



ANCOM BERHAD

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



TOGETHER
WE CAN MAKE A DIFFERENCE

ANNUAL REPORT 2018

49TH ANNUAL GENERAL MEETING

📍 Selangor 1 Ballroom,
Dorsett Grand Subang,
Jalan SS12/1,
47500 Subang Jaya,
Selangor Darul Ehsan,
Malaysia

🕒 Thursday, 18 October 2018
2:30 p.m.



COVER RATIONALE

Ancom Berhad and group of companies ("Ancom Group") believes that its sustainable progress is driven by its people with their sheer commitment and determination to improve their future and the future of those around them. The diamond elements on the cover represents Ancom Group's continuous move towards achieving greater growth and creating value to its shareholders, employees and other related stakeholders.

Together we can make a difference.



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- Form of Proxy

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Siew Ka Wei

Executive Chairman

Dato' Johari Razak

Executive Director

Tan Sri Mohamed Al Amin Abdul Majid

Non-Independent Non-Executive Director (Resigned on 3-8-2018)

Tan Sri Dato' Dr Lin See Yan

Independent Non-Executive Director

Tan Sri Dato' Seri Abdull Hamid Bin Embong

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*)

Tan Sri Dato' Seri Abdull Hamid

Bin Embong (*Appointed on 23-1-2018*)

Lim Hock Chye

Dato' Johari Razak (*Resigned on 2-1-2018*)

REMUNERATION & NOMINATION COMMITTEE

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

Edmond Cheah Swee Leng

Lim Hock Chye

COMPANY SECRETARIES

Choo Se Eng (MIA 5876)

(*Appointed on 17-4-2018*)

Wong Wai Foong (MAICSA 7001358)

Soo Shiow Fang (MAICSA 7044946)

(*Resigned on 19-3-2018*)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Malaysia

Tel : (603) 2783 9191

Fax : (603) 2783 9111

BUSINESS ADDRESS

No. 2A, Jalan 13/2, Seksyen 13

46200 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Tel : (603) 7495 5000

Fax : (603) 7495 5088

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.

Office:

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Malaysia

Tel : (603) 2783 9299

Fax : (603) 2783 9222

Customer Service Centre:

Unit G-3, Ground Floor

Vertical Podium

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Malaysia

AUDITORS

BDO

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 (M) Berhad

SOLICITORS

Shearn Delamore & Co

Lee, Perara & Tan

DOMICILE

Malaysia

WEBSITE

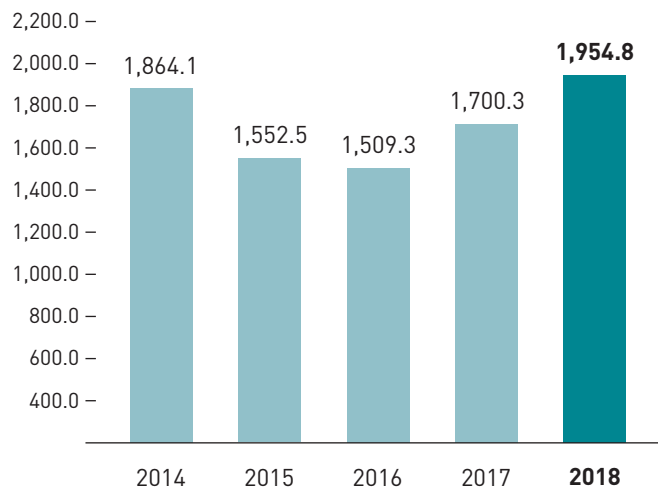
www.ancom.com.my

FIVE-YEAR HIGHLIGHTS

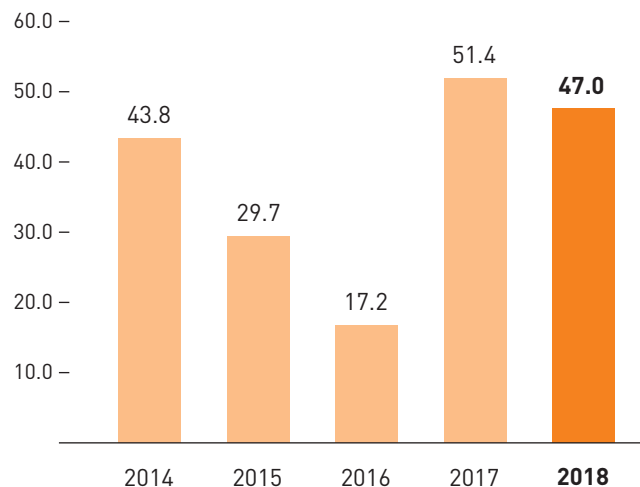
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	1,954,809	1,700,261	1,509,312	1,552,476	1,864,145
Profit before taxation	47,028	51,442	17,222	29,727	43,777
Profit after taxation	25,661	29,277	2,342	5,261	24,635
Effective percentage rate of tax – %	45	43	86	82	44
Net Earnings/(Loss) for Ancom shareholders	17,581	17,466	(6,990)	2,166	9,566
ASSETS EMPLOYED					
Property, plant and equipment	286,399	292,559	235,551	228,382	191,487
Investments	7,616	3,513	4,086	12,100	4,323
Other non-current assets	124,992	129,723	127,429	109,559	106,493
Current assets	795,368	717,946	545,716	574,516	585,829
TOTAL ASSETS	1,214,375	1,143,741	912,782	924,557	888,132
FINANCED BY					
Share capital	218,956	218,956	218,956	218,956	218,956
Reserves	100,755	86,827	65,906	66,814	61,931
Less: Treasury Shares, at cost	(2,473)	(2,473)	(2,377)	(2,127)	(2,108)
Ancom shareholders' interests	317,238	303,310	282,485	283,643	278,779
Non-controlling interests	168,407	166,918	159,013	138,318	142,352
Total shareholders' fund and minority interest	485,645	470,228	441,498	421,961	421,131
Non-current liabilities	68,733	73,918	30,235	36,320	22,679
Current liabilities	659,997	599,595	441,049	466,276	444,322
TOTAL FUNDS EMPLOYED	1,214,375	1,143,741	912,782	924,557	888,132
SHAREHOLDERS' INTERESTS					
Earnings/(Loss) per share – sen	8.17	8.11	(3.24)	1.00	4.42
Gross dividend per share – sen	-	-	-	-	1.00
Net assets per share attributable to Ancom shareholders – RM	1.47	1.41	1.31	1.31	1.29
OTHERS					
Depreciation & amortisation	25,819	22,385	19,654	19,008	22,416
Interest expense	19,013	14,211	13,038	11,032	12,605

FIVE-YEAR HIGHLIGHTS

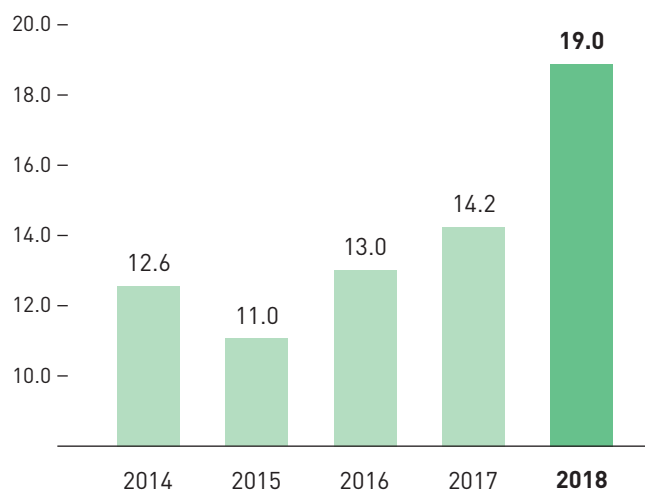
REVENUE - RM'million



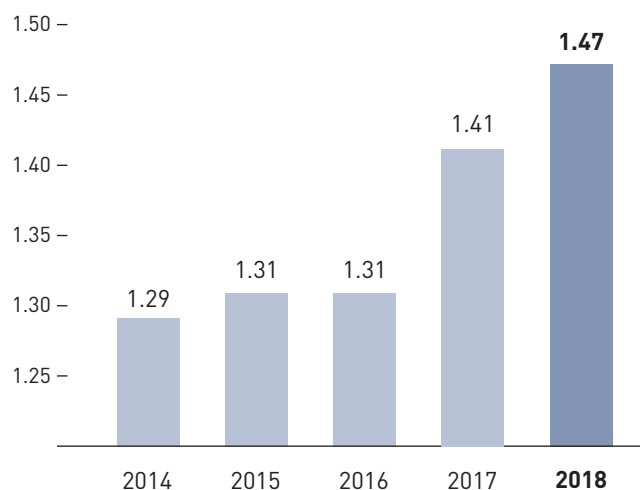
PROFIT BEFORE TAXATION - RM'million



INTEREST EXPENSE - RM'million



NET ASSETS PER SHARE - RM



LIST OF PRINCIPAL OFFICES

ANCOM BERHAD – CORPORATE OFFICE/ ANCOM MANAGEMENT SERVICES SDN. BHD.

No. 2A, Jalan 13/2, Seksyen 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. / TIMBER PRESERVATIVES 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 COMPONENTS SDN. BHD.

7, Jalan Empat, Off Jalan Chan Sow Lin
57100 Kuala Lumpur, Malaysia
Tel : (603) 9223 0288/0289 Fax : (603) 9223 7388

ANCOM KIMIA SDN. BHD.

3A02, Block A, 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

ANCOM LOGISTICS BERHAD

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

CKG CHEMICALS PTE. LTD.

133, New Bridge Road, #25-02, Chinatown Point
Singapore 059413
Tel : (65) 6319 4680 Fax : (65) 6319 4699

DYNAMIC CHEMICAL PTE. LTD.

3 International Business Park
#03-04, Nordic European Centre, Singapore 609927
Tel : (65) 6224 4142 Fax : (65) 6224 6460

ENTOPEST ENVIRONMENTAL SERVICES SDN. BHD.

Lot 3, Kompleks FELDA, Persiaran Selangor, Seksyen 15
40200 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel : (603) 5569 3318 Fax : (603) 5569 3313

FERMPRO SDN. BHD.

202, Block A, 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

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

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

GENOVASI MALAYSIA SDN. BHD.

No. 2A, Jalan 13/2, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7495 0628 Fax : (603) 7495 0793

IENTERPRISE ONLINE SDN. BHD.

Unit 1003 & 1005, Blok B, 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 Subang Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 5633 6229 Fax : (603) 5634 9915

MERU UTAMA SDN. BHD.

8th Floor, Menara Manulife
No 6, Jalan Gelanggang
50490 Bukit Damansara, Kuala Lumpur, Malaysia
Tel : (603) 2011 2338 Fax : (603) 2011 2363

LIST OF PRINCIPAL OFFICES

**NYLEX (MALAYSIA) BERHAD /
NYLEX POLYMER MARKETING SDN. BHD. /
ALB MARINE SDN. BHD.**

Lot 16, Persiaran Selangor, Section 15
40200 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel : (603) 5519 1706 Fax : (603) 5510 8291

**NYLEX SPECIALTY CHEMICALS SDN. BHD. /
SPECIALITY PHOSPHATES (MALAYSIA) SDN. BHD.**

Lot 593, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang, Selangor Darul Ehsan, Malaysia
Tel : (603) 3168 8282 Fax : (603) 3167 9115

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, Block A, 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

**PERUSAHAAN KIMIA GEMILANG (VIETNAM)
COMPANY LTD.**

Mezzanine Floor, Block C, 241A Chu Van An Street
Ward 12, Binh Thanh District, Ho Chi Minh City, Vietnam
Tel: (848) 3516 3115 Fax: (848) 3516 3098

PT NYLEX INDONESIA

Desa Sumengko Km31 Kecamatan, Wringinanom
Kabupaten Gresik, East Java, 61176 Indonesia
Tel : (6231) 898 2626 Fax : (6231) 898 2623

PT PKG LAUTAN INDONESIA

Gedung Graha Indramas, Jl. AIPDA K.S. Tubun Raya
No. 77 Jakarta, 11410 Indonesia
Tel: (6221) 5367 3269 Fax: (6221) 5367 3278

REDBERRY SDN. BHD.

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

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.

No. 2A, Jalan 13/2, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7495 1188 Fax : (603) 7495 1134

TITANIUM COMPASS SDN. BHD.

8th Floor, Menara Manulife
No 6, Jalan Gelanggang
50490 Bukit Damansara
Kuala Lumpur, Malaysia
Tel : (603) 2011 2338 Fax : (603) 2011 2363

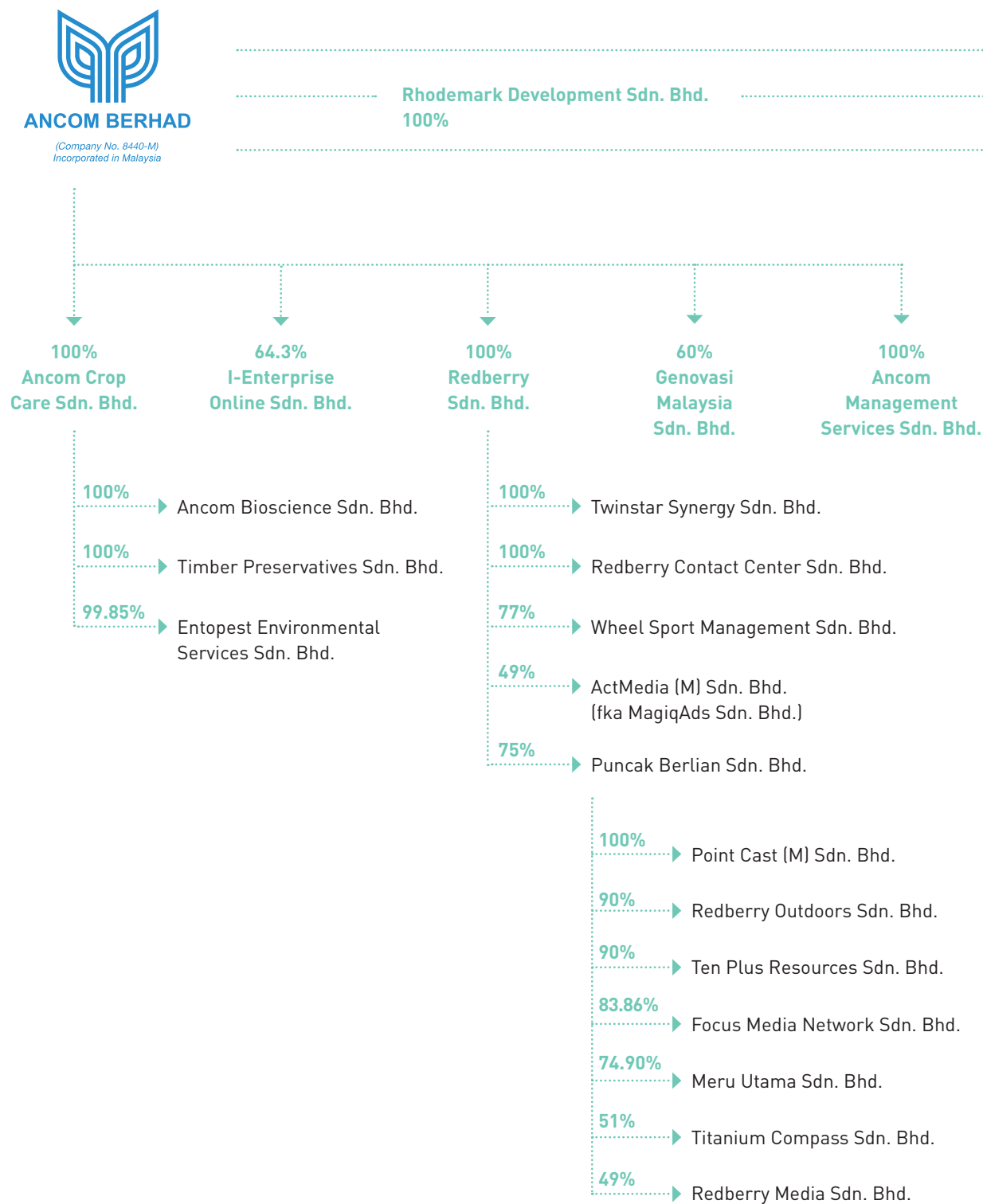
TWINSTAR SYNERGY SDN. BHD.

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



CORPORATE STRUCTURE

AS AT 31 MAY 2018

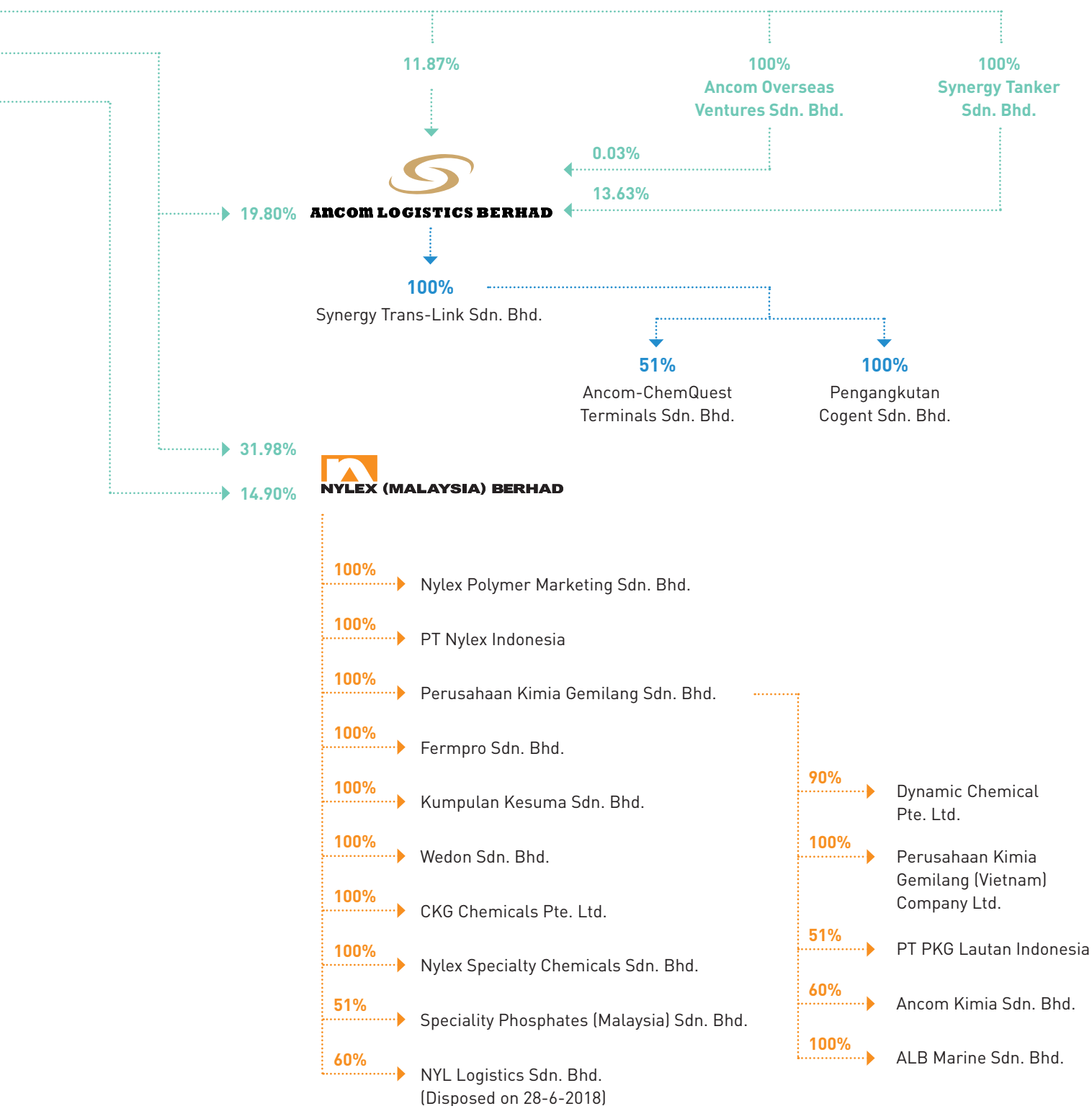


Note :

Only major and active companies in the Group are shown in this Corporate Structure.

