4550 | 0.4438 | 767,338 |

The shares purchased are being held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 May 2013, a total of 2,694,227(2012: 3,282,027) treasury shares at a total cost of RM2,056,000 (2012: RM2,281,000) were held by the Company in accordance with Section 67A(3)(b) of the Companies Act, 1965 in Malaysia.

**DIRECTORS**

The Directors who have held for office since the date of the last report are:

Dato' JohariRazak *(Non-Executive Chairman)*
Dato' (Dr.) Siew Ka Wei *(Group Managing Director)*
Tan Sri Dato' Dr. Lin See Yan
Datuk Ir. (Dr.) Mohamed Al Amin Abdul Majid
Chan Thye Seng
Edmond Cheah Swee Leng
Lim Hock Chye

In accordance with Article 81 of the Company's Articles of Association, Dato' (Dr.) Siew Ka Wei and Chan Thye Seng retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Dato' Dr. Lin See Yan retires in accordance with Section 129(2) of the Companies Act, 1965 in Malaysia at the forthcoming Annual General Meeting. The Board recommends that Tan Sri Dato' Dr. Lin See Yan be re-appointed as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 in Malaysia, to hold office until the conclusion of the next Annual General Meeting.

**DIRECTORS' INTERESTS**

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 May 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

| | **Number of Ordinary Shares of RM1.00 Each** | | | |
|---|---|---|---|---|
| | **Balance at 1.6.2012** | **Bought** | **Sold** | **Balance at 31.5.2013** |
| **Shares in the Company** | | | | |
| **Direct interests:** | | | | |
| Dato' Johari Razak | 465,427 | - | - | 465,427 |
| Dato' (Dr.) Siew Ka Wei | 15,121,765 | 2,758,300 | - | 17,880,065 |
| Tan Sri Dato' Dr. Lin See Yan | 165,375 | - | - | 165,375 |
| **Indirect interests:** | | | | |
| Dato' (Dr.) Siew Ka Wei | 19,398,848 | - | - | 19,398,848 |
| Chan Thye Seng | 29,591,902 | 10,150,600 | - | 39,742,502 |

**DIRECTORS' INTERESTS** *(continued)*

| | Number of Ordinary Shares of RM1.00 Each | | | |
|---|---|---|---|---|
| | Balance at 1.6.2012 | Bought | Sold | Balance at 31.5.2013 |
| **Shares in subsidiaries** | | | | |
| **Nylex (Malaysia) Berhad ('Nylex')** | | | | |
| **Direct interests:** | | | | |
| Dato' Johari Razak | 131,360 | - | - | 131,360 |
| Dato' (Dr.) Siew Ka Wei | 1,522,049 | - | - | 1,522,049 |
| Tan Sri Dato' Dr. Lin See Yan | 17,337 | - | - | 17,337 |
| **Indirect interests:** | | | | |
| Dato' (Dr.) Siew Ka Wei | 99,363,917 | 2,803,218 | (8,500,000) | 93,667,135 |
| Chan Thye Seng | 31,453 | - | - | 31,453 |

| | Number of Ordinary Shares of RM0.10 Each | | | |
|---|---|---|---|---|
| | Balance at 1.6.2012 | Bought | Sold | Balance at 31.5.2013 |
| **Ancom Logistics Berhad ('ALB')** | | | | |
| **Direct interests:** | | | | |
| Dato' Johari Razak | 23,271 | - | - | 23,271 |
| Dato' (Dr.) Siew Ka Wei | 725,867 | - | - | 725,867 |
| Tan Sri Dato' Dr. Lin See Yan | 8,268 | - | - | 8,268 |
| **Indirect interests:** | | | | |
| Dato' (Dr.) Siew Ka Wei | 223,712,349 | - | - | 223,712,349 |
| Chan Thye Seng | 15,000 | - | - | 15,000 |

By virtue of their interests in the ordinary shares of the Company, Dato' (Dr.) Siew Ka Wei and Chan Thye Seng are deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received and receivable by the Directors as shown in Note 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 36 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those disclosed above.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**

**(I) AS AT THE END OF THE FINANCIAL YEAR**

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts,which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the effect arising from loss on disposal of investment in subsidiaries of RM4,590,000 which impacted the Company's financial results for the financial year as disclosed in Note 31 to the financial statements.

**(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT**

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY** *(continued)*

**(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT** *(continued)*

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**(III) AS AT THE DATE OF THIS REPORT**

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 42 to the financial statements.

**SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

The significant event subsequent to the end of the reporting period is disclosed in Note 43 to the financial statements.

**AUDITORS**

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Dato' Johari Razak**
Director

**Dato' (Dr.) Siew Ka Wei**
Director

Kuala Lumpur
30 September 2013

# STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of The Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 51 to 158 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 45 to the financial statements on page 159 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

**Dato' Johari Razak**
Director

**Dato' (Dr.) Siew Ka Wei**
Director

Kuala Lumpur
30 September 2013

# STATUTORY DECLARATION

Pursuant to Section 169(16) of The Companies Act, 1965

I, Lee Cheun Wei, being the officer primarily responsible for the financial management of Ancom Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 159 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed
at Kuala Lumpur this
30 September 2013

**Lee Cheun Wei**

Before me:
**M. Madhavan Nair**
(No. B064)
Commissioner for Oaths

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ancom Berhad, which comprise statements of financial position as at 31 May 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 51 to 158.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 May 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 41 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 45 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

As stated in Note 3 to the financial statements, Ancom Berhad adopted Malaysian Financial Reporting Standards on 1 June 2012 with a transition date of 1 June 2011. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 May 2012 and 1 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 31 May 2012 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 May 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 June 2012 do not contain misstatements that materially affect the financial position as of 31 May 2013 and financial performance and cash flows for the financial year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO**
AF: 0206
Chartered Accountants

**Francis Cyril A/L S R Singam**
3056/04/15 (J)
Chartered Accountant

Kuala Lumpur
30 September 2013

| | | Group | | |
|---|---|---|---|---|
| | Note | 31.5.2013 RM'000 | 31.5.2012 RM'000 | 1.6.2011 RM'000 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 7 | **228,418** | 231,537 | 225,433 |
| Investment properties | 8 | **145** | 151 | 353 |
| Investments in associates | 10 | **3,509** | 2,515 | 4,324 |
| Other investments | 11 | **735** | 4,027 | 6,150 |
| Intangible assets | 12 | **15,243** | 23,578 | 25,941 |
| Goodwill on consolidation | 13 | **74,529** | 75,992 | 74,380 |
| Deferred tax assets | 14 | **32,735** | 32,259 | 30,430 |
| Other receivables | 16 | **1,966** | - | - |
| | | **357,280** | 370,059 | 367,011 |
| **Current assets** | | | | |
| Inventories | 15 | **190,756** | 188,935 | 150,524 |
| Trade and other receivables | 16 | **348,414** | 351,826 | 319,329 |
| Amounts owing by associates | 18 | **3,731** | 8,250 | 7,847 |
| Derivative assets | 29 | **39** | - | - |
| Current tax assets | | **855** | 5,134 | 6,387 |
| Other investments | 11 | **863** | 2,156 | 2,368 |
| Cash and cash equivalents | 19 | **69,224** | 85,812 | 90,267 |
| | | **613,882** | 642,113 | 576,722 |
| **Total Assets** | | **971,162** | 1,012,172 | 943,733 |

The accompanying notes form an integral part of the financial statements.

| | Note | Group 31.5.2013 RM'000 | Group 31.5.2012 RM'000 | Group 1.6.2011 RM'000 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to the owners of the parent** | | | | |
| Share capital | 20 | **218,956** | 218,956 | 218,956 |
| Reserves | 21 | **54,153** | 81,994 | 88,970 |
| Less: Treasury shares, at cost | | **(2,056)** | (2,281) | (2,073) |
| | | **271,053** | 298,669 | 305,853 |
| **Non-controlling interests** | | **131,078** | 122,691 | 121,854 |
| **Total Equity** | | **402,131** | 421,360 | 427,707 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 22 | **13,273** | 20,202 | 22,157 |
| Deferred tax liabilities | 14 | **14,768** | 13,803 | 14,855 |
| Government grant | 25 | **-** | 600 | 1,600 |
| Provision for retirement benefits | 26 | **2,862** | 2,846 | 3,476 |
| | | **30,903** | 37,451 | 42,088 |
| **Current liabilities** | | | | |
| Trade and other payables | 27 | **263,304** | 311,296 | 239,407 |
| Amounts owing to associates | 18 | **508** | 13 | 18 |
| Borrowings | 22 | **271,742** | 239,986 | 232,511 |
| Derivative liabilities | 29 | **1** | 469 | - |
| Current tax liabilities | | **2,573** | 1,597 | 2,002 |
| | | **538,128** | 553,361 | 473,938 |
| **Total Liabilities** | | **569,031** | 590,812 | 516,026 |
| **TOTAL EQUITY AND LIABILITIES** | | **971,162** | 1,012,172 | 943,733 |

The accompanying notes form an integral part of the financial statements.

| | Note | Company 31.5.2013 RM'000 | 31.5.2012 RM'000 | 1.6.2011 RM'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 7 | **39,792** | 39,733 | 39,818 |
| Investments in subsidiaries | 9 | **264,650** | 272,174 | 274,234 |
| Investments in associates | 10 | **-** | 112 | 507 |
| Other investments | 11 | **545** | 2,149 | 2,412 |
| Intangible assets | 12 | **3** | 3 | 4 |
| | | **304,990** | 314,171 | 316,975 |
| **Current assets** | | | | |
| Trade and other receivables | 16 | **4,074** | 556 | 2,314 |
| Amounts owing by subsidiaries | 17 | **67,662** | 59,325 | 51,999 |
| Amounts owing by associates | 18 | **-** | 337 | 196 |
| Current tax assets | | **479** | 415 | 735 |
| Other investments | 11 | **-** | - | 27 |
| Cash and cash equivalents | 19 | **321** | 554 | 250 |
| | | **72,536** | 61,187 | 55,521 |
| **Total Assets** | | **377,526** | 375,358 | 372,496 |

The accompanying notes form an integral part of the financial statements.

| | Note | Company 31.5.2013 RM'000 | 31.5.2012 RM'000 | 1.6.2011 RM'000 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to the owners of the parent** | | | | |
| Share capital | 20 | **218,956** | 218,956 | 218,956 |
| Reserves | 21 | **21,673** | 24,959 | 30,330 |
| Less: Treasury shares, at cost | | **(2,056)** | (2,281) | (2,073) |
| **Total Equity** | | **238,573** | 241,634 | 247,213 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 22 | **3,466** | 8,213 | 7,923 |
| Deferred tax liabilities | 14 | **2,653** | 2,681 | 4,628 |
| | | **6,119** | 10,894 | 12,551 |
| **Current liabilities** | | | | |
| Trade and other payables | 27 | **2,018** | 689 | 1,130 |
| Amounts owing to subsidiaries | 28 | **77,353** | 72,535 | 60,011 |
| Amounts owing to associates | 18 | **-** | - | 6 |
| Current tax liabilities | | **-** | - | 321 |
| Borrowings | 22 | **53,463** | 49,606 | 51,264 |
| | | **132,834** | 122,830 | 112,732 |
| **Total Liabilities** | | **138,953** | 133,724 | 125,283 |
| **Total Equity And Liabilities** | | **377,526** | 375,358 | 372,496 |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 May 2013

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| Revenue | 30 | **2,032,564** | 1,750,204 | **23,998** | 18,710 |
| Cost of sales | | **(1,838,205)** | (1,553,271) | **-** | - |
| Gross profit | | **194,359** | 196,933 | **23,998** | 18,710 |
| Other operating income | | **5,844** | 8,767 | **156** | 26 |
| Distribution costs | | **(65,290)** | (65,607) | **-** | - |
| Administrative expenses | | **(91,252)** | (94,011) | **(10,547)** | (11,242) |
| Other operating expenses | | **(24,861)** | (21,694) | **(11,976)** | (10,105) |
| Finance costs | | **(14,405)** | (13,868) | **(4,789)** | (4,334) |
| Share of results of associates | | **(147)** | (313) | **-** | - |
| Profit/(Loss) before tax | 31 | **4,248** | 10,207 | **(3,158)** | (6,945) |
| Taxation | 32 | **(16,781)** | (9,803) | **(128)** | 1,574 |
| (Loss)/Profit for the financial year | | **(12,533)** | 404 | **(3,286)** | (5,371) |
| **Other comprehensive income** | | | | | |
| Foreign currency translations | | **(4,212)** | 2,905 | **-** | - |
| Other comprehensive(loss)/income, net of tax | | **(4,212)** | 2,905 | **-** | - |
| Total comprehensive (loss)/income | | **(16,745)** | 3,309 | **(3,286)** | (5,371) |
| **(Loss)/Profit attributable to:** | | | | | |
| Owners of the parent | | **(19,906)** | (9,014) | **(3,286)** | (5,371) |
| Non-controlling interests | | **7,373** | 9,418 | **-** | - |
| | | **(12,533)** | 404 | **(3,286)** | (5,371) |
| **Total comprehensive (loss)/income attributable to:** | | | | | |
| Owners of the parent | | **(21,997)** | (6,976) | **(3,286)** | (5,371) |
| Non-controlling interests | | **5,252** | 10,285 | **-** | - |
| | | **(16,745)** | 3,309 | **(3,286)** | (5,371) |

**Loss per ordinary share attributable to the owners of the parent (sen):**

| | Note | Group 2013 sen | Group 2012 sen |
|---|---|---|---|
| Basic loss per ordinary share | 33 | **(9.22)** | (4.17) |
| Diluted loss per ordinary share | 33 | **(9.22)** | (4.17) |

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 May 2013

| Group | Note | Share capital RM'000 | Share premium RM'000 | Capital reserve RM'000 | Capital redemption reserve RM'000 | Exchange translation reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | Total attributable to owners of the parent RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 May 2012** | | 218,956 | 4,332 | 203 | 4,987 | 2,038 | (2,281) | 70,434 | **298,669** | 122,691 | **421,360** |
| (Loss)/Profit for the financial year | | - | - | - | - | - | - | (19,906) | **(19,906)** | 7,373 | **(12,533)** |
| Other comprehensive loss, net of tax | | - | - | - | - | (2,091) | - | - | **(2,091)** | (2,121) | **(4,212)** |
| Total comprehensive (loss)/income | | - | - | - | - | (2,091) | - | (19,906) | **(21,997)** | 5,252 | **(16,745)** |
| **Transactions with owners** | | | | | | | | | | | |
| Resold of ordinary shares of the Company | 20(b) | - | - | - | - | - | 225 | - | **225** | - | **225** |
| Repurchase of ordinary shares of a subsidiary from non-controlling interest | | - | - | - | - | - | - | - | **-** | (396) | **(396)** |
| Net dilution of equity interest in subsidiaries | | - | - | - | - | - | - | (5,608) | **(5,608)** | 8,542 | **2,934** |
| Arising from accretion of equity interest in subsidiary | | - | - | - | - | - | - | (236) | **(236)** | (1,728) | **(1,964)** |
| Additional non-controlling interests arising on business combination | | - | - | - | - | - | - | - | **-** | 571 | **571** |
| Dividends paid to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | **-** | (3,854) | **(3,854)** |
| Total transactions with owners | | - | - | - | - | - | 225 | (5,844) | **(5,619)** | 3,135 | **(2,484)** |
| **As at 31 May 2013** | | 218,956 | 4,332 | 203 | 4,987 | (53) | (2,056) | 44,684 | **271,053** | 131,078 | **402,131** |

The accompanying notes form an integral part of the financial statements.

| Group | Note | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Capital reserve RM'000 | Capital redemption reserve RM'000 | Exchange translation reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | Total attributable to owners of the parent RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 May 2011** | | 218,956 | 4,332 | 25,707 | 203 | 4,987 | (9,838) | (2,073) | 63,579 | **305,853** | 121,854 | **427,707** |
| Effects of adoption of MFRS 1 | 44 | - | - | (25,707) | - | - | 9,838 | - | 15,869 | **-** | - | **-** |
| **Restated balance as at 1 June 2011** | | 218,956 | 4,332 | - | 203 | 4,987 | - | (2,073) | 79,448 | **305,853** | 121,854 | **427,707** |
| (Loss)/Profit for the financial year | | - | - | - | - | - | - | - | (9,014) | **(9,014)** | 9,418 | **404** |
| Other comprehensive income, net of tax | | - | - | - | - | - | 2,038 | - | - | **2,038** | 867 | **2,905** |
| Total comprehensive income/(loss) | | - | - | - | - | - | 2,038 | - | (9,014) | **(6,976)** | 10,285 | **3,309** |
| **Transactions with owners** | | | | | | | | | | | | |
| Winding-up of a subsidiary | 9.5 | - | - | - | - | - | - | - | - | **-** | (1,980) | **(1,980)** |
| Repurchase of ordinary shares of the Company | | - | - | - | - | - | - | (208) | - | **(208)** | - | **(208)** |
| Repurchase of ordinary shares of subsidiaries from the non-controlling interests | | - | - | - | - | - | - | - | - | **-** | (305) | **(305)** |
| Dividends paid to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | - | **-** | (7,163) | **(7,163)** |
| Total transactions with owners | | - | - | - | - | - | - | (208) | - | **(208)** | (9,448) | **(9,656)** |
| **As at 31 May 2012** | | 218,956 | 4,332 | - | 203 | 4,987 | 2,038 | (2,281) | 70,434 | **298,669** | 122,691 | **421,360** |

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2013

| Company | Note | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Capital redemption reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| **As at 31 May 2012** | | 218,956 | 4,332 | - | 4,917 | (2,281) | 15,710 | 241,634 |
| Loss for the financial year | | - | - | - | - | - | (3,286) | (3,286) |
| Other comprehensive income, net of tax | | - | - | - | - | - | - | - |
| Total comprehensive loss | | - | - | - | - | - | (3,286) | (3,286) |
| **Transaction with owners** | | | | | | | | |
| Net disposal of ordinary shares of the Company | 20(b) | - | - | - | - | 225 | - | 225 |
| Total transaction with owners | | - | - | - | - | 225 | - | 225 |
| **As at 31 May 2013** | | **218,956** | **4,332** | **-** | **4,917** | **(2,056)** | **12,424** | **238,573** |
| **As at 31 May 2011** | | 218,956 | 4,332 | 13,574 | 4,917 | (2,073) | 7,507 | 247,213 |
| Effects of adoption of MFRS 1 | 44 | - | - | (13,574) | - | - | 13,574 | - |
| **Restated balance as at 1 June 2011** | | 218,956 | 4,332 | - | 4,917 | (2,073) | 21,081 | 247,213 |
| Loss for the financial year | | - | - | - | - | - | (5,371) | (5,371) |
| Other comprehensive income, net of tax | | - | - | - | - | - | - | - |
| Total comprehensive loss | | - | - | - | - | - | (5,371) | (5,371) |
| **Transaction with owners** | | | | | | | | |
| Repurchase of ordinary shares of the Company | | - | - | - | - | (208) | - | (208) |
| Total transaction with owners | | - | - | - | - | (208) | - | (208) |
| **As at 31 May 2012** | | 218,956 | 4,332 | - | 4,917 | (2,281) | 15,710 | 241,634 |

The accompanying notes form an integral part of the financial statements.

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Profit/(Loss) before tax | | **4,248** | 10,207 | **(3,158)** | (6,945) |
| Adjustments for: | | | | | |
| Amortisation of government grant | 25 | **(600)** | (1,000) | **-** | - |
| Amortisation of intangible assets | 12 | **6,436** | 7,381 | **1** | 1 |
| Bad debts written off | | **-** | | | |
| - third parties | | **26** | 1,442 | **-** | 1,441 |
| - subsidiaries | | **-** | - | **2,000** | 5 |
| Deposits written off | | **503** | - | **-** | - |
| Depreciation of investment properties | 8 | **6** | 13 | **-** | - |
| Depreciation of property, plant and equipment | 7 | **19,726** | 19,463 | **1,176** | 1,183 |
| Deferred expenses written off | | **127** | - | **-** | - |
| Dividend income (gross) | 30 | **(6)** | (6) | **(22,837)** | (18,126) |
| Fair value adjustment on other investments | | **(59)** | (47) | **(52)** | 76 |
| Fair value adjustment on long term other receivables | | **424** | - | **-** | - |
| Fair value (gain)/loss on derivatives | | **(38)** | 469 | **-** | - |
| Gain on disposal of investment properties | | **-** | (20) | **-** | - |
| Gain on disposals of treasury shares | | **(104)** | - | **(104)** | - |
| (Gain)/Loss on disposal of property, plant and equipment | | **(257)** | 417 | **-** | - |
| Loss on dilution of equity interest in subsidiaries | 9 | **-** | - | **4,590** | - |
| Loss on disposal of other investments | | **909** | 1,734 | **909** | - |
| Impairment loss on amounts owing by: | | | | | |
| - subsidiaries | | **-** | - | **3,081** | 4,451 |
| - associates | | **2,561** | - | **105** | - |
| Impairment loss on property, plant and equipment | 7 | **-** | 8 | **-** | - |
| Impairment loss on investments in subsidiaries | | **-** | - | **-** | 2,060 |
| Impairment loss on investments in associates | | **-** | 1,495 | **112** | 395 |
| Impairment loss on intangible assets | 12 | **2,348** | 3,210 | **-** | - |
| Impairment loss on other investment | | **1,687** | 200 | **-** | 200 |
| Impairment loss on trade and other receivables | | **5,345** | 5,528 | **-** | 291 |
| Impairment loss on goodwill on consolidation | | **-** | 1,398 | **-** | - |
| Interest expense | | **14,405** | 13,868 | **4,789** | 4,334 |
| Interest income | | **(1,488)** | (821) | **(181)** | (180) |
| Inventories written down | | **2,239** | 2,984 | **-** | - |
| Property, plant and equipment written off | 7 | **1,848** | 1,007 | **6** | 2 |
| Reversal of impairment losses on trade and other receivables | 16 | **(320)** | (368) | **-** | - |
| Reversal of impairment losses on investments in associates | | **(1,548)** | - | **-** | - |
| Gain on disposal of investment in an associate | | **(1,123)** | - | **-** | - |
| Share of results in associates | | **147** | 313 | **-** | - |
| Net unrealised loss/(gain) on foreign exchange | | **1,653** | (852) | **-** | - |
| Waiver of debts | | **-** | (264) | **-** | - |
| (Write back)/Provision for warranties | | **(204)** | 352 | **-** | - |
| Provision/(Write back) for retirement benefits | 26 | **343** | (28) | **-** | - |
| **Operating profit/(loss) before working capital changes** | | **59,234** | 68,083 | **(9,563)** | (10,812) |

The accompanying notes form an integral part of the financial statements.