CORPORATE STRUCTURE

AS AT 31 MAY 2018



BOARD OF DIRECTORS



DATO' SIEW KA WEI

Age 62, Male, Malaysian
Executive Chairman

Dato' Siew joined the Board on 23 October 1985 and was appointed the Deputy Group Managing Director on 17 October 1995. He was appointed as the Group Managing Director on 30 July 2003. On 2 January 2018, he was re-designated as Executive Chairman.

Qualified 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, Dato' Siew has extensive working experience in the field of petrochemicals locally and internationally for more than 30 years.

Dato' Siew was the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 25,000 chief executive officers and leaders of major companies and organisations in more than 130 countries. He was a director of the International Board of Directors of YPO from 2000 to 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. In April 2013, Dato' Siew was conferred an honorary degree in Doctor of Business Administration *honoris causa* by HELP University, Malaysia.

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. He is currently the President of the Imperial College Alumni Association of Malaysia and a Governor of the Board of Governors for Malborough College of Malaysia.

Dato' Siew is a substantial shareholder of the Company through his direct and indirect interests in the Company.



DATO' JOHARI RAZAK

Age 63, Male, Malaysian
Executive Director

Dato' Johari was appointed to the Board on 27 November 1992. He was appointed as the Group Managing Director on 2 July 1994 and became the Executive Chairman on 30 July 2003. He was re-designated as Non-Independent Non-Executive Chairman and as Executive Director on 1 August 2007 and 2 January 2018 respectively. He resigned as member of the Audit Committee on 2 January 2018.

Dato' Johari holds a Bachelor of Laws degree from the University of Kent, United Kingdom and was called to the Bar of England and Wales at Lincoln's Inn in 1976. The following year, he was admitted as an Advocate and Solicitor of the High Court of Malaya. He practised law with Shearn Delamore & Co from 1979 and was a partner of the firm in the Corporate and Commercial Department from 1981 to 1994. He re-joined the firm as a Partner on 1 August 2007 and headed the Competition Law Practice Group of the firm. He retired from the firm on 31 December 2017.

Dato' Johari is currently the Chairman of Daiman Development Berhad. He also sits on the Boards of Southern Steel Berhad and Daiman Golf Berhad.

BOARD OF DIRECTORS



**TAN SRI DATO'
DR LIN SEE YAN**

Age 79, Male, Malaysian
Independent Non-Executive Director

Tan Sri Lin was appointed to the Board on 30 October 2000. He is currently the Chairman of the Remuneration and Nomination Committee.

He is an independent strategic and financial consultant. Qualified as a British Chartered Scientist and a UK Chartered Statistician. Tan Sri received three degrees from Harvard University, including a PhD in Economics. He is an Eisenhower Fellow and a Fellow of the IMF Institute (Washington DC); Royal Statistical Society (London); Asian Institute of Chartered 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, and Pro-Chancellor & Research Professor at Sunway University, Pro-Chancellor of Universiti Teknologi Malaysia, and Professor of Economics (Adjunct) at Universiti Utara Malaysia.

He has a long and distinguished history of service in the Government and private sectors. 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, some current appointments include: member of key Steering Committees at the Ministry of Higher Education; Member, Asian Shadow Financial Regulatory Committee; and Governor, Asian Institute of Management, Manila; Board member of Sunway University and Monash University Malaysia; Chairman Emeritus of the Harvard Graduate School Alumni Council at Harvard University in Cambridge (USA); President of the Harvard Club of Malaysia; and Economic Advisor, Associated Chinese Chambers of Commerce and Industry of Malaysia. He was advisor to all Prime Ministers and Ministers of Finance of Malaysia.

Tan Sri Lin advises and sits on the Boards of a number of publicly listed and private enterprises in Malaysia, Singapore and Indonesia. He is currently a Director of Genting Berhad, Wah Seong Corporation Berhad, Sunway Berhad and Chairman of IGB REIT Management Sdn. Bhd. Manager for the IGB Real Estate & Investment Trust. He is also a trustee of the Tun Ismail Ali Foundation (PNB), Malaysian Economic Association Foundation, Prime Minister's Exchange Fellowship Malaysia, Jeffrey Cheah Foundation and Harvard Club of Malaysia Foundation, as well as Mentor Counselor of the LIN Foundation.



**TAN SRI DATO' SERI ABDULL
HAMID BIN EMBONG**

Age 70, Male, Malaysian
Independent Non-Executive Director

Tan Sri Hamid was appointed to the Board on 1 March 2016. On 23 January 2018, he was appointed as member of the Audit Committee.

Tan Sri Hamid finished his secondary schooling at the Malay College Kuala Kangsar, Perak. He obtained a Barrister at Law degree at the Lincolns Inn, London and was admitted as an Utter Barrister in 1976.

Tan Sri Hamid had served in the Judicial and Legal Service of the government of Malaysia and was appointed to various posts including that of a Magistrate, Deputy Public Prosecutor, Legal Advisor and Senior Federal Counsel with the Customs and Excise Department, the Economic Planning Unit (PM Department), Ministry of Land and Regional Development, Treasury, Ministry of Home Affairs and Legal Advisor to the States of Negeri Sembilan and Pahang.

He was appointed a Judicial Commissioner in 1994 and a High Court Judge in 1996. In 2006, he was elevated to the Court of Appeal and in 2009 to the Federal Court, Malaysia. He retired from the Bench in February 2016.

Currently, Tan Sri is the Chairman of 7-Eleven Malaysia Holdings Berhad.

BOARD OF DIRECTORS

CHAN THYE SENG

Age 61, Male, Malaysian
Non-Independent Non-Executive Director

Thye Seng joined the Board on 19 October 1999.

Thye Seng has 13 years of experience as a practicing lawyer, after having been called to the Bar at Middle Temple in 1980 and the Malaysian Bar in 1992. He graduated from the University College Cardiff, United Kingdom where he obtained his Bachelor of Law (Hons.) degree.

He 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"), a substantial shareholder of the Company, and its subsidiary, Pacific & Orient Insurance Co. Berhad.

Thye Seng is a substantial shareholder of the Company through his shareholding in P&O.



EDMOND CHEAH SWEE LENG

Age 64, Male, Malaysian
Independent Non-Executive Director

Edmond was appointed to the Board on 30 August 2005 and is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

A Chartered Accountant by profession, he is a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England & Wales as well as a Certified Financial Planner.

Edmond's career started with a professional accounting firm in London where he was an Audit Manager. He was later the Manager in charge of portfolio investment in a merchant bank in Malaysia and subsequently in charge of the corporate planning and investment division in a public listed company in Malaysia.

He was the Chief Executive Officer/Executive Director and a member of the Investment Committee of Public Mutual Berhad, was a former Task Force member on Islamic Finance for Labuan International Offshore Financial Centre ("LOFSA"), a former council member and Chairman of the Secretariat of the Federation of Investment Managers Malaysia ("FIMM") and a former member on the Securities Market Consultation Panel of Bursa Malaysia Securities Berhad. Edmond is a founder member and a past President of the Financial Planning Association of Malaysia.

Edmond is currently a director of Nylex (Malaysia) Berhad, a subsidiary of the Company. He is also the Chairman of Adventa Berhad as well as an Investment Committee Member and a Director of Manulife Asset Management Services Berhad.

BOARD OF DIRECTORS

**LIM HOCK CHYE**

Age 63, Male, Malaysian
Independent Non-Executive Director

Hock Chye was appointed to the Board on 1 December 2011 and he is a member of the Audit Committee and the Remuneration and Nomination Committee.

Hock Chye graduated 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.

A former panel speaker for Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors, Hock Chye has been the Group Director of Strategic Planning & Corporate Affairs, HELP International Corporation Berhad since April 2008.

Hock Chye is currently a director of Ancom Logistics Berhad, a subsidiary of the Company.

Notes:

1. There are no family relationship amongst the Directors and/or major 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 Directors has been convicted of any offences other than traffic offences (if any) within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. Please refer to *Statement on Corporate Governance* of this Annual Report for the Directors' meeting attendance records.
5. Please refer to *Directors' Report* of this Annual Report for the Directors' securities holdings in the Company and its related corporations.

KEY SENIOR MANAGEMENT

DATO' SIEW KA WEI

Executive Chairman

(Profile of Dato' Siew Ka Wei is as disclosed in the Directors' Profile of this Annual Report)

LEE CHEUN WEI

Group Chief Executive Officer
Managing Director - Ancom Crop Care Sdn. Bhd.
Age 44, Male, Malaysian

Cheun Wei was appointed the Group Chief Executive Officer on 2 January 2018. He joined the Company in 2009 as the Group Chief Financial Officer. He was appointed the Managing Director of Ancom Crop Care Sdn Bhd, heading the Group's Agricultural Chemicals Division in July 2014.

He started his career with EPE Power Corporation Berhad ("EPE"), a Transmission and Distribution Engineering company, as Group Accountant in 1997 and was the Chief Financial Officer of the EPE Group in 2003. He was the Director of Corporate Finance for Tamco Corporate Holding Berhad (former name of Ancom Logistics Berhad, a subsidiary of the Company) from 2005 to 2009.

Cheun Wei holds a MSc in Finance (Distinction) degree from Cass Business School, London. He also holds a BA (Hons) degree in Accounting and Finance from Lancaster University, United Kingdom. On both degrees, he was awarded full scholarships from joint British Chevening/HSBC and the Renong/UEM Group.

Cheun Wei is a member of the Association of Chartered Certified Accountants (ACCA) and the Malaysian Institute of Accountants (MIA).

He has no directorship in public companies and listed companies.

Cheun Wei currently holds 3,670,800 ordinary shares, representing 1.71% equity interest in the Company.

DATUK WONG SAI WAN

Group Chief Media Officer
Age 56, Male, Malaysian

Datuk Wong joined Redberry Sdn Bhd, a subsidiary of the Company, in July 2013 as a Director - Special Projects and was promoted to Chief Operating Officer in 2015 heading the Group's Media Division where he oversees the operations and management of the Group's media business. He was appointed to his current position in January 2018 responsible for Corporate Affairs, Marketing, Communications and Public Relations functions for the Group.

Datuk Wong started his journalism career in The Star in 1984 and rose through the ranks from reporter, Bureau Chief (Seremban), Senior News Editor and Executive Editor before leaving The Star in 2013. He was with The Star media group for over 29 years.

During his career in The Star, Datuk Wong covered and wrote on a wide variety of issues and subjects, including the BMF scandal, Nipah Virus outbreak and the return of Hong Kong to China. He also worked for The Star in Hong Kong for two years during the SARs outbreak wreaked havoc. He received widespread acclaim for his coverage on the outbreak and its aftermath, including its economic and social impact on Hong Kong.

Datuk Wong studied law at the Manchester City University, United Kingdom.

He has no directorship in public companies and listed companies.

KEY SENIOR MANAGEMENT

ROBIN LING SENG CHIONG

Deputy CEO – Nylex (Malaysia) Berhad (“Nylex”)
Executive Director – Perusahaan Kimia Gemilang Sdn Bhd (“PKG”)
Age 48, Male, Malaysian

Robin was appointed as Deputy CEO of Nylex on 2 January, 2018. He is also the Executive Director in PKG, a subsidiary of Nylex, a position he held since joining Nylex Group in 2007. Prior to joining PKG, he worked as Asia Pacific Regional Manager for a United States specialty chemicals company for 13 years.

Robin graduated with a Bachelor of Applied Science degree, majoring in Analytical Chemistry from University of Science Malaysia.

He has no directorship in public companies and listed companies.

THO TUCK WOH

CEO – Redberry Media Group
Age 58, Male, Malaysian

Tuck Woh was appointed the CEO – Redberry Media Group on 2 January 2018. He joined the Redberry Media Group in 2008 as the Managing Director of the Group’s Cinema and Digital Advertising Division.

He received his professional training with Messrs Ernst & Young from 1981 to 1990. He joined Inter Pacific Communications Sdn Bhd, an advertising agency as General Manager in 1991, and subsequently joined Yaohan (M) Berhad as Finance Director/Deputy Chairman from 1994 until 1997. He was the Executive Director in Jerasia Capital Berhad, a fashion textile company from 1998 until 2003. He also held executive roles in the large retail and garment companies such as CK Tangs, Hytex and Cheetah from 2004 to 2007.

Tuck Woh is a member of Malaysian Institute of Accountants (MIA) and Malaysia Institute of Certified Public Accountants (MICPA).

He has no directorship in public companies and listed companies.

LIM CHANG MENG

Chief Financial Officer – Ancom Berhad and
Ancom Logistics Berhad (“ALB”)
Age 46, Male, Malaysian

Chang Meng began his career as an Auditor with a Big 4 firms in 1992 until 2000 with his last position in the said firm an Audit Manager. He subsequently joined a construction company and later a stockbroking company as a Finance Manager.

He joined Tamco Corporate Holdings Berhad (former name of ALB, a subsidiary of the Company) in 2005 as the Corporate Accounting Manager. Chang Meng also served as the Head of Corporate Finance of the Company since 2010. He was promoted as ALB’s and the Company’s Chief Financial Office in 2011 and 2014 respectively.

Chang Meng is a member of the Malaysian Institute of Accountants (MIA).

He has no directorship in public companies and listed companies.

CHOO SE ENG

Company Secretary
Age 57, Male, Malaysian

Se Eng started his career as an Auditor in one of the Big 4 firms in Malaysia in 1981 and qualified as a Chartered Accountant in 1988. During this period, he gained valuable working knowledge in accounting, taxation and secretarial practices.

He has worked in a merchant bank in the Corporate Finance division for 2 years and was with a public listed company as its Corporate Finance Manager for 4 years before joining the Company in 1995 as its Senior Manager, Corporate Planning. He assumed the role of Company Secretary of the Company in 1996 until his resignation in August 2016. He rejoined the Company in April 2018.

He is currently also the Joint Company Secretary of Nylex and ALB.

Se Eng is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA).

He has no directorship in public companies and listed companies.

KEY SENIOR MANAGEMENT

MICHELLE CHEN TAI NGOH

Chief Financial Officer – Nylex
Age 51, Female, Malaysian

Michelle joined Nylex in 1995 as Associate Accounts Manager and in the ensuing years, she held various positions within the Corporate Office. She was appointed as the Chief Financial Officer of Nylex in 2010.

Prior to joining Nylex, Michelle was attached to one of the international professional service firms.

Michelle is a Fellow member of the Association of Chartered Certified Accountants (ACCA) and also a member of the Malaysian Institute of Accountants (MIA).

She has no directorship in public companies and listed companies.

PHILLIP KARUPPIAH

Group Human Resource Director
Age 60, Male, Malaysian

Phillip was appointed as the Group Human Resource Director in April 2013.

Philip started his career as a Journalist with the New Straits Times and also has experience in Communications consulting with Burson Marsteller and banking operations at Malayan Banking Berhad.

He was the Chief Executive Officer of Malay Mail Sdn Bhd ("Malay Mail"), publisher of the Malay Mail newspaper, from April 2011 until March 2013. Before taking the helm at Malay Mail, Phillip was with Lexis Nexis, an American multinational company, as Chief Executive Officer of its South East Asia operations. His other stints include Managing Director of Sun Media Sdn. Bhd., the publisher of the Sun newspaper and General Manager, Group Human Resources at Phileo Allied Group, a financial services organisation.

Phillip has a Bachelor of Science (Agribusiness) degree from University Putra Malaysia and a Law degree from the University of Wolverhampton, United Kingdom.

He has no directorship in public companies and listed companies.

DATO' LEE YEW MENG

Chief Executive Officer / Executive Director
- Genovasi Malaysia Sdn. Bhd.
Age 63, Male, Malaysian

Dato' Lee was appointed as the Chief Executive Officer / Executive Director of Genovasi Malaysia Sdn. Bhd., a subsidiary of the Company, in January 2016.

He spent his entire 39-year career in Sales & Marketing and Communications, having held positions as General Manager – Marketing in The Star, Chief Marketing Officer in the Sun, Chief Operating Officer in Limkokwing Integrated, and Strategic Communications Adviser with Agensi Inovasi Malaysia, a statutory body set up by the Government of Malaysia via AIM Act 2010, with the primary purpose of being the driving force behind Malaysia's push towards establishing an "innovation economy" and the country's aspirations of achieving a high-income nation status.

Dato' Lee is an independent director of Cityneon Holdings Ltd, a member of the Singapore Stock Exchange.

He writes a weekly column (In Perspective) for Malay Mail and Nanyang Business Daily.

Dato' Lee has an Advanced Diploma in Commercial Management from the Institute of Commercial Management (ICM), United Kingdom.

He has no directorship in public companies and listed companies.

KEY SENIOR MANAGEMENT

SIEW KA KHEONG

Executive Chairman – IEnterprise Online Sdn. Bhd.
Age 58, Male, Malaysian

Ka Kheong is the Executive Chairman of IEnterprise Online Sdn. Bhd., a subsidiary of the Company and heading the IT Division. Prior to this, he was the Managing Director of a company involving in IT industry, which he set up since 1982.

Ka Kheong has more than 30 years of experience in the IT industry. His experience spans across industries such as Financial Services, Manufacturing, Distribution and Retail. He is the Executive Chairman of a local company certifying many IT professionals in Malaysia for project management (for Project Management Institute, USA).