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** *(continued)* | | | | | |
| **Operating profit/(loss) before working capital changes** | | **59,234** | 68,083 | **(9,563)** | (10,812) |
| Increase in inventories | | **(4,060)** | (41,395) | **-** | - |
| (Increase)/Decrease in trade and other receivables | | **(5,926)** | (41,310) | **(3,518)** | 26 |
| (Decrease)/Increase in trade and other payables | | **(48,602)** | 71,801 | **1,109** | (442) |
| Decrease/(Increase) in amounts owing by associates | | **1,958** | (403) | **232** | (141) |
| Increase/(Decrease) in amounts owing to associates | | **495** | (5) | **-** | (6) |
| **Cash generated from/(used in) operations** | | **3,099** | 56,771 | **(11,740)** | (11,375) |
| Dividend received | | **6** | 6 | **10,111** | 5,753 |
| Retirement benefits paid | 26 | **(308)** | (593) | **-** | - |
| Tax paid | | **(11,185)** | (12,294) | **-** | - |
| **Net cash (used in)/from operating activities** | | **(8,388)** | 43,890 | (1,629) | (5,622) |
| **Cash Flows From Investing Activities** | | | | | |
| Acquisition of a subsidiary | | **284** | - | **-** | - |
| Dilution of equity interest in a subsidiary | 9 | **2,934** | - | **2,934** | - |
| Distribution of surplus assets to non-controlling interests on winding up | | **-** | (1,980) | **-** | - |
| Interest received | | **1,488** | 821 | **181** | 180 |
| Proceeds from disposal of property, plant and equipment | | **1,165** | 746 | **-** | - |
| Proceeds from disposal of investment properties | | **-** | 209 | **-** | - |
| Purchase of intangible assets | 12 | **(449)** | (6,750) | **(1)** | - |
| Purchase of other investments | | **(400)** | (1,811) | **-** | (14) |
| Purchase of property, plant and equipment | 7(a) | **(14,343)** | (24,587) | **(1,241)** | (1,100) |
| Repayments to subsidiaries | | **-** | - | **4,126** | 12,743 |
| Proceeds from disposal of other investments | | **2,448** | 3,946 | **747** | 27 |
| Purchase of treasury shares of a subsidiary from non-controlling interests | | **(396)** | (305) | **-** | - |
| Placement of short term deposits pledged with licensed banks | | **654** | 5,101 | **-** | - |
| **Net cash (used in)/from investing activities** | | **(6,615)** | (24,610) | **6,746** | 11,836 |

The accompanying notes form an integral part of the financial statements.

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Cash Flows From Financing Activities** | | | | | |
| Dividends paid to non-controlling interests of subsidiaries | | **(3,854)** | (7,163) | **-** | - |
| Interest paid | | **(14,405)** | (13,868) | **(4,789)** | (4,334) |
| Proceeds from disposal of treasury shares | | **767** | - | **767** | - |
| Purchase of treasury shares from owners | | **(438)** | (208) | **(438)** | (208) |
| Repayments of hire-purchase and lease creditors | | **(8,552)** | (3,266) | **(796)** | (428) |
| Net drawdown of borrowings | | **25,359** | 3,080 | **1,250** | 450 |
| **Net cash used in financing activities** | | **(1,123)** | (21,425) | **(4,006)** | (4,520) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(16,126)** | (2,145) | **1,111** | 1,694 |
| **Cash and cash equivalents at beginning of financial year** | | **66,083** | 67,782 | **(7,304)** | (8,998) |
| **Effects of exchange rate changes on cash and cash equivalents** | | **1,607** | 446 | **-** | - |
| | | **67,690** | 68,228 | **(7,304)** | (8,998) |
| **Cash and cash equivalents at end of financial year** | 19 | **51,564** | 66,083 | **(6,193)** | (7,304) |

The accompanying notes form an integral part of the financial statements.

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 2A, Jalan 13/2, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements for the financial year ended 31 May 2013 comprise the Company and its subsidiaries and the Group's interest in associates. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 30 September 2013.

**2. PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 41 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**3. BASIS OF PREPARATION**

The financial statements of the Group and of the Company set out on pages 51 to 158 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia.

These are the Group and the Company's first financial statements prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ('FRSs') in Malaysia.

The Group and Company have consistently applied the same accounting policies in its opening MFRSs statements of financial position as at 1 June 2011 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for the financial year ended 2012 in these financial statements have been restated to give effect to these changes, and Note 44 to the financial statements discloses the impact of the transition to MFRS on the Group and Company's reported financial position, financial performance and cash flows for the financial year then ended.

However, Note 45 to the financial statements set out on page 159 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

As at 31 May 2013, the Company's current liabilities exceeded its current assets by RM60,298,000. The net current liabilities include amounts owing to subsidiaries of RM77,353,000.

The Directors are of the opinion that the preparation of the financial statements of the Company on a going concern basis is appropriate due to expected dividends from the subsidiaries and credit facilities in place to meet its operational requirements. In addition, the Company carries out cash flows reviews for the next twelve (12) months to ensure that the business operations have sufficient funds available to operate as a going concern.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

### 4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.2 Basis of consolidation** *(continued)*

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at either fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on an combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

**4.3 Business combinations**

**Business combinations from 1 June 2011 onwards**

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.3 Business combinations** *(continued)*

**Business combinations from 1 June 2011 onwards** *(continued)*

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.8(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

**Business combinations before 1 June 2011**

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 June 2011. Goodwill represents the amount recognised under the previous FRS Framework in respect of acquisitions prior to 1 June 2011.

**4.4 Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.4 Property, plant and equipment and depreciation** *(continued)*

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and is not depreciated. Assets under construction are not depreciated until such time when the asset is available for use.

Depreciation on other property, plant and equipment is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

| | |
|---|---|
| Buildings | 2% - 10% |
| Leasehold land | 1% |
| Plant and machinery | 7% - 33% |
| Motor vehicles | 10% - 20% |
| Furniture, fittings and office equipment | 5% - 33% |
| Renovation | 2% - 10% |

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

**4.5 Lease and hire-purchase**

**(a) Finance leases and hire-purchase**

Assets acquired under finance leases and hire-purchase which transfer substantially all the risks and rewards of ownership of the Group are recognised initially at amounts equal to the fair value of the leased asset, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.5 Lease and hire-purchase** *(continued)*

**(a) Finance leases and hire-purchase** *(continued)*

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire-purchase liabilities.

**(b) Operating leases**

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

**(c) Lease of land and buildings**

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

**4.6 Investment properties**

Investment properties are properties which are held to earn rentals yields or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, which includes transaction cost. After initial recognition, investment properties are stated at cost, which includes transaction costs. Investment properties are depreciated on the straight line basis to allocate the cost to their residual values over their estimated useful lives of 50 years. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the net asset and is recognised in profit or loss in the period of the retirement or disposal.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.7 Investments**

**(a) Subsidiaries**

A subsidiary is an entity in which the Group and the Company have power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the Company's separate financial statements. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

**(b) Associates**

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investment.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the Group's net investment in the associate.

The Group's share of the profit or loss of the associate during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate to the extent that there is no impairment.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 4.7 Investments *(continued)*

#### (b) Associates *(continued)*

When the Group's share of losses in the associate equals or exceeds its interest in the associates, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest financial statements for which the difference in end of the reporting periods is not more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

### 4.8 Intangible assets

#### (a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the Group's share of the net fair value of net assets of the associates' identifiable assets and liabilities at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.8 Intangible assets** *(continued)*

**(b) Other intangible assets**

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount could be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

**Development expenditure**

Development expenditure is written off to profit or loss as and when incurred except that development expenditure of which the Group can demonstrate that it is technically feasible to develop products or processes, adequate resources are available to complete the development and there is an intention to complete and sell the products or processes to generate future economic benefits.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.8 Intangible assets** *(continued)*

**(b) Other intangible assets** *(continued)*

**Development expenditure** *(continued)*

After initial recognition, the development expenditure is carried at cost less accumulated amortisation and any accumulated impairment losses. The development expenditure is amortised over the period of time not exceeding five (5) years and are assessed for any indication that the asset may be impaired. If any indication exists, the Group shall estimate the recoverable amount of the asset as stated in Note 4.9 to the financial statements. The amortisation expense and any impairment loss is recognised in profit or loss.

The development expenditure is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

**Rights**

Rights relating to the exclusive audio visual advertising network distribution is recognised as an asset at the acquisition date and initially measured at cost.

After initial recognition, the rights are carried at cost less accumulated amortisation and any accumulated impairment losses. The rights are amortised on a straight line basis over five (5) to fifteen (15) years and are assessed for any indication that the asset may be impaired. If any indication exists, the Group shall estimate the recoverable amount of the asset as stated in Note 4.9 to the financial statements. The amortisation expense and any impairment loss is recognised in profit or loss.

The rights are derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

**Computer software**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three (3) to ten (10) years.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.9 Impairment of non-financial assets**

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and associates), inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments.*

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

**4.10 Inventories**

Inventories are stated at the lower of cost (determined on weighted average method) and net realisable value. The cost of raw materials, packing materials and consumables comprise all costs of purchase plus the cost incurred in bringing the inventories to their present condition and location. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour, other direct cost and an appropriate portion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.11 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

**4.11.1 Financial assets**

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.11 Financial instruments** *(continued)*

**4.11.1 Financial assets** *(continued)*

**(b) Held-to-maturity investments**

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

**(c) Loans and receivables**

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

**(d) Available-for-sale financial assets**

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, convertible to cash and are subject to insignificant risk of changes in value.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 4.11 Financial instruments *(continued)*

#### 4.11.1 Financial assets *(continued)*

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

#### 4.11.2 Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

**(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

**(b) Other financial liabilities**

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.11 Financial instruments** *(continued)*

**4.11.2 Financial liabilities** *(continued)*

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of every reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

**4.11.3 Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.11 Financial instruments** *(continued)*

**4.11.3 Equity** *(continued)*

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

**4.12 Impairment of financial assets**

The Group assess whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

**(a) Loans and receivables**

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 4.12 Impairment of financial assets *(continued)*

#### (b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit to loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### 4.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss to the period in which they are incurred.

### 4.14 Government grants

Government grants are recognised in the financial statements when there is reasonable assurance that:

(a) The Group would comply with the conditions attached to the grant; and

(b) The grants would be received.

Government grants relating to costs are deferred and recognised as income in profit or loss on a straight line basis over the periods necessary to match them with the related costs that they are intended to compensate.

Government grants related to assets are presented in the statement of financial position as deferred revenue and recognised in profit or loss on a systematic basis over the useful life of the asset.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 4.15 Income taxes

Income taxes include all domestic and foreign taxes on taxable profits. Income taxes also include other taxes such as withholding taxes and real property gains taxes payable on disposal of properties, if any.

Taxes in the statement of comprehensive income comprise current tax and deferred tax.

**(a) Current tax**

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

**(b) Deferred tax**

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effects of actual enactment by the end of reporting period.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.16 Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for warranties is recognised based on the estimated liabilities to repair or replace products when the underlying products or services are sold. The estimated liability is based on historical warranty data and a weighting of all possible outcome against their associated probabilities.

**4.17 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group.The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

**4.18 Employee benefits**

**(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.18 Employee benefits** *(continued)*

**(b) Defined contribution plans**

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

**(c) Retirement benefits obligation**

The Group are obligated under non-contributory retirement benefit schemes and collective bargaining agreements to pay retirement benefits to certain employees who retire or leave the companies' employ after fulfilling certain conditions. Provision for retirement benefit is computed based on length of service and a proportion of the basic salary earnings of the employees in each particular year of services.

**4.19 Foreign currencies**

**4.19.1 Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

**4.19.2 Foreign currency translation and balances**

Transactions in foreign currencies are converted into the functional currency of each company in the Group at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

**4.19.3 Foreign operations**

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.20 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

**(a) Sale of goods**

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

**(b) Services rendered**

Revenue in respect of the rendering of services is recognised when the stage of completion at the end of the reporting period and the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed.

**(c) Rental income**

Rental income is recognised on an annual basis in accordance with the substance to relevant agreement.

**(d) Interest income**

Interest income is recognised as it accrues, using the effective interest method.

**(e) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**4.21 Operating segments**

Operating segments are defined as components of the Group:

(a) Engages in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Managing Director) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**4.21 Operating segments** *(continued)*

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue.

**4.22 Earnings per share**

**(a) Basic**

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

**(b) Diluted**

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

## 5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

### 5.1 New MFRSs adopted during the current financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

| Title | Effective Date |
|---|---|
| MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* | 1 January 2012 |
| MFRS 2 *Share-based Payment* | 1 January 2012 |
| MFRS 3 *Business Combinations* | 1 January 2012 |
| MFRS 4 *Insurance Contracts* | 1 January 2012 |
| MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* | 1 January 2012 |
| MFRS 6 *Exploration for and Evaluation of Mineral Resources* | 1 January 2012 |
| MFRS 7 *Financial Instruments: Disclosures* | 1 January 2012 |
| MFRS 8 *Operating Segments* | 1 January 2012 |
| MFRS 101 *Presentation of Financial Statements* | 1 January 2012 |
| MFRS 102 *Inventories* | 1 January 2012 |
| MFRS 107 *Statement of Cash Flows* | 1 January 2012 |
| MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* | 1 January 2012 |
| MFRS 110 *Events After the Reporting Period* | 1 January 2012 |
| MFRS 111 *Construction Contracts* | 1 January 2012 |
| MFRS 112 *Income Taxes* | 1 January 2012 |
| MFRS 116 *Property, Plant and Equipment* | 1 January 2012 |
| MFRS 117 *Leases* | 1 January 2012 |
| MFRS 118 *Revenue* | 1 January 2012 |
| MFRS 119 *Employee Benefits* | 1 January 2012 |
| MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance* | 1 January 2012 |
| MFRS 121 *The Effects of Changes in Foreign Exchange Rates* | 1 January 2012 |
| MFRS 123 *Borrowing Costs* | 1 January 2012 |
| MFRS 124 *Related Party Disclosures* | 1 January 2012 |
| MFRS 126 *Accounting and Reporting by Retirement Benefit Plans* | 1 January 2012 |
| MFRS 127 *Consolidated and Separate Financial Statements* | 1 January 2012 |
| MFRS 128 *Investments in Associates* | 1 January 2012 |
| MFRS 129 *Financial Reporting in Hyperinflationary Economies* | 1 January 2012 |
| MFRS 131 *Interests in Joint Ventures* | 1 January 2012 |
| MFRS 132 *Financial Instruments: Presentation* | 1 January 2012 |
| MFRS 133 *Earnings Per Share* | 1 January 2012 |
| MFRS 134 *Interim Financial Reporting* | 1 January 2012 |
| MFRS 136 *Impairment of Assets* | 1 January 2012 |
| MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* | 1 January 2012 |
| MFRS 138 *Intangible Assets* | 1 January 2012 |
| MFRS 139 *Financial Instruments: Recognition and Measurement* | 1 January 2012 |
| MFRS 140 *Investment Property* | 1 January 2012 |
| MFRS 141 *Agriculture* | 1 January 2012 |
| Improvements to MFRSs (2008) | 1 January 2012 |
| Improvements to MFRSs (2009) | 1 January 2012 |
| Improvements to MFRSs (2010) | 1 January 2012 |
| IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* | 1 January 2012 |

5. **ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs** *(continued)*

5.1 **New MFRSs adopted during the current financial year** *(continued)*

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year. *(continued)*

| Title | Effective Date |
|---|---|
| IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments* | 1 January 2012 |
| IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease* | 1 January 2012 |
| IC Interpretation 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* | 1 January 2012 |
| IC Interpretation 6 *Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment* | 1 January 2012 |
| IC Interpretation 7 *Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies* | 1 January 2012 |
| IC Interpretation 9 *Reassessment of Embedded Derivatives* | 1 January 2012 |
| IC Interpretation 10 *Interim Financial Reporting and Impairment* | 1 January 2012 |
| IC Interpretation 12 *Service Concession Arrangements* | 1 January 2012 |
| IC Interpretation 13 *Customer Loyalty Programmes* | 1 January 2012 |
| IC Interpretation 14 MFRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* | 1 January 2012 |
| IC Interpretation 15 *Agreements for the Construction of Real Estate* | 1 January 2012 |
| IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* | 1 January 2012 |
| IC Interpretation 17 *Distributions of Non-cash Assets to Owners* | 1 January 2012 |
| IC Interpretation 18 *Transfers of Assets from Customers* | 1 January 2012 |
| IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* | 1 January 2012 |
| IC Interpretation 107 *Introduction of the Euro* | 1 January 2012 |
| IC Interpretation 110 *Government Assistance - No Specific Relation to Operating Activities* | 1 January 2012 |
| IC Interpretation 112 *Consolidation - Special Purpose Entities* | 1 January 2012 |
| IC Interpretation 113 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers* | 1 January 2012 |
| IC Interpretation 115 *Operating Leases - Incentives* | 1 January 2012 |
| IC Interpretation 125 *Income Taxes - Changes in the Tax Status of an Entity or its Shareholders* | 1 January 2012 |
| IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* | 1 January 2012 |
| IC Interpretation 129 *Service Concession Arrangements: Disclosures* | 1 January 2012 |
| IC Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services* | 1 January 2012 |
| IC Interpretation 132 *Intangible Assets - Web Site Costs* | 1 January 2012 |

**(a)** ***Amendments to*** **MFRS 101** ***Clarification of the Requirements for Comparative Information*** **are mandatory for annual periods beginning on or after 1 January 2013.**

The Group has early adopted Amendments to MFRS 101 *Clarification of the Requirements for Comparative Information* in conjunction with the application of MFRS 101. These Amendments clarify that the third statement of financial position is required only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. If the third statement of financial position is presented, these Amendments clarify that the related notes to the opening statement of financial position need not be disclosed. Accordingly, there are no related notes disclosed in relation to the opening statement of financial position as at 1 June 2011.

**5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs** *(continued)*

**5.1 New MFRSs adopted during the current financial year** *(continued)*

**(b) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* are mandatory for annual periods beginning on or after 1 January 2013.**

The Group has early adopted Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in conjunction with the application of MFRS 1. These Amendments clarify that the first MFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

**5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013**

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been adopted by the Group and the Company.

| Title | Effective Date |
|---|---|
| Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* | 1 July 2012 |
| MFRS 10 *Consolidated Financial Statements* | 1 January 2013 |
| MFRS 11 *Joint Arrangements* | 1 January 2013 |
| MFRS 12 *Disclosure of Interests in Other Entities* | 1 January 2013 |
| MFRS 13 *Fair Value Measurement* | 1 January 2013 |
| MFRS 119 *Employee Benefits (revised)* | 1 January 2013 |
| MFRS 127 *Separate Financial Statements* | 1 January 2013 |
| MFRS 128 *Investments in Associates and Joint Ventures* | 1 January 2013 |
| Amendments to MFRS 1 *Government Loans* | 1 January 2013 |
| Amendments to MFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities* | 1 January 2013 |
| Amendments to MFRSs *Annual Improvements 2009 - 2011 Cycle* | 1 January 2013 |
| Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* | 1 January 2013 |
| IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* | 1 January 2013 |
| Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities* | 1 January 2014 |
| Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets* | 1 January 2014 |
| Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting* | 1 January 2014 |
| IC Interpretation 21 *Levies* | 1 January 2014 |
| *Mandatory Effective Date of MFRS 9 and Transition Disclosures* | 1 January 2015 |
| MFRS 9 *Financial Instruments* | 1 January 2015 |

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors are of the opinion that there are no significant changes in estimates during the reporting period and at the end of the reporting period.

### 6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

#### 6.2.1 Contingent liabilities

The determination and treatment of contingent liabilities are based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

#### 6.2.2 Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

### 6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 6.3.1 Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful life. Management estimates that the useful lives of the assets as are disclosed in Note 4.4 to the financial statements. These are common life expectancies applied in the industries which the Group and the Company operate. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the assets, and therefore future depreciation charges could be revised.

#### 6.3.2 Impairment of investments in subsidiaries and associates and amounts owing by subsidiaries and associates

The Company reviews the investments in subsidiaries and associates for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries and associates when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and associates and amounts owing by subsidiaries and associates are assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries and associates.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries and associates discounted at an appropriate discount rate. Such a discounted cash flow method involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement was also used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries and associates.

**6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *(continued)*

**6.3 Key sources of estimation uncertainty** *(continued)*

**6.3.3 Impairment of intangible assets**

If any indication exists, the Group estimates the recoverable amount of the asset in accordance with Note 4.9 to the financial statements. This requires an estimation of the value-in-use of the intangible assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 12 to the financial statements.

**6.3.4 Impairment of goodwill on consolidation**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiary and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 13 to the financial statements.

**6.3.5 Deferred tax assets**

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses and the capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgement and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

At the end of the reporting period, the Group has recognised RM32,735,000 (2012: RM32,259,000) of deferred tax assets arising from unused tax losses and unabsorbed capital allowances as management considered that it is probable that taxable profits will be available against which the losses and allowances can be utilised. Variances from future taxable profits estimated will result in changes in the deferred tax assets recognised.

**6.3.6 Write down for obsolete or slow moving inventories**

The Group writes down its obsolete or slow moving inventories based on an assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recoverable. Management specifically analyses sales trends and current economic trends when making judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

### 6.3 Key sources of estimation uncertainty *(continued)*

#### 6.3.7 Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, and changes in customer payment terms when making judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

#### 6.3.8 Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 35 to the financial statements.

#### 6.3.9 Income taxes

The Group and the Company have exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the capital allowances and deductibility of certain expenses based on interpretation of tax laws and regulations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognised liabilities for tax based on estimates of assessment of the tax liabilities due. Where the financial tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision, where applicable, in the financial year in which such determination is made.