He obtained his Bachelor of Science in Chemical Engineering degree from University College London, United Kingdom.

He has no directorship in public companies and listed companies.

ERIC CHAN HEAN CHIN

Divisional Head - Polymer Division, Nylex
Age 58, Male, Malaysian

Eric started his career as a Project Engineer in a consulting engineering firm in 1984. He joined Nylex as Marketing/Business Manager in Engineered Polymer segment in 1998. He held various positions in Nylex Group before promoted to his current position as the Divisional Head – Polymer Division in 2004.

Eric holds a Bachelor of Civil Engineering (Hons) degree from University of Canterbury, Christchurch, New Zealand and a MBA (Executive) from University of Queensland – Mt. Eliza Business School, Melbourne, Australia.

Eric has no directorship in public companies and listed companies.

WILLIAM TAN WEE LIAN

Deputy Managing Director - Fermpro Sdn. Bhd.
Managing Director - Nylex Specialty Chemical Sdn. Bhd.
Age 51, Male, Malaysian

William started his career as a Sale Executive in PKG in 1994. In 1997, he was transferred to Fermpro Sdn. Bhd., a subsidiary of Nylex, and held various positions before promoted to his current position as Deputy Managing Director in 2006. In 2005, he was also given additional responsibility to manage Nylex Specialty Chemicals Sdn. Bhd., another subsidiary of Nylex, and in 2007, was promoted to his current position as Managing Director of this company.

William graduated from the Institute of Chartered Secretaries and Administrators (ICSA).

He has no directorship in public companies and listed companies.

KONG HWAI MING

Executive Director – CKG Chemicals Pte Ltd (“CKG”)
Age 58, Male, Singaporean

Hwai Ming started his career as a technician in Tankfarm and Shipping operations in ESSO Refinery Pte Ltd in 1981. In 1989, he joined Petrochemical Corporation of Singapore Pte Ltd as Operation and Shipping Executive and in 1992, he joined CKG, as Operation Manager and was subsequently promoted to the position of Executive Director. In 2006, Nylex acquired 100% shareholding in CKG and Hwai Ming was retained at the same position until today.

He holds a Diploma in Mechanical Engineering and a Post Diploma in Industrial Management from Singapore Polytechnic.

Hwai Ming has no directorship in public companies and listed companies.

KEY SENIOR MANAGEMENT

WONG SIUT YIN

Director - Kumpulan Kesuma Sdn. Bhd. and Wedon Sdn. Bhd.
Age 50, Female, Malaysian

Siut Yin started her career as Pharmaceutical Sales Executive in Ciba-Geigy (M) Sdn. Bhd. in July 1991. She joined Kumpulan Kesuma Sdn. Bhd., a subsidiary of Nylex, as Techno-Commercial Chemist in December 1991 and was promoted to her current position as the Director in year 1999. She handles the technical, manufacturing and sales aspects of sealants and adhesives, especially to the automotive and construction industries for more than 20 years.

Siut Yin holds a Bachelor of Science in Chemistry (Hons) degree from National University of Malaysia, Malaysia.

Siut Yin has no directorship in public companies and listed companies.

MOHD YUSOF BIN MUHAMAD DON

General Manager – Pengangkutan Cogent Sdn. Bhd. ("Cogent")
Age 50, Male, Malaysian

Mohd Yusof was appointed as the General Manager of Cogent, a subsidiary of ALB, in February 2015. Prior to this position, he was a Senior Manager/Director of Hayara Sdn Bhd and Hayana Sdn Bhd, both based in Penang, from 2013 to 2015. Before that, he has held various senior managerial positions with Soi Yong Berhad and Koperasi Usaha Bersatu (M) Berhad.

Mohd Yusof holds a Bachelor Degree in Industrial Engineering from University of Alabama, Tuscaloosa, Alabama, USA.

He has no directorship in public companies and listed companies.

SERENA KHOO SOOK LAI

General Manager
– Ancom-ChemQuest Terminals Sdn. Bhd. ("ACQT").
Age 53, Female, Malaysian

Serena was appointed as the General Manager of ACQT, a subsidiary of ALB, in October 2017.

She has more than 25 years of experience in the bulk chemical business and logistics. Prior to the current position, she held various positions in PKG and her last position in PKG was a Senior Operations Manager.

Serena holds a Postgraduate Diploma in Business Administration from the University of Central Lancashire, United Kingdom.

She has no directorship in public companies and listed companies.

Notes:

1. Except for Siew Ka Kheong (who is the brother of Dato' Siew Ka Wei), there is no family relationship between the Key Senior Management with any Director and/or major shareholder of the Company.
2. None of the Key Senior Management has any financial interest in any business arrangement involving the Group.
3. Other than traffic offences (if any), none of the Key Senior Management has been convicted of any offence within the past five (5) years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

Ancom business interests are now diversified into the following key industries:

- (a) Agricultural chemicals – manufacturing, trading and sale of agricultural chemical products;
- (b) Industrial chemicals – manufacturing, trading and sale of industrial chemical products;
- (c) Polymer – manufacturing and marketing of polymer products;
- (d) Logistics – ship-owning, ship-operating, land transportation, container haulage, bulk cargo handling, chemicals warehousing and related services;
- (e) Media – provision of out-of-home and digital advertising media space; and
- (f) Other businesses of the group include education, information technology and manufacturing and sales of electrical components.

The core business of the Group, comprising agricultural chemicals, industrial chemicals, polymer and logistics divisions, are mainly in the chemical related industry. Revenue from these businesses comprised 90.6% of the total group revenue.

AGRICULTURAL CHEMICALS DIVISION

The Agricultural Chemicals Division is involved in the manufacturing, trading and sale of agricultural chemicals focusing on the crop protection and timber preservative sectors. Our products have expanded vastly over the years to include herbicides, fungicides and insecticides. These are manufactured and formulated in our two factories in Malaysia servicing both the domestic and export markets. Our key export markets are the Northern and Latin American countries, South Africa, New Zealand, Australia and ASEAN.

In the last two years, the division has expanded into the downstream business of pest control, hygiene and fumigation services following the acquisition of Entopest Environmental Services Sdn. Bhd. in the financial year 2016.

The key subsidiaries in this division is Ancom Crop Care Sdn. Bhd. and its subsidiaries:

- Ancom Bioscience Sdn. Bhd.;
- Timber Preservatives Sdn. Bhd.; and
- Entopest Environmental Services Sdn. Bhd..

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL CHEMICALS DIVISION

The Industrial Chemicals Division is involved in the distribution and manufacturing of industrial chemicals. In the distribution business, we market and distribute petrochemicals and industrial chemicals products in the Asia Pacific region. Our manufacturing business include the formulation and production of ethanol, phosphoric acid, adhesives and sealants.

Distribution business is made up of the following subsidiaries:

- Perusahaan Kimia Gemilang Sdn. Bhd. and its subsidiaries:
 - Dynamic Chemical Pte Ltd, Singapore;
 - Perusahaan Kimia Gemilang (Vietnam) Company Ltd;
 - PT PKG Lautan Indonesia; and
 - Ancom Kimia Sdn. Bhd..
- CKG Chemicals Pte Ltd, Singapore

Manufacturing business consists of the following subsidiaries:

- Fermpro Sdn. Bhd.;
- Nylex Specialty Chemicals Sdn. Bhd.;
- Speciality Phosphates (Malaysia) Sdn. Bhd.;
- Kumpulan Kesuma Sdn. Bhd.; and
- Wedon Sdn. Bhd..

POLYMER DIVISION

The Polymer Division comprises Nylex (Malaysia) Berhad and the following companies:

- PT Nylex Indonesia; and
- Nylex Polymer Marketing Sdn. Bhd..

This division manufactures and markets Polyvinyl Chloride ("PVC") and Polyurethane ("PU") leathercloth, films and sheets, pre-fabricated drains, bulk chemical containers, road barriers, rubbish bins, playground equipment, water tanks and other custom mouldings. Our products serve a wide-range of industries including furniture, automotive, stationery, civil engineering, industrial chemical, road safety and landscaping.

The division owns and operates two (2) manufacturing plants which are situated in Shah Alam, Selangor and Surabaya, Indonesia.

LOGISTICS DIVISION

The Logistics Division is principally involved in:

- (a) ship owning, ship management and charter hire of chemical tanker; and
- (b) provision of bulk storage facilities for liquid chemicals and related logistics services in Malaysia.

The division, through ALB Marine Sdn. Bhd. is involved in the business of ship owning, ship management and charter hire of chemical tanker. ALB Marine Sdn. Bhd. owns a chemical tanker rated with 6,800 deadweight tonne and Tier II of the International Maritime Organisation ("IMO") Standards. The chemical tanker is named Nylex 1.

MANAGEMENT DISCUSSION AND ANALYSIS

Our terminal for the bulk storage facilities for liquid chemical is located within Port Klang, West Port Bulk Liquid Terminal and Free Trade Zone. The facilities comprise 48 tanks with combined capacity of 44,100 cubic meters, eight (8) loading bays and five (5) drumming stations. The division also owns and operates a fleet of prime movers, road tankers and lorries, and provides cross border bulk chemicals land transportation within Malaysia and to and from Singapore.

The key subsidiaries in this division include:

- NYL Logistics Sdn. Bhd.;
- ALB Marine Sdn. Bhd.;
- Ancom-Chemquest Terminals Sdn. Bhd.; and
- Pengangkutan Cogent Sdn. Bhd..

Nylex (Malaysia) Berhad had, on 30 March 2018, entered into a Share Sale Agreement for the disposal of its entire 60.0% interest in NYL Logistics Sdn. Bhd., for cash consideration of RM8.64 million. The disposal of NYL Logistics Sdn. Bhd. was completed on 28 June 2018.

MEDIA DIVISION

The Media Division of the Group owns and operates a wide range of media platforms, including outdoor billboards, airports in-door advertisements, cinemas, mass rail transit system ("MRT"), public buses, petrol stations, convenience shops, hypermarkets and digital screens with primary focus in the Klang Valley. Through its associate TeaFM Radio Sdn. Bhd., the Division operates a free-to-air radio channel in East Malaysia.

On 11 October 2017, through our joint venture company, PT. Avabanindo Perkasa, in which we have an effective equity interest of 18.75%, we have secured the advertising service concession in the operational area of the Mass Rapid Transit in Jakarta ("MRT Jakarta") Phase 1 Stations ("MRT Jakarta Advertising Concession"). The MRT Jakarta Advertising Concession is an exclusive media advertising rights for 20 years and is expected to commence operations in March 2019.

The key subsidiaries in this division include:

Redberry Sdn. Bhd. and its subsidiaries:

- Puncak Berlian Sdn. Bhd. and its subsidiaries:
 - Meru Utama Sdn. Bhd.;
 - Titanium Compass Sdn. Bhd.;
 - Redberry Outdoors Sdn. Bhd.;
 - Focus Media Network Sdn. Bhd.; and
 - Point Cast (M) Sdn. Bhd..
- Wheel Sport Management Sdn. Bhd.
- Twinstar Synergy Sdn. Bhd.

and its joint ventures and associates:

- TeaFM Radio Sdn. Bhd.
- ActMedia (M) Sdn. Bhd. (formerly known as MagiqAds Sdn. Bhd.)

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

The revenue for the Group increased to RM1.95 billion in the current financial year ended 31 May 2018 compared to revenue of RM1.70 billion in the previous financial year ended 31 May 2017. Despite higher revenue, profit before taxation decreased to RM47.0 million in the current financial year ended 31 May 2018 compared to RM51.4 million in the previous financial year ended 31 May 2017.

The Group posted RM17.6 million in profit attributable to owners of the parent company in the current financial year ended 31 May 2018, which is a marginal improvement compared to RM17.5 million in the previous financial year ended 31 May 2017.

Basic earnings per ordinary share rose marginally to 8.17 sen for the current financial year ended 31 May 2018 compared to 8.11 sen in the previous financial year ended 31 May 2017. Net assets per share attributable to equity holders of the parent as at 31 May 2018 increased to RM1.47, compared with RM1.41 as at 31 May 2017.

Total Trade Working Capital increased by 14.4% to RM135.4 million from RM118.4 million as at 31 May 2017, mainly attributable to the increase in trade and other receivables in line with the higher revenue reported for the current financial year ended 31 May 2018.

Net Debt increased to RM251.2 million as at 31 May 2018 compared to RM240.3 million as at 31 May 2017 mainly due to higher trade working capital requirements. The net debt to equity ratio of the Group remained at 79.2% mainly due to the capital expenditure incurred in 2016 for the purchase of the vessel for JPY1.9 billion.

AGRICULTURAL CHEMICALS DIVISION

The Agricultural Chemicals Division posted higher revenue of RM304.4 million in the current financial year ended 31 May 2018 compared to RM218.7 million in the previous financial year ended 31 May 2017. The segmental profit before taxation rose to RM42.0 million in the current financial year ended 31 May 2018 from RM36.0 million in the previous financial year ended 31 May 2017.

The Agricultural Chemical Division maintained its robust growth momentum for the current financial year. The higher reported profits are supported by the 39.2% growth in revenue for the current financial year, which is mainly driven by strong demands from export markets.

To support the growth of the business, management is embarking on expansion plans to the manufacturing facilities. Such measures are important to ensure that the plant capacities can continue to support the growth of the business. In terms of procurements, we are diversifying the sourcing of our suppliers to better manage both cost and supply of our key raw materials.

INDUSTRIAL CHEMICALS DIVISION

The Industrial Chemicals Division remains the largest revenue contributor for the Group. Supported by a higher average selling price of our products, we posted revenue growth of 7.5% from RM1.20 billion in the previous financial year ended 31 May 2017 to RM1.29 billion for the current financial year ended 31 May 2018. However, segmental profit before taxation declined to RM24.9 million for the current financial year ended 31 May 2018 from RM28.8 million in the previous financial year ended 31 May 2017 on foreign exchange losses.

Distribution business

The fluctuation of regional currencies against the US Dollar, particularly the weakening of the Indonesian Rupiah and volatility of the Malaysian Ringgit posed tremendous challenges to the distribution business during the current financial year. Although crude oil prices have been trending upwards in the last 12 months, the weekly price volatility of crude oil has caused instability in the chemical prices. Further, the on-going global trade tension between USA and China has affected commodity prices and the supply and demand situation, which would negatively impact our business.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite all these challenges, the revenue from this business segment has increased to RM1.20 billion in the current financial year from RM1.11 billion in the previous year due to higher average selling prices for all the products. However, profit before taxation is lower by 18.6% to RM14.0 million in the current financial year due to foreign exchange losses and lower contribution from our Indonesia operation. Singapore operations has shown improvement in profitability.

The biodiesel industry in Indonesia was weak in the first half of the current financial year due to the delay in contract allocations of biodiesel by the Indonesian government. The formaldehyde industry remains challenging in the Malaysia, Vietnam, the Philippines and Indonesia markets due to continued shortage of wood supply.

The distribution business will continue the strategy of expanding its solvents market share in Malaysia, Singapore, Vietnam and Indonesia. We will focus primarily on increasing our solvents market share by developing and introducing new products range with competitive pricing while maintaining the consistency of supply to our customers.

During the last financial year ended 31 May 2017, One Chem Terminal Sdn. Bhd., an associate of the Group, has invested in the construction of new chemical storage tanks and facilities in Kuantan. The new chemical storage tanks and facilities were commission in March 2018 with a total storage capacity of 13,000 metric tonne which will cater to the markets in Eastern and Southern regions of Peninsular Malaysia.

Our regional expansion plans into Thailand and the Philippines remains and we will continue to explore prospects to deepen our presence in these countries. There are challenges which we will face arising from the volatility of crude oil prices that will affect the supply and demand outlook in the coming months. The controlled production of crude oil by the Organisation of Petroleum Exporting Countries ("OPEC") and the trade tensions between USA and China would be negative to the pricing as well as the supply and demand situation in China. The fallout could also affect other regions in Asia.

Manufacturing business

Our Manufacturing business has also shown improved revenue performance in the current financial year ended 31 May 2018 with revenue increasing by 7.0% to RM94.7 million from RM88.5 million recorded in the previous financial year ended 31 May 2017, lifted mainly by higher volume of phosphoric acid sold. Due to the lower margin earned on product mix, this business segment recorded lower profit before taxation of RM10.8 million for the current financial year ended 31 May 2018 compared with RM11.5 million registered in previous financial year ended 31 May 2017.

Phosphoric acid business reaped the benefits from the high palm oil prices and stable demand from the refineries throughout the current financial year ended 31 May 2018.

Fermpro Sdn. Bhd. is Malaysia's leading manufacturer of ethanol using sugar cane molasses and advanced US distillation technology. Since the imposition of new excise duty on one of Fermpro's main products in late 2016, the demand has been weak. We are investing in a new plant to expand our product range while reducing our production costs. The new plant is expected to commissioned by May 2019.

Our sealants and adhesive products also contributed higher revenue to the Division. The revenue grew 5.6% assisted by higher demand from the automotive industry.

The Manufacturing business segment will continue to focus on enhancing yields and product quality in the coming financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

POLYMER DIVISION

Revenue improved marginally to RM125.8 million for the current financial year ended 31 May 2018 compared to RM125.7 million in the previous financial year ended 31 May 2017, contributed mainly by the Malaysian operations.

Revenue generated by the Shah Alam plant grew by 7.9%. The growth was spurred by demand in civil engineering projects for geosynthetic drainage products such as prefabricated vertical drains and horizontal drainage. These were projects carried out in Malaysia, Southeast Asia, Australia, Hong Kong and the Middle East. There was also higher demand for the films and coated fabric ("FCF") products from the Philippines and other Southeast Asian countries in general. The FCF business saw a turnaround in its performance on higher export sales compared to the last financial year. Rotomoulded plastic products posted lower revenue than in the previous financial year due to weaker demand for intermediate bulk containers ("IBC").

PT Nylex Indonesia experienced a decline in revenue of about 8.3% following a reduction in demand for furniture and automotive vinyl in the first half of the year after the introduction of Value Added Tax ("VAT") on small and medium scale businesses in Indonesia. This affected our distributors who sell mainly to retailers who are in the small and medium scale business. Competitions from Chinese imports is also more prevalent in the current financial year compared to past years.

The division posted a segmental profit before taxation of RM15.0 million for the current financial year ended 31 May 2018, a decrease of RM3.0 million from RM18.0 million in the previous financial year ended 31 May 2017. Lower profit margins and the weakening of the Indonesian Rupiah are the main issues affecting the profits of the division.

Going forward, we are emphasizing more product development for PVC vinyl synthetic leather. Our key markets are the original equipment manufacturers ("OEM"), retrim automotive segment and the furniture industry. We will continue our efforts to make inroads into the Singapore and Hong Kong public transportation sectors. For the automotive OEM market, we are working with a major automobile maker to develop a specialised materials for seat covers. We have invested in a new automotive vinyl test equipment for quality control and assurance with compliance to the new TS16949 Automotive Standards.

To cater to the changing trend in the furniture market, we have developed fabric look-alike designs to meet the demands from the industry. Environmental friendly products are a growing market. We have developed capabilities in water-based technology for the automotive industry to supply vinyl with non-volatile organic compounds ("non-VOC") in compliance to the automotive industry. In the long term, we are exploring to introduce of environmental friendly PU technology for imitation leathers.

We continue to improve operational efficiencies and exploring alternative ways to process certain products while maintaining the desired quality.

LOGISTICS DIVISION

The Logistics Division posted a commendable improvement in its operating results for the financial year ended 31 May 2018 compared to its overall results in the previous financial year ended 31 May 2017. Segmental revenue improved to RM50.8 million in the current financial year ended 31 May 2018 compared to RM30.3 million in the last financial year. The higher segmental revenue coupled with better efficiencies in costs management have resulted in improvement in segmental profit before taxation of RM6.0 million posted for the current financial year ended 31 May 2018 compared to a segmental loss before taxation of RM0.5 million reported in the previous financial year ended 31 May 2017. In addition to this, the shipping operations commenced in the previous financial year ended 31 May 2017 and the division incurred losses during the initial start-up stage. With shipping operations stabilizing in the current financial year, the losses have reduced.

The management had embarked on costs rationalisation for the chemical transportation business during the current financial year ended 31 May 2018. This includes upgrading and replacing trucks which have been long in service to newer ones. Such measures are aimed to reduce the high costs of maintaining old trucks and to improve operational efficiencies. The on-going efforts by the management to optimise its fleet has shown positive results during the financial year ended 31 May 2018 and the business has returned to profitability with such measures being taken.

MANAGEMENT DISCUSSION AND ANALYSIS

The chemical tank farm industry continues to experience strong demand for such services. Our tank farm business remained stable during the financial year ended 31 May 2018. In the chemical tank farm business, safety and efficiency are critical in providing good services to our customers as this will ensure smooth loading and unloading of chemicals. The management will continue to invest and upgrade its safety and preventive equipment in the tank farm so that we remain competitive in the market.

MEDIA DIVISION

The Media Division posted a revenue of RM151.3 million for the financial year ended 31 May 2018 compared to RM102.8 million in the previous financial year ended 31 May 2017. However, the division incurred a segmental loss before taxation of RM10.4 million in the current financial year ended 31 May 2018 compared to a segmental profit before taxation of RM2.5 million in the previous financial year ended 31 May 2017.

The media industry continued to face a difficult year as corporate spending on advertisements remained sluggish. Nevertheless, the Media Division managed to secure several key contracts to post an improvement in its revenue. However, higher operational costs have eroded the profit margins of the business and we incurred a segmental loss before taxation of RM10.4 million for the financial year ended 31 May 2018.

Overall, the media industry in Malaysia is expected to remain challenging due to changes in the political landscape as well as the shifting of advertising budgets from traditional to digital media. As our advertising media are mainly in the transit and cinema advertising, we are in the niche position to capitalise on the growing number of commuters in the Klang Valley. The management is planning to invest in more digital media for the advertising concessions we hold.

INVESTMENT HOLDING DIVISION AND OTHERS

The Investment Holding Division and Others incurred an aggregated segmental loss before taxation of RM29.9 million in the current financial year ended 31 May 2018 compared to a segmental loss before taxation of RM33.9 million in the previous financial year ended 31 May 2017. The lower segmental loss before taxation is primarily due to profits posted by the educational and electrical components businesses.

PROSPECTS AND OUTLOOK

The performance of the key business segments, namely Agricultural Chemicals Division, Industrial Chemicals Division, Polymer Division and Logistics Division is satisfactory in the current financial year ended 31 May 2018 and barring any unforeseen circumstances, the business of these key segments should remain positive. However, for the Media Division, the immediate outlook is expected to be challenging due to the weak domestic market sentiment.

The Board will continue to exercise caution in managing the Group's businesses for the next financial year. The Board will explore ways to improve revenue growth while strengthening its operational and productivity efficiencies.

Barring unforeseen circumstances, the financial performance and prospects of the Group will be satisfactory for the next financial year.

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements")

INTRODUCTION

The Board of Ancom Berhad ("Company") ("Board") acknowledges the importance for the Company and its subsidiaries companies ("Group") to adopt and continuously practicing good corporate governance throughout the Group's operations to ensure the highest standards of accountability and transparency, as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

The Board is pleased to present this statement outlining the applications by the Group of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG") with reference to the Corporate Governance Guide ("Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Securities") for the financial year ended 31 May 2018.

PRINCIPLE A:

BOARD LEADERSHIP AND EFFECTIVENESS

Clear Functions of the Board and Management

The Company is led by an experienced Board. From 1 June 2017 to 1 January 2018, the Board comprised one (1) Non-Independent Non-Executive Chairman ("Non-Executive Chairman"), one (1) Group Managing Director ("GMD"), two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors.

On 2 January 2018, the Non-Executive Chairman was re-designated an Executive Director and the GMD was re-designated the Executive Chairman ("EC"). A Group Chief Executive Officer ("GCEO"), who is not a Board member, has also been appointed on the same date to take over the role and responsibilities of the GMD.

Both the Non-Executive Chairman and the EC shall be referred to as "Chairman" in this Statement.

The Board assumes full responsibility for the overall management of the Group by providing strategic guidance to and effective oversight of Management. It also provides clear and effective entrepreneurial leadership to Management. In addition to its stewardship responsibilities, the Board is also involved in overseeing the Group's business affairs and assessing management effectiveness in carrying out the Board's policies. The Board also ensures that Management has in place an achievable strategic plan and objectives, and appropriate processes for risk assessment, risk management and internal controls.

There is a clear distinction between the roles of the Chairman and the GMD/GCEO with clear division of responsibilities to ensure a balance of power and authority. The Chairman is primarily responsible for instilling good corporate governance practices, leadership and ensuring the Board's effectiveness and conduct in discharging its responsibilities. The GMD/GCEO, who heads the Management, is responsible for implementing and executing the Board's corporate decisions and strategies, in addition to the day-to-day operations of the Group to achieve the financial goals set by the Board.

Key responsibilities of the Chairman include:

- Providing leadership for the Board so that the Board can perform its responsibilities effectively;
- Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- Leading Board meetings and discussions;
- Encouraging active participation and allowing dissenting views to be freely expressed;
- Managing the interface between Board and Management;
- Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- Leading the Board in establishing and monitoring good corporate governance practices in the Company.

STATEMENT ON CORPORATE GOVERNANCE

Separation of the Positions of the Chairman and the GMD/GCEO

The positions of the Chairman and the GMD/GCEO are held by two (2) different persons with different roles and responsibilities. The distinct and separate roles of the Chairman and the GMD/GCEO with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Clear Roles and Responsibilities of the Board

The Board retains full and effective control of and responsibility for the Group. It is primarily responsible for charting and reviewing the strategic direction of the Group. The principal duties and responsibilities of the Board are, inter alia, as follows:

- Formulating and charting the strategic direction and setting out the Group's short-term and long-term plans and objectives. This will then be the basis for the GMD/GCEO and Management team to formulate a detailed business plan;
- Reviewing and approving the Group's key operational policies and initiatives and major investment and funding decisions of the Group, new business/projects and reviewing the same with the GMD/GCEO;
- Overseeing and reviewing the Group's business operations and financial performances to evaluate whether the business is being properly managed and sustained;
- Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Overseeing the development, implementation and review of the succession plan for the Directors and the key senior management;
- Understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;
- Overseeing the development, implementation and reviewing/monitoring of the risk management framework and the 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;
- Ensure that the Company has in place procedures to enable effective communication with stakeholders;
- Ensure the integrity of the Company's and of the Group's financial and non-financial reporting; and
- Formulating and promoting ethical and good corporate governance within the Group.

To ensure that the Board and Management are clearly aware of where the limits of responsibility lie and that due consideration is given to issues at the appropriate level, certain matters are formally reserved for the Board's collective decision. These include the business strategies, annual business plan and budgets; significant corporate proposals including mergers and acquisitions; Group business restructuring and new issue of securities; acquisitions and disposal of significant assets and expenditure above certain amount and related party transactions of a material nature. In addition, the Board is responsible for setting the Board policies, as well as authority limits of the GMD/GCEO and Management team. The Board policies and authority limit are subject to regular reviews by the Board.

The Board plays an active role in formulating the Group's strategic direction with the GMD/GCEO and Management team. The Board does not involve itself in the day-to-day business operations of the Group. The Board delegates the authority and responsibility of the Group's management and day-to-day operations to the GMD/GCEO and Management team, which consists of the Divisional Heads/ Divisional Managing Directors and the Chief Financial Officers. The GMD/GCEO is overall responsible for the day-to-day management of the Group's business and operations and for implementing the business plans and strategies, in line with the Company's direction as agreed by the Board.

To assist the Board in carrying out its responsibilities more effectively, the Board has established an Audit Committee and a Remuneration and Nomination Committee, which are entrusted with specific responsibilities to oversee the affairs of the Company and with authority to act on behalf of the Board in accordance with their respective Terms of Reference. These are elaborated upon in more detail in the ensuing paragraphs of this Statement.

Formalised Ethical Standard through Code of Conduct and Ethics

The Board, in discharging its oversight role, conducts its business in observation to the Company's Code of Conduct and Ethics. The Code of Conduct and Ethics is available on the Company's website at www.ancom.com.my.

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The Code of Conduct and Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the aim of achieving the following objectives:

- To establish a standard of conduct and ethical behaviour for Directors based on trustworthiness and value that can be accepted and upheld by the Directors;
- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations, and guidelines for administering a company; and
- To manage conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics requires all Directors to observe high ethical business standards, to apply these values in all aspects of the Directors' conduct in discharging the Board's oversight responsibilities and to act in good faith in the best interests of the Company and its shareholders.

Strategically Promoting Sustainability

The Board practises good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance and value creation for its shareholders.

The Group continued to carry out activities which demonstrate its commitment towards creating a better environmental, social and governance and sustainability agenda during the financial year ended 31 May 2018 as reported in the *Sustainability Statement* in this Annual Report.

Access to Information and Advice

All Directors have unrestricted access to information of the Group and on an ongoing 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 during the quarterly Board Meetings or as and when they deem necessary. There is no restriction placed on the Directors to request for meetings between the Directors and Management. All Directors have unrestricted access to the service and advice of the Company Secretaries who will advise and update the Directors on new statutory enactments as well as applicable rules, regulations and compliance matters. The Directors may obtain independent professional advice on specific matters relevant to furtherance of their duties whenever necessary at the Company's expense without having the specific approval of the Chairman or the GMD/GCEO.

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain 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. The Company Secretaries will strive to provide these materials to the Directors at least five (5) business days prior to the Board/Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board/Committee meetings.

Senior Management is invited to attend Board and Committee meetings to provide insight and to furnish clarification on issues that may be raised by the Directors. Whenever required, professional advisers appointed by the Company are invited to attend the Board/Committee meetings to provide the Board/Committees, as the case may be, with explanations and clarifications which the Directors may require to facilitate informed decision-making.

Qualified and Competent Company Secretaries

The Board is supported by two (2) Company Secretaries. Both the Company Secretaries have more than twenty (20) years of experience in company secretarial practices and are qualified to act as a Company Secretary under Section 235(2) of the Companies Act 2016.

The Company Secretaries play an advisory role to the Board in formulating the Company's constitution and Board policies and procedures. The Company Secretaries have a key role to play in ensuring that the Board policies and procedures are both followed and regularly reviewed. They are responsible for the efficient administration of the Company's secretarial practices, particularly with

STATEMENT ON CORPORATE GOVERNANCE

regard to ensuring compliance with the Company's constitution, the Board policies and procedures, the statutory and regulatory requirements and for ensuring that decisions of the Board are implemented. They are also responsible for regularly updating and apprising the Board on new regulations issued by the regulatory authorities as well as corporate governance practices.

One of the key responsibilities of the Company Secretaries is to prepare and organise Board and Committee meetings and the shareholders meetings. In consultation with the Chairman, the Company Secretaries will prepare the agenda and the relevant meeting papers for these meetings. To ensure the Directors are provided with sufficient information and time to prepare for Board/Committee meetings, the Secretaries will circulate the meeting materials at least five (5) business days in advance of the Board/Committee meetings. The Company Secretaries will also attend these meetings and take minutes which accurately reflect the deliberations and decisions of the Board/Committees, including whether any Directors abstained from voting or deliberating on a particular matter. The Company Secretaries will strive to prepare the minutes within twenty-one (21) days after the Board/Committee meetings for the Board and Committee's review and comment.

The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the law. The other roles and responsibilities of Company Secretaries include but not limited to facilitate the orientation of new Directors and assist in Director training and development; monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

The Company Secretaries work closely with the Chairman and the GMD/GCEO to ensure that there are timely and appropriate information flows within the Board and to the Committees and Management. They are also the focal point for stakeholders' communication.

Board Charter

In discharging its duties, the Board is guided by the Board Charter. The Company's Board Charter, which was approved by the Board on 16 October 2013 and last reviewed by the Board on 26 July 2018, is available on the Company's website at www.ancom.com.my.

The Board Charter sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors in being aware of their duties and responsibilities to effectively discharge their fiduciary duties in managing the affairs of the Company.

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 Conduct and Ethics for the Board members.

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

Board Composition

The Board at present comprised an EC, an Executive Director, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors.

A GCEO, who is not a Board member, has also been appointed.

The composition of the Board complies with the requirements of the Listing Requirements where at least one-third (1/3) of the Board must comprise Independent Non-Executive Directors. It also complies with the MCCG in having at least half of the Board composition Independent Non-Executive Directors.

To assist the Board in carrying out its responsibilities more effectively, the Board has established an Audit Committee and a Remuneration and Nomination Committee which are entrusted with specific responsibilities to oversee the affairs of the Company and with authority to act on behalf of the Board in accordance with their respective Terms of Reference.

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Remuneration and Nomination Committee

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

The Terms of Reference of the R&N Committee were last reviewed by the Board on 26 July 2018 and are available on the Company's website at www.ancom.com.my.

During the financial year, the membership of the R&N Committee, which comprises solely of Independent Non-Executive Directors, is as follows:

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

The Chairman of the R&N Committee has assumed the following responsibilities:

- Lead the succession planning and appointment of Board members, including the future Chairman and CEO; and
- Lead the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.

The R&N Committee is primarily responsible for recruiting and recommending suitable appointments to the Board and Board Committees and for recommending the re-appointment of the retiring Directors. The R&N Committee will take into consideration the Board structure, size, composition and the required mix of expertise and experience which the candidates should bring to the Board. In such evaluation, the R&N Committee will consider the candidates' qualifications, skills, knowledge, expertise and experience, time availability, professionalism, integrity and in the case of appointment of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities and functions as expected of them.

The Board is also responsible for reviewing and assessing the performance and effectiveness of the Board and the Committees as a whole, and of its Directors individually and collectively as well as the performance of the GMD/GCEO.

The final decision as to whom shall be appointed as a Director remains the responsibility of the Board, after considering the recommendations of the R&N Committee.

The R&N Committee would search for appropriate and suitably qualified candidates for appointment to the Board from time to time as required through recommendation from the fellow Board members or Management. The R&N Committee would assess the candidate's suitability based on a prescribed set of criteria as set out in the Terms of Reference of the R&N Committee and any other additional criteria as may be identified by the R&N Committee from time to time.

The R&N Committee did not utilise independent sources to identify suitably qualified candidates as the Committee understands the specialised industry the Group operates in and the type of candidates whose background fits the criteria of the candidates the R&N Committee is looking for.

The R&N Committee is also responsible for determining and recommending to the Board the remuneration packages of the EC and the Executive Director of the Company. It is also responsible for reviewing and recommending to the Board the remuneration of the Non-Executive Directors. It is the ultimate responsibility of the Board to decide the remuneration of the Directors. The Directors' fees and benefits of the Non-Executive Directors will be endorsed by the Board for approval by the shareholders at the Company's annual general meeting. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

Annual Assessment

The R&N Committee reviews and evaluates the performance of the Directors as well as the Committees annually. The results of the assessment form the basis of the R&N Committee's recommendation to the Board for the re-election of Directors at the Company's annual general meeting.

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The annual assessment on individual Directors include an evaluation of their:

- Will and ability to critically challenge and ask the right questions;
- Character and integrity in dealing with potential conflict of interest situations;
- Commitment to serve the Company, due diligence and integrity;
- Confidence to stand up for a point of view;
- Key strengths and/or weaknesses; and
- Steps or enhancements proposed to be undertaken to mitigate or address the weaknesses identified.

The R&N Committee does not engage independent expert for the annual assessment as suggested by the MCCG but the Board has taken note that the involvement of independent expert or party to facilitate the Board evaluation periodically will lend greater objectivity to the assessment by providing an unbiased perspective on a Director's performance and his ability to contribute effectively to the Board.

During the financial year ended 31 May 2018, the R&N Committee had two (2) meetings. The R&N Committee, after reviewing the current composition of the Board and the Committees, was satisfied that the Board and Committees comprised Directors who are persons of calibre and credibility with extensive expertise and a wealth of experience in legal, accounting, corporate finance, marketing, public services and business practice, as required under the Board Charter and the Terms of Reference of the Committees, to support the Group's continuous growth and prosperity. Accordingly, the R&N Committee recommended that the current composition of the Board and Committees be retained.

Re-election of Directors

In accordance with the Company's Articles of Association ("Articles"), a Director is subject to retire and be eligible for re-election at the next 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 EC 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 are voted individually, unless a resolution for the re-election of two (2) or more Directors by a single resolution has been passed at the annual general meeting.

The R&N Committee is responsible for making recommendations to the Board on the re-election of Directors who are retiring pursuant to the Articles of the Company.

To assist the shareholders in making their decisions in the re-election of Directors, sufficient information such as personal profiles, attendance at Board and Committee meetings and the shareholdings in the Company of the Directors standing for re-election is furnished in this Annual Report.

Board Diversity Policy

The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the Group in selection of Board members. In addition, the Group believes it is of utmost importance that the Board is composed of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and its shareholders.

The R&N Committee has taken note of the recommendation in the MCCG pertaining to the establishment of a policy on boardroom diversity including gender diversity. The Board is supportive of gender diversity in the boardroom as recommended by the MCCG to promote the representation of women in the composition of the Board.

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On 26 July 2018, the Board has formulated a formal Board Diversity Policy which is available on the Company website at www.ancom.com.my. The appointment of new Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than solely by their gender or ethnicity.