## 7. PROPERTY, PLANT AND EQUIPMENT

| Group<br>2013 | Balance as at 1.6.2012<br>RM'000 | Additions<br>RM'000 | Disposals<br>RM'000 | Depreciation charge for the financial year<br>RM'000 | Translation adjustments<br>RM'000 | Written off<br>RM'000 | Reclassi-fications<br>RM'000 | Balance as at 31.5.2013<br>RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | |
| Freehold land | 1,016 | - | - | - | - | - | - | 1,016 |
| Buildings | 50,180 | 1,982 | (206) | (1,838) | (383) | - | (1,181) | 48,554 |
| Leasehold land | 75,890 | - | - | (804) | (408) | - | - | 74,678 |
| Plant and machinery | 62,765 | 13,245 | (599) | (10,163) | (379) | (1,145) | 7,414 | 71,138 |
| Motor vehicles | 20,562 | 3,233 | (98) | (4,864) | (59) | (5) | (153) | 18,616 |
| Furniture, fittings and office equipment | 7,399 | 1,297 | (5) | (1,516) | (16) | (8) | (36) | 7,115 |
| Renovation | 5,737 | 178 | - | (541) | (11) | - | 1,217 | 6,580 |
| Assets under construction | 7,988 | 701 | - | - | (17) | (690) | (7,261) | 721 |
| | 231,537 | 20,636 | (908) | (19,726) | (1,273) | (1,848) | - | 228,418 |

| | At 31.5.2013 Cost<br>RM'000 | At 31.5.2013 Accumulated depreciation and impairment<br>RM'000 | At 31.5.2013 Carrying amount<br>RM'000 |
|---|---|---|---|
| Freehold land | 1,016 | - | 1,016 |
| Buildings | 50,926 | (2,372) | 48,554 |
| Leasehold land | 78,030 | (3,352) | 74,678 |
| Plant and machinery | 218,992 | (147,854) | 71,138 |
| Motor vehicles | 49,387 | (30,771) | 18,616 |
| Furniture, fittings and office equipment | 25,351 | (18,236) | 7,115 |
| Renovation | 9,705 | (3,125) | 6,580 |
| Assets under construction | 721 | - | 721 |
| | 434,128 | (205,710) | 228,418 |

7. **PROPERTY, PLANT AND EQUIPMENT** *(continued)*

| Group 2012 | Balance as at 1.6.2011 RM'000 | Additions RM'000 | Impairment RM'000 | Disposals RM'000 | Depreciation charge for the financial year RM'000 | Translation adjustments RM'000 | Written off RM'000 | Reclassi-fications RM'000 | Balance as at 31.5.2012 RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | |
| Freehold land | 1,057 | - | - | - | - | - | - | (41) | 1,016 |
| Buildings | 47,849 | 3,070 | - | - | (1,799) | 233 | - | 827 | 50,180 |
| Leasehold land | 71,474 | 2,910 | - | - | (798) | (1) | - | 2,305 | 75,890 |
| Plant and machinery | 68,749 | 3,788 | - | (285) | (9,199) | (82) | (226) | 20 | 62,765 |
| Motor vehicles | 20,258 | 4,173 | - | (864) | (5,045) | 43 | (3) | 2,000 | 20,562 |
| Furniture, fittings and office equipment | 9,011 | 2,433 | (8) | (14) | (2,053) | (11) | 41 | (2,000) | 7,399 |
| Renovation | 3,906 | 2,158 | - | - | (569) | 7 | - | 235 | 5,737 |
| Assets under construction | 3,129 | 9,388 | - | - | - | (364) | (819) | (3,346) | 7,988 |
| | 225,433 | 27,920 | (8) | (1,163) | (19,463) | (175) | (1,007) | - | 231,537 |

| | At 31.5.2012 Cost RM'000 | Accumulated depreciation and impairment RM'000 | Carrying amount RM'000 |
|---|---|---|---|
| Freehold land | 1,016 | - | 1,016 |
| Buildings | 56,592 | (6,412) | 50,180 |
| Leasehold land | 79,494 | (3,604) | 75,890 |
| Plant and machinery | 205,392 | (142,627) | 62,765 |
| Motor vehicles | 48,268 | (27,706) | 20,562 |
| Furniture, fittings and office equipment | 25,865 | (18,466) | 7,399 |
| Renovation | 8,329 | (2,592) | 5,737 |
| Assets under construction | 7,989 | (1) | 7,988 |
| | 432,945 | (201,408) | 231,537 |

**7. PROPERTY, PLANT AND EQUIPMENT** *(continued)*

| Company 2013 | Balance as at 1.6.2012 RM'000 | Additions RM'000 | Written off RM'000 | Depreciation charge for the financial year RM'000 | Balance as at 31.5.2013 RM'000 |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Leasehold land | 30,451 | - | - | (330) | 30,121 |
| Buildings | 6,438 | 1,157 | - | (139) | 7,456 |
| Motor vehicles | 1,403 | - | (3) | (406) | 994 |
| Furniture, fittings and office equipment | 345 | 14 | (3) | (56) | 300 |
| Renovation | 1,096 | 70 | - | (245) | 921 |
| | 39,733 | 1,241 | (6) | (1,176) | 39,792 |

| | At 31.5.2013 | | |
|---|---|---|---|
| | Cost RM'000 | Accumulated depreciation and impairment RM'000 | Carrying amount RM'000 |
| Leasehold land | 30,781 | (660) | 30,121 |
| Buildings | 7,727 | (271) | 7,456 |
| Plant and machinery | 2,403 | (2,403) | - |
| Motor vehicles | 2,602 | (1,608) | 994 |
| Furniture, fittings and office equipment | 1,081 | (781) | 300 |
| Renovation | 2,839 | (1,918) | 921 |
| | 47,433 | (7,641) | 39,792 |

## 7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

| Company 2012 | Balance as at 1.6.2011 RM'000 | Additions RM'000 | Written off RM'000 | Depreciation charge for the financial year RM'000 | Balance as at 31.5.2012 RM'000 |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Leasehold land | 30,781 | - | - | (330) | 30,451 |
| Buildings | 6,570 | - | - | (132) | 6,438 |
| Motor vehicles | 1,271 | 525 | (2) | (391) | 1,403 |
| Furniture, fittings and office equipment | 271 | 129 | - | (55) | 345 |
| Renovation | 925 | 446 | - | (275) | 1,096 |
| | 39,818 | 1,100 | (2) | (1,183) | 39,733 |

| | At 31.5.2012 | | |
|---|---|---|---|
| | Cost RM'000 | Accumulated depreciation and impairment RM'000 | Carrying amount RM'000 |
| Leasehold land | 30,781 | (330) | 30,451 |
| Buildings | 6,570 | (132) | 6,438 |
| Plant and machinery | 2,403 | (2,403) | - |
| Motor vehicles | 2,610 | (1,207) | 1,403 |
| Furniture, fittings and office equipment | 1,070 | (725) | 345 |
| Renovation | 2,769 | (1,673) | 1,096 |
| | 46,203 | (6,470) | 39,733 |

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Purchase of property, plant and equipment | **20,636** | 27,920 | **1,241** | 1,100 |
| Financed by hire-purchase and lease arrangements | **(6,293)** | (3,333) | **-** | - |
| Cash payments on purchase of property, plant and equipment | **14,343** | 24,587 | **1,241** | 1,100 |

(b) The carrying amount of property, plant and equipment acquired under hire-purchase agreements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Motor vehicles | **5,529** | 6,512 | **745** | 1,041 |
| Furniture and fittings and office equipment | **608** | 47 | **-** | - |
| Plant and machinery | **6,212** | - | **-** | - |
| | **12,349** | 6,559 | **745** | 1,041 |

**7. PROPERTY, PLANT AND EQUIPMENT** *(continued)*

(c) As at 31 May 2013, land and buildings of the Group and of the Company with total carrying amount of RM74,683,000 (2012: RM44,566,000) and RM44,004,000 (2012: RM30,451,000) respectively have been charged to banks for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

(d) As at 31 May 2013, certain plant and machinery of the Group have been charged to banks for banking facilities granted to certain subsidiaries as disclosed in Note 22 to the financial statements.

**8. INVESTMENT PROPERTIES**

| 2013 Group | Balance as at 1.6.2012 RM'000 | Depreciation charge for the financial year RM'000 | Balance as at 31.5.2013 RM'000 |
|---|---|---|---|
| Freehold land at cost | 20 | - | **20** |
| Buildings at cost | 131 | (6) | **125** |
| | 151 | (6) | **145** |

| 2012 Group | Balance as at 1.6.2011 RM'000 | Depreciation charge for the financial year RM'000 | Disposals RM'000 | Balance as at 31.5.2012 RM'000 |
|---|---|---|---|---|
| Freehold land at cost | 20 | - | - | 20 |
| Buildings at cost | 137 | (6) | - | 131 |
| Apartments at cost | 196 | (7) | (189) | - |
| | 353 | (13) | (189) | 151 |

| | Group 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| Fair value | **385** | 385 |

Rental income generated from rental of investment properties of the Group during the financial year amounted to RM18,000 (2012: RM39,700).

Direct operating expenses from investment properties which generated rental income of the Group during the financial year amounted to RM9,037 (2012: RM15,003).

## 9. INVESTMENTS IN SUBSIDIARIES

| | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|
| Shares quoted in Malaysia, at cost | **53,704** | 60,751 |
| Unquoted shares, at cost | **267,929** | 268,406 |
| | **321,633** | 329,157 |
| Less: Impairment loss of investments in unquoted shares | **(56,983)** | (56,983) |
| | **264,650** | 272,174 |

The details of the subsidiaries are disclosed in Note 41 to the financial statements.

Quoted investments in a subsidiary with a carrying amount of RM42,930,000 (2012: RM31,078,000) and quoted investments held by a subsidiary with a carrying amount of RM41,126,000 (2012: RM54,365,000) have been charged to a licensed bank for credit facilities granted to the Company (Note 22).

### 9.1 Acquisition of additional interest in subsidiaries

On 31 August 2012, the Company's wholly-owned subsidiary, Ancom Crop Care Sdn. Bhd. ('ACC') acquired the remaining 49% equity interest in Timber Preservatives Sdn. Bhd. ('Timber') from Medisup Securities Limited ('Medisup') by way of the disposal of its 49% equity interest in Nufarm Technologies (M) Sdn. Bhd. ('Nufarm') to Medisup. Upon completion, Timber became a wholly-owned subsidiary of ACC. The proportionate share of the book value of net assets of Timber for 49% equity interest at the acquisition date was RM1,728,266. Consequently, the difference between the cost of acquisition of the additional equity interest and the proportionate share of the book value of net assets at the transaction date of RM235,718 has been adjusted to equity.

### 9.2 Acquisition of subsidiaries

(a) On 1 June 2012, the wholly-owned subsidiary, Redberry Sdn. Bhd. ('Redberry') completed an acquisition of the entire issued and paid up capital of Twinstar Synergy Sdn. Bhd. ('Twinstar'), which was incorporated on 18 April 2012, comprising two (2) ordinary shares of RM1 each for a cash consideration of RM2. Subsequently, on 28 September 2012, Twinstar increased its authorised share capital of RM100,000 to RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each of which 999,998 ordinary shares have been issued to and fully paid up by Redberry for a cash consideration of RM999,998. Currently, these shares are registered in the names of two (2) officers of the Company, which are held in trust by the said offices. The above arrangement did not have any material financial effect to the Group.

(b) On 4 July 2012, the Company acquired one (1) ordinary share of RM1 each representing 33.3% of the share capital of Advanced Technology Studies Centre Sdn. Bhd. ('ATSC') from Lee Nan Phin ('LNP'), a Director of a subsidiary of the Company, iEnterprise Online Sdn. Bhd. ('IEOL') by way of disposal of 594,000 ordinary shares of RM1 each or 33% equity interest held by the Company in IEOL to LNP ('Share Exchange'), thereby increasing the effective equity interest in ATSC from 33.3% to 54.1%. Currently, these shares are registered in the names of two (2) officers of the Company, which are held in trust by the said officers. The above acquisition of ATSC did not have any material financial effect to the Group and the Company.

(c) On 13 August 2012, the Company completed an acquisition of the entire issued and paid-up share capital of Ascension Lab Sdn. Bhd. ('ALAB') (formerly known as Subur Wiramaju Sdn. Bhd.), which was incorporated on 12 July 2012, comprising two (2) ordinary shares of RM1 each for a cash consideration of RM2. Currently, these shares are registered in the names of two (2) officers of the Company, which are held in trust by the said officers. The above acquisition of ALAB did not have any material financial effect to the Group and the Company.

## 9. INVESTMENTS IN SUBSIDIARIES *(continued)*

### 9.3 Common control transaction

On 1 June 2012, the Company transferred its entire 100% equity interest consisting of two (2) ordinary shares in Unreserved Sdn. Bhd. ('Unreserved') to Redberry for a cash consideration of RM2. Following the transfer, Unreserved became a wholly-owned subsidiary of Redberry.

### 9.4 Dilution of equity interests in subsidiaries

(a) On 4 July 2012, the Company had disposed its 33% equity interest in IEOL by way of Share Exchange as disclosed in Note 9.2 (b) to the financial statements. Following the Share Exchange, the Company's equity interest in IEOL reduced from 97.3% to 64.3%.The reduction in the Group's proportionate share of the net assets of IEOL arising from the dilution of equity interest amounting to RM433,446 has been adjusted directly to equity as a transaction with owners.

The loss arising on dilution of investment in IEOL to the Company during the financial year is as follows:

| | Company 2013 RM'000 |
|---|---|
| Cost of investment | 577 |
| Consideration* | (100) |
| Loss on dilution of equity interest in subsidiary | 477 |

* represents fair value of the net assets of ATSC

(b) During the current financial year, the Company disposed 2.7% equity interest in Nylex (Malaysia) Berhad ('Nylex') for a cash consideration of RM2,934,322.The Group's effective equity interest in Nylex reduced from 48.2% to 45.5%.The reduction in the Group's proportionate share of the net assets of Nylex arising from the above dilution of equity interest amounting to RM8,035,064 has been adjusted directly to equity as a transaction with owners.

The loss arising on dilution of investment in Nylex to the Company during the financial year is as follows:

| | Company 2013 RM'000 |
|---|---|
| Cost of investment | 8,653 |
| Cash consideration | (4,540) |
| Loss on dilution of equity interest in subsidiary | 4,113 |

### 9.5 Winding-up of subsidiaries

In the previous financial year, the Group commenced a members' voluntary winding up of its subsidiary, Malaysian Roofing Industries Sdn. Bhd., a company incorporated in Malaysia. As at the date of this report, the transaction has not been completed.

## 10. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Unquoted shares, at cost | **6,709** | 7,128 | **1,216** | 1,216 |
| Group's share of post acquisition results | **(2,009)** | (2,356) | **-** | - |
| | **4,700** | 4,772 | **1,216** | 1,216 |
| Less: Impairment loss | **(1,191)** | (2,257) | **(1,216)** | (1,104) |
| | **3,509** | 2,515 | **-** | 112 |

(a) On 6 July 2012, the Company's wholly-owned subsidiary, Redberry, subscribed for 50,000 ordinary shares of RM1.00 each in Durian FM Sdn. Bhd. ('DurianFM') representing 50% of equity interest in Durian FM for a cash consideration of RM2. The above transaction did not have any material financial effect to the Group.

(b) The details of the associates are disclosed in Note 41 to the financial statements.

(c) The summarised financial information of the associates are as follows:

| | Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| **Assets and liabilities** | | |
| Current assets | **15,052** | 11,804 |
| Non-current assets | **3,320** | 5,131 |
| Total assets | **18,372** | 16,935 |
| Current liabilities | **25,884** | 18,644 |
| Non-current liabilities | **237** | 188 |
| Total liabilities | **26,121** | 18,832 |

| | Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| **Results** | | |
| Revenue | **13,076** | 20,673 |
| Loss for the financial year | **(5,662)** | (665) |

## 11. OTHER INVESTMENTS

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| **Non-current** | | |
| *Available-for-sale financial assets* | | |
| Unquoted shares in Malaysia | - | 1,687 |
| *Financial assets at fair value through profit or loss* | | |
| Quoted shares in Malaysia | 420 | 368 |
| Unquoted shares in Malaysia | 315 | 1,972 |
| Total non-current other investments | 735 | 4,027 |
| **Current** | | |
| *Available-for-sale financial assets* | | |
| Quoted shares in Malaysia | 679 | 1,972 |
| *Financial assets at fair value through profit or loss* | | |
| Unit trusts | 184 | 184 |
| Total current other investments | 863 | 2,156 |

| | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|
| **Non-current** | | |
| *Financial assets at fair value through profit or loss* | | |
| Quoted shares in Malaysia | 288 | 236 |
| Unquoted shares in Malaysia | 257 | 1,913 |
| Total non-current other investments | 545 | 2,149 |

(a) Information on fair value hierarchy is disclosed in Note 34(b)(iv) to the financial statements.

(b) The fair value of the non-current unquoted shares classified as available-for-sale financial assets is based on discounted cash flow forecast and projections, which is deemed to be Nil. As such, an impairment loss of RM1,687,000 has been recognised in profit or loss during the current financial year.

## 12. INTANGIBLE ASSETS

| | Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| **Development expenditure** | | |
| Balance as at 1 June 2012/2011 | **594** | 442 |
| Addition during the financial year | **-** | 230 |
| Amortisation during the financial year | **(66)** | (78) |
| Balance as at 31 May 2013/2012 | **528** | 594 |
| **Rights** | | |
| Balance as at 1 June 2012/2011 | **20,965** | 23,776 |
| Additions during the financial year | **401** | 6,020 |
| Amortisation during the financial year | **(4,521)** | (5,621) |
| Impairment loss | **(2,348)** | (3,210) |
| Balance as at 31 May 2013/2012 | **14,497** | 20,965 |
| **Computer software** | | |
| Balance as at 1 June 2012/2011 | **2,019** | 1,723 |
| Additions during the financial year | **48** | 1,978 |
| Amortisation during the financial year | **(1,849)** | (1,682) |
| Balance as at 31 May 2013/2012 | **218** | 2,019 |
| Total | **15,243** | 23,578 |

| | Company | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| **Computer software** | | |
| Balance as at 1 June 2012/2011 | **3** | 4 |
| Addition during the financial year | **1** | - |
| Amortisation during the financial year | **(1)** | (1) |
| Balance as at 31 May 2013/2012 | **3** | 3 |

**12. INTANGIBLE ASSETS** *(continued)*

Development expenditure is expenditure incurred for the development of new products. Rights are audio and visual advertising network distributions secured by the Group for media sales.

If any indication of impairment exists, the Group estimates the recoverable amount of the asset in accordance with Note 4.9 to the financial statements.

The following describes the key assumptions used on which the Group has based its cash flow projections for the purposes of the impairment test on individual CGU's held as Rights:

**(a) CGU 1**

i. Cash flows were projected based on financial budgets of CGU 1. The budgets covered a five (5) year period.
ii. The anticipated annual revenue growth rates used in the cash flows are 2% for the financial years 2014 to 2018.
iii. A pre-tax discount rate of 8.20% per annum has been applied.

The carrying amount of the CGU is at recoverable amount for which an impairment charge of RM1,057,000 was recorded during the financial year.

Based on the sensitivity analysis performed by management, a 1% increase in the discount rate used or 2% decrease in revenue growth rates would result in a deficit of approximately RM131,000 and RM278,000 respectively.

**(b) CGU 2**

i. Cash flows were projected based on financial budgets of CGU 2. The budgets covered a two (2) year period.
ii. The anticipated annual revenue growth rates used in the cash flow budgets are 22% in the 2014 financial year and 12% in the 2015 financial year.
iii. A pre-tax discount rate of 8.20% per annum has been applied.

Based on the sensitivity analysis performed by management, a 1% increase in the discount rate used or 2% decrease in revenue growth rates would not result in any impairment charge.

**(c) CGU 3**

i. Cash flows were projected based on financial budgets of CGU 3. The budgets covered an eleven (11) years period, in accordance with the remaining years of utilisation of the Right.
ii. The anticipated annual revenue growth rates used in the cash flow budgets are 100% for the financial years 2014 to 2015, 10% for the financial years 2016 to 2018 and 5% for the financial years 2019 to 2024.
iii. A pre-tax discount rate of 8.20% per annum has been applied.

Based on the sensitivity analysis performed by management, a 1% increase in the discount rate used or 2% decrease in revenue growth rates would not result in any impairment charge.

## 13. GOODWILL ON CONSOLIDATION

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| Balance as at 1 June 2012/2011 | **75,992** | 74,380 |
| Acquisition of subsidiaries | **-** | - |
| Foreign exchange differences | **(1,463)** | 3,010 |
| Impairment loss | **-** | (1,398) |
| Balance as at 31 May 2013/2012 | **74,529** | 75,992 |

### (a) Allocation of goodwill

Goodwill has been allocated to the Group's CGU's which has been identified according to business segments as follows:

| | Industrial chemical RM'000 | Polymer RM'000 | Media RM'000 | Total RM'000 |
|---|---|---|---|---|
| 31 May 2013 | **55,817** | **103** | **18,609** | **74,529** |
| 31 May 2012 | 57,272 | 111 | 18,609 | 75,992 |

### (b) Key assumptions used in value-in-use calculation

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the Directors are of the opinion that all the CGUs are held on a long-term basis, the value-in-use would best reflect their recoverable amount. The value-in-use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plans, which is the best estimate of future performance. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each CGU.

There remains a risk that the ability to achieve management's business plans may be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions. In computing the value-in-use for each CGU, management has applied a discount rate, which ranged from 6.6% to 8.0% and an average growth rate ranging from 4.0% to 4.2% per annum.

The following describes the key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill:

(a) The discount rate used reflects management's best estimate of return on capital employed.