Nevertheless, the Board will endeavour to ensure that gender and ethnicity diversity will be considered in nominating and selecting new Directors to be appointed to the Board in future.

Remuneration of Directors

The R&N Committee is responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fees and benefits, after considering a comparison with payments by similar companies, to the Board for its endorsement. During the financial year, the Board has approved the Board Remuneration Policy which maintain strong linkage between remuneration of Directors with performance, value and sustainability of the Company as well as skills and experienced required. The Remuneration Policy is available on the Company's website at www.ancom.com.my.

It is the ultimate responsibility of the Board as a whole to decide the remuneration of the Directors as per the Board Remuneration Policy. The Directors' fees and benefits of the Non-Executive Directors will be submitted to the shareholders for approval at the annual general meeting of the Company. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

The R&N Committee also assumes the task of recommending to the Board the remuneration package for the GMD/EC and Executive Director, drawing on outside advice as necessary at the Company's expense, and taking into consideration the GMD/EC's and Executive Director's responsibilities, contributions and performance, as well as the market rate for similar positions in comparable companies. The GMD/EC and Executive Director did not participate in the Board's deliberation on his remuneration at the Board meeting. The remuneration of the GMD/EC and Executive Director comprises monthly salary, bonuses, benefits-in-kind ("BIK") and other benefits that the Board approves from time to time. The GMD/EC and Executive Director are not entitled to the Director's fee and attendance allowance for the Board and Committee meetings that he attended.

For the last financial year, the Non-Executive Chairman and the Non-Executive Directors of the Board received RM70,000 and RM50,000 respectively as Directors' fees 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' fees of RM520,000 was approved by the shareholders at the 48th annual general meeting of the Company.

In addition, the Non-Executive Directors also received attendance allowance amounting to RM416.67 for each Board and Committee meeting attended. The Non-Executive Chairman, who was not entitled for the meeting attendance allowance, was provided with a car and a driver.

In year 2016, the Company engaged a firm of consultants to provide a review of the directors' fees for Non-Executive Directors of 30 Malaysian Public Listed Companies listed on the Main Board of Bursa Securities, based on their most recent annual reports as at 1 January 2016.

Based on the findings of the review and the members' personal experience, the R&N Committee is of the opinion that the amount of Directors' fees and allowances paid in the last financial year were still reflective of the current market rates and recommended the same amount of remuneration to be paid to the Non-Executive Directors in the current financial year.

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

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The aggregate amount of Directors' remuneration paid or payable to the Directors of the Company for the financial year ended 31 May 2018 is as follows:

Category	Group		Company	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Fees	-	810	-	490
Salaries & bonus	4,253	2,076 [^]	920	-
Other emoluments	174	158	58	17
Benefits-in-kind	109	60	81	32
Total	4,536	3,104	1,059	539

Range of Remuneration*	Number of Directors		Total
	Executive Director	Non-Executive Director	
RM50,001 to RM100,000	-	4	4
RM250,001 to RM300,000	-	2	2
RM500,000 to RM550,000	1	-	1
RM2,250,000 to RM2,300,000 [^]	-	1	1
RM3,950,000 to RM4,000,000	1	-	1
Total	2	7	9[#]

[#] During the financial year, Dato' Johari Razak, Non-Executive Chairman, was re-designated Executive Director of the Company.

[^] This is payable to a Non-Executive Director who is the Executive Director of certain subsidiaries, i.e. Nylex and Redberry Sdn Bhd.

In addition to the above, the Company has taken up a Directors' and Officers' Liability ("D&O") insurance for coverage of the Directors' defence costs and legal representation expenses incurred by the Directors concerned should any action be brought against them for their actions as Director of the Company and/or its subsidiaries. Nevertheless, the D&O insurance does not indemnify a Director if he is proven to have acted fraudulently or dishonestly or for any intentional breach of the law.

Assessment of Independence

The Board, through the R&N Committee, assesses the independence of the Independent Directors. The criteria of an Independent Director include the following:

- The Independent Director is neither an employee nor is related to any major shareholders/Management of the Group and does not participate in the day-to-day operation of the Group and has fulfilled the definition of "Independent Directors" in the Listing Requirements;
- He/she is free from any business or other relationship with the Group which would materially interfere with the exercise of his/her independent judgement on matters at hand; and

STATEMENT ON CORPORATE GOVERNANCE

- He/she is a person of calibre, credibility and has the necessary skill and experience to bring independent judgement to bear on the issues of strategy, business performance, resources and standards of conduct and to challenge Management in an effective and constructive manner. He/she is able to provide independent views in the Board's discussions and has not shown to have compromised on his/her independent judgement.

The R&N Committee, having conducted the assessment on the Independent Non-Executive Directors, concluded that each of the Independent Non-Executive Directors continues to demonstrate that he has fulfilled the above criteria of an Independent Director.

Tenure of Independence

Practice 4.2 of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board will seek annual shareholders' approval through a 2-tier voting process.

The Board is of the view that the length of service of the Independent Directors should not affect a Directors' ability to remain independent and to discharge their duties with integrity and competency. The important criteria that must be possessed by the Independent Directors are their independence from Management and their freedom from any business and other relationship which could interfere with the exercise of independent judgement or the ability to provide the necessary check and balance in the best interests of the Company, as exemplified in the criteria for appointment as Independent Directors mentioned earlier in this Statement. The Board also believes that valuable contributions can be obtained from Directors who have developed valuable insight of the Group and its business due to their long tenure of directorship in the Company. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision-making processes of the Board notwithstanding their tenure on the Board.

Based on the recent assessment in financial year 2018, the Board is satisfied with the level of independency demonstrated by the Independent Directors, i.e. they are independent of Management and free from any business dealing or other relationship with the Group that could be reasonably be materially interfere with their exercise of independent judgement.

Further, the Board had via the R&N Committee conducted an annual performance evaluation and assessment of Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng, who have served as the Independent Directors of the Company for a cumulative term of more than twelve (12) years and recommended that they continue to act as the Independent Directors of the Company based on the following justifications:

- They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements;
- They have been with the Company for more than twelve (12) years and therefore understand the Group's business operations which enable them to participate actively and contribute during the deliberations or discussions at the Board and Committee meetings;
- They are knowledgeable and have applied their vast experience and due care to discharge their duties and responsibilities as Independent Directors of the Company by exercising independent judgement and bringing objectivity to the oversight function of the Board; and
- They have given time commitment to attend the Company's meetings and performance of duties and have exercised due care during their tenure as Independent Directors of the Company, and have carried out their professional duties in the interest of the Company.

The Board will seek shareholders' approval at the forthcoming 49th Annual General Meeting, to retain both Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng as Independent Directors of the Company based on the above justifications.

The Board has decided not to adopt the 2-tier voting process as the Board has received legal opinion that the 2-tier voting may not be compatible with the Company's Articles read together with the Companies Act 2016. As such, the Board has chosen not to adopt the 2-tier voting as a precautionary measure.

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Senior Independent Director

The Board has decided to dispense with the need to appoint a Senior Independent Non-Executive Director to whom any concerns should be conveyed. The Board operates in an open environment whereby opinions and information are freely exchanged and, in these circumstances, any concerns need not be focused on a single Director as all members of the Board fulfil this role individually and collectively.

Time Commitment

All the Directors have committed sufficient time to carry out their duties during the tenure of their appointments. To ensure that the Directors have the time to focus on and fulfil their roles and responsibilities, the Directors are not expected to hold more than five (5) directorships in public listed companies, as required in the Listing Requirements.

The Directors are required to inform the Board the proposed proportion of time they will commit to spend in performing their duties when accepting the Company's directorship. They are also required to inform the Board the proposed proportion of time to be committed to each of their appointment, should they wish to accept new board directorships in other public listed companies.

To help the Directors in planning their attendance at the Board and Committee meetings, the Company Secretaries would, at the end of each calendar year, draw up a proposed timetable for all the Board and Committee meetings, including the annual general meeting, to be held in the next calendar year. Reminders are also sent to the Directors prior to each Board/Committee meeting.

The Board holds its Board meetings quarterly and additional meetings are convened as and when necessary as determined by the Chairman or as requested by the Directors. The attendance records below indicate the level of commitment of the Directors in carrying out their duties as Directors of the Company.

There were four (4) Board meetings, five (5) Audit Committee meetings and two (2) R&N Committee meetings held during the financial year. The attendance records of the Directors are as follows:

Name of Director	Attendance
Board Meetings:	
Dato' Siew Ka Wei	4/4
Dato' Johari Razak	3/4
Tan Sri Dato' Dr Lin See Yan	3/4
Tan Sri Mohamed Al Amin Abdul Majid	3/4
Tan Sri Dato' Seri Abdull Hamid Bin Embong	4/4
Chan Thye Seng	3/4
Edmond Cheah Swee Leng	4/4
Lim Hock Chye	4/4
Audit Committee Meetings:	
Edmond Cheah Swee Leng	5/5
Dato' Johari Razak <i>(Resigned on 2 January 2018)</i>	2/3
Lim Hock Chye	5/5
Tan Sri Dato' Seri Abdul Hamid Bin Embong <i>(Appointed on 23 January 2018)</i>	2/2
R&N Committee Meetings:	
Tan Sri Dato' Dr Lin See Yan	1/2
Edmond Cheah Swee Leng	2/2
Lim Hock Chye	2/2

All the Directors have fulfilled the required attendance of Board meetings during the financial year as prescribed under the Listing Requirements.

All the Directors have attended the Company 48th Annual General Meeting in October 2017

STATEMENT ON CORPORATE GOVERNANCE

Continuing Education Programme and Training

All Directors have completed the Directors' Mandatory Accreditation Programme ("DMAP") prescribed by Bursa Securities.

The Board has assumed the onus of determining and overseeing the training needs of the Directors. The Directors are mindful of the need for continuous training to keep abreast of the relevant changes in laws, regulations and the business environment to effectively discharge their responsibilities and are encouraged to attend forums, training and seminars in accordance with their respective needs in discharging their duties as Directors. The Company Secretaries will also provide updates to the Directors from time to time on relevant guidelines and statutory and regulatory requirements.

In May 2018, the Company organised a workshop on "Key Amendments to the Listing Requirements Arising From Companies Act 2016" facilitated by a professional trainer for the Directors of the Company and its listed subsidiaries, Nylex (Malaysia) Berhad and Ancom Logistics Berhad.

All the Directors of the Company have attended the above workshop except for Lim Hock Chye and Tan Sri Dato' Seri Abdull Hamid Bin Embong.

Tan Sri Dato' Seri Abdull Hamid attended the 9th International Conference on Financial Crime and Terrorism Financing (IFCTF) 2017 in October 2017.

Lim Hock Chye has undertaken that he will attend at least one suitable course/workshop/seminar in the next financial year.

PRINCIPLE B:

EFFECTIVE AUDIT AND RISK MANAGEMENT

Compliance with Applicable Financial Reporting Standards

The Board strives to present true and fair, comprehensive, balanced and meaningful evaluation and assessment of the 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.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company and the Group, to enable them to ensure that the financial statements are prepared in accordance with the Companies Act 2016, the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs"), the Listing Requirements and other statutory and regulatory requirements.

The Board has established an Audit Committee to assist the Board in discharging its responsibility more effectively. The activities of the Audit Committee are elaborated in more detail in the *Audit Committee Report* in this Annual Report.

At the Audit Committee meetings, the Audit Committee reviews the Quarterly Interim Financial Reports of the Group together with Management and the Annual Audited Financial Statements together with Management and the External Auditors. Thereafter, the Audit Committee will recommend to the Board to approve the same prior to releasing the Quarterly Interim Financial Reports and Annual Audited Financial Statements to Bursa Securities within the stipulated time frame.

STATEMENT ON CORPORATE GOVERNANCE

Assessment of Suitability and Independence of External Auditors by the Audit Committee

The Company has a formal and transparent relationship with BDO, the External Auditors, primarily through the Audit Committee.

Under its Terms of Reference and External Auditors Assessment Policy, the Audit Committee has explicit authority to communicate directly with the External Auditors. Meetings with the External Auditors are held as appropriate to discuss audit plans, audit findings and the financial statements. Whenever required, the Audit Committee will hold private sessions with the External Auditors in the absence of the Management to discuss the issues affecting the Group, if any.

The Audit Committee is empowered by the Board to assess the independence and performances of the External Auditors and to review all issues in relation to their appointment, re-appointment, resignation or dismissal.

The assessment of independence focuses on whether there exists any relationship between the External Auditors and the Directors or Senior Management and major shareholders of the Group as well as any conflict of interest situation arising therefrom, including the extent of non-audit services performed by the External Auditors during the financial year that will give rise to questions about the External Auditors' independence and objectivity in carrying out the responsibilities entrusted to them. The assessment of performance focuses on the External Auditors' experience, competency, resources of the firm, the quality of the staff assigned to audit the Company and its subsidiaries' accounts and the Audit Committee's opinion on the quality of the reports to the Audit Committee.

During the financial year, the Audit Committee had assessed the External Auditors' performance and independence based on the above criteria and was satisfied of the External Auditors' competency and independence. The External Auditors have given a written assurance to the Audit Committee that they have complied with the relevant ethical requirements regarding their professional independence.

As such, the Audit Committee has recommended to the Board to re-appoint Messrs BDO as the External Auditors. The Board concurred with the Audit Committee's recommendation and will recommend to the shareholders to approve Messrs BDO's re-appointment at the forthcoming 49th Annual General Meeting of the Company.

Sound Framework to Manage Risk

The Board acknowledges its responsibility to maintain a sound Risk Management and Internal Control system covering not only financial controls but also operational and compliance controls to identify risks in operations and finance 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 regular assurance on the continuity and effectiveness of the internal control system through independent reviews by the Internal Auditors and the External Auditors.

As per its Terms of Reference, the Audit Committee has been explicitly accorded the power to appoint, and 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 the authorities and resources necessary to carry out its responsibilities. It will also approve the Internal Audit Plan and review and assess the performance of the Internal Audit function.

Internal Audit Function

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investments and the Group's assets, the Board outsourced the Internal Audit function to an independent firm of consultants during the financial year as in the previous financial year.

The Internal Auditors conduct regular audits to review the adequacy and effectiveness of the Group's Risk Management and Internal Control system in identifying and managing principal risks, ensuring compliance with the law and regulations and preserving the quality of assets and the integrity of the management information system.

Please refer to the *Audit Committee Report* in this Annual Report for more details.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE C:

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Corporate Disclosure Policy

The Board acknowledges the importance of timely and thorough dissemination of information to its investors and shareholders. The Board regards regular communications with the public via various announcements and the issuance of Annual Reports, circulars and press releases as key to building a good relationship with its shareholders.

In line with the Listing Requirements and best practices recommended by the MCCG, the Company must disclose to the public all material information necessary for informed investment decisions and take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information. The Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's website at www.ancom.com.my, and to ensure that such information is handled properly to avoid leakage and improper use of such information.

The Company shall disclose all material information required to be disclosed under applicable securities laws, in accordance with a consistent procedure and in accordance with such laws, as per the disclosure principles listed below:

- Material information will be immediately announced to Bursa Securities first and later made available at the Company website;
- Material information will be kept confidential temporarily if the immediate release of such information would cause unduly detrimental to the interests of the Company;
- Content of disclosure must be factual and non-speculative and include any information the omission of which would cause the rest of the disclosure misleading;
- The disclosure must be corrected immediately if the Company learns that an earlier disclosure by the Company contained a material error at the time it was originally disclosed;
- The Company does not comment, affirmatively or negatively, on rumours. This also applies to rumours on the internet. Should Bursa Securities request that the Company to make a definitive statement in response to a market rumour that is causing significant volatility in the price of the Company's securities, the Chairman/GMD/GCEO will respond appropriately after consulting with the Board for advice if time permits, before a reply is given to Bursa Securities; and
- All investors must have equal access to material information. Selective disclosure is not allowed.

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/her choice of actions.

The Company Secretaries are assigned to compile such information for the approval of the Board as soon as possible and for releasing such information to the market as stipulated by Bursa Securities.

Leverage on Information Technology

The Company disseminates information in relation to its financial performance, operations and corporate developments through the Annual Reports, Quarterly Interim Financial Reports, circulars and various general announcements. The Company releases all material information publicly through Bursa Securities' website at www.bursamalaysia.com and via the Company's website at www.ancom.com.my.

STATEMENT ON CORPORATE GOVERNANCE

Shareholders' Participation at General Meetings

General meetings remain the principal forum for dialogue between the Company and its shareholders, as the Company's general meetings provide a means of communication with shareholders.

At the general meetings, the Board encourages and gives sufficient opportunity for the shareholders to ask questions regarding the affairs of the Group, its financial performance and the resolutions being proposed at the meetings. The Chairman, when presenting the agenda items for voting, will give a brief background on the items to be voted on and shareholders are invited to give their views and raise question before voting takes place.

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

In line with the Listing Requirements, to encourage more shareholders participation at the Company's general meetings, the Company allows any member who is entitled to attend and vote at the general meeting to appoint a proxy to attend and vote for him/her and 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's Articles explicitly allows the right of a proxy to speak at general meetings. Notices of meeting convening the general meetings and related circulars are sent to the shareholders in accordance with the regulatory and statutory provisions. All notices are advertised in a national English newspaper within the prescribed deadlines.

Minutes are kept to record the proceedings of the annual general meetings by the Company Secretaries and the summary of key matters discussed at the general meetings and the minutes are available for inspection by the Company's shareholders at the Company's registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The summary of key matters discussed at the general meetings is also posted at the Company website at www.ancom.com.my.

Poll Voting

All resolutions that put to the shareholders for decision will be carried out via poll voting.

Effective Communication and Proactive Engagement with Stakeholders

Announcements on corporate developments are made on a timely basis to Bursa Securities and these are made available to the public via Bursa Securities' website at www.bursamalaysia.com as well as on the Company's website at www.ancom.com.my.

Shareholders and investors are encouraged to submit their queries and concerns to the Company via the Company's website at www.ancom.com.my or e-mail at cossec@ancom.com.my. The queries will be attended to by the Company Secretaries, the Board or the Senior Management, as the case may be.

CONCLUSION

The Board recognises the importance of the Group practising good corporate governance and has made it a corporate policy to continuously improve on its corporate governance practices and structure to achieve an optimal governance framework.

AUDIT COMMITTEE REPORT

Pursuant to Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements")

The Board is pleased to present its Audit Committee Report for the financial year ended 31 May 2018.

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference, which is available on the Company's website at www.ancom.com.my. The Terms of Reference were last reviewed by the Board on 26 July 2018.