(b) Growth rate used is based on historical trends of each segment taking into account industry outlook for that segment.

(c) The profit margin applied to the projections are based on the historical profit margin trends for the individual CGU.

Management is not aware of any reasonably possible changes in the above key assumptions, which would cause the carrying amounts of the CGU to materially exceed their recoverable amounts.

**14. DEFERRED TAX (ASSETS)/LIABILITIES**

(a) The deferred tax (assets)/liabilities are made up of the following:

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| Balance as at 1 June 2012/2011 | | **(18,456)** | (15,575) | **2,681** | 4,628 |
| Recognised in profit or loss | 32 | **325** | (3,339) | **(28)** | (1,947) |
| Foreign exchange differences | | **164** | 458 | **-** | - |
| | | **489** | (2,881) | **(28)** | (1,947) |
| Balance as at 31 May 2013/2012 | | **(17,967)** | (18,456) | **2,653** | 2,681 |
| Presented as: | | | | | |
| Deferred tax assets, net | | **(32,735)** | (32,259) | **-** | - |
| Deferred tax liabilities, net | | **14,768** | 13,803 | **2,653** | 2,681 |

(b) The components and movements of deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

**Deferred tax liabilities of the Group**

| | Property, plant and equipment RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|
| **2013** | | | |
| Balance as at 1 June 2012/2011 | **16,886** | **44** | **16,930** |
| Recognised in profit or loss | **811** | **10** | **821** |
| Foreign exchange differences | **8** | **(87)** | **(79)** |
| Balance as at 31 May 2013/2012 | **17,705** | **(33)** | **17,672** |
| **2012** | | | |
| Balance as at 1 June 2012/2011 | 18,943 | (135) | 18,808 |
| Recognised in profit or loss | (2,068) | (126) | (2,194) |
| Foreign exchange differences | 11 | 305 | 316 |
| Balance as at 31 May 2013/2012 | 16,886 | 44 | 16,930 |

**14. DEFERRED TAX (ASSETS)/LIABILITIES** *(continued)*

(b) The components and movements of deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows: *(continued)*

**Deferred tax assets of the Group**

| | Payables RM'000 | Unutilised tax losses and unabsorbed capital allowances RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2013** | | | | |
| Balance as at 1 June 2012/2011 | **(4,547)** | **(30,187)** | **(652)** | **(35,386)** |
| Recognised in profit or loss | **(304)** | **(183)** | **(9)** | **(496)** |
| Foreign exchange differences | **1** | **236** | **6** | **243** |
| Balance as at 31 May 2013/2012 | **(4,850)** | **(30,134)** | **(655)** | **(35,639)** |
| **2012** | | | | |
| Balance as at 1 June 2012/2011 | (5,389) | (28,205) | (789) | (34,383) |
| Recognised in profit or loss | 842 | (2,121) | 134 | (1,145) |
| Foreign exchange differences | - | 139 | 3 | 142 |
| Balance as at 31 May 2013/2012 | (4,547) | (30,187) | (652) | (35,386) |

(c) The components and movements of deferred tax liabilities of the Company during the financial year prior to offsetting are as follows:

**Deferred tax liabilities of the Company**

| | Property, plant and equipment RM'000 | Total RM'000 |
|---|---|---|
| **2013** | | |
| Balance as at 1 June 2012/2011 | **2,681** | **2,681** |
| Recognised in profit or loss | **(28)** | **(28)** |
| Balance as at 31 May 2013/2012 | **2,653** | **2,653** |
| **2012** | | |
| Balance as at 1 June 2012/2011 | 4,628 | 4,628 |
| Recognised in profit or loss | (1,947) | (1,947) |
| Balance as at 31 May 2013/2012 | 2,681 | 2,681 |

**14. DEFERRED TAX (ASSETS)/LIABILITIES** *(continued)*

(d) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| Unutilised tax losses | **82,215** | 62,506 |
| Unabsorbed capital allowances | **19,210** | 16,439 |
| Taxable temporary differences | **(5,076)** | (6,382) |
| | **96,349** | 72,563 |

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not certain that these subsidiaries will have future taxable profits to offset the unutilised tax losses and unabsorbed capital allowances.

**15. INVENTORIES**

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| **At cost** | | |
| Raw materials | **15,241** | 16,157 |
| Packing materials | **414** | 370 |
| Work-in-progress | **914** | 949 |
| Finished goods | **39,675** | 47,913 |
| | **56,244** | 65,389 |
| **At net realisable value** | | |
| Raw materials | **7,069** | 15,894 |
| Finished goods | **3,444** | 104,264 |
| Work-in-progress | **123,999** | 3,388 |
| | **134,512** | 123,546 |
| | **190,756** | 188,935 |

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,683,479,000 (2012: RM1,419,032,000). The Group has also written down inventories by RM2,239,000 (2012: RM2,984,000) to their net realisable value.

## 16. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Non-current** | | | | |
| **Loans and receivables** | | | | |
| Other receivables | 1,966 | - | - | - |
| **Current** | | | | |
| Trade receivables | 296,627 | 311,042 | - | - |
| Less: Impairment loss | (4,852) | (7,563) | - | - |
| | 291,775 | 303,479 | - | - |
| Other receivables | 36,458 | 28,588 | 4,132 | 748 |
| Less: Impairment loss | (9,679) | (4,862) | (291) | (291) |
| | 26,779 | 23,726 | 3,841 | 457 |
| Deposits | 3,584 | 3,421 | 225 | 81 |
| **Loans and receivables** | 322,138 | 330,626 | 4,066 | 538 |
| Deferred expenditure | 9,298 | 9,337 | - | - |
| Prepayments | 16,978 | 11,863 | 8 | 18 |
| | 26,276 | 21,200 | 8 | 18 |
| | 348,414 | 351,826 | 4,074 | 556 |

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from one (1) month to four (4) months (2012: one (1) to three (3) months). They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.

(b) The currency exposure profiles of receivables are disclosed in Note 35(i) to the financial statements.

(c) The impairment loss on the other receivables of the Group and of the Company was net of bad debts written off of RM25,930 (2012: RM1,400,000).

(d) Deferred expenditure of the Group represents expenses incurred in connection with the services provided by the Group as disclosed in Note 27 to the financial statements.

**16. TRADE AND OTHER RECEIVABLES** *(continued)*

(e) The ageing analysis of trade receivables of the Group are as follows:

| | Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Neither past due nor impaired | **213,165** | 228,355 |
| Past due, not impaired | | |
| 1 to 30 days | **43,286** | 32,296 |
| 31 to 60 days | **23,600** | 22,573 |
| 61 to 90 days | **4,802** | 4,275 |
| 91 to 120 days | **2,153** | 3,333 |
| More than 120 days | **4,769** | 12,647 |
| | **78,610** | 75,124 |
| Past due and impaired | **4,852** | 7,563 |
| | **296,627** | 311,042 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

At the end of the reporting period, trade receivables of the Group that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

Receivable that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

| | Collectively assessed RM'000 | Individually assessed RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2013** | | | |
| Trade receivables | **112** | **5,060** | **5,172** |
| Less: Impairment loss | **(13)** | **(4,839)** | **(4,852)** |
| | **99** | **221** | **320** |
| **2012** | | | |
| Trade receivables | 138 | 11,140 | 11,278 |
| Less: Impairment loss | (121) | (7,442) | (7,563) |
| | 17 | 3,698 | 3,715 |

## 16. TRADE AND OTHER RECEIVABLES *(continued)*

(e) The ageing analysis of trade receivables of the Group are as follows: *(continued)*

The reconciliation of movement in the impairment loss of trade receivables are as follows:

| | Group | |
|---|---|---|
| | **2013 RM'000** | **2012 RM'000** |
| At 1 June 2012/2011 | **7,563** | 8,090 |
| Charge for the financial year | **1,848** | 666 |
| Reversal of impairment loss | **(320)** | (368) |
| Written off | **(4,178)** | (930) |
| Exchange differences | **(61)** | 105 |
| At 31 May 2013/2012 | **4,852** | 7,563 |

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(f) Information on financial risks of trade and other receivables are disclosed in Note 35 to the financial statements.

## 17. AMOUNTS OWING BY SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2013 RM'000** | **2012 RM'000** |
| Interest bearing | **2,604** | 2,604 |
| Non-interest bearing | **72,590** | 61,172 |
| | **75,194** | 63,776 |
| Less: Impairment loss | **(7,532)** | (4,451) |
| | **67,662** | 59,325 |

The amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured and payable upon demand in cash and cash equivalents. Interest rate for the interest bearing amounts is 6.75% (2012: 6.75%) per annum.

## 18. AMOUNTS OWING BY/(TO) ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Amounts owing by associates | **6,292** | 8,690 | **105** | 337 |
| Less: Impairment loss | **(2,561)** | (440) | **(105)** | - |
| | **3,731** | 8,250 | **-** | 337 |
| Amounts owing to associates | **508** | 13 | **-** | - |

The amounts owing by associates represent balances arising from trade transactions, which are unsecured and payable under normal credit terms.

The amounts owing to associates represent balances arising from trade transactions, which are unsecured, interest-free and payable under normal credit terms.

## 19. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Short term deposits with licensed banks | **15,326** | 15,816 | **-** | - |
| Cash and bank balances | **53,898** | 69,996 | **321** | 554 |
| As reported in statements of financial position | **69,224** | 85,812 | **321** | 554 |
| Less: | | | | |
| Short term deposits pledged with licensed banks | **(4,563)** | (3,909) | **-** | - |
| Bank overdrafts (Note 22) | **(13,097)** | (15,820) | **(6,514)** | (7,858) |
| As reported in statements of cash flows | **51,564** | 66,083 | **(6,193)** | (7,304) |

(a) Short term deposits of the Group amounting to RM4,563,000 (2012: RM3,909,000) have been pledged to licensed banks for banking facilities granted to certain subsidiaries of the Group as disclosed in Note 22 to the financial statements.

(b) Information on financial risks of cash and cash equivalents are disclosed in Note 35 to the financial statements.

## 20. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Number of shares | RM'000 | Number of shares | RM'000 |
| Ordinary shares of RM1.00 each: | | | | |
| Authorised | **500,000,000** | **500,000** | 500,000,000 | 500,000 |
| Issued and fully paid: | | | | |
| Balance as at 1 June/31 May | **218,956,342** | **218,956** | 218,956,342 | 218,956 |

(a) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

(b) Treasury shares

As at 31 May 2013, a total of 2,694,227 (2012: 3,282,027) treasury shares at a total cost of RM2,056,000 (2012: RM2,281,000) were held by the Company in accordance with Section 67A (3)(b) of the Companies Act, 1965 in Malaysia.

During the financial year, the total shares repurchased/resold by the Company and the consideration paid/received are as follows:

| Month | Number of shares repurchased | Purchase price: Lowest RM | Purchase price: Highest RM | Purchase price: Average RM | Total consideration RM |
|---|---|---|---|---|---|
| June 2012 | 233,500 | 0.3550 | 0.3900 | 0.3682 | 86,538 |
| July 2012 | 74,900 | 0.3500 | 0.3900 | 0.3754 | 28,396 |
| August 2012 | 176,200 | 0.3700 | 0.3900 | 0.3799 | 67,394 |
| September 2012 | 628,000 | 0.3800 | 0.3900 | 0.3857 | 243,268 |
| November 2012 | 10,000 | 0.3850 | 0.4350 | 0.4100 | 4,186 |
| December 2012 | 4,600 | 0.3800 | 0.3800 | 0.3800 | 1,790 |
| May 2013 | 20,000 | 0.3150 | 0.3150 | 0.3150 | 6,349 |
| | 1,147,200 | | | | 437,921 |

| Month | Number of shares resold | Selling price: Highest RM | Selling price: Lowest RM | Selling price: Average RM | Total consideration RM |
|---|---|---|---|---|---|
| October 2012 | 1,735,000 | 0.4350 | 0.4550 | 0.4438 | 767,338 |

The shares purchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 May 2013, a total of 2,694,227 (2012: 3,282,027) treasury shares at a total cost of RM2,056,000 (2012: RM2,281,000) were held by the Company in accordance with Section 67A (3)(b) of the Companies Act, 1965 in Malaysia.

## 21. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Non-distributable** | | | | |
| Share premium | **4,332** | 4,332 | **4,332** | 4,332 |
| Capital reserve | **203** | 203 | **-** | - |
| Exchange translation reserve | **(53)** | 2,038 | **-** | - |
| Capital redemption reserve | **4,987** | 4,987 | **4,917** | 4,917 |
| **Distributable** | | | | |
| Retained earnings | **44,684** | 70,434 | **12,424** | 15,710 |
| | **54,153** | 81,994 | **21,673** | 24,959 |

(a) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

(b) Capital redemption reserve

The capital redemption reserve arose from the capital reduction exercised pursuant to the requirements of Section 64 of the Companies Act, 1965 in Malaysia.

(c) Retained earnings

Effective 1 January 2008, the Company was given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013.

The Company has decided not to make this election and has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings without incurring additional tax liability.

## 22. BORROWINGS

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| **Unsecured** | | | | | |
| Hire-purchase and lease creditors | 24 | **9** | 27 | **-** | - |
| **Secured** | | | | | |
| Hire-purchase and lease creditors | 24 | **5,482** | 3,166 | **466** | 713 |
| Term loans | 23 | **7,782** | 17,009 | **3,000** | 7,500 |
| | | **13,264** | 20,175 | **3,466** | 8,213 |
| | | **13,273** | 20,202 | **3,466** | 8,213 |
| **Current liabilities** | | | | | |
| **Unsecured** | | | | | |
| Bankers' acceptances | | **1,564** | 1,622 | **-** | - |
| Bank overdrafts | 19 | **9,520** | 13,588 | **6,514** | 7,858 |
| Revolving credits | | **13,250** | 24,250 | **34,250** | 24,250 |
| Hire-purchase and lease creditors | 24 | **-** | 32 | **-** | - |
| Term loans | 23 | **123,210** | 106,720 | **-** | - |
| | | **147,544** | 146,212 | **40,764** | 32,108 |
| **Secured** | | | | | |
| Bankers' acceptances | | **-** | - | **-** | - |
| Bank overdrafts | 19 | **3,577** | 2,232 | **-** | - |
| Revolving credits | | **25,363** | 4,752 | **-** | - |
| Trust receipts | | **69,359** | 45,208 | **-** | - |
| Hire-purchase and lease creditors | 24 | **2,973** | 2,980 | **199** | 748 |
| Term loans | 23 | **22,926** | 38,602 | **12,500** | 16,750 |
| | | **124,198** | 93,774 | **12,699** | 17,498 |
| | | **271,742** | 239,986 | **53,463** | 49,606 |

**22. BORROWINGS** *(continued)*

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Total borrowings** | | | | | |
| Bankers' acceptances | | **1,564** | 1,622 | **-** | - |
| Bank overdrafts | 19 | **13,097** | 15,820 | **6,514** | 7,858 |
| Revolving credits | | **38,613** | 29,002 | **34,250** | 24,250 |
| Trust receipts | | **69,359** | 45,208 | **-** | - |
| Hire-purchase and lease creditors | 24 | **8,464** | 6,205 | **665** | 1,461 |
| Term loans | 23 | **153,918** | 162,331 | **15,500** | 24,250 |
| | | **285,015** | 260,188 | **56,929** | 57,819 |

(a) The secured borrowings of the Group are secured by the following:

(i) a fixed charge over the land and buildings of the Company and certain subsidiaries as disclosed in Note 7 to the financial statements;

(ii) a fixed charge over certain plant and machinery of certain subsidiaries as disclosed in Note 7 to the financial statements;

(iii) a charge over investments in a subsidiary of the Company as disclosed in Note 9 to the financial statements;

(iv) a pledge of short term deposits with licensed banks as disclosed in Note 19 to the financial statements; and

(v) joint and several guarantee from a Director of the Company.

(b) Information on financial risks of borrowings is disclosed in Note 35 to the financial statements.

**23. TERM LOANS**

Other than as disclosed in Note 22 to the financial statements, the secured term loans of the Group and of the Company are further secured by:

(i) a fixed and floating charge over all the assets of a subsidiary;

(ii) certain short term deposits of subsidiaries;

(iii) certain shares of quoted and unquoted subsidiaries;

(iv) assignment of insurance policies covering inventories in trade in favour of a bank; and

(v) mortgage of tank farms.

Information on financial risks of borrowings is disclosed in Note 35 to the financial statements.

## 24. HIRE-PURCHASE AND LEASE CREDITORS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Minimum hire-purchase and lease payments: | | | | |
| - not later than one year | **3,451** | 3,315 | **231** | 816 |
| - later than one year and not later than five years | **5,989** | 3,246 | **493** | 758 |
| - later than five years | **9** | 127 | **-** | 8 |
| Total minimum hire-purchase and lease payments | **9,449** | 6,688 | **724** | 1,582 |
| Less: Future interest charges | **(985)** | (483) | **(59)** | (121) |
| Present value of hire-purchase and lease payments | **8,464** | 6,205 | **665** | 1,461 |
| Repayable as follows: | | | | |
| **Current liabilities:** | | | | |
| - not later than one year | **2,973** | 3,012 | **199** | 748 |
| **Non-current liabilities:** | | | | |
| - later than one year and not later than five years | **5,482** | 3,071 | **466** | 705 |
| - later than five years | **9** | 122 | **-** | 8 |
| | **5,491** | 3,193 | **466** | 713 |
| | **8,464** | 6,205 | **665** | 1,461 |

Information on financial risks of borrowing is diclosed in Note 35 to the financial statements.

## 25. GOVERNMENT GRANT

| | Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Balance as at 1 June 2012/2011 | **600** | 1,600 |
| Less: Recognised in profit or loss | **(600)** | (1,000) |
| Balance as at 31 May 2013/2012 | **-** | 600 |

The government grant was given by the Ministry of Science, Technology and Innovation in relation to the development of an animated television series.

## 26. PROVISION FOR RETIREMENT BENEFITS

Movements in the net liabilities recognised in the statement of financial position are as follows:

| | | Group | |
|---|---|---|---|
| | Note | 2013 RM'000 | 2012 RM'000 |
| Balance as at 1 June 2012/2011 | | **2,846** | 3,476 |
| Charged to profit or loss | 39 | **343** | (28) |
| Utilised during the financial year | | **(308)** | (593) |
| Foreign exchange differences | | **(19)** | (9) |
| Balance as at 31 May 2013/2012 | | **2,862** | 2,846 |

Retirement benefit obligation is a post-employment benefit plan whereby the Group pays fixed contribution and will have no legal or constructive obligation to pay further contributions. The retirement benefit obligation is applicable to employees employed prior to 1 July 2005 who have more than ten (10) years of continuous working experience with the Group.

## 27. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Trade payables | **191,674** | 242,528 | **-** | - |
| Other payables | **31,910** | 28,425 | **605** | 21 |
| Accruals | **31,857** | 28,223 | **1,413** | 668 |
| | **255,441** | 299,176 | **2,018** | 689 |
| Deferred revenue | **7,863** | 12,120 | **-** | - |
| | **263,304** | 311,296 | **2,018** | 689 |

(a) The normal credit terms available to the Group in respect of trade payables ranged from 30 to 90 days (2012: 30 to 90 days) from date of invoice.

(b) Information on financial risks of trade and other payables are disclosed in Note 35 to the financial statements.

(c) Deferred revenue represents the portion of the consideration received or receivable in respect of services provided by the Group, but not yet rendered.

## 28. AMOUNTS OWING TO SUBSIDIARIES

The amounts owing to subsidiaries represent advances and payments made on the Company's behalf by the subsidiaries, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

## 29. DERIVATIVE ASSETS AND LIABILITIES

The Group uses forward currency contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The changes in the fair value of those forward currency contracts are recognised as other income or expense in the statements of comprehensive income.

Forward currency derivatives are used to hedge the Group's trade receivables and future sales denominated in United States Dollar and Singapore Dollar for which firm commitments existed at the end of the reporting period.