MEMBERS AND MEETINGS

The membership of the Audit Committee is as follows:

Edmond Cheah Swee Leng (Independent Non-Executive Director)	- Chairman
Dato' Johari Razak (Non-Independent Non-Executive Chairman - resigned on 2 January 2018)	- Member
Lim Hock Chye (Independent Non-Executive Director)	- Member
Tan Sri Dato' Seri Abdull Hamid Bin Embong (Independent Non-Executive Director – appointed on 23 January 2018)	- Member

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 Listing Requirements.

The Chairman of the Audit Committee and Chairman of the Board have been assumed by different persons to prevent any impairment on objectivity of the Board's review of the Audit Committee's findings and recommendations.

The Chairman of the Audit Committee together with other members of the Audit Committee should ensure among others that:

- the Audit Committee is fully informed about significant matters related to the Company's and the Group's audit and its Financial Statements and addresses these matters;
- the Audit Committee appropriately communicates its insights, views and concerns about relevant transactions and events to the Internal and External Auditors;
- Audit Committee's concerns on matters that may have an effect on the financial or audit of the Company and of the Group are communicated to the External Auditors; and
- there is co-ordination between the Internal and External Auditors.

A cooling off policy which requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee has been formulated and included in the Terms of Reference of the Audit Committee.

The Audit Committee held a total of five (5) meetings during the financial year. The attendance records of the members are as follows:

Members	Attendance
Edmond Cheah Swee Leng	5/5
Dato' Johari Razak	2/3
Lim Hock Chye	5/5
Tan Sri Dato' Seri Abdull Hamid Bin Embong	2/2

The Internal Auditors attended four (4) meetings while the External Auditors attended three (3) meetings.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee carried out its duties as set out in its Terms of Reference and undertook the following activities:

Financial Results

The Audit Committee reviewed the Quarterly Interim Financial Reports ("Financial Reports"), which were presented by the Management, with the aim of ensuring that the Financial Reports, inter alia, complied with the disclosure requirements of the Listing Requirements, the approved Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs"), the Companies Act 2016, the Listing Requirements and other statutory and regulatory requirements, prior to recommending the Financial Reports to the Board for consideration and approval, and for subsequent release to Bursa Malaysia Securities Berhad. The Audit Committee also sought explanations from Management on the Group's performance from time to time.

The Audit Committee also reviewed the Annual Audited Financial Statements ("Financial Statements"), which were presented by Management, with the present of the External Auditors, with the aim of ensuring that the Financial Statements, inter alia, complied with the disclosure requirements of the approved MFRSs and IFRSs, the Companies Act 2016, the Listing Requirements and other statutory and regulatory requirements, and to resolve any contentious issues, if any, prior to recommending the Financial Statements to the Board for consideration and approval, and for subsequent release to Bursa Malaysia Securities Berhad.

In both the above reviews, the Chief Financial Officer has given an assurance to the Audit Committee that the Financial Reports and Financial Statements have been prepared based on consistent and generally acceptable accounting policies and standards, that there are no material misstatements and that the Financial Reports and Financial Statements give a true and fair view of the financial performances and cash flow of the Company and of the Group as at the respective reporting dates.

Internal audits

- Reviewed and approved the Internal Audit Plan, including the scope of audit, and ensuring that all major and/or high-risk activities are covered;
- Reviewed the Risk Assessment Reports and ensure effective implementation of risk management system across the Group;
- Reviewed the quarterly Internal Audit Reports, which detailed the observations and recommendations of the Internal Auditors, and the Management's responses to these recommendations;
- Reviewed certain weaknesses noted in the internal audit or non-compliance of the internal control system to determine their possible impact on the effectiveness of the internal control system and their possible financial impact on the Group's financial results and the going concern assumptions; and
- Reviewed the Management's remedial actions to be undertaken in relation to the weaknesses and/or non-compliances noted above and the follow-up actions undertaken by the Management thereof.

External Audits

- Reviewed the External Audit Plan, scope and nature of statutory audit of the Company's and of the Group's Financial Statements prior to the commencement of audit;
- Reviewed the External Audit Reports and the results of the External Auditors' examination on the Financial Statements of the Company and of the Group;
- Reviewed the External Auditors' recommendations and Management responses in relation;
- Reviewed and discussed the impact of new and proposed changes in Financial Reporting Standards and other new developments in financial reporting with the External Auditors;
- Reviewed the suitability of the External Auditors for re-appointment, taking into consideration amongst others, their independence, performance, competence, experience of audit team assigned, provision of non-audit services and audit fees; and
- Received from the External Auditors their written assurance confirming their professional independence to the audit engagement. Based on the results of the assessment, the Audit Committee was of the opinion that the External Auditors are independent and competent during their tenure in office, and recommended them to continue in office for the ensuing year.

AUDIT COMMITTEE REPORT

INTERNAL AUDITS FUNCTION

The Audit Committee recognises the importance of the Internal Audit function and the need for it to be independent of Management in order to carry out its function effectively. During the financial year, the Group's Internal Audit function was outsourced to an independent firm of consultants. The Internal Audit function assists the Board in reviewing the adequacy and effectiveness of the Group's internal control system in identifying and managing principle risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of the management information system and consequently determining the future requirements for the internal control system.

The Internal Audit reviews are conducted on a functional areas basis that concentrates on areas of concern where the Internal Auditors can play a role in providing inputs for further improvements, thus providing a valuable resource to evaluate processes and give assurance in relation to internal control effectiveness. The Internal Audit review is conducted according to the Internal Audit Plan approved by the Audit Committee. The deliverables include the Internal Audit Review Report with major findings and recommendations to be presented to the Audit Committee.

The Internal Audit Plan covers the key functional areas and business activities of the major subsidiaries of the Group. The Internal Audit review places emphasis on best practices and management assurance that encompass all the business risks, particularly on:

- The effectiveness and efficiency of operations;
- Reliability of reporting;
- Compliance with applicable law and regulations; and
- Safeguarding of assets.

The Internal Audit review evolves with changing risk profiles and adds value to the business, as well as assisting with improving business efficiency performance. The internal audit approach broadly involves inquiry, analysis and review of the internal audit areas.

The Internal Auditors conducted four (4) reviews during the financial year. At the Audit Committee meetings, the Internal Auditors presented their quarterly Internal Audit Reports to the Audit Committee for review and discussion with Management. The quarterly Internal Audit Reports highlighted the Internal Auditors' review and findings on the Group's compliance with the established internal policies and procedures, their assessment of the magnitude of the financial effects arising from the weaknesses noted, as well as the Internal Auditors' recommendations on the corrective actions to overcome the weaknesses and Management's comments and agreed actions thereon. The Internal Auditors reported their follow-up findings and highlighted any non-actions by Management in subsequent Audit Committee meetings.

In all the Internal Audit reviews during the financial year, the Internal Auditors have reported that the internal control environment of the companies audited are generally in place with minimum control issues.

The Audit Committee is satisfied with the results of the Internal Audit reviews during the financial year. None of the findings has resulted in any material losses that would require separate disclosure in this Report and the Audit Committee has reported the same to the Board of Directors.

The total cost incurred for the Group's Internal Audit function during the financial year was RM41,000 (2017: RM43,000).

ASSESSMENT OF INDEPENDENCE AND PERFORMANCE

The Audit Committee assessed the independence, performance and the suitability for re-appointment of the Internal Auditors and External Auditors as has been disclosed in the *Statement on Corporate Governance* in this Annual Report.

AUDIT COMMITTEE REPORT

RISK MANAGEMENT

The Audit Committee reviewed the Risk Management Framework and the Risk Registry of the Group and the ongoing identification, evaluation and management of the significant risks affecting the Group, as has been reported in the *Statement on Risk Management and Internal Control* of this Annual Report.

RELATED PARTY TRANSACTIONS

The Audit Committee reviewed the procedures for related party transactions, including the recurrent related parties transactions ("RRPT") of a revenue and trading nature, that had arisen within the Company and the Group during the financial year and is satisfied that the said procedures are sufficient to ensure that the related party transactions undertaken are on arm's length basis and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The Audit Committee is also satisfied that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner. The Audit Committee conducts the review of these procedures and processes at least once in a financial year.

EMPLOYEES' SHARE OPTION SCHEME

The Company has not established any share option scheme and had no subsisting share option scheme for its employees during the financial year.

CONCLUSION

The Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference during the financial year, and that the Group's Risk Management and Internal Control system has been adequate and effective.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements")

INTRODUCTION

The Board is pleased to provide the Group's Statement on Risk Management and Internal Control for the financial year ended 31 May 2018 made pursuant to Paragraph 15.26(b) of the 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 of 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 systems of these associates.

BOARD RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment and maintenance of a sound Risk Management and Internal Control system in the Group. The Board is also responsible for reviewing the adequacy, effectiveness and integrity of the Group's Risk Management and Internal Control system through ongoing and independent reviews carried out by the Internal Audit function of the Group. The Internal Audit reviews focus on achieving the following objectives:

- The effectiveness and efficiency of operations;
- Reliability of reporting;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets.

It is important to note that the Group's Risk Management and Internal Control system is designed to manage and mitigate, rather than to eliminate, the risks that may impede the achievement of the Group's business objectives due to its inherent limitations in any system of internal control. As such, the Group's Risk Management and Internal Control system can only provide reasonable and not absolute assurance against material misstatement of or financial information, financial losses or fraud.

RISK MANAGEMENT

The Board confirms that there is an on-going process of identifying, assessing and responding to risks for achieving the objectives of the Group for the financial year under review. The process is in place for the financial year under review and up-to-date of the issuance of the Statement on Risk Management and Internal Control.

The process of risk identification involves in reviewing and identifying the possible risk exposure which arising from both internal and external environment changes and operation conditions. The risk measurement guidelines consist of financial and non-financial qualitative measure of risk consequences based on risk likelihood rating and risk impact rating.

As part of the Risk Management process, a Registry of Risks and a Risk Management Handbook were adopted. The Registry of Risks is maintained to identify principal business risks and updated for on-going changes in the risk profile. The Risk Management Handbook summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. The responsibility of respective risk owner is to identify and ensure the adequate control systems are implemented to minimise and control the risks which faced by the Group.

The management has been empowered with the responsibility to manage the risks and internal controls that associated with the operations of the Group and to ensure the compliance with the applicable laws and regulations. The management appointed an Officer to review, update and report the key risk factors of key operating subsidiaries in each quarterly Audit Committee meeting. Besides, any significant issue and control implemented were discussed at management meetings and quarterly Audit Committee Meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTIONS

In accordance with the Malaysian Code on Corporate Governance 2017, the Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm to review the adequacy and integrity of its system of internal control and perform the role of Internal Auditors. The Internal Auditors report directly to the Audit Committee.

The internal audit reviews addressed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group. Quarterly Internal Audit Reports and Status Report on follow up actions were tabled to the Audit Committee during quarterly Audit Committee Meetings.

For the financial year ended 31 May 2018, the following subsidiaries of the Group were audited by the Internal Auditors:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1 st Quarter (June – August 2017)	October 2017	Focus Media Network Sdn Bhd	<ul style="list-style-type: none"> • Sales and Marketing • Contract Administration • Collection • Business Operations • Maintenance • Purchasing • Asset Management
2 nd Quarter (September – November 2017)	January 2018	I-Enterprise Online Sdn Bhd	<ul style="list-style-type: none"> • Application & Development • Analytics & Big Data
3 rd Quarter (December 2017 – February 2018)	April 2018	Timber Preservatives Sdn Bhd	<ul style="list-style-type: none"> • Sales and Marketing • Contract Administration • Collection • Business Operations • Maintenance • Purchasing • Asset Management
4 th Quarter (March – May 2018)	July 2018	Redberry Outdoors Sdn Bhd	<ul style="list-style-type: none"> • Sales and Marketing • Contract Administration • Collection • Business Operations • Maintenance • Purchasing • Asset Management

THE KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM

The main features of the Group's Risk Management Process and Internal Control system are summarised as follows:

- *Organisational Structure and Responsibility Levels*

The Group's organisational structure has clearly defined levels of authority and lines of responsibility, from operating units up to the Board level, to ensure accountabilities for risk management and internal control activities. There is proper segregation of duties and responsibilities to eliminate the incidence of an employee having total control of a business process.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board has entrusted the daily running of the business to the Group Managing Director (“GMD”) (with effect from 2 January 2018, the Group Chief Executive Officer (“GCEO”)) and his Management team. The GMD/GCEO is assisted by the Divisional Managing Directors who are “hands on” in running the operating divisions. Experienced and competent employees have been placed in positions of responsibility to ensure that the objectives of the Group’s Risk Management and Internal Control System are achieved.

• *Risk Management Process*

The Risk Management process in the Group is embedded within the Group’s business operations and guided by the operational manuals and policies and procedures of the Group. The Group’s Risk Management Framework encompasses an ongoing process for identifying and assessing the key risks affecting the Group’s operations and results. The process of mitigating these risks is then identified and evaluated on its effectiveness and finally, the owners who will be responsible to monitor the occurrence of the risks are assigned.

The following are the type of risks affecting the Group’s operations:

- Hazard risks, which include risks from fire and other property damage, windstorms and other natural peril, theft and other crime, personal injury, business interruption, disease and disability, and liability claim;
- External/Market risks due to changes in the external economic environment of the organisation;
- Operational risks due to changes in the internal environment of the organisation arising from daily tactical business activities;
- Strategic risks due to long-term policies or strategic objectives taken by the organisation to maintain operational competitiveness;
- Financial risks which are associated with the effective management and control of the finances of the organisation and the effects of external factors such as availability of credit, foreign exchange rate fluctuations, interest rate movements and other market exposures; and
- Compliance risks such as occupational, health & safety, environmental, trade regulations, consumer protection, data and intellectual property protection, employment practices and regulatory requirements.

• *Audit Committee and Internal Audit*

The Audit Committee has been entrusted by the Board to ensure that an effective and adequate Risk Management and Internal Control system is in place at all times. A Risk Management Working Group (“RMWG”), comprising the GMD/GCEO, Chief Financial Officer and Senior General Manager, Corporate Affairs acting as the Risk Officer has been set up to report matters relating to Risk Management and Internal Control to the Audit Committee.

The RMWG shall consider any matters relating to the identification, assessment, monitoring and management of risks associated with the Group that it determines to be appropriate. With respect to Risk Management, the duties of the RMWG shall include:

- assessment and monitoring of risks associated with the operations of the Group;
- development and implementation of internal compliance and control systems and procedures to manage risks;
- assessment and monitoring of the effectiveness of controls instituted;
- reviewing and making recommendations to the Audit Committee in relation to Risk Management;
- considering and making recommendations to the Audit Committee in connection with the compliance by the Group with its Risk Management strategy;
- reporting to the Audit Committee on any material changes to the risk profile of the Group;
- monitoring and referring to the Audit Committee any instances involving material breaches or potential breaches of the Group’s Risk Management strategy;
- reporting to the Audit Committee in connection with the Group’s annual reporting responsibilities in relation to matters pertaining to the Group’s Risk Management strategy; and
- undertaking annual review, in accordance with the Group’s Risk Management framework, and making recommendations to the Audit Committee in connection with changes required to be made to the Group’s Risk Management strategy.

The Audit Committee shall have the authority to seek any information it requires from any officer or employee of the Company or its subsidiaries and such officers or employees shall be required to respond to such enquiries.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee is authorised to seek such independent professional advice as it considers necessary. On a periodical basis, the Audit Committee will review its own performance and Terms of References to ensure that it is operating at maximum effectiveness, recommending any changes it considers necessary to the Group.

To assist the Audit Committee in discharging its duties and responsibilities relating to the Risk Management and Internal Control system, the Audit Committee outsources the Group's Internal Audit function to an independent firm of consultants.

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 necessary to carry out its responsibilities. It approves the Internal Audit Plan and reviews and assesses 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.

- *Reporting and Review*

The GMD/GCEO holds meetings whenever applicable with the Divisional Managing Directors and Senior Management to discuss and resolve operational, corporate, financial and key management issues. A performance review comparing the actual results with the previous year's results and the explanations on significant variances are presented to the Board during the Board meetings.

The Group's Quarterly Interim Financial Report and Annual Audited Financial Statements are only released to Bursa Securities 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 for the Management and employees of the Group to carry 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, finance, 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.

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the scope out in the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 May 2018, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the *Statement on Risk Management and Internal Control* factually inaccurate.

CONCLUSION

The Board has received assurance from the GCEO and Chief Financial Officer that the Group's Risk Management and Internal Control system operated adequately and effectively during the financial year and up to the date of issuance of this Annual Report.

The Board is of the view that the Group's Risk Management and Internal Control system during the financial year under review and up to the date of issuance of this Annual Report has been 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. The Board will continue to take measures and maintain an ongoing commitment to strengthen the Group's Risk Management and Internal Control system.

SUSTAINABILITY STATEMENT

Sustainability is an integral part of our corporate strategy. Using the various tools of our sustainability management, we carry out our company purpose. We provide value added services for a sustainable future and this is how we seize business opportunities and minimise risks along the value chain.

This Sustainability Statement was prepared in accordance with the Sustainability Reporting Guide issued by Bursa Securities.

GOVERNANCE STRUCTURE

The Board acknowledges the importance for the Company and its subsidiaries ("Group") to adopt and continuously practise good corporate governance throughout the Group's operations to ensure accountability and transparency, as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

The Board has outlined the applications as set out in the Malaysian Code on Corporate Governance 2017 ("Code") with reference to the Corporate Governance Guide ("Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

SCOPE OF DISCLOSURE

The information provided in this Sustainability Statement covers the period from 1 June 2017 to 31 May 2018 and applies to the entire consolidated group as described in the Audited Financial Statements for the financial year ended 31 May 2018. As a result, all subsidiaries under the umbrella of the Ancom Berhad ("Ancom") Group have been included in the reporting scope. In determining the sustainability disclosure of the Group, the reporting scope cover Malaysia and Singapore which is based on the geographical location of external customers.

MATERIALITY ASSESSMENT AND STRATEGY

Materiality is a critical input into our corporate sustainability strategy because it ensures we provide our stakeholders with the sustainability information most relevant to them and our business as well as our ability to create value in the short, medium and long-term period.

We have identified our material sustainability issues in accordance with the value chain and impact analysis relevant to our activities and categorised them into three (3) main themes which are economic enhancement, environmental impact and social contribution.

ECONOMIC ENHANCEMENT

1. Supplier Management & Procurement Practices

We operate a procurement function which provides guidance and strategic direction to a network of procurement specialists. In addition, we have an all-encompassing approach to maximise value creation by reducing supply chain costs, improving transactional processes, maintaining long term relationship with suppliers, complying with laws and regulations and enhancing efficiency, while providing sustainable fit for purpose solutions. This approach is embodied throughout the procurement function, which has a common vision to deliver excellence in procurement practice through the operational effectiveness, cross-functional collaboration and savings transparency.

SUSTAINABILITY STATEMENT

2. Community Engagement & Investment

We are aware of our role in society, especially in an international and multicultural setting. Our social engagement also includes sharing our knowledge and professional skills. We offer students internships and work placements to encourage their interest in transport and logistics.

We select initiatives that are closely related to our competences and business, in areas where we believe we can add most value through our expertise and ability to provide meaningful work placements and/or traineeships.

The Group provided industrial training/internship opportunities to ten (10) students from local institutes of higher learning. Ancom and one of its subsidiaries also hosted students from a local institution of higher learning to observe the proceedings at their annual general meetings.

Employees of the Group are encouraged to volunteer for community projects. During the financial year, the Group organised various activities to reach out to the local communities. The Group has sponsored Hospis Malaysia in their Hospis Palliative Care Awareness Programme; sponsored food to the children of refugees during their graduation ceremony; visited the Orang Asli homes and distributed food and provided medicine supplies to them; contributed donations to schools and other charitable activities. We are the joint organiser with a local private university, towards "Run for National Unity" which will be held on 20 October 2018. This serves as an initiative to promote national unity and at the same time raise funds to provide scholarship for deserving students to further their higher education.

3. Indirect Economic Impact

Our business generates a wide range of indirect economic benefits, including continual investments in our regional logistics network benefit all of our communities by facilitating commerce and providing jobs. We also use our scale to stimulate the markets for alternative fuels and advanced fleet technologies. Our continued investments help drive supply and demand for these promising solutions.

ENVIRONMENTAL IMPACT

1. Waste and Effluent Management

As a responsible corporation, the we have initiated various sustainable environmental conservation efforts.

Our commitment towards environmental conservation and compliance are realised through our commitment towards ensuring our operating facilities comply with all regulatory requirements. We ensure our employees as competent persons under regulations pertaining to industrial effluent and scheduled waste management, among other things.

Chemical and other hazardous wastes are conscientiously dealt with. Chemical wastes are sent to Kualiti Alam for proper disposal and monthly reports on the scheduled waste are submitted to the Department of Environment ("DOE") and the relevant local authorities. Used materials such as papers, paper cartons and cardboard boxes are re-used, where possible, or sent to recycling centers.

2. Water Consumption

Water is used primarily for manufacturing, drinking and sanitation at our facilities and is obtained solely from municipal suppliers and discharged into public sewage systems. We implement measures to minimise water consumption as part of our environmental management system.

We are committed to understanding and reducing operational water footprint, advocating an effective water consumption policy and encouraging our employees to be water stewards at work.

SUSTAINABILITY STATEMENT

3. Energy Consumption

The Group is continuously looking ways to ensure energy efficient business operations. By minimising energy consumption, we can lower our operational cost and reduce our carbon footprint.

To minimise energy usage, energy-saving lightbulbs are used whenever possible throughout our operations while our Procurement Department considers energy efficiency features when procuring new equipment.

SOCIAL CONTRIBUTION

1. Workplace Diversity & Inclusion

We believe discrimination bars people from living up to their full potential, creates inequality as well as less stable and prosperous societies. Talent is diverse by nature and we aim to build a diverse workforce begins with offering same opportunities and career perspectives to women and men regardless of races and nationality. However, the biggest challenge will be the business nature and working models of our business which is still considered a male dominated industry.

We are well represented by all races and age groups with men outnumbering women. We strive to increase the number of women in all positions especially management role over the longer term. We encourage our people to perform the best of their abilities by motivating, connecting and valuing their contributions. To strengthen the spirit among people of different beliefs and culture, we continued to celebrate major festivals such as Chinese New Year and Hari Raya, among others.

2. Occupational Safety & Health

Keeping our people safe is our first and primary responsibility as a company. It is a core value for us, and an unequivocal expectation from our employees, their families and communities. We aim to establish a "Safety First" culture in the Group. Training, coaching, and recognition are critical components to continuously encouraging a culture of safety. 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 noise, such as providing ear plugs and soundproofing the affected areas where possible. Annual Employee Audiometric Hearing tests were conducted to ensure employees' hearing remained in good condition. Annual medical check-ups were also conducted on the operators working in hazardous areas;
- 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, 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 at the Group's Manufacturing Plants and Bulk Liquid Terminal; and
- Fire drill conducted with Bomba Malaysia/West Port Bomba at the Group's Manufacturing and Bulk Liquid Terminal to test the emergency response team's readiness in the event of fire or accident at the Plant and Terminal.

Management and Supervisory Development programs which highlighted career advancement opportunities were also organised by the Group for its employees.

SUSTAINABILITY STATEMENT

As for health benefits for employees, we provide medical coverage and insurance benefits. We are also constantly reviewing our policies and management systems on Occupational Safety & Health and to ascertain they are effective, appropriate and could be continually used in the organisation.

We are committed in making Occupational Safety & Health as a culture and behaviour in all our daily work.

3. Product and Services Responsibility

As a manufacturer and marketer of chemical products, provider of logistics and transportation services, as well as IT solutions and media & advertising, we are an important component of our customers' supply chains.

We strive to provide customers with products and services with integrity, quality and care. The Group recognises its duty to be socially responsible to its customers, suppliers, shareholders and other stakeholders.

- Material Safety Data Sheets were developed on the Group's products for customers to ensure safe and proper usage and handling of its products.
- Supplier Audits are regularly conducted to ensure that materials provided by the Group's suppliers meet the standards imposed by the DOE or External Quality Assessment (EQA).
- Safety briefings and training for customers on the handling of phosphoric acid are also conducted by a subsidiary on a regular basis.

Our customers also entrust us with their sensitive information, and we uphold this trust through our privacy and information security programs. We are constantly evaluating ways to deliver better service to customers while respecting their rights to privacy and securing information in accordance with the policies of the Group.

4. Compliance

An effective governance structure and risk management system forms the backbone of our business operations. Risk assessments are conducted half yearly to identify and mitigate significant risks that are affecting our business operations. Annually, we review the adequacy of insurance coverage of all our business operations to safeguard against potential threats.

Employees of the Group is involved in identifying and mitigating sustainability risks across all areas of operations. The Group's Internal Audit function oversees the adequacy and effectiveness of the risk management framework while monitoring compliance with policies and procedures and other relevant professional and regulatory requirements.

5. Conclusion

With our core values of being passionate, responsible, resourceful, performance orientated and teamwork, we maintain our commitment to strengthen our risk management framework and enhance shareholder value by adopting and applying good corporate governance framework, environmentally responsible practices and sound social policies.

DIRECTORS' RESPONSIBILITIES STATEMENT

IN RELATION TO THE PREPARATION OF AUDITED FINANCIAL STATEMENTS

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

In accordance with the Companies Act 2016, the Directors of the Company are required to prepare Audited Financial Statements for a financial year which shall give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and of the financial performance and cash flows of the Company and of the Group for the financial year.

The Directors hereby state that they are responsible for ensuring that the Company and the Group keep 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 as at 31 May 2018 and of the financial performance and cash flows of the Company and of the Group for the financial year ended 31 May 2018. The Directors are also responsible for ensuring that the Audited Financial Statements comply with the Companies Act 2016, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Listing Requirements and other statutory and regulatory requirements.

In preparing the Audited Financial Statements, the Directors have:

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

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

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities and the details of the subsidiaries are disclosed in Note 39 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	25,661	1,053
Attributable to:		
Owners of the parent	17,581	1,053
Non-controlling interests	8,080	-
	25,661	1,053

DIVIDEND

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

The Directors do not recommend the payment of any dividend 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.

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 OF SHARES

At the 48th Annual General Meeting held on 19 October 2017, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares.

As at 31 May 2018, a total of 3,779,327 (2017: 3,779,327) treasury shares at a total cost of RM2,473,000 (2017: RM2,473,000) are held by the Company. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

The number of ordinary shares as at 31 May 2018 net of treasury shares is 215,177,015 (2017: 215,177,015).

DIRECTORS

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

Dato' Siew Ka Wei	(Executive Chairman)
Tan Sri Dato' Dr Lin See Yan	
Dato' Johari Razak	
Chan Thye Seng	
Edmond Cheah Swee Leng	
Lim Hock Chye	
Tan Sri Dato' Seri Abdull Hamid Bin Embong	
Tan Sri Mohamed Al Amin Abdul Majid	(Resigned on 3 August 2018)

In accordance with Articles 81 of the Constitution of the Company, Tan Sri Dato' Seri Abdull Hamid Bin Embong and Dato' Johari Razak retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The Directors of subsidiaries who held for office since the date of the last report and at the date of this report, not including those Directors listed above are:

Abdul Latif Bin Mahamud	
Ahmad Razif Bin Mohamed	
Anthony Tan Swee Hock	
Bon Kok Meng	(Resigned on 28 June 2018)
Chai Hann Lin	
Chan Ying Wai	(Resigned on 31 July 2018)
Chandran A/L A Perumal	
Chen Tai Ngoh	
Chin Kok Wooi	
Chow Keen Seng	(Deceased on 14 February 2018)
Chotchawal Leetrairong	
Dato' Abdul Latif Bin Abdullah	
Dato' Henry Lau Lee Kong	
Dato' Lee Yeow Chor	
Dato' Ng How Hon	
Dato' Sri Tong Seech Wi	
Dato' Sri Wang Yen Liang	(Resigned on 10 October 2017)
Datuk (Dr.) Abd Hapiz Bin Abdullah	
Datuk Abdul Rashid Bin Hashim	
Datuk Akbarkhan Bin Abdulrahman	(Resigned on 10 October 2017)
Datuk Anuar Bin Ahmad	
Datuk Azizan Bin Abdul Rahman	(Resigned on 1 August 2018)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

The Directors of subsidiaries who held for office since the date of the last report and at the date of this report, not including those Directors listed above are: (continued)

Datuk Hasnul Bin Hassan	
Datuk Mohd Aris Hisham Bin Abd Aziz	(Appointed on 23 August 2017)
Datuk Serin Bin Sudah @ Masree	
Datuk Wong Sai Wan	
Eric Chan Hean Chin	
Fong Seow Kee	(Resigned on 22 June 2018)
Gan Khuan Heng	(Resigned on 31 May 2018)
Hasdi Bin Hussain	
Idris Bin Pilus	(Appointed on 1 June 2018)
Indrawan Masrin	
Jimmy Masrin	
Khamis Bin Awal	
Kong Hwai Ming	
Lee Chee Keong	
Lee Cheun Wei	
Lee Nan Phin	
Liew Tet Seng	
Lim Beng Teck	
Lim Chang Meng	
Lim Lay Chin	(Appointed on 20 September 2017)
Lim Liang Tan	
Lim Tee Siong	(Resigned on 21 September 2017)
Ling Tung Leh	
Lim Wee Beng	
Low Huoi Seong	
Masahiko Otomo	
Md Azar Bin Ismail	
Mohamad Abdul Naser Bin Md. Jaafar @ Yunus	
Mohamad Ruslan Bin Ali	
Mohd Azlan Bin Mohammed	
Mohd Azni Bin Md Azar	
Mohd Yazid Bin Ahmad	
Norzain Bin Abdul Wahab	
Phoon Chiong Kit	(Appointed on 22 June 2018)
Puan Sri Datuk Rohani Seri Parkash Binti Abdullah	(Resigned on 31 May 2018)
Robin Ling Seng Chiong	
Sabli Bin Sibil	
Safrizal Bin Mohd Said	
Shamsudin Bin Basri	
Shigeo Fuji	
Siew Ka Kheong	
Siew Yuen Tuck	
Somsak Chatteerapat	
Stephane Sylvain Alphonse Taib	
Surasak Suwannapasri	
Suzuki Masayuki	
Tan Jee Hong	(Resigned on 21 September 2017)
Tan Sri Abd Ghafar Bin Mahmud	

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

The Directors of subsidiaries who held for office since the date of the last report and at the date of this report, not including those Directors listed above are: (continued)

Tan Wee Lian
 Tho Tuck Woh
 Toh Puan Norella Binti Talib
 Wong Kah Pun (Appointed on 13 February 2018)
 Wong Siut Yin
 Yim Yoke Koon
 YM Datin Paduka Raja Nor Mazli Binti Raja Mohar
 YM Dato' Paduka Tengku Shaharin Abu Bakar Tengku Suleiman
 YM Tengku Mahamad Bin Tengku Mahamut
 Yuhei Sogabe

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 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares		
	Balance as at 1.6.2017	Bought	Sold
			Balance as at 31.5.2018
Shares in the Company			
<u>Direct interests:</u>			
Dato' Johari Razak	465,427	-	-
Dato' Siew Ka Wei	23,328,365	688,800	-
Tan Sri Dato' Dr Lin See Yan	165,375	-	-
<u>Indirect interests:</u>			
Dato' Siew Ka Wei	20,471,748	-	-
Chan Thye Seng	42,797,402	-	-
Subsidiary, Nylex (Malaysia) Berhad ('Nylex')			
<u>Direct interests:</u>			
Dato' Johari Razak	131,360	-	-
Dato' Siew Ka Wei	2,096,460	-	-
Tan Sri Dato' Dr Lin See Yan	17,337	-	-
<u>Indirect interests:</u>			
Dato' Siew Ka Wei	93,608,359	-	-
Chan Thye Seng	87,967,041	-	-

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

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 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows: (continued)

	Number of ordinary shares		
	Balance as at 1.6.2017	Bought	Sold
			Balance as at 31.5.2018
Subsidiary, Ancom Logistics Berhad ('ALB')			
<u>Direct interests:</u>			
Dato' Johari Razak	23,271	-	-
Dato' Siew Ka Wei	749,867	-	-
Tan Sri Dato' Dr Lin See Yan	8,268	-	-
<u>Indirect interests:</u>			
Dato' Siew Ka Wei	215,473,196	-	-
Chan Thye Seng	214,562,757	-	-

By virtue of his interests in the ordinary shares of the Company, Dato' Siew Ka Wei is 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 remuneration received and receivable by the Directors) 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 the transactions entered into the ordinary course of business with companies in which the Directors of the Company have substantial financial interests as disclosed in Note 35 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.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

Fees and other benefits of the Directors who held office during the financial year ended 31 May 2018 were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Directors				
- salaries, bonus and allowances	4,253	7,745	920	434
- defined contribution plan	174	301	58	28
	4,427	8,046	978	462
Non-Executive Directors				
- fees	810	840	490	520
- salaries, bonus and allowances*	2,076	2,377	-	-
- defined contribution plan	125	143	-	-
- other emoluments	33	29	17	14
	3,044	3,389	507	534
Total remuneration of Directors	7,471	11,435	1,485	996

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM169,000 (2017: RM159,000) and RM113,000 (2017: RM102,000) respectively.

* This is payable to a Non-Executive Director who is the Executive Director of certain subsidiaries, i.e. Nylex and Redberry Sdn. Bhd..

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Group and the Company effected Directors' and officers' liability insurance during the financial year to protect the Directors and officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. The total amount of insurance premium effected for any Director and officer of the Group and of the Company was RM14,500.

No indemnity was given to or insurance effected for the auditors of the Group and of the Company.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(II) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, 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 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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

(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 amount 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.
- (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 would 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.

AUDITORS

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

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2018 were as follows:

	Group RM'000	Company RM'000
Statutory audit	992	136
Other services	32	10
	1,024	146

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

Dato' Johari Razak
Director

Dato' Siew Ka Wei
Director

Kuala Lumpur
20 August 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 67 to 141 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 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 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Johari Razak
Director

Kuala Lumpur
20 August 2018

Dato' Siew Ka Wei
Director

STATUTORY DECLARATION

I, Lim Chang Meng (CA 15594), 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 67 to 141 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)
20 August 2018)

Lim Chang Meng

Before me:

Baloo A/L T. Pichai
Commissioner for Oaths (No. W663)
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ANCOM BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ancom Berhad, which comprise the statements of financial position as at 31 May 2018 of the Group and of the Company, and the statements of profit or loss, 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2018, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters of the Group

1. ***Impairment assessment of the carrying amount of goodwill***

The carrying amount of goodwill arising on consolidation as at 31 May 2018 amounted to RM94.98 million, as disclosed in Note 12 to the financial statements.

We have focused on the impairment assessment as it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGU") in determining the recoverable amount. These key assumptions include projected growth in future revenues and profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

INDEPENDENT AUDITORS' REPORTTO THE MEMBERS OF ANCOM BERHAD
(Incorporated in Malaysia)**Key Audit Matters (continued)**Key Audit Matters of the Group (continued)**1. Impairment assessment of the carrying amount of goodwill (continued)*****Audit response***

Our audit procedures performed include:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and challenged the key assumptions used in projections;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing to the market data, weighted average cost of capital of the Company and relevant risk factors; and
- d. Performed sensitivity analysis to stress test the key assumptions used in the projections to evaluate the impact on the impairment assessment.

2. Recoverability of trade receivables

As at 31 May 2018, the Group has trade receivables of RM367.06 million which include debts that are past due but not impaired of RM79.36 million. The details of trade receivables and their credit risk have been disclosed in Notes 15 and 34 respectively to the financial statements.

We have focused on the recoverability of trade receivables as it requires a high level of management judgement and the amounts are material.

Management recognised impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

Audit response

Our audit procedures performed include:

- a. Obtained an understanding of credit process in place to assess and manage the recoverability of trade receivables by the Group;
- b. Assessed recoverability of receivables that were past due but not impaired by reviewing their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- c. Assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ANCOM BERHAD
(Incorporated in Malaysia)

Key Audit Matters (continued)

Key Audit Matter of the Company

Impairment assessment of the carrying amounts of costs of investments in subsidiaries and amounts owing by subsidiaries

As disclosed in Note 7 and Note 16 to the financial statements, the costs of investments in subsidiaries and amounts owing by subsidiaries to the Company amounted to RM307.92 million and RM41.17 million respectively as at 31 May 2018.

Management performed impairment assessments of certain investments in subsidiaries and amounts owing by subsidiaries, which had impairment indicators. This is an area of focus as the recoverable amount of the investments in subsidiaries and amounts owing by subsidiaries are determined based on discounted future cash flows projections, which require judgement on the part of management estimation of the future financial performance and key assumptions used, in particular profit margins, growth rates and pre-tax discount rate.