As at the end of the reporting period, the Group has entered into forward currency contracts with the following notional amounts:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Contract /notional amount RM'000 | Assets RM'000 | Liabilities RM'000 | Contract /notional amount RM'000 | Assets RM'000 | Liabilities RM'000 |
| **Current** | | | | | | |
| Forward currency contracts | | | | | | |
| United States Dollar | **1,989** | **-** | **(1)** | 12,221 | - | (412) |
| Singapore Dollar | **2,978** | **39** | **-** | 2,697 | - | (57) |
| Total held for trading financial assets/ (liabilities) | | **39** | **(1)** | | - | (469) |

## 30. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Sale of goods | **1,898,122** | 1,609,422 | **-** | - |
| Services rendered | **134,436** | 140,416 | **-** | - |
| Freight and rental income | **-** | 360 | **980** | 404 |
| Interest income | **-** | - | **181** | 180 |
| Dividend income (gross) | | | | |
| - Quoted investment in Malaysia | **6** | 6 | **6** | 6 |
| - Quoted subsidiaries | **-** | - | **1,161** | 2,620 |
| - Unquoted subsidiaries | **-** | - | **21,670** | 15,500 |
| | **2,032,564** | 1,750,204 | **23,998** | 18,710 |

## 31. PROFIT/(LOSS) BEFORE TAX

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) before tax is arrived at after charging: | | | | | |
| Amortisation of: | | | | | |
| - intangible assets | 12 | **6,436** | 7,381 | **1** | 1 |
| Auditors' remuneration: | | | | | |
| - statutory: | | | | | |
| - auditors of the Company: | | | | | |
| - current year | | **297** | 281 | **112** | 110 |
| - under/(over) provision in prior years | | **-** | 46 | **(6)** | 24 |
| - other auditors: | | | | | |
| - current year | | **613** | 509 | **-** | - |
| - under provision in prior years | | **11** | 15 | **-** | - |
| - non-statutory: | | | | | |
| - auditors of the Company | | **18** | 25 | **18** | 17 |
| - under provision in prior years | | **-** | 11 | **-** | 11 |
| Bad debts written off: | | | | | |
| - third parties | | **26** | 1,442 | **-** | 1,441 |
| - subsidiaries | | **-** | - | **2,000** | 5 |
| Deposits written off | | **503** | - | **-** | - |
| Depreciation of property, plant and equipment | 7 | **19,726** | 19,463 | **1,176** | 1,183 |
| Depreciation of investment properties | 8 | **6** | 13 | **-** | - |
| Deferred expenses written off | | **127** | - | **-** | - |
| Directors' remuneration: | | | | | |
| Fees | | | | | |
| - payable by the Company | | **539** | 456 | **539** | 456 |
| - payable by subsidiaries | | **796** | 1,422 | **-** | - |
| Salaries and other emoluments | | | | | |
| - paid by the Company | | **505** | 564 | **505** | 564 |
| - paid by subsidiaries | | **15,430** | 12,672 | **-** | - |
| Fair value adjustment on other investments | | **(59)** | (47) | **(52)** | 76 |
| Fair value (gain)/loss on: | | | | | |
| - derivatives | | **(38)** | 469 | **-** | - |
| - long term other receivables | 16 | **424** | - | **-** | - |
| Impairment losses on: | | | | | |
| - amounts owing by subsidiaries | | **-** | - | **3,081** | 4,451 |
| - amounts owing by associates | | **2,561** | - | **105** | - |
| - goodwill on consolidation | | **-** | 1,398 | **-** | - |
| - intangible assets | 12 | **2,348** | 3,210 | **-** | - |
| - investments in associates | | **-** | 1,495 | **112** | 395 |
| - investments in subsidiaries | | **-** | - | **-** | 2,060 |
| - property, plant and equipment | 7 | **-** | 8 | **-** | - |
| - other investment | | **1,687** | 200 | **-** | 200 |
| - trade and other receivables | | **5,345** | 5,528 | **-** | 291 |

## 31. PROFIT/(LOSS) BEFORE TAX *(continued)*

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| Profit/(Loss) before tax is arrived at after charging: *(continued)* | | | | | |
| Interest expense on: | | | | | |
| - bank overdrafts | | **1,022** | 800 | **775** | 571 |
| - term loans, revolving credits and bankers' acceptance | | **12,711** | 12,496 | **3,991** | 3,744 |
| - others | | **672** | 572 | **23** | 19 |
| Inventories written down | | **2,239** | 2,984 | **-** | - |
| Loss on foreign exchange: | | | | | |
| - realised | | **1,993** | - | **-** | - |
| - unrealised | | **2,102** | - | **-** | - |
| Loss on dilution of equity interest in subsidiaries | 9 | **-** | - | **4,590** | - |
| Loss on disposal of: | | | | | |
| - property, plant and equipment | | **-** | 417 | **-** | - |
| - other investments | | **909** | 1,734 | **909** | - |
| Operating lease rental | | **3,401** | 2,863 | **2** | - |
| Property, plant and equipment written off | 7 | **1,848** | 1,007 | **6** | 2 |
| Rental of: | | | | | |
| - land and premises | | **1,992** | 2,700 | **18** | 33 |
| - storage | | **18,687** | 11,432 | **-** | - |
| - others | | **17** | 551 | **-** | 31 |
| Provision/(Write back) for retirement benefits | 26 | **343** | (28) | **-** | - |
| (Write back)/Provision for warranties | | **(204)** | 352 | **-** | - |
| And crediting: | | | | | |
| Amortisation of government grant | 25 | **600** | 1,000 | **-** | - |
| Gain on disposal of property, plant and equipment | | **257** | - | **-** | - |
| Gain on disposals of investment properties | | **-** | 20 | **-** | - |
| Gain on disposals of treasury shares | | **104** | - | **104** | - |
| Gain on disposals of investment in an associate | | **1,123** | - | **-** | - |
| Gain on foreign exchange: | | | | | |
| - realised | | **1,079** | 1,633 | **-** | - |
| - unrealised | | **449** | 852 | **-** | - |
| Interest income from: | | | | | |
| - advances to a subsidiary | | **-** | - | **175** | 176 |
| - others | | **1,488** | 821 | **6** | 4 |
| Rental income from: | | | | | |
| - a subsidiary | | **-** | - | **215** | 26 |
| - others | | **820** | 465 | **765** | 377 |
| Reversal of impairment loss on trade and other receivables | | **320** | 368 | **-** | - |
| Reversal of impairment loss on investments in associates | | **1,548** | - | **-** | - |
| Waiver of debts | | **-** | 264 | **-** | - |

## 32. TAXATION

| | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|
| Current tax expense based on profit for the financial year: | | | | |
| Malaysian income tax | **12,466** | 10,539 | **156** | - |
| Foreign income tax | **2,876** | 2,578 | **-** | - |
| | **15,342** | 13,117 | **156** | - |
| Under/(Over) provision in prior years: | | | | |
| Malaysian income tax | **1,157** | 28 | **-** | 373 |
| Foreign income tax | **(43)** | (3) | **-** | - |
| | **16,456** | 13,142 | **156** | 373 |
| Deferred tax (Note 14) | **(584)** | (1,854) | **(39)** | (20) |
| Under/(Over) provision in prior years (Note 14) | **909** | (1,485) | **11** | (1,927) |
| | **325** | (3,339) | **(28)** | (1,947) |
| Taxation | **16,781** | 9,803 | **128** | (1,574) |

The Malaysian income tax is calculated at the statutory tax rate of 25.0% (2012: 25.0%) of the estimated taxable profit for the fiscal year.

Taxation for other taxation authorities are calculated at the rates prevailing in these respective jurisdictions.

**32. TAXATION** *(continued)*

The numerical reconciliations between the taxation and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| Profit/(Loss) before tax | **4,248** | 10,207 | **(3,158)** | (6,945) |
| Taxation at Malaysian statutory tax rate of 25% (2012: 25%) | **1,062** | 2,552 | **(790)** | (1,736) |
| Tax effects in respect of: | | | | |
| Non-allowable expenses | **10,690** | 10,779 | **6,396** | 5,874 |
| Non-taxable income | **(601)** | (2,639) | **(5,489)** | (4,158) |
| Tax incentives and allowances | **(2,156)** | (62) | **-** | - |
| Deferred tax assets not recognised | **7,875** | 2,718 | **-** | - |
| Effect of change in tax rate | **(142)** | - | **-** | - |
| Utilisation of unrecognised tax losses and capital allowances | **(1,928)** | (2,020) | **-** | - |
| Different tax rates in foreign jurisdictions | **(42)** | (65) | **-** | - |
| | **14,758** | 11,263 | **117** | (20) |
| Under/(Over) provision in prior years: | | | | |
| - income tax | **1,114** | 25 | **-** | 373 |
| - deferred tax | **909** | (1,485) | **11** | (1,927) |
| | **2,023** | (1,460) | **11** | (1,554) |
| Taxation | **16,781** | 9,803 | **128** | (1,574) |

**33. LOSS PER ORDINARY SHARE**

(a) Basic loss per ordinary share

The basic loss per ordinary share for the financial year have been calculated based on the consolidated loss for the year attributable to equity holders of the parent of RM19,906,000 (2012: RM9,014,000) and the weighted average number of 215,901,000 (2012: 216,164,000) ordinary shares in issue (after adjusting for treasury shares) during the financial year.

| | Group | |
|---|---|---|
| | **2013 RM'000** | **2012 RM'000** |
| Loss attributable to equity holders of the parent | **(19,906)** | (9,014) |
| Weighted average number of ordinary shares in issue (in '000) | **215,901** | 216,164 |

| | Group | |
|---|---|---|
| | **2013 Sen** | **2012 Sen** |
| Basic loss per ordinary share for the financial year | **(9.22)** | (4.17) |

(b) Diluted loss per ordinary share

Diluted loss per ordinary share is the same as basic loss per ordinary share as there is no dilutive potential ordinary share.

## 34. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group are able to continue as going concerns while it maintains acceptable capital ratios in order to support its business and maximise shareholder value. The overall strategy of the Group remains unchanged from that in financial year ended 31 May 2012.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or dividend payment. No changes were made in the objectives, policies or processes during the financial years ended 31 May 2013 and 31 May 2012.

The Group monitors and maintains a prudent level of total debts and to ensure compliance with any externally imposed capital requirements, if any.

The Group monitors capital using a gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated as total borrowings (including short term and long term borrowings' as shown in the statement of financial position). Capital represents equity attributable to the owners of the parent.

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Total debts | **285,015** | 260,188 |
| Total equity | **271,053** | 298,669 |
| Gearing ratio | **1.05** | 0.87 |

Pursuant to the requirements of Practice Note No. 17/2005, of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal or not less than 25% of the issued and paid-up capital. The Group has complied with this requirement during the financial year ended 31 May 2013.

**34. FINANCIAL INSTRUMENTS** *(continued)*

(b) Financial instruments

(i) Categories of financial instruments

| | Loans and receivables RM'000 | Fair value through profit or loss RM'000 | Available-for-sale RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **2013** | | | | |
| **Group** | | | | |
| Trade and other receivables | 324,104 | - | - | 324,104 |
| Amounts owing by associates | 3,731 | - | - | 3,731 |
| Other investments | - | 919 | 679 | 1,598 |
| Derivative assets | - | 39 | - | 39 |
| Cash and cash equivalents | 69,224 | - | - | 69,224 |
| | 397,059 | 958 | 679 | 398,696 |
| **Company** | | | | |
| Trade and other receivables | 4,066 | - | - | 4,066 |
| Amounts owing by subsidiaries | 67,662 | - | - | 67,662 |
| Other investments | - | 545 | - | 545 |
| Cash and cash equivalents | 321 | - | - | 321 |
| | 72,049 | 545 | - | 72,594 |

**34. FINANCIAL INSTRUMENTS** *(continued)*

(b) Financial instruments *(continued)*

(i) Categories of financial instruments *(continued)*

| | Loans and receivables RM'000 | Fair value through profit or loss RM'000 | Available-for-sale RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **2012** | | | | |
| **Group** | | | | |
| Trade and other receivables | 330,626 | - | - | 330,626 |
| Amounts owing by associates | 8,250 | - | - | 8,250 |
| Other investments | - | 2,524 | 3,659 | 6,183 |
| Cash and cash equivalents | 85,812 | - | - | 85,812 |
| | 424,688 | 2,524 | 3,659 | 430,871 |
| **2012** | | | | |
| **Company** | | | | |
| Trade and other receivables | 538 | - | - | 538 |
| Amounts owing by subsidiaries | 59,325 | - | - | 59,325 |
| Amounts owing by associates | 337 | - | - | 337 |
| Other investments | - | 2,149 | - | 2,149 |
| Cash and cash equivalents | 554 | - | - | 554 |
| | 60,754 | 2,149 | - | 62,903 |

## 34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial instruments *(continued)*

(i) Categories of financial instruments *(continued)*

| | Fair value through profit or loss RM'000 | Other financial liabilities RM'000 | Total RM'000 |
|---|---|---|---|
| **Financial liabilities** | | | |
| **2013** | | | |
| **Group** | | | |
| Trade and other payables, net of deferred revenue | **-** | **255,441** | **255,441** |
| Amounts owing to associates | **-** | **508** | **508** |
| Borrowings | **-** | **285,015** | **285,015** |
| Derivative liabilities | **1** | **-** | **1** |
| | **1** | **540,964** | **540,965** |
| **Company** | | | |
| Trade and other payables, net of deferred revenue | **-** | **2,018** | **2,018** |
| Amounts owing to subsidiaries | **-** | **77,353** | **77,353** |
| Borrowings | **-** | **56,929** | **56,929** |
| | **-** | **136,300** | **136,300** |
| **2012** | | | |
| **Group** | | | |
| Trade and other payables, net of deferred revenue | - | 299,176 | 299,176 |
| Amounts owing to associates | - | 13 | 13 |
| Borrowings | - | 260,188 | 260,188 |
| Derivative liabilities | - | 469 | 469 |
| | - | 559,846 | 559,846 |
| **Company** | | | |
| Trade and other payables, net of deferred revenue | - | 689 | 689 |
| Amounts owing to subsidiaries | - | 72,535 | 72,535 |
| Borrowings | - | 57,819 | 57,819 |
| | - | 131,043 | 131,043 |

**34. FINANCIAL INSTRUMENTS** *(continued)*

(b) Financial instruments *(continued)*

(ii) Fair values of financial instruments

The fair values of financial instruments that are not carried at fair values and whose carrying amounts do not approximate its fair values are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **2013** | | | | |
| **Recognised** | | | | |
| **Financial liabilities** | | | | |
| Hire-purchase and lease creditors | **8,464** | **9,162** | **665** | **700** |
| **2012** | | | | |
| **Recognised** | | | | |
| **Financial liabilities** | | | | |
| Hire-purchase and lease creditors | 6,205 | 6,370 | 1,461 | 1,396 |

(iii) Determination of fair value

Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(a) Financial instruments that are not carried at fair values and whose carrying amounts are at reasonable approximation of fair values.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) Quoted and unquoted investments

The fair value of quoted investments is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.

**34. FINANCIAL INSTRUMENTS** *(continued)*

(b) Financial instruments *(continued)*

(iii) Determination of fair value *(continued)*

Methods and assumptions used to estimate fair value *(continued)*

The fair values of financial assets and financial liabilities are determined as follows: *(continued)*

(c) Hire-purchase and lease creditors

The fair values of the hire-purchase and lease creditors are estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

(d) Term loans

The carrying amounts of term loans as at the end of the reporting period approximate their fair values as they are variable rate financial instruments.

(e) Forward foreign exchange contract

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of the reporting period applied to a contract of similar amount and maturity profile.

(iv) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**34. FINANCIAL INSTRUMENTS** *(continued)*

(b) Financial instruments *(continued)*

(iv) Fair value hierarchy *(continued)*

The Group and the Company held the following financial instruments carried at fair value on the statements of financial position:

**Assets measured at fair value**

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 31 May 2013** | | | | |
| **Group** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Unit trust | 184 | - | - | 184 |
| - Quoted shares | 420 | - | - | 420 |
| - Unquoted shares | - | 315 | - | 315 |
| - Derivative | - | 39 | - | 39 |
| | 604 | 354 | - | 958 |
| Available-for-sale financial assets | | | | |
| - Quoted shares | 679 | - | - | 679 |
| | 679 | - | - | 679 |
| Total | 1,283 | 354 | - | 1,637 |
| **At 31 May 2012** | | | | |
| **Group** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Unit trust | 184 | - | - | 184 |
| - Quoted shares | 368 | - | - | 368 |
| - Unquoted shares | - | 1,972 | - | 1,972 |
| | 552 | 1,972 | - | 2,524 |
| Available-for-sale financial assets | | | | |
| - Quoted shares | 1,972 | - | - | 1,972 |
| - Unquoted shares | - | - | 1,687 | 1,687 |
| | 1,972 | - | 1,687 | 3,659 |
| Total | 2,524 | 1,972 | 1,687 | 6,183 |

## 34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial instruments *(continued)*

(iv) Fair value hierarchy *(continued)*

The Group and the Company held the following financial instruments carried at fair value on the statement of financial positions: *(continued)*

**Assets measured at fair value** *(continued)*

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 31 May 2013** | | | | |
| **Company** | | | | |
| Financial assets fair value through profit or loss | | | | |
| - Quoted shares | **288** | **-** | **-** | **288** |
| - Unquoted shares | **-** | **257** | **-** | **257** |
| Total | **288** | **257** | **-** | **545** |
| **At 31 May 2012** | | | | |
| **Company** | | | | |
| Financial assets fair value through profit or loss | | | | |
| - Quoted shares | 236 | - | - | 236 |
| - Unquoted shares | - | - | 1,913 | 1,913 |
| Total | 236 | - | 1,913 | 2,149 |

**Liabilities measured at fair value**

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 31 May 2013** | | | | |
| **Group** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Derivative | **-** | **1** | **-** | **1** |
| Total | **-** | **1** | **-** | **1** |
| **At 31 May 2012** | | | | |
| **Group** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Derivative | **-** | **469** | **-** | **469** |
| Total | **-** | **469** | **-** | **469** |

There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 May 2013 and 31 May 2012.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency risk, liquidity risk, interest rate risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

It is, and has been throughout the financial year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity and cash flow risk and credit risk. Management reviews and agrees policies for managing each of these risks and these are summarised below:

### (i) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its net investments in overseas subsidiaries and normal trading activities, both external and intra-group, where the currency denomination differs from the functional currency, Ringgit Malaysia ('RM'). The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income against local currency costs.

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

| **31 May 2013**<br>**Functional currency of group companies** | **Ringgit Malaysia RM'000** | **Indonesia Rupiah RM'000** | **United States Dollar RM'000** | **Vietnam Dong RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| **Trade and other receivables** | | | | | |
| United States Dollar | 32,534 | 7,574 | - | - | 40,108 |
| Singapore Dollar | 643 | - | 1,500 | - | 2,143 |
| Japanese Yen | 71 | - | - | - | 71 |
| | 33,248 | 7,574 | 1,500 | - | 42,322 |
| **Cash and cash equivalents** | | | | | |
| United States Dollar | 12,531 | 3,233 | - | 8 | 15,772 |
| Singapore Dollar | 973 | - | 638 | - | 1,611 |
| | 13,504 | 3,233 | 638 | 8 | 17,383 |
| **Bank borrowings** | | | | | |
| United States Dollar | 6,671 | 18,776 | - | 5,152 | 30,599 |
| **Trade and other payables** | | | | | |
| United States Dollar | 7,996 | 52,296 | - | - | 60,292 |
| Singapore Dollar | 4 | - | 2,509 | - | 2,513 |
| New Zealand Dollar | 24 | - | - | - | 24 |
| Ringgit Malaysia | - | - | 350 | - | 350 |
| | 8,024 | 52,296 | 2,859 | - | 63,179 |

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*

**(i) Foreign currency risk** *(continued)*

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: *(continued)*

| **31 May 2012**<br>**Functional currency of group companies** | **Ringgit Malaysia RM'000** | **Indonesia Rupiah RM'000** | **United States Dollar RM'000** | **Vietnam Dong RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| **Trade and other receivables** | | | | | |
| United States Dollar | 34,682 | 28,498 | - | - | 63,180 |
| Singapore Dollar | 983 | - | 2,444 | - | 3,427 |
| Hong Kong Dollar | 36 | - | - | - | 36 |
| Japanese Yen | 22 | - | - | - | 22 |
| | 35,723 | 28,498 | 2,444 | - | 66,665 |
| **Cash and cash equivalents** | | | | | |
| United States Dollar | 11,182 | 18,831 | - | 8 | 30,021 |
| Singapore Dollar | 567 | - | 278 | - | 845 |
| | 11,749 | 18,831 | 278 | 8 | 30,866 |
| **Bank borrowings** | | | | | |
| United States Dollar | 7,245 | 2,299 | - | 10,125 | 19,669 |
| **Trade and other payables** | | | | | |
| United States Dollar | 9,446 | 83,474 | - | 256 | 93,176 |
| Singapore Dollar | - | - | 2,985 | - | 2,985 |
| EURO | 33 | - | - | - | 33 |
| Ringgit Malaysia | - | - | 270 | - | 270 |
| | 9,479 | 83,474 | 3,255 | 256 | 96,464 |

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*

**(i) Foreign currency risk** *(continued)*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit after tax to a reasonably possible change in the foreign currencies strengthened or weakened by 3% and exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| | | Group | |
|---|---|---|---|
| | | **2013** | **2012** |
| | | **RM'000** | **RM'000** |
| **(Loss)/Profit after tax** | | | |
| USD/RM | - strengthen by 3% | **(684)** | 656 |
| | - weaken by 3% | **684** | (656) |
| USD/VND | - strengthen by 3% | **116** | (233) |
| | - weaken by 3% | **(116)** | 233 |
| USD/IDR | - strengthen by 3% | **1,356** | (865) |
| | - weaken by 3% | **(1,356)** | 865 |

The Group's (loss)/profit after tax is not sensitive to foreign currencies other than USD.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (ii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debts, and term and call deposits.

The following tables set out the carrying amounts, the effective annual interest rates as at the end of reporting date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

| | Note | Effective annual interest rate % | Within 1 year RM'000 | 1 - 2 years RM'000 | 2 - 3 years RM'000 | 3 - 4 years RM'000 | 4 - 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **As at 31 May 2013** | | | | | | | | | |
| **Fixed rates** | | | | | | | | | |
| Short term deposits with licensed banks | 19 | 1.56% - 3.50% | 15,326 | - | - | - | - | - | 15,326 |
| Hire-purchase and lease creditors | 24 | 2.19% - 5.70% | 2,973 | 2,817 | 1,280 | 1,266 | 119 | 9 | 8,464 |
| **Floating rates** | | | | | | | | | |
| Bank overdrafts | 22 | 0.05% - 8.6% | 13,097 | - | - | - | - | - | 13,097 |
| Bankers' acceptances | 22 | 5.63% | 1,564 | - | - | - | - | - | 1,564 |
| Revolving credits | 22 | 4.03% - 8.10% | 38,613 | - | - | - | - | - | 38,613 |
| Trust receipts | 22 | 5.13% - 7.35% | 69,359 | - | - | - | - | - | 69,359 |
| Term loans | 22 | 4.05% - 14.90%* | 146,136 | 4,657 | 1,500 | 1,500 | 125 | - | 153,918 |

* Term loan of RM773,994 denominated in VND has an effect annual interest rate of 14.90% per annum.

35. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*

(ii) **Interest rate risk** *(continued)*

| | Note | Effective annual interest rate % | Within 1 year RM'000 | 1 - 2 years RM'000 | 2 - 3 years RM'000 | 3 - 4 years RM'000 | 4 - 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **As at 31 May 2012** | | | | | | | | | |
| **Fixed rates** | | | | | | | | | |
| Short term deposits with licensed banks | 19 | 1.31% - 5.67% | 15,816 | - | - | - | - | - | 15,816 |
| Hire-purchase and lease creditors | 24 | 1.94% - 8.72% | 3,012 | 1,827 | 1,032 | 203 | 9 | 122 | 6,205 |
| **Floating rates** | | | | | | | | | |
| Bank overdrafts | 22 | 1.06% - 7.27% | 15,820 | - | - | - | - | - | 15,820 |
| Bankers' acceptances | 22 | 1.29% | 1,622 | - | - | - | - | - | 1,622 |
| Revolving credits | 22 | 5.33% - 8.12% | 29,002 | - | - | - | - | - | 29,002 |
| Trust receipts | 22 | 3.55% - 11.73% | 45,208 | - | - | - | - | - | 45,208 |
| Term loans | 22 | 3.47% - 19.87%* | 145,322 | 10,670 | 3,187 | 1,508 | 1,509 | 135 | 162,331 |

* Term loan of RM2,756,000 denominated in VND has an effect annual interest rate of 17.6% to 19.9% per annum.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (ii) Interest rate risk *(continued)*

| | Note | Effective annual interest rate % | Within 1 year RM'000 | 1 - 2 years RM'000 | 2 - 3 years RM'000 | 3 - 4 years RM'000 | 4 - 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | | |
| **As at 31 May 2013** | | | | | | | | | |
| **Fixed rates** | | | | | | | | | |
| Hire-purchase and lease creditors | **24** | **3.59 - 5.05%** | **199** | **215** | **146** | **97** | **8** | **-** | **665** |
| Amount owing by subsidiaries | **17** | **6.75%** | **2,604** | **-** | **-** | **-** | **-** | **-** | **2,604** |
| **Floating rates** | | | | | | | | | |
| Bank overdrafts | **22** | **7.35% - 8.10%** | **6,514** | **-** | **-** | **-** | **-** | **-** | **6,514** |
| Revolving credits | **22** | **4.80% - 6.70%** | **34,250** | **-** | **-** | **-** | **-** | **-** | **34,250** |
| Term loans | **22** | **5.00% - 6.50%** | **12,500** | **3,000** | **-** | **-** | **-** | **-** | **15,500** |
| **As at 31 May 2012** | | | | | | | | | |
| **Fixed rates** | | | | | | | | | |
| Hire-purchase and lease creditors | 24 | 4.73% - 7.04% | 748 | 247 | 215 | 146 | 97 | 8 | 1,461 |
| Amount owing by subsidiaries | 17 | 6.75% | 2,604 | - | - | - | - | - | 2,604 |
| **Floating rates** | | | | | | | | | |
| Bank overdrafts | 22 | 7.35% - 8.10% | 7,858 | - | - | - | - | - | 7,858 |
| Revolving credits | 22 | 5.14% - 5.25% | 24,250 | - | - | - | - | - | 24,250 |
| Term loans | 22 | 8.00% - 8.50% | 16,750 | 6,000 | 1,500 | - | - | - | 24,250 |

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (ii) Interest rate risk *(continued)*

Sensitivity analysis for floating rate instruments

As at 31 May 2013, if interest rates at the date had been 10 basis points variance with all other variables held constant, the Group's and the Company's (loss)/profit after tax for the financial year, arising mainly as a result of higher or lower interest expense on variable borrowings, would have been:

| | Group | | Company | |
|---|---|---|---|---|
| **Effects on (loss)/profit after tax** | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| 10 basis point higher | **202** | (183) | **43** | 43 |
| 10 basis point lower | **(202)** | 183 | **(43)** | (43) |

The sensitivity was higher in 2013 than 2012 because of an increase in outstanding borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the carrying amount of fixed rate financial instruments of the Group and of the Company are measured at amortised cost. Therefore, no sensitivity analysis for fixed rate instruments was prepared as the change in market interest rate at the end of the reporting period would not affect profit or loss.

### (iii) Liquidity risk

It is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate for the Group's operations.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (iii) Liquidity risk *(continued)*

| | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2013** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables, net of deferred revenue | **255,441** | **-** | **-** | **255,441** |
| Amounts owing to associates | **508** | **-** | **-** | **508** |
| Borrowings | **272,221** | **13,771** | **9** | **286,001** |
| Derivative liabilities | **1** | **-** | **-** | **1** |
| Total undiscounted financial liabilities | **528,171** | **13,771** | **9** | **541,951** |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | **2,018** | **-** | **-** | **2,018** |
| Amounts owing to subsidiaries | **77,353** | **-** | **-** | **77,353** |
| Borrowings | **53,496** | **3,493** | **-** | **56,989** |
| Total undiscounted financial liabilities | **132,867** | **3,493** | **-** | **136,360** |
| **2012** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables, net of deferred revenue | 299,176 | - | - | 299,176 |
| Amounts owing to associates | 13 | - | - | 13 |
| Borrowings | 239,985 | 20,686 | - | 260,671 |
| Derivative liabilities | 469 | - | - | 469 |
| Total undiscounted financial liabilities | 539,643 | 20,686 | - | 560,329 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables, net of deferred revenue | 689 | - | - | 689 |
| Amounts owing to subsidiaries | 72,535 | - | - | 72,535 |
| Borrowings | 49,606 | 8,334 | - | 57,940 |
| Total undiscounted financial liabilities | 122,830 | 8,334 | - | 131,164 |

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*

**(iv) Credit risk**

Cash deposits and receivables may give rise to credit risk, which requires the loss to be recognised if a counter party failed to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period from one (1) month to four (4) months. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In respect of the cash and cash equivalents placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Exposure to credit risk

At the end of the reporting period, the maximum exposures to credit risk of the Group and of the Company are represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the end of the reporting period, the Group does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments.

At the end of the reporting period, the Company does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments other than the amounts owing by subsidiaries of RM67,662,000 (2012: RM59,325,000).

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 16 to the financial statements.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 16 to the financial statements.

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(v) Market price risk**

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to price risks arising from quoted investments held by the Group. They are held for strategic rather than trading purposes. The Group does not actively trade these investments. These instruments are financial assets designated at fair value through profit or loss and available-for-sale financial assets.

Sensitivity analysis for equity price risk

The Group has considered the sensitivity of these financial instruments to market risk and is of the view that its impact is insignificant.

**36. RELATED PARTY DISCLOSURES**

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries as disclosed in Note 41 to the financial statements.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| | Group | |
|---|---|---|
| | **2013 RM'000** | **2012 RM'000** |
| Sales to a company in which a Director of the Company has substantial indirect shareholding | **4,053** | - |
| Purchase from a company in which a Director of the Company has substantial indirect shareholding | **641** | - |
| Sales to associates: | | |
| - Nufarm Technologies (Malaysia) Sdn. Bhd. | **-** | 70 |
| - Magiqads Sdn. Bhd. | **-** | 89 |
| Purchases from associates: | | |
| - Magiqads Sdn. Bhd. | **2,152** | 1,987 |
| Services rendered by a company in which certain Directors of the Company have substantial indirect shareholding | **-** | 2,300 |
| Professional legal fees paid to a firm of which a Director of the Company is a Partner | **1,118** | 1,143 |
| Insurance premium paid to a company in which a Director of the Company has a substantial indirect shareholding | **28** | 56 |

## 36. RELATED PARTY DISCLOSURES *(continued)*

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: *(continued)*

| | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|
| Professional legal fees paid to a firm of which a Director of the Company is a Partner | **1,118** | 1,098 |

The Directors of the Group and of the Company are of the opinion that the above transactions were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The remuneration of Directors and other key management personnel of the Group and of the Company during the financial year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Short term employee benefits | **28,596** | 30,939 | **1,018** | 954 |
| Contributions to defined contribution plan | **1,396** | 1,917 | **25** | 58 |
| Benefits-in-kind | **1,651** | 261 | **-** | 26 |
| | **31,643** | 33,117 | **1,043** | 1,038 |

## 37. COMMITMENTS

(a) Capital commitments

Capital commitments not provided for in the financial statements are as follows:

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| In respect of purchase of property, plant and equipment: | | |
| Authorised and contracted for | **2,265** | 2,171 |
| Authorised but not contracted for | **97** | 615 |
| | **2,362** | 2,786 |

## 37. COMMITMENTS *(continued)*

(b) Operating lease commitments

Future minimum rentals payable under non-cancellable operating lease at the operating date are as follows:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Future minimum lease payments: | | |
| - not later than one year | **20,068** | 13,911 |
| - later than one year and not later than five years | **26,803** | 25,954 |
| - later than five years | **28,287** | 17,302 |
| | **75,158** | 57,167 |

## 38. CONTINGENT LIABILITIES

**Group**

| | **2013** | **2012** |
|---|---|---|
| | **RM'000** | **RM'000** |
| **Unsecured** | | |
| Guarantees given to third parties by subsidiaries in respect of trade performance | **22,716** | 8,750 |

**Company**

**Unsecured**

As at 31 May 2013, the Company has given corporate guarantees amounting to RM52,833,000 (2012: RM54,821,000) to financial institutions for credit facilities granted to and utilised by certain subsidiaries.

The Directors are of the view that the fair value of such corporate guarantees given by the Group and the Company is negligible as the chances of the financial institutions to call upon the corporate guarantees are remote.

### 39. EMPLOYEE BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| Salaries and wages | **79,486** | 79,940 | **3,074** | 3,118 |
| Defined contribution plan | **6,966** | 7,262 | **320** | 317 |
| Provision for/(Write back of) retirement benefits | **343** | (28) | **-** | - |
| Other benefits | **3,451** | 2,517 | **-** | 11 |
| | **90,246** | 89,691 | **3,394** | 3,446 |

Included in the employee benefits of the Group and of the Company are Executive Director's remuneration amounting to RM15,430,000 (2012: RM12,672,000) and RM505,000 (2012: RM564,000) respectively.

### 40. OPERATING SEGMENTS

The Group's operations comprise the following main operating segments:

| | | |
|---|---|---|
| Investment holding | : | Investment holding |
| Agricultural and industrial chemicals | : | Manufacture and sale of agricultural and industrial chemical products |
| Logistics | : | Ship-owning, ship-operating, transportation, container haulage, bulk cargo handling, chemicals warehousing and related services |
| Information technology ('IT') | : | Provision of IT services and sales of computer hardware and software |
| Media | : | Providing digital and outdoor advertising media space and being general traders of media space in the airport, baggage trolleys and signages |
| Polymer | : | Manufacturing and marketing of polymer products |

Others mainly comprise trading, contracting and marketing in electrical engineering products.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations before tax. These policies have been applied consistently throughout the current and previous financial years.

The Group's chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment.

## 40. OPERATING SEGMENTS *(continued)*

(a) Operating Segment

| 2013 | Investment holding RM'000 | Agricultural and industrial chemicals RM'000 | Logistics RM'000 | IT RM'000 | Media RM'000 | Polymer RM'000 | Others RM'000 | Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| External sales | 2,845 | 1,753,074 | 52,625 | 17,709 | 80,926 | 125,385 | - | - | 2,032,564 |
| Inter-segment | 24,348 | 428 | 5,993 | 660 | - | 18 | - | (31,447) | - |
| Total revenue | 27,193 | 1,753,502 | 58,618 | 18,369 | 80,926 | 125,403 | - | | 2,032,564 |
| **Segment (loss)/profit before tax** | (33,727) | 42,091 | 6,122 | (764) | (25,402) | 14,108 | - | 1,820 | 4,248 |
| Interest income | 7 | 395 | 3 | 15 | 117 | 164 | 787 | - | 1,488 |
| Depreciation and amortisation | (1,183) | (3,939) | (6,950) | (95) | (9,144) | (4,614) | (243) | - | (26,168) |
| Share of results of associates | 326 | - | - | - | (473) | - | - | - | (147) |
| Impairment losses on non-financial assets | (112) | (844) | - | - | (1,551) | - | (2,507) | 895 | (4,119) |
| Other material non-cash items: | | | | | | | | | |
| Inventories written down | - | (968) | - | - | - | (1,271) | - | - | (2,239) |
| Impairment loss on: | | | | | | | | | |
| - amounts owing by associates | (105) | - | - | - | (2,456) | - | - | - | (2,561) |
| - other investment | - | - | - | - | (1,687) | - | - | - | (1,687) |
| - trade and other receivables | - | - | - | (278) | (4,995) | (72) | - | - | (5,345) |
| Loss on dilution of equity interest in subsidiaries | (4,590) | - | - | - | - | - | - | 4,590 | - |
| Property, plant and equipment written off | (6) | - | (2) | - | (1,840) | - | - | - | (1,848) |
| **Segment assets** | 82,492 | 531,638 | 83,560 | 3,571 | 97,803 | 112,047 | 60,051 | - | 971,162 |
| Investments in associates | 707 | - | 2,802 | - | - | - | - | - | 3,509 |
| Goodwill on consolidation | - | 55,817 | - | - | 18,609 | 103 | - | - | 74,529 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 1,241 | 4,533 | 2,972 | 135 | 8,622 | 3,167 | 415 | - | 21,085 |
| **Segment liabilities** | 67,115 | 364,725 | 18,143 | 4,473 | 45,619 | 25,907 | 43,049 | | 569,031 |

**40. OPERATING SEGMENTS** *(continued)*

(a) Operating segment *(continued)*

| 2012 | Investment holding RM'000 | Agricultural and industrial chemicals RM'000 | Logistics RM'000 | IT RM'000 | Media RM'000 | Polymer RM'000 | Others RM'000 | Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| External sales | 2,883 | 1,479,092 | 51,643 | 10,720 | 70,517 | 135,349 | - | - | 1,750,204 |
| Inter-segment | 21,570 | 2,265 | 7,542 | 360 | - | 5 | - | (31,742) | - |
| Total revenue | 24,453 | 1,481,357 | 59,185 | 11,080 | 70,517 | 135,354 | - | (31,742) | 1,750,204 |
| **Segment (loss)/profit before tax** | (32,261) | 36,118 | 7,825 | (809) | (15,034) | 13,567 | - | 801 | 10,207 |
| Interest income | 6 | 367 | 43 | 33 | 173 | 81 | 118 | - | 821 |
| Depreciation and amortisation | (1,197) | (3,289) | (6,718) | (86) | (10,060) | (5,063) | (444) | - | (26,857) |
| Share of results of associates | (5) | (380) | - | - | 72 | - | - | - | (313) |
| Impairment losses on non-financial assets | (2,655) | (1,405) | - | - | (4,372) | - | (1,100) | 3,221 | (6,311) |
| Other material non-cash items: | | | | | | | | | |
| Inventories written down | - | (84) | - | - | (22) | (2,878) | - | - | (2,984) |
| Impairment loss on trade and other receivables | (292) | (118) | - | - | (5,118) | - | - | - | (5,528) |
| Property, plant and equipment written off | (3) | (46) | 29 | (1) | (986) | - | - | - | (1,007) |
| **Segment assets** | 124,330 | 546,056 | 36,620 | 4,702 | 110,885 | 114,927 | 74,652 | - | 1,012,172 |
| Investments in associates | 3,294 | 419 | - | - | 473 | - | - | (1,671) | 2,515 |
| Goodwill on consolidation | - | 57,272 | - | - | 18,609 | 111 | - | - | 75,992 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 1,131 | 8,207 | 6,218 | 34 | 9,799 | 10,748 | 11 | - | 36,148 |
| **Segment liabilities** | 66,445 | 373,571 | 21,495 | 5,308 | 41,789 | 34,574 | 47,630 | - | 590,812 |

## 40. OPERATING SEGMENTS *(continued)*

(a) Operating segment *(continued)*

The Group does not have significant reliance on a single major customer, with whom the Group transacted ten (10) per cent or more of its revenue during the financial year.

(b) Geographical segment

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

| | Revenue | | Segment assets | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| Malaysia | **894,542** | 765,510 | **515,453** | 493,215 |
| Singapore | **401,172** | 387,509 | **125,734** | 174,972 |
| Other Southeast Asian countries | **545,900** | 339,578 | **329,975** | 343,811 |
| Other Asian countries | **75,133** | 105,450 | **-** | 174 |
| Australia and New Zealand | **60,370** | 47,778 | **-** | - |
| North and South America | **48,765** | 77,982 | **-** | - |
| Africa | **6,165** | 25,868 | **-** | - |
| Europe | **517** | 529 | **-** | - |
| | **2,032,564** | 1,750,204 | **971,162** | 1,012,172 |

## 41. SUBSIDIARIES AND ASSOCIATES

(a) Details of subsidiaries are as follows:

| Company | Country of incorporation | Group's effective equity interest 2013 | 2012 | Principal activities |
|---|---|---|---|---|
| *Direct:* | | | | |
| Ancom Crop Care Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Manufacture and marketing of agricultural chemical products |
| Ancom Overseas Ventures Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Investment holding company and provision of management services |
| Ancom Energy & Services Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Dormant |
| Synergy Tanker Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Investment holding |
| Syarikat Wandeerfull Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Investment holding, dealing in and subletting of land |

**41. SUBSIDIARIES AND ASSOCIATES** *(continued)*

(a) Details of subsidiaries are as follows: *(continued)*

| Company | Country of incorporation | Group's effective equity interest 2013 | 2012 | Principal activities |
|---|---|---|---|---|
| *Direct:* | | | | |
| Rhodemark Development Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Investment holding |
| HSO Business Systems Sdn. Bhd. | Malaysia | **47.97%** | 47.97% | Dormant |
| MSTi Corporation Sdn. Bhd. | Malaysia | **45.0%** | 45.0% | Trading of computer hardware and software and rendering of IT related |
| iEnterprise Online Sdn. Bhd. | Malaysia | **64.3%** | 97.3% | Development of IT system and providing IT related consultancy services. |
| WorldSOL.com Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Dormant |
| Ascension Lab Sdn. Bhd. | Malaysia | **100.0%** | - | Development of IT system and providing IT related consultancy services. |
| Redberry Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Investment holding |
| Rentas Cabaran Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Dormant |
| *Indirect:* | | | | |
| Ancom Bioscience Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Trading of gardening products |
| Polytensides Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Manufacture and sale of agricultural chemical products and chemicals |
| Timber Preservatives Sdn. Bhd. | Malaysia | **100.0%** | 51.0% | Manufacture and distribution of timber and preservatives related chemical products |
| Ancom Nutrifoods Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Dormant |
| Advanced Technology Studies Centre Sdn. Bhd. | Malaysia | **54.0%** | - | Promoting knowledge and skills development in IT |
| *Ancom do Brasi Ltda | Brazil | **99.9%** | 99.9% | Dormant. Holder of licenses for certain agricultural chemical products |
| *Ancom Australia Pty. Ltd. | Australia | **100.0%** | 100.0% | Dormant. Holder of licenses for certain agricultural chemical products |

**41. SUBSIDIARIES AND ASSOCIATES** *(continued)*

(a) Details of subsidiaries are as follows: *(continued)*

| Company | Country of incorporation | Group's effective equity interest 2013 | 2012 | Principal activities |
|---|---|---|---|---|
| *Indirect: (continued)* | | | | |
| * Malancom Agrochemicals (Pte) Limited | South Africa | **100.0%** | 100.0% | Dormant. Holder of licenses for certain agricultural chemical products |
| * ChemResources China (Agencies) Limited | Hong Kong | **100.0%** | 100.0% | Trading of petro-chemical and other chemical products |
| Redberry Media Sdn. Bhd. | Malaysia | **49.0%** | 49.0% | Provision of referring media job services |
| Meru Utama Sdn. Bhd. | Malaysia | **64.0%** | 64.0% | General traders and rental of media space at airport, baggage trolleys and signages |
| Redberry Contact Center Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Providing call centre services |
| Wheel Sport Management Sdn. Bhd. | Malaysia | **77.0%** | 77.0% | Promoters and organiser of motor sports and to buy, sell and deal in all kinds of motors |
| Redberry Outdoors Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Provision of outdoor advertising media space |
| Redberry Events Sdn. Bhd. | Malaysia | **90.0%** | 90.0% | Provision of event organisation services |
| Redberry Outdoors Productions Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Production of outdoor advertising media and design. However, it becomes dormant during the financial year. |
| Focus Media Network Sdn. Bhd. | Malaysia | **83.9%** | 83.9% | Provision of digital advertising media space |
| * Redberry Animation Sdn. Bhd. | Malaysia | **51.0%** | 51.0% | Production and marketing and animation television series |
| Unreserved Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Investment holding |
| Point Cast (M) Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Provision of digital advertising media space |
| Twinstar Synergy Sdn. Bhd. | Malaysia | **100.0%** | - | Printing of newspapers, journals, magazines, books and other literary works |
| AES Mayak Sdn. Bhd. | Malaysia | **100.0%** | 100.0% | Dormant |

**41. SUBSIDIARIES AND ASSOCIATES** *(continued)*

(a) Details of subsidiaries are as follows: *(continued)*

| Company | Country of incorporation | Group's effective equity interest 2013 | Group's effective equity interest 2012 | Principal activities |
|---|---|---|---|---|
| *Indirect: (continued)* | | | | |
| *# Nylex (Malaysia) Berhad | Malaysia | **45.5%** | 48.2% | Investment holding and manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other polymer products, including geotextiles and prefabricated sub-soil drainage systems |
| * Nycon Manufacturing Sdn. Bhd. | Malaysia | **45.5%** | 48.2% | Manufacture and marketing of rotomoulded plastic products, including bulk chemical containers, road barriers, playground equipment and disposal bins |
| *Malaysian Roofing Industries Sdn. Bhd. | Malaysia | **33.8%** | 33.7% | Under member's voluntary winding-up |
| * Nylex Polymer Marketing Sdn. Bhd. | Malaysia | **45.5%** | 48.2% | Marketing of polyurethane ('PU') and polyvinyl chloride ('PVC') synthetic leather, films and sheets, geosynthetic and general trading |
| * PT Nylex Indonesia | Indonesia | **45.5%** | 48.2% | Manufacture, marketing and distribution of PVC and PU leather cloth |
| * Perusahaan Kimia Gemilang Sdn. Bhd. | Malaysia | **45.5%** | 48.2% | Trading in petrochemicals and industrial chemicals |
| * Fermpro Sdn. Bhd. | Malaysia | **45.5%** | 48.2% | Manufacture and marketing of ethanol, carbon dioxide and other related chemical products |
| * Kumpulan Kesuma Sdn. Bhd. | Malaysia | **45.5%** | 48.2% | Manufacture and marketing of sealants and adhesive products |
| * Wedon Sdn. Bhd. | Malaysia | **45.5%** | 48.2% | Marketing of sealants and adhesive products |
| * Nylex Specialty Chemicals Sdn. Bhd. | Malaysia | **45.5%** | 48.2% | Manufacture and sale of phosphoric acid |
| * Speciality Phosphates (Malaysia) Sdn. Bhd. | Malaysia | **23.2%** | 24.6% | Manufacture and sale of chemicals |

## 41. SUBSIDIARIES AND ASSOCIATES *(continued)*

(a) Details of subsidiaries are as follows: *(continued)*

| Company | Country of incorporation | Group's effective equity interest 2013 | 2012 | Principal activities |
|---|---|---|---|---|
| *Indirect: (continued)* | | | | |
| * CKG Chemicals Pte. Ltd. | Singapore | **45.5%** | 48.2% | Trading and distribution of industrial chemicals and gasoline blending components |
| * Dynamic Chemical Pte. Ltd. | Singapore | **41.0%** | 43.4% | Trading in industrial chemicals |
| * Perusahaan Kimia Gemilang Gemilang (Vietnam) Company Ltd. | Vietnam | **45.5%** | 48.2% | Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals |
| * PT PKG Lautan Indonesia | Indonesia | **23.2%** | 24.6% | Importation and distribution of industrial chemicals |
| * Ancom Kimia Sdn. Bhd. | Malaysia | **25.0%** | 26.5% | Distribution of petrochemicals and industrial chemicals |
| * Ancom Logistics Berhad | Malaysia | **47.1%** | 47.1% | Investment holding |
| * Synergy Trans-Link Sdn. Bhd. | Malaysia | **47.1%** | 47.1% | Investment holding |
| * Ancom-ChemQuest Terminals Sdn. Bhd. | Malaysia | **24.0%** | 24.0% | Build, own, operate, lease and manage chemical tank farm and warehouse |
| *Pengangkutan Cogent Sdn. Bhd. | Malaysia | **47.1%** | 47.1% | Providing transportation and related services |
| * Sinsenmoh Transportation Pte. Ltd. | Singapore | **47.1%** | 47.1% | Freight forwarding, packaging and crafting services |
| * Ancom Systems Technology (M) Sdn Bhd | Malaysia | **47.1%** | 47.1% | Dormant |
| * Hikmat Ikhlas Sdn. Bhd. | Malaysia | **16.5%** | 16.5% | Trading and contracting in electrical engineering products |
| *Ancom Components Sdn. Bhd. | Malaysia | **31.9%** | 31.9% | Manufacturing and marketing of low voltage switchgear |

**41. SUBSIDIARIES AND ASSOCIATES** *(continued)*

(b) Details of associates are as follows:

| Company | Country of incorporation | Group's effective equity interest 2013 | 2012 | Principal activities |
|---|---|---|---|---|
| *Direct:* | | | | |
| * iSpring Capital Sdn. Bhd. | Malaysia | **42.0%** | 42.0% | Providing and sourcing private equity finance and providing related consultancy services, business acceleration and other value added facilities and services to technology ventures |
| * Magiqads Sdn. Bhd. | Malaysia | **40.0%** | 40.0% | Advertising media design and production |
| * Durian FM Sdn. Bhd. | Malaysia | **50.0%** | - | Internet radio broadcasting |
| *Indirect:* | | | | |
| * Wandeerfull Industries Sdn. Bhd. | Malaysia | **30.0%** | 30.0% | Property investment |
| * Ancom Philippines Inc. | Philippines | **39.6%** | 39.6% | Dormant. Holder of licenses for certain agricultural chemical products |
| * Tamco Chongqing Switchgear Company Limited | China | **23.1%** | 23.1% | Under voluntary liquidation |
| Nufarm Technologies (Malaysia) Sdn. Bhd. | Malaysia | **-** | 49% | Trading in timber wood preservatives and other chemical products |

* Not audited by BDO or BDO Member Firms.
# The financial statements of Nylex were consolidated as a subsidiary as the Group has control over the Board of Nylex.
# The financial statements of ALB were consolidated as a subsidiary as the Group has power to govern the financial and operating policies of the ALB under a statute or an agreement.

**42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

(a) On 31 August 2012, the Company's wholly-owned subsidiary, Ancom Crop Care Sdn. Bhd. ('ACC') acquired the remaining 49% equity interest in Timber Preservatives Sdn. Bhd. ('Timber') from Medisup Securities Limited ('Medisup') by way of the disposal of its 49% equity interest in Nufarm Technologies (M) Sdn. Bhd. ('Nufarm') to Medisup. Upon completion, Timber became a wholly-owned subsidiary of ACC. The proportionate share of the book value of net assets of Timber for 49% equity interest at the acquisition date was RM1,728,266. Consequently, the difference between the cost of acquisition of the additional equity interest and the proportionate share of the book value of net assets at the transaction date of RM235,718 has been adjusted to equity.

## 42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(continued)*

(b) On 1 June 2012, the wholly-owned subsidiary, RedberrySdn. Bhd. ('Redberry') completed an acquisition of the entire issued and paid up capital of Twinstar Synergy Sdn. Bhd. ('Twinstar'), which was incorporated on 18 April 2012, comprising two (2) ordinary shares of RM1 each for a cash consideration of RM2. Subsequently, on 28 September 2012, Twinstar increased its authorised share capital of RM100,000 to RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each of which 999,998 ordinary shares have been issued to and fully paid up by Redberry for a cash consideration of RM999,998. Currently, these shares are registered in the names of two (2) officers of the Company, which are held in trust by the said officers. The above arrangement did not have any material financial effect to the Group.

(c) On 4 July 2012, the Company acquired one (1) ordinary share of RM1 each representing 33.3% of the share capital of Advanced Technology Studies Centre Sdn. Bhd. ('ATSC') from Lee Nan Phin ('LNP'), a Director of a subsidiary of the Company, iEnterprise Online Sdn. Bhd. ('IEOL') by way of disposal of 594,000 ordinary shares of RM1 each or 33% equity interest held by the Company in IEOL to LNP ('Share Exchange'), thereby increasing the effective equity interest in ATSC from 33.3% to 54.1%. The above acquisition of ATSC did not have any material financial effect to the Group and the Company.

(d) On 13 August 2012, the Company completed an acquisition of the entire issued and paid-up share capital of Ascension Lab Sdn. Bhd. ('ALAB') (formerly known as Subur Wiramaju Sdn. Bhd.), which was incorporated on 12 July 2012, comprising two (2) ordinary shares of RM1 each for a cash consideration of RM2. Currently, these shares are registered in the names of two (2) officers of the Company, which are held in trust by the said officers. The above acquisition of ALAB did not have any material financial effect to the Group and the Company.

(e) On 1 June 2012, the Company transferred its entire 100% equity interest consisting of two (2) ordinary shares in Unreserved Sdn. Bhd. ('Unreserved') to Redberry for a cash consideration of RM2. Following the transfer, Unreserved became a wholly-owned subsidiary of Redberry.

(f) On 4 July 2012, the Company had disposed its 33% equity interest in IEOL by way of Share Exchange as disclosed in Note 9.2 (b) to the financial statements. Following the Share Exchange, the Company's equity interest in IEOL reduced from 97.3% to 64.3%. The reduction in the Group's proportionate share of the net assets of IEOL arising from the dilution of equity interest amounting to RM433,446 has been adjusted directly to equity as a transaction with owners.

(g) During the current financial year, the Company has disposed 2.7% equity interest in Nylex (Malaysia) Berhad ('Nylex') for a cash consideration of RM2,934,322. The Group's effective equity interest in Nylex reduced from 48.2% to 45.5%. Following the disposal, the reduction in the Group's proportionate share of the net assets of Nylex arising from the dilution of equity interest amounting to RM8,035,064 has been adjusted directly to equity as a transaction with owners.

## 43. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 23 August 2013, the Company's subsidiary, Ancom Logistics Berhad ('ALB') entered into a Conditional Share Sale Agreement ('CSSA') to dispose 7,911,192 ordinary shares representing 100% equity interest in Sinsenmoh Transportation Pte. Ltd. ('Sinsenmoh') for a consideration of SGD19,000,000. As at the date of this report, the transaction has not been completed. The disposal of Sinsenmoh is subject to the fulfilment of certain conditions precedent contained in the CSSA and relevant approvals.

## 44. EXPLANATION OF TRANSITION TO MFRSs

The Group and the Company are non-transitioning entities as defined by the MASB, and has adopted the MFRS Framework during the financial year ended 31 May 2013. Accordingly, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 4 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 May 2013, as well as comparative information presented in these financial statements for the financial year ended 31 May 2012 and in the preparation of the opening MFRSs statements of financial position at 1 June 2011 (the date of transition of the Group to MFRSs).

The Group and the Company have adjusted amounts previously reported in financial statements that were prepared in accordance with the previous FRS Framework. In preparing the opening statements of financial position at 1 June 2011, an explanation on the impact arising from the transition from FRSs to MFRSs on the Group's and the Company's financial position and financial performance are set out as follows:

(a) Reconciliation of financial position as at 1 June 2011

| | Group | | |
|---|---|---|---|
| | Previously reported under FRSs RM'000 | Effects on adoption of MFRSs RM'000 | Restated under under MFRSs RM'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 227,156 | (1,723) | 225,433 |
| Investment properties | 353 | - | 353 |
| Investments in associates | 4,324 | - | 4,324 |
| Other investments | 6,150 | - | 6,150 |
| Intangible assets | 24,218 | 1,723 | 25,941 |
| Goodwill on consolidation | 74,380 | - | 74,380 |
| Deferred tax assets | 30,430 | - | 30,430 |
| | 367,011 | - | 367,011 |
| **Current assets** | | | |
| Inventories | 150,524 | - | 150,524 |
| Trade and other receivables | 319,329 | - | 319,329 |
| Amounts owing by associates | 7,847 | - | 7,847 |
| Current tax assets | 6,387 | - | 6,387 |
| Other investments | 2,368 | - | 2,368 |
| Cash and cash equivalents | 90,267 | - | 90,267 |
| | 576,722 | - | 576,722 |
| **TOTAL ASSETS** | 943,733 | - | 943,733 |

**44. EXPLANATION OF TRANSITION TO MFRSs** *(continued)*

(a) Reconciliation of financial position as at 1 June 2011 *(continued)*

| | Group | | |
|---|---|---|---|
| | Previously reported under FRSs RM'000 | Effects on adoption of MFRSs RM'000 | Restated under under MFRSs RM'000 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 218,956 | - | 218,956 |
| Share premium | 4,332 | - | 4,332 |
| Revaluation reserve | 25,707 | (25,707) | - |
| Capital redemption reserve | 4,987 | - | 4,987 |
| Capital reserve | 203 | - | 203 |
| Exchange translation reserve | (9,838) | 9,838 | - |
| Retained earnings | 63,579 | 15,869 | 79,448 |
| Treasury shares | (2,073) | - | (2,073) |
| | 305,853 | - | 305,853 |
| **Non-controlling interests** | 121,854 | - | 121,854 |
| **TOTAL EQUITY** | 427,707 | - | 427,707 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 22,157 | - | 22,157 |
| Deferred tax liabilities | 14,855 | - | 14,855 |
| Government grant | 1,600 | - | 1,600 |
| Provision for retirement benefits | 3,476 | - | 3,476 |
| | 42,088 | - | 42,088 |
| **Current liabilities** | | | |
| Trade and other payables | 239,407 | - | 239,407 |
| Amounts owing to associates | 18 | - | 18 |
| Borrowings | 232,511 | - | 232,511 |
| Derivatives liabilities | - | - | - |
| Current tax liabilities | 2,002 | - | 2,002 |
| | 473,938 | - | 473,938 |
| **TOTAL LIABILITIES** | 516,026 | - | 516,026 |
| **TOTAL EQUITY AND LIABILITES** | 943,733 | - | 943,733 |

**44. EXPLANATION OF TRANSITION TO MFRSs** *(continued)*

(a) Reconciliation of financial position as at 1 June 2011 *(continued)*

| | Company | | |
|---|---|---|---|
| | **Previously reported under FRSs RM'000** | **Effects on adoption of MFRSs RM'000** | **Restated under under MFRSs RM'000** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 39,822 | (4) | 39,818 |
| Investments in subsidiaries | 274,234 | - | 274,234 |
| Investments in associates | 507 | - | 507 |
| Other investments | 2,412 | - | 2,412 |
| Intangible assets | - | 4 | 4 |
| | 316,975 | - | 316,975 |
| **Current assets** | | | |
| Trade and other receivables | 2,314 | - | 2,314 |
| Amounts owing by subsidiaries | 51,999 | - | 51,999 |
| Amounts owing by associates | 196 | - | 196 |
| Current tax assets | 735 | - | 735 |
| Other investments | 27 | - | 27 |
| Cash and cash equivalents | 250 | - | 250 |
| | 55,521 | - | 55,521 |
| **TOTAL ASSETS** | 372,496 | - | 372,496 |

**44. EXPLANATION OF TRANSITION TO MFRSs** *(continued)*

(a) Reconciliation of financial position as at 1 June 2011 *(continued)*

| | Company | | |
|---|---|---|---|
| | **Previously reported under FRSs RM'000** | **Effects on adoption of MFRSs RM'000** | **Restated under under MFRSs RM'000** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 218,956 | - | 218,956 |
| Share premium | 4,332 | - | 4,332 |
| Revaluation reserve | 13,574 | (13,574) | - |
| Capital redemption reserve | 4,917 | - | 4,917 |
| Retained earnings | 7,507 | 13,574 | 21,081 |
| Treasury shares | (2,073) | - | (2,073) |
| **TOTAL EQUITY** | 247,213 | - | 247,213 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 7,923 | - | 7,923 |
| Deferred tax liabilities | 4,628 | - | 4,628 |
| | 12,551 | - | 12,551 |
| **Current liabilities** | | | |
| Trade and other payables | 1,130 | - | 1,130 |
| Amounts owing to subsidiaries | 60,011 | - | 60,011 |
| Amounts owing to associates | 6 | - | 6 |
| Current tax liabilities | 321 | - | 321 |
| Borrowings | 51,264 | - | 51,264 |
| | 112,732 | - | 112,732 |
| **TOTAL LIABILITIES** | 125,283 | - | 125,283 |
| **TOTAL EQUITY AND LIABILITES** | 372,496 | - | 372,496 |

## 44. EXPLANATION OF TRANSITION TO MFRSs *(continued)*

(b) Reconciliation of financial position as at 31 May 2012

| | Group | | |
|---|---|---|---|
| | **Previously reported under FRSs RM'000** | **Effects on adoption of MFRSs RM'000** | **Restated under under MFRSs RM'000** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 233,222 | (1,685) | 231,537 |
| Investment properties | 151 | - | 151 |
| Investments in associates | 2,515 | - | 2,515 |
| Other investments | 4,027 | - | 4,027 |
| Intangible assets | 21,893 | 1,685 | 23,578 |
| Goodwill on consolidation | 75,992 | - | 75,992 |
| Deferred tax assets | 32,259 | - | 32,259 |
| | 370,059 | - | 370,059 |
| **Current assets** | | | |
| Inventories | 188,935 | - | 188,935 |
| Trade and other receivables | 351,826 | - | 351,826 |
| Amounts owing by associates | 8,250 | - | 8,250 |
| Current tax assets | 5,134 | - | 5,134 |
| Other investments | 2,156 | - | 2,156 |
| Cash and cash equivalents | 85,812 | - | 85,812 |
| | 642,113 | - | 642,113 |
| **TOTAL ASSETS** | 1,012,172 | - | 1,012,172 |

**44. EXPLANATION OF TRANSITION TO MFRSs** *(continued)*

(b) Reconciliation of financial position as at 31 May 2012 *(continued)*

| | Group | | |
|---|---|---|---|
| | **Previously reported under FRSs RM'000** | **Effects on adoption of MFRSs RM'000** | **Restated under under MFRSs RM'000** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 218,956 | - | 218,956 |
| Share premium | 4,332 | - | 4,332 |
| Revaluation reserve | 25,352 | (25,352) | - |
| Capital redemption reserve | 4,987 | - | 4,987 |
| Capital reserve | 203 | - | 203 |
| Exchange translation reserve | (7,445) | 9,483 | 2,038 |
| Retained earnings | 54,565 | 15,869 | 70,434 |
| Treasury shares | (2,281) | - | (2,281) |
| | 298,669 | - | 298,669 |
| **Non-controlling interests** | 122,691 | - | 122,691 |
| **TOTAL EQUITY** | 421,360 | - | 421,360 |
| **Non-current liabilities** | | | |
| Borrowings | 20,202 | - | 20,202 |
| Deferred tax liabilities | 13,803 | - | 13,803 |
| Government grant | 600 | - | 600 |
| Provision for retirement benefits | 2,846 | - | 2,846 |
| **Current liabilities** | 37,451 | - | 37,451 |
| Trade and other payables | 311,296 | - | 311,296 |
| Amounts owing to associates | 13 | - | 13 |
| Borrowings | 239,986 | - | 239,986 |
| Derivatives liabilities | 469 | - | 469 |
| Current tax liabilities | 1,597 | - | 1,597 |
| | 553,361 | - | 553,361 |
| **TOTAL LIABILITIES** | 590,812 | - | 590,812 |
| **TOTAL EQUITY AND LIABILITES** | 1,012,172 | - | 1,012,172 |

**44. EXPLANATION OF TRANSITION TO MFRSs** *(continued)*

(b) Reconciliation of financial position as at 31 May 2012 *(continued)*

| | Company | | |
|---|---|---|---|
| | **Previously reported under FRSs RM'000** | **Effects on adoption of MFRSs RM'000** | **Restated under under MFRSs RM'000** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 39,736 | (3) | 39,733 |
| Investments in subsidiaries | 272,174 | - | 272,174 |
| Investments in associates | 112 | - | 112 |
| Other investments | 2,149 | - | 2,149 |
| Intangible assets | - | 3 | 3 |
| | 314,171 | - | 314,171 |
| **Current assets** | | | |
| Trade and other receivables | 556 | - | 556 |
| Amounts owing by subsidiaries | 59,325 | - | 59,325 |
| Amounts owing by associates | 337 | - | 337 |
| Current tax assets | 415 | - | 415 |
| Cash and cash equivalents | 554 | - | 554 |
| | 61,187 | - | 61,187 |
| **TOTAL ASSETS** | 375,358 | - | 375,358 |

**44. EXPLANATION OF TRANSITION TO MFRSs** *(continued)*

(b) Reconciliation of financial position as at 31 May 2012 *(continued)*

| | Company | | |
|---|---|---|---|
| | **Previously reported under FRSs RM'000** | **Effects on adoption of MFRSs RM'000** | **Restated under under MFRSs RM'000** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 218,956 | - | 218,956 |
| Share premium | 4,332 | - | 4,332 |
| Revaluation reserve | 13,574 | (13,574) | - |
| Capital redemption reserve | 4,917 | - | 4,917 |
| Retained earnings | 2,136 | 13,574 | 15,710 |
| Treasury shares | (2,281) | - | (2,281) |
| **TOTAL EQUITY** | 241,634 | - | 241,634 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 8,213 | - | 8,213 |
| Deferred tax liabilities | 2,681 | - | 2,681 |
| | 10,894 | - | 10,894 |
| **Current liabilities** | | | |
| Trade and other payables | 689 | - | 689 |
| Amounts owing to subsidiaries | 72,535 | - | 72,535 |
| Borrowings | 49,606 | - | 49,606 |
| | 122,830 | - | 122,830 |
| **TOTAL LIABILITIES** | 133,724 | - | 133,724 |
| **TOTAL EQUITY AND LIABILITES** | 375,358 | - | 375,358 |

(c) Notes to reconciliation

(i) Property, plant and equipment - use of fair value as deemed cost

The Group elected to measure property, plant and equipment at cost in accordance with MFRS 116 and as a result, valuations on certain land and buildings that were previously carried out would be deemed to be carried at cost.

As such, the revaluations reserve which arose from the valuations would be transferred to retained earnings as at the date of transition on 1 June 2011.

**44. EXPLANATION OF TRANSITION TO MFRSs** *(continued)*

(c) Notes to reconciliation *(continued)*

(ii) Foreign currency translation difference

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all operations to be nil at the date of transition.

(iii) Intangible assets

The Group had reclassified certain property, plant and equipment which were recognised in accordance with FRSs to intangible assets in accordance with MFRSs at the date of transition.

| | **Group** | |
|---|---|---|
| | **31.5.2012 RM'000** | **1.6.2011 RM'000** |
| Decrease in property, plant and equipment | (1,685) | (1,723) |
| Increase in intangible assets | 1,685 | 1,723 |

| | **Company** | |
|---|---|---|
| | **31.5.2012 RM'000** | **1.6.2011 RM'000** |
| Decrease in property, plant and equipment | (3) | (4) |
| Increase in intangible assets | 3 | 4 |

(iv) Reserves

All of the changes described earlier resulted in the following impact on reserves:

| | **Group** | |
|---|---|---|
| | **31.5.2012 RM'000** | **1.6.2011 RM'000** |
| Increase in retained earnings | 15,869 | 15,869 |
| Decrease in revaluation reserves | (25,352) | (25,707) |
| Increase in exchange translation reserves | 9,483 | 9,838 |

| | **Company** | |
|---|---|---|
| | **31.5.2012 RM'000** | **1.6.2011 RM'000** |
| Increase in retained earnings | 13,574 | 13,574 |
| Decrease in revaluation reserves | (13,574) | (13,574) |

## 45. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period are analysed as follows:

| | 2013 Group RM'000 | 2013 Company RM'000 |
|---|---|---|
| Total retained earnings/(accumulated losses) of the Company and its subsidiaries: | | |
| Realised | 10,233 | 15,077 |
| Unrealised | (18,631) | (2,653) |
| | (8,398) | 12,424 |
| Total share of accumulated losses from associates: | | |
| Realised | (2,121) | - |
| | (10,519) | 12,424 |
| Less: Consolidation adjustments | 55,203 | - |
| | 44,684 | 12,424 |

**SHARE BUY BACK**
During the financial year, the Company repurchased 1,147,200 shares and disposed 1,735,000 shares under the Company's Share Buy-Back pursuat to Section 76 of the Companies Act, 1965. Details of the transactions are disclosed in the Director's Report in the financial statements.

**OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**
The Company did not issue any options, warrants or convertible securities during the financial year.

**UTILISATION OF PROCEEDS**
The Company did not raise proceeds from any corporate exercise during the financial year.

**AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME**
The Company did not sponsor any ADR or GDR programme during the financial year.

**SANCTIONS AND/OR PENALTIES**
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities during the financial year.

**NON-AUDIT FEE**
The Company paid a total of RM7,000.00 to the external auditors of the Company in the financial year for non-audit assignments.

**COST OF INTERNAL AUDIT FUNCTION**
During the financial year, the internal audit function of the Company was carried out by an external party for a fee of RM36,500.00.

**VARIATION IN RESULTS**
There was no material variance between the results for the financial year ended 31 May 2013 and the unaudited results previously announced. The Company did not announce any profit estimates, forecasts and projections for the financial year.

**PROFIT GUARANTEE**
There was no profit guarantee provided to the Company in respect of the financial year ended 31 May 2013.

**MATERIAL CONTRACTS INVOLVING DIRECTORS'/MAJOR SHAREHOLDERS' INTERESTS**
During the financial year, the Company did not enter into any material contract involving Directors'/major shareholders' interests.

**RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")**
The Company did not seek shareholders' mandate for RRPT in the last annual general meeting.

All current related party transactions entered by the Group during the financial year are disclosed in Note 36 of the financial statements in pages 137 to 138 of this Annual Report.

| Location | Tenure | Land Area | Descriptions | Net Book Value As At 31 May 2013 (RM'000) | Date of Acquisition / Revaluation |
|---|---|---|---|---|---|
| **Ancom Berhad** | | | | | |
| 1 P.T. 4227<br>Mukim of Kapar<br>Daerah Klang<br>Selangor | Unexpired leasehold interest of 73 years (Expiring on 9 June 2086) | 2.52 hectares | Office and factory buildings<br>Age of buildings: approximately 22 years | 8,366 | 30 March 2011 |
| 2 H.S.(D) 7524<br>2A, Jalan 13/2<br>Petaling Jaya<br>Selangor | Unexpired leasehold interest of 92 years (Expiring in 2105) | 1.31 hectares | Office and factory buildings<br>Age of buildings: approximately 28 to 38 years | 29,210 | 7 April 2011 |
| **Ancom Crop Care Sdn Bhd** | | | | | |
| 1 PN 77684, Lot 39<br>Seksyen 15, Bandar Shah Alam<br>Daerah Petaling<br>Selangor | Unexpired leasehold interest of 95 years (Expiring in 2108) | 2.22 hectares | Office and factory buildings<br>Age of buildings: approximately 43 years | 15,971 | 11 May 2011 |
| 2 HS(D) 240444<br>PT No. 827, Bandar Shah Alam, Daerah Petaling, Selangor | Unexpired leasehold interest of 93 years (Expiring in 2106) | 153 sq.m. | Three-storey shop office<br>Age of buildings: approximately 3 years | 1,319 | 1 February 2011 |
| **Ancom Energy & Services Sdn Bhd** | | | | | |
| 1 HS(D) 128193<br>PT125513, Mukim Klang<br>Daerah Klang<br>Selangor<br>*(Formerly Lot 140, Section 4, Phase 2B, Pulau Indah Industrial Park, West Port, Selangor)* | Unexpired leasehold interest of 83 years (Expiring on 24 February 2097) | 0.22 hectares | Vacant land | 466 | 7 April 2011 |

| Location | Tenure | Land Area | Descriptions | Net Book Value As At 31 May 2013 (RM'000) | Date of Acquisition / Revaluation |
|---|---|---|---|---|---|
| **Syarikat Wandeerfull Sdn Bhd** | | | | | |
| 1 Shoplot No. 1.30<br>First Floor<br>Wisma Cosway<br>Kuala Lumpur | Freehold | 40 sq.m. | Shoplot<br>Age of building: approximately 37 years | 300 | 31 May 2004 |
| 2 Geran 11679<br>Lot 40268<br>Mukim of Batu, Daerah<br>Wilayah Persekutuan | Freehold | 597 sq.m. | Vacant land | 60 | 31 May 2004 |
| **Pengangkutan Cogent Sdn Bhd** | | | | | |
| 1 PTD 149227<br>Jalan Berjaya 7<br>Taman Perindustrian<br>Berjaya, Daerah Johor<br>Bahru, Johor | Freehold | 6,070.3 sq.m. | Office building<br>Age of building: 4 years | 3,718 | 2010 |
| **SinSenMoh Transportation Pte Ltd** | | | | | |
| 1 32 Tanjong Penjuru<br>Singapore 609028 | Unexpired lease period of 34 years (Expiring on 30 June 2047) | 12,311.3 sq.m. | Office and warehouse<br>Age of building: approximately 26 years | 20,827<br>*(Value for building only)* | May 2011 |
| **Nylex (Malaysia) Berhad** | | | | | |
| 1 H.S.(D) 256546<br>Lot 16, Persiaran Selangor<br>Section 15, Shah Alam<br>Selangor | Unexpired leasehold interest of 95 years (Expiring on 29 June 2108) | 2.93 hectares | Office and factory buildings<br>Age of buildings: approximately 42 years | 33,923 | 5 May 2011 |
| 2 H.S.(D) 256546<br>Lot 16, Persiaran Selangor<br>Section 15, Shah Alam<br>Selangor | Unexpired leasehold interest of 95 years (Expiring on 29 June 2108) | 1.21 hectares | Warehouse, factory and buildings<br>Age of buildings: approximately 33 years | | |
| **Ancom-ChemQuest Terminals Sdn Bhd** | | | | | |
| 1 Jeti Petrokimia<br>Pelabuhan Barat<br>Pelabuhan Klang<br>Selangor | Unexpired lease period of 11 years (Expiring on 31 August 2024) | 9.8 acres | Tank farm, office and warehouse<br>Age of building: approximately 16 years | 27,503 | N/A |

| Location | Tenure | Land Area | Descriptions | Net Book Value As At 31 May 2013 (RM'000) | Date of Acquisition / Revaluation |
|---|---|---|---|---|---|
| **Fermpro Sdn Bhd** | | | | | |
| 1 H.S.(M) 748<br>Lot 1113<br>Mukim of Chuping<br>Perlis | Unexpired leasehold interest of 33 years (Expiring on 22 November 2046) | 1.62 hectares | Office and factory buildings<br>Age of buildings: approximately 25 years | 1,957 | 11 April 2011 |
| 2 H.S.(M) 1804<br>Plot 3 & 4<br>P.T. 924A<br>Mukim of Chuping<br>Perlis | Unexpired leasehold interest of 46 years (Expiring on 7 February 2059) | 2.43 hectares | Spent molasses treatment pond | 602 | 11 April 2011 |
| 3 H.S.(M) 1803<br>P.T. 2978<br>Mukim of Chuping<br>Perlis | Unexpired leasehold interest of 46 years (Expiring on 7 February 2059) | 0.81 hectares | Office and factory buildings<br>Age of buildings: approximately 11 years | 589 | 11 April 2011 |
| **Perusahaan Kimia Gemilang Sdn Bhd** | | | | | |
| 1 H.S.(M) 6259<br>PT 4228<br>Mukim of Kapar<br>Daerah Klang<br>Selangor | Unexpired leasehold interest of 73 years (Expiring on 9 June 2086) | 2.85 hectares | Office and factory building<br>Age of building: approximately 22 years | 9,396 | 7 April 2011 |
| **Nylex Specialty Chemicals Sdn Bhd** | | | | | |
| 1 H.S.(M) 5507<br>PT 593, Persiaran Raja Lumu, Pandamaran Industrial Estate, Port Klang<br>Selangor | Unexpired leasehold interest of 61 years (Expiring on 1 September 2074) | 0.87 hectares | Warehouse, factory and office buildings<br>Age of building: approximately 38 years | 3,606 | 25 April 2011 |
| 2 H.S.(M) 6588<br>PT 624, Persiaran Raja Lumu, Pandamaran Industrial Estate, Port Klang<br>Selangor | Unexpired leasehold interest of 63 years (Expiring on 19 February 2076) | 0.83 hectares | Warehouse, factory and office buildings<br>Age of buildings: Approximately 36 years | 3,580 | 25 April 2011 |

# ANALYSIS OF SHAREHOLDINGS
As at 8 October 2013

**No. of holders of each class of equity securities**

| | | |
|---|---|---|
| Class of securities | : | Ordinary shares of RM1.00 each ("Shares") |
| Total no. issued | : | 218,956,342 |
| No. of holders | : | 8,590 |
| Voting rights | : | One vote per Share on a poll |
| | : | One vote per shareholder on a show of hands |

**Distribution Schedule**

| Holdings | No. of holders | Total holdings | % |
|---|---|---|---|
| Less than 100 | 1,531 | 46,432 | 0.02 |
| 100 to 1,000 | 679 | 377,213 | 0.18 |
| 1,001 to 10,000 | 4,913 | 19,341,336 | 8.94 |
| 10,001 to 100,000 | 1,324 | 38,298,741 | 17.71 |
| 100,001 to less than 5% of issued Shares | 140 | 106,468,712 | 49.23 |
| 5% and above of issued Shares | 3 | 51,729,681 | 23.92 |
| | 8,590 | 216,262,115 | 100.00 |
| Treasury shares | - | 2,694,227 | - |
| | 8,590 | 218,956,342 | 100.00 |

**Substantial Holders**

| | Direct | | Indirect | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Chan Thye Seng | - | - | 39,742,502[a] | 18.38 |
| Pacific and Orient Berhad | 28,823,078 | 13.33 | 10,589,424[b] | 4.90 |
| Dato' (Dr) Siew Ka Wei | 17,880,065 | 8.27 | 19,398,848[c] | 8.97 |
| Siew Nim Chee & Sons Sdn Bhd | 14,558,987 | 6.73 | - | - |
| CIMB Commerce Trusted Berhad (Libra Strategic Opportunity Fund) | 11,140,900 | 5.15 | - | - |

***Note :***
(a) Held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn Bhd and Tan Soo Leng.
(b) Held through Pacific & Orient Insurance Co. Berhad, a wholly-owned subsidiary.
(c) Held through Silver Dollars Sdn Bhd, Siew Nim Chee & Sons Sdn Bhd, Siew Ka Kheong, Datin Young Ka Mun and Quek Lay Kheng.

**Directors' Holdings**

| | Direct | | Indirect | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Dato' Johari Razak | 465,427 | 0.22 | - | - |
| Dato' (Dr) Siew Ka Wei | 17,880,065 | 8.27 | 19,398,848[a] | 8.97 |
| Tan Sri Dato' Dr Lin See Yan | 165,375 | 0.08 | - | - |
| Chan Thye Seng | - | - | 39,742,502[b] | 18.38 |

***Note :***
(a) Held through Silver Dollars Sdn Bhd, Siew Nim Chee & Sons Sdn Bhd, Siew Ka Kheong, Datin Young Ka Mun and Quek Lay Kheng.
(b) Held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn Bhd and Tan Soo Leng.

**Thirty Largest Shareholders As Per Record of Depositors**
(Without aggregating securities from different securities accounts belonging to the same person)

| | Name | No. of Shares | % |
|---|---|---|---|
| 1. | Pacific & Orient Berhad | 13,874,116 | 6.415 |
| 2. | HDM Nominees (Tempatan) Sdn Bhd<br>- HDM Capital Sdn Bhd for Siew Ka Wei | 11,986,103 | 5.542 |
| 3. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>- CIMB Commerce Trustee Berhad for Libra Strategic Opportunity Fund | 10,920,500 | 5.049 |
| 4. | Kenanga Nominees (Asing) Sdn Bhd<br>- Plato Capital Investment Fund | 9,569,700 | 4.425 |
| 5. | Pacific & Orient Berhad | 9,192,100 | 4.250 |
| 6. | Lim Chui Kui @ Lim Chooi Kui | 7,076,243 | 3.272 |
| 7. | TA Nominees (Tempatan) Sdn Bhd<br>- Siew Nim Chee & Sons Sendirian Berhad | 6,790,170 | 3.139 |
| 8. | CimSec Nominees (Tempatan) Sdn Bhd<br>- CIMB for Pacific & Orient Insurance Co. Berhad | 5,392,878 | 2.493 |
| 9. | Pacific & Orient Insurance Co Berhad | 5,196,546 | 2.402 |
| 10. | Pacific & Orient Berhad | 5,143,162 | 2.378 |
| 11. | Kenanga Nominees (Tempatan) Sdn Bhd<br>- Siew Ka Wei | 4,827,166 | 2.232 |
| 12. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>- Silver Dollars Sdn Bhd | 4,727,683 | 2.186 |
| 13. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>- Siew Nim Chee & Sons Sdn Bhd | 4,461,317 | 2.062 |
| 14. | CitiGroup Nominees (Asing) Sdn Bhd<br>- Exempt An for Citibank NA, Singapore (Julius Baer) | 4,074,800 | 1.884 |
| 15. | EB Nominees (Tempatan) Sendirian Berhad<br>- E & O Developers Sdn Bhd | 3,643,762 | 1.684 |
| 16. | HDM Nominees (Tempatan) Sdn Bhd<br>- HDM Capital Sdn Bhd for Siew Nim Chee & Sons Sendirian Berhad | 3,307,500 | 1.529 |
| 17. | Asian Strategic Investments Group Limited | 2,581,020 | 1.193 |
| 18. | Thong Yaw Hong | 2,480,625 | 1.147 |
| 19. | EB Nominees (Tempatan) Sendirian Berhad<br>- Eastern & Oriental Berhad | 1,821,881 | 0.842 |
| 20. | CimSec Nominees (Asing) Sdn Bhd<br>- Exempt An for CIMB Securities (Singapore) Pte Ltd | 1,722,406 | 0.796 |
| 21. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>- Siew Ka Wei | 1,288,796 | 0.595 |
| 22. | HDM Nominees (Tempatan) Sdn Bhd<br>- Tan Tung Lai | 1,270,300 | 0.587 |
| 23. | Green Country Valley Sdn Bhd | 1,240,100 | 0.573 |
| 24. | CimSec Nominees (Tempatan) Sdn Bhd<br>- CIMB for Chan Hua Eng | 1,100,000 | 0.508 |

**Thirty largest shareholders** *(continued)*
(Without aggregating securities from different securities accounts belonging to the same person)

| | Name | No. of shares | % |
|---|---|---|---|
| 25. | Lee Pooi Seng | 1,000,000 | 0.462 |
| 26. | Astro (M) Sdn Bhd | 951,980 | 0.440 |
| 27. | Ng Wing Kong | 823,799 | 0.380 |
| 28. | Tengku Uzir bin Tengku Ubaidillah | 812,100 | 0.375 |
| 29. | CimSec Nominees (Tempatan) Sdn Bhd | | |
| | - CIMB Bank Wong Leong Pin | 700,000 | 0.323 |
| 30. | Tan Aik Kuai | 684,652 | 0.316 |
| | Total | 128,661,405 | 59.479 |

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 20 November 2013 at 2.30 p.m. to transact the following businesses :

**AGENDA**

**AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements of the Company and of the Group and the Reports of the Directors and the Auditors thereon for the financial year ended 31 May 2013; **(Please refer to Explanatory Note 1)**

2. To approve the payment of the Directors' fees for the financial year ended 31 May 2013; **[Resolution 1]**

3. To re-elect the following Directors who retire pursuant to Article 81 of the Company's Articles of Association:
   3.1 Dato' (Dr) Siew Ka Wei **[Resolution 2]**
   3.2 Chan Thye Seng **[Resolution 3]**

4. To re-appoint Tan Sri Dato' Dr Lin See Yan, a Director who retires pursuant to Section 129 of the Companies Act, 1965 to hold office until the next annual general meeting of the Company; **[Resolution 4]**

5. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration; **[Resolution 5]**

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following ordinary and special resolutions:

6. <u>Ordinary Resolution</u> **[Resolution 6]**

   <u>Proposed Issuance Of New Ordinary Shares Of RM1 Each Pursuant To Section 132D of the Companies Act, 1965</u>

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares of RM1 each in the Company from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may deem fit PROVIDED THAT the aggregate number of new ordinary shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company and that such authority shall unless revoked or varied by an ordinary resolution by the shareholders of the Company in general meeting commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

7. Ordinary Resolution **[Resolution 7]**

Proposed Renewal Of Shareholders' Mandate To Purchase Ancom Berhad's Own Shares ("Proposed SBB Mandate")

"THAT subject to the provisions of the Companies Act, 1965 ("Act"), the Articles of Association of the Company, the regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad ("Bursa Securities") or any other regulatory authorities, the Directors be and are hereby authorised to utilise an amount not exceeding the total audited share premium and retained profits of the Company as at 31 May 2013 of RM4,332,000 and RM12,424,000 respectively to purchase such number of ordinary shares of the Company PROVIDED THAT the ordinary shares so purchased shall, in aggregate with the treasury shares as defined under section 67A of the Act ("Treasury Shares") then still held by the Company, not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being AND THAT such authority shall unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors may retain the ordinary shares so purchased as Treasury Shares and may distribute the Treasury Shares as share dividend or may resell the Treasury Shares or may cancel the ordinary shares so purchased in a manner they deem fit and expedient as prescribed by the Act and the applicable regulations and guidelines of Bursa Securities and any other relevant authorities for the time being in force AND THAT authority be and is hereby given to the Directors to take all such steps to implement finalise and to give effect to the aforesaid transactions with full power to assent to any conditions modifications variations and amendments as may be imposed by the relevant authorities or as they deem fit and expedient at their discretion in the best interest of the Company in accordance with the aforesaid Act, regulations and guidelines."

8. Special Resolution **[Resolution 8]**

Proposed Amendments to the Articles of Association of Ancom Berhad ("Proposed Articles Amendments")

"THAT the Proposed Articles Amendments as set out in the Company's Statement dated 29 October 2013 be and are hereby approved AND THAT the Directors be and are hereby authorised to do all acts and things and take all steps as they consider necessary to give full effect to the Proposed Articles Amendments."

**OTHER ORDINARY BUSINESS**

To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By order of the Board,

**CHOO SE ENG**
**WONG WAI FOONG**
Secretaries

Petaling Jaya
29 October 2013

**NOTES**

1. A registered member entitled to attend and vote at the Meeting may appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1(b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member of the Company is an authorised nominee, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.

5. If the appointor is a corporation, this form must be executed under its common seal or under the hand of its attorney.

6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 November 2013 ("General Meeting Records of Depositories") shall be eligible to attend, speak and vote or appoint proxy to attend and vote on his behalf.

7. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

**EXPLANATORY NOTES**

1. **Item 1 of the Agenda**
   This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Item 6 of the Agenda**
   Resolution 6 proposed under item 6 of the Agenda, if passed, will authorise the Directors to issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental / regulatory bodies. This authorisation will empower the Directors to issue shares notwithstanding that the authorisation has ceased to be in force if the shares are issued in pursuance of an offer, agreement or option, made or granted by the Directors while the authorisation was in force. This authorisation will expire at the conclusion of the next annual general meeting.

   This is the renewal of the mandate obtained from the shareholders of the Company at the last annual general meeting ("Previous Mandate"). The Previous Mandate was not utilised and accordingly no proceeds were raised. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

3. **Item 7 of the Agenda**
   Resolution 7 proposed under item 7 of the Agenda, if passed, will give the Directors authority to purchase and/or hold up to 10% of the total issued and paid-up share capital of the Company for the time being. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a general meeting, expire at the next annual general meeting.

   Further details relating to Resolution 7 are set out in the Company's Statement dated 29 October 2013, a copy of which is sent together with the Company's 2013 Annual Report.

4. **Item 8 of the Agenda**
   Resolution 8 proposed under item 8 of the Agenda, if passed, will render the Articles of Association of the Company to be in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency of the Company.

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ANCOM BERHAD
(Company No: 8440-M)
(Incorporated in Malaysia)

# FORM OF PROXY

| CDS A/C No. | No. of shares held |
|---|---|
| | |

I/We______________________________________________
(Full Name in Block Letters)

of______________________________________________
(Full Address)

being (a) member(s) of ANCOM BERHAD, hereby appoint

| | | |
|---|---|---|
| Full Name in Block Letters | | Proportion of Shareholdings |
| Full Address | | % |
| Full Name in Block Letters | | Proportion of Shareholdings |
| Full Address | | % |
| | | 100% |

or failing him / her, the Chairman of the Meeting as my / our proxy to attend and to vote for me / us on my / our behalf at the 44th Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 20 November 2013 at 2.30 p.m or any adjournment thereof and to vote as indicated below :

| Item | Agenda | | | |
|---|---|---|---|---|
| 1. | To receive Audited Financial Statements and Reports | | | |
| | | **Resolution** | **For** | **Against** |
| 2. | To approve Directors' fees | 1 | | |
| 3. | To re-elect the following Directors who retire pursuant to Article 81 of the Company's Articles of Association: | | | |
| | Dato' (Dr) Siew Ka Wei | 2 | | |
| | Chan Thye Seng | 3 | | |
| 4. | To re-appoint Tan Sri Dato' Dr. Lin See Yan who retires pursuant to Section 129(2) of the Company's Articles of Association. | 4 | | |
| 5. | To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration | 5 | | |
| 6. | To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965. | 6 | | |
| 7. | To approve the renewal of share buy-back mandate | 7 | | |
| 8. | To approve the amendments to the Articles of Association | 8 | | |

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

Dated this _____________day of _______2013

_________________________________

[Signature / Common Seal of shareholder(s)]
[*Delete if not applicable]

Telephone no.
during office hours :_______________________

**Note :**

1. A registered member entitled to attend and vote at the Meeting may appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an authorised nominee, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its common seal or under the hand of its attorney.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 November 2013 ("General Meeting Records of Depositories") shall be eligible to attend, speak and vote or appoint proxy to attend and vote on his behalf.
7. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

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AFFIX
STAMP

**ANCOM BERHAD**
(Company No. : 8440-M)

Registered Office :
c/o Tricor Corporate Services Sdn Bhd
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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www.ancom.com.my