Audit response

Our audit procedures included the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and challenged the key assumptions used in projections;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing to the market data, weighted average cost of capital of the Company and relevant risk factors; and
- d. Performed sensitivity analysis to stress test the key assumptions used in the projections to evaluate the impact on the impairment assessment.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORTTO THE MEMBERS OF ANCOM BERHAD
(Incorporated in Malaysia)**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ANCOM BERHAD
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 39 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Kuala Lumpur
20 August 2018

Lum Chiew Mun

03039/04/2019 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	286,399	292,559	30,874	30,278
Investment properties	6	348	359	-	-
Investments in subsidiaries	7	-	-	307,915	278,807
Investments in associates	8	2,375	2,117	2,847	2,847
Investments in joint ventures	9	-	-	-	-
Other investments	10	4,893	1,037	243	503
Intangible assets	11	3,791	3,574	7	12
Goodwill on consolidation	12	94,975	99,663	-	-
Deferred tax assets	13	26,226	26,486	-	-
		419,007	425,795	341,886	312,447
Current assets					
Inventories	14	129,581	148,101	-	-
Trade and other receivables	15	510,383	423,601	5,701	5,765
Amounts owing by subsidiaries	16	-	-	41,171	44,761
Amounts owing by associates	17	10,371	6,933	4,353	4,327
Amounts owing by joint ventures	18	88	56	-	-
Current tax assets		2,762	2,345	-	-
Other investments	10	2,737	1,593	-	-
Cash and bank balances	19	139,446	135,317	24	24
		795,368	717,946	51,249	54,877
TOTAL ASSETS		1,214,375	1,143,741	393,135	367,324

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital	20	218,956	218,956	218,956	218,956
Less: Treasury shares, at cost		(2,473)	(2,473)	(2,473)	(2,473)
Reserves	21	100,755	86,827	51,596	50,543
		317,238	303,310	268,079	267,026
Non-controlling interests	7(d)	168,407	166,918	-	-
TOTAL EQUITY		485,645	470,228	268,079	267,026
LIABILITIES					
Non-current liabilities					
Borrowings	22	54,135	60,172	3,465	997
Deferred tax liabilities	13	9,926	9,525	255	298
Provision for retirement benefits	25	4,672	4,221	-	-
		68,733	73,918	3,720	1,295
Current liabilities					
Borrowings	22	336,527	315,468	79,654	52,834
Trade and other payables	26	319,136	277,710	2,114	2,246
Amounts owing to subsidiaries	27	-	-	39,442	43,713
Amounts owing to associates	17	27	41	-	-
Current tax liabilities		4,307	6,376	126	210
		659,997	599,595	121,336	99,003
TOTAL LIABILITIES		728,730	673,513	125,056	100,298
TOTAL EQUITY AND LIABILITIES		1,214,375	1,143,741	393,135	367,324

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	28	1,954,809	1,700,261	12,913	22,575
Cost of sales		(1,681,906)	(1,459,145)	-	-
Gross profit		272,903	241,116	12,913	22,575
Other operating income		12,152	30,558	1,977	364
Distribution costs		(99,828)	(86,348)	-	-
Administrative expenses		(109,615)	(110,028)	(5,648)	(5,133)
Other operating expenses		(9,829)	(8,339)	(1,104)	(1,991)
Finance costs	29	(19,013)	(14,211)	(6,800)	(6,674)
Share of results of associates, net of tax	8(d)	258	(1,306)	-	-
Profit before taxation		47,028	51,442	1,338	9,141
Taxation	30	(21,367)	(22,165)	(285)	(256)
Profit for the financial year		25,661	29,277	1,053	8,885
Profit attributable to:					
Owners of the parent		17,581	17,466	1,053	8,885
Non-controlling interests	7(d)	8,080	11,811	-	-
		25,661	29,277	1,053	8,885

				Group		
				2018	2017	
				Sen	Sen	
Note						
Basic and diluted:						
Earnings per ordinary share				31	8.17	8.11

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year		25,661	29,277	1,053	8,885
Other comprehensive (loss)/income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		(14,634)	6,994	-	-
Item not to be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability	25	(30)	13	-	-
Other comprehensive (loss)/income, net of tax		(14,664)	7,007	-	-
Total comprehensive income		10,997	36,284	1,053	8,885
Total comprehensive income/(loss) attributable to:					
Owners of the parent		11,006	20,455	1,053	8,885
Non-controlling interests		(9)	15,829	-	-
		10,997	36,284	1,053	8,885

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Group	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 1 June 2017	218,956	4,332	203	4,987	14,241	(2,473)	63,064	303,310	166,918	470,228
Profit for the financial year	-	-	-	-	-	-	17,581	17,581	8,080	25,661
Other comprehensive loss, net of tax	-	-	-	-	(6,545)	-	(30)	(6,575)	(8,089)	(14,664)
Total comprehensive (loss)/income	-	-	-	-	(6,545)	-	17,551	11,006	(9)	10,997
Transactions with owners										
Repurchase of treasury shares of a subsidiary	-	-	-	-	-	-	-	-	(3,496)	(3,496)
Additional interest in a subsidiary	-	-	-	-	-	-	-	-	10	10
Disposal of equity interests in subsidiaries	-	-	-	-	-	-	2,922	2,922	10,233	13,155
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,079)	(2,079)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(3,170)	(3,170)
Total transactions with owners	-	-	-	-	-	-	2,922	2,922	1,498	4,420
As at 31 May 2018	218,956	4,332	203	4,987	7,696	(2,473)	83,537	317,238	168,407	485,645

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Group	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 1 June 2016	218,956	4,332	203	4,987	11,265	(2,377)	45,119	282,485	159,013	441,498
Profit for the financial year	-	-	-	-	-	-	17,466	17,466	11,811	29,277
Other comprehensive income, net of tax	-	-	-	-	2,976	-	13	2,989	4,018	7,007
Total comprehensive income	-	-	-	-	2,976	-	17,479	20,455	15,829	36,284
Transactions with owners										
Repurchase of treasury shares of the Company	-	-	-	-	-	(96)	-	(96)	-	(96)
Repurchase of treasury shares of a subsidiary	-	-	-	-	-	-	-	-	(198)	(198)
Additional interest in a subsidiary	-	-	-	-	-	-	-	-	490	490
Disposal of equity interests in subsidiaries	-	-	-	-	-	-	466	466	(433)	33
Re-measurement of acquisition of a subsidiary	-	-	-	-	-	-	-	-	(119)	(119)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,081)	(2,081)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(5,583)	(5,583)
Total transactions with owners	-	-	-	-	-	(96)	466	370	(7,924)	(7,554)
As at 31 May 2017	218,956	4,332	203	4,987	14,241	(2,473)	63,064	303,310	166,918	470,228

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Company	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 June 2016	218,956	4,332	4,917	(2,377)	32,409	258,237
Profit for the financial year	-	-	-	-	8,885	8,885
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	8,885	8,885
Transaction with owners						
Repurchase of treasury shares of the Company	-	-	-	(96)	-	(96)
Total transaction with owners	-	-	-	(96)	-	(96)
As at 31 May 2017/1 June 2017	218,956	4,332	4,917	(2,473)	41,294	267,026
Profit for the financial year	-	-	-	-	1,053	1,053
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,053	1,053
As at 31 May 2018	218,956	4,332	4,917	(2,473)	42,347	268,079

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		47,028	51,442	1,338	9,141
Adjustments for:					
Amortisation of intangible assets	11	917	937	5	7
Bad debts written off - third parties		2,299	-	-	-
Depreciation of investment properties	6	11	12	-	-
Depreciation of property, plant and equipment	5	24,891	21,436	1,027	942
Dividend income (gross)	28	(10)	(12)	(10,569)	(18,708)
Fair value loss/(gain) on other investments		88	(33)	-	-
Gain on disposal of other investments		(113)	-	(113)	-
(Gain)/Loss on disposal of property, plant and equipment		(481)	(182)	(19)	43
Gain on disposal of equity interest in a subsidiary		-	-	(143)	(40)
Gain on disposal of a subsidiary		(196)	-	-	-
Impairment loss on:					
- amounts owing by associates	17(d)	27	319	-	-
- trade and other receivables		2,361	3,695	-	-
Interest expense	29	19,013	14,211	6,800	6,674
Interest income		(1,557)	(1,338)	(213)	(1,428)
Inventories written down	14	1,114	3,054	-	-
Property, plant and equipment written off	5	97	736	-	-
Reversal of impairment loss on trade and other receivables		(33)	(299)	-	-
Share of results in associates	8(d)	(258)	1,306	-	-
Net unrealised gain on foreign exchange		(2,898)	(651)	-	-
Provision for retirement benefits	25	568	590	-	-
Operating profit/(loss) before working capital changes		92,868	95,223	(1,887)	(3,369)
Working capital changes:					
Inventories		17,412	(31,309)	-	-
Trade and other receivables		(88,292)	(109,944)	64	65
Trade and other payables		36,278	54,201	(132)	(413)
Amounts owing by associates		(3,465)	(1,567)	(26)	18
Amounts owing by joint ventures		(32)	-	-	-
Amounts owing to associates		(14)	(60)	-	-
Cash generated from/(used in) operations		54,755	6,544	(1,981)	(3,699)
Dividend received		10	12	10,569	18,708
Retirement benefits paid	25	(2)	(239)	-	-
Tax paid		(23,328)	(20,798)	(412)	(306)
Net cash from/(used in) operating activities		31,435	(14,481)	8,176	14,703

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries		(254)	-	-	-
Acquisition of additional interests in a subsidiary		-	-	-	(2,500)
Acquisition of associates		-	(400)	-	-
Proceeds from disposal of equity interests in subsidiaries		13,165	404	1,035	5,949
Proceeds from disposal of a subsidiary		46	-	-	-
Interest received		1,557	1,338	213	1,428
Proceeds from disposal of property, plant and equipment		802	736	150	-
Proceeds from disposal of non-current assets held for sale		-	51	-	-
Purchase of intangible assets	11	(1,134)	(12)	-	-
(Purchase)/Sale of other investments		(4,975)	(726)	373	-
Purchase of property, plant and equipment	5(c)	(21,855)	(73,884)	(1,754)	(553)
Net payments to subsidiaries		-	-	(33,522)	(10,175)
Repurchase of treasury shares of a subsidiary		(3,496)	(198)	-	-
(Placement)/Withdrawal of short term deposits:					
- pledged with licensed banks		(5,329)	1,295	-	-
- with maturity period more than three (3) months		(3,518)	(3)	-	-
Net cash used in investing activities		(24,991)	(71,399)	(33,505)	(5,851)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests		(2,079)	(2,081)	-	-
Dividends paid to non-controlling interests of subsidiaries		(3,170)	(5,583)	-	-
Interest paid		(19,013)	(14,211)	(3,959)	(3,597)
Repurchase of treasury shares of the Company		-	(96)	-	(96)
Repayments of hire purchase and lease creditors		(3,047)	(5,034)	(107)	(104)
Net drawdown/(repayments) of borrowings		14,899	142,653	25,183	(3,459)
Net cash (used in)/from financing activities		(12,410)	115,648	21,117	(7,256)
Net (decrease)/increase in cash and cash equivalents		(5,966)	29,768	(4,212)	1,596
Cash and cash equivalents at beginning of financial year		107,314	75,916	(7,065)	(8,661)
Effects of exchange rate changes on cash and cash equivalents		(3,300)	1,630	-	-
		104,014	77,546	(7,065)	(8,661)
Cash and cash equivalents at end of financial year	19(c)	98,048	107,314	(11,277)	(7,065)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Borrowings as at 1 June 2017		375,640	229,538	53,831	58,993
Cash flows		16,400	142,573	29,288	(5,162)
Non-cash flows:					
- Purchase of property, plant and equipment	5(c)	1,417	3,107	-	-
- Effect of foreign exchange		(2,795)	422	-	-
Borrowings as at 31 May 2018		390,662	375,640	83,119	53,831

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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 Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.

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

The consolidated financial statements for the financial year ended 31 May 2018 comprise the Company and its subsidiaries and the interests of the Group in associates and joint ventures. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company. 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 20 August 2018.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities and the details of the subsidiaries are disclosed in Note 39 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 40.1 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

4. OPERATING SEGMENTS

The Group's operations comprise the following main operating segments:

Investment holding	: Investment holding
Agricultural chemicals	: Manufacture, trading and sale of agricultural chemical products
Industrial chemicals	: Manufacture, trading and sale of industrial chemical products
Logistics	: Ship-owning, ship-operating, land transportation, container haulage, bulk cargo handling, chemicals warehousing and related services
Media	: Provision of out-of-home and digital advertising media space
Polymer	: Manufacturing and marketing of polymer products

Others mainly comprise education, information technology, manufacturing and sales of electrical component products.

The accounting policies of operating segments are the same as those described in the respective notes to the financial statements. The Group evaluates performance on the basis of profit or loss from operations before taxation. 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.

The inter-segment assets are adjusted against the segment assets to arrive at total assets reported in the consolidated statement of financial position.

The inter-segment liabilities are adjusted against the segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

4. OPERATING SEGMENTS (CONTINUED)

(a) Operating segment

2018	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments RM'000	Total RM'000
Revenue									
External sales	432	304,427	1,290,335	50,829	151,327	125,776	31,683	-	1,954,809
Inter-segment sales	16,662	57,361	464	7,452	3,106	49	1,100	(86,194)	-
Total revenue	17,094	361,788	1,290,799	58,281	154,433	125,825	32,783	(86,194)	1,954,809
Segment (loss)/profit before taxation									
Interest income	(34,728)	42,026	24,879	5,999	(10,379)	14,978	4,829	(576)	47,028
Depreciation and amortisation	2,042	14	674	16	226	544	1,057	(3,016)	1,557
Share of results of associates	(1,418)	(3,670)	(1,821)	(8,123)	(4,285)	(5,144)	(896)	(462)	(25,819)
Interest expense	258	-	-	-	-	-	-	-	258
Other material non-cash items:	(9,674)	(1,267)	(5,574)	(4,141)	(1,258)	(35)	(80)	3,016	(19,013)
Inventories written down	-	-	(314)	-	-	(530)	(270)	-	(1,114)
Impairment loss on:									
- amounts owing by associates	-	-	-	-	(27)	-	-	-	(27)
- trade and other receivables	-	(31)	208	(68)	(981)	(986)	(503)	-	(2,361)
Property, plant and equipment written off	-	-	-	(20)	(77)	-	-	-	(97)
Bad debts written off - third parties	78	-	-	7	2,214	-	-	-	2,299
Segment assets	104,687	188,846	513,248	125,956	187,980	118,290	31,235	(55,867)	1,214,375
Investments in associates	3,420	-	-	1,802	-	-	17	(2,864)	2,375
Goodwill on consolidation	-	-	97,943	4,762	26,240	93	-	(34,063)	94,975
Additions to property, plant and equipment and intangible assets	1,853	11,383	939	1,427	6,266	1,047	1,491	-	24,406
Segment liabilities	119,798	96,148	288,996	95,284	91,722	23,562	8,206	5,014	728,730

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

4. OPERATING SEGMENTS (CONTINUED)

(a) Operating segment (continued)

2017	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments RM'000	Total RM'000
Revenue									
External sales	755	218,729	1,197,993	30,270	102,770	125,682	24,062	-	1,700,261
Inter-segment sales	23,646	52,790	2,496	8,368	-	-	1,193	[88,493]	-
Total revenue	24,401	271,519	1,200,489	38,638	102,770	125,682	25,255	[88,493]	1,700,261
Segment (loss)/profit before taxation									
Interest income	(31,236)	36,035	28,752	[468]	2,456	17,944	[2,720]	679	51,442
Depreciation and amortisation	2,779	631	638	6	313	282	745	[4,056]	1,338
Share of results of associates	(1,187)	[3,260]	[1,912]	[5,523]	[3,864]	[5,634]	[1,005]	-	[22,385]
Interest expense	[1,306]	-	-	-	-	-	-	-	[1,306]
Other material non-cash items:	[9,548]	[887]	[5,096]	[187]	[2,421]	[397]	[178]	4,503	[14,211]
Inventories written down	-	-	[722]	-	-	[2,332]	-	-	[3,054]
Impairment loss on:									
- amounts owing by associates	-	-	-	-	[178]	-	[141]	-	[319]
- trade and other receivables	-	[76]	[622]	-	[2,322]	[547]	[128]	-	[3,695]
Property, plant and equipment written off	-	-	-	[474]	[262]	-	-	-	[736]
Segment assets	91,910	145,784	537,767	128,878	141,190	126,974	32,366	[61,128]	1,143,741
Investments in associates	3,162	-	-	1,802	-	-	17	[2,864]	2,117
Investments in joint ventures	-	-	-	-	540	-	-	[540]	-
Goodwill on consolidation	-	-	103,481	4,762	25,836	105	-	[34,521]	99,663
Additions to property, plant and equipment and intangible assets	2,184	3,610	591	65,811	2,954	1,595	258	-	77,003
Segment liabilities	87,424	79,249	314,139	99,707	62,154	21,420	7,822	1,598	673,513

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENTS (CONTINUED)

(b) Geographical segment

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Segment assets	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,117,415	850,898	1,006,366	878,456
Singapore	250,547	297,790	80,924	122,711
Indonesia	166,463	176,730	103,173	120,088
Other Southeast Asian countries	117,981	116,047	23,912	22,486
Other Asian countries	126,011	114,352	-	-
Australia and New Zealand	57,367	51,892	-	-
North and South America	83,062	65,765	-	-
Africa	33,503	26,510	-	-
Europe	2,460	277	-	-
	1,954,809	1,700,261	1,214,375	1,143,741

(c) Major customers

There are no major customers with revenue equal or more than ten percent (10%) of Group revenue.

5. PROPERTY, PLANT AND EQUIPMENT

	At 31.5.2018		
	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Freehold land	1,016	-	1,016
Buildings	56,781	(9,228)	47,553
Leasehold land	56,833	(7,098)	49,735
Plant and machinery	274,455	(196,112)	78,343
Vessel and equipment	77,913	(5,204)	72,709
Motor vehicles	39,808	(27,595)	12,213
Furniture, fittings and office equipment	30,295	(22,903)	7,392
Renovation	13,323	(4,545)	8,778
Assets under construction	8,660	-	8,660
	559,084	(272,685)	286,399

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2017	Balance as at 1.6.2016 RM'000	Additions 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 31.5.2017 RM'000
Carrying amount								
Freehold land	1,016	-	-	-	-	-	-	1,016
Buildings	51,013	581	-	(1,601)	580	-	-	50,573
Leasehold land	51,788	-	-	(878)	326	-	-	51,236
Plant and machinery	86,566	5,996	(240)	(12,352)	1,510	(259)	150	81,371
Vessel and equipment	-	146	-	(1,301)	-	-	77,767	76,612
Motor vehicles	11,393	5,300	(206)	(3,163)	18	(474)	150	13,018
Furniture, fittings and office equipment	7,616	1,386	(108)	(1,746)	9	-	-	7,157
Renovation	6,427	1,058	-	(395)	-	-	-	7,090
Assets under construction	19,732	62,524	-	-	300	(3)	(78,067)	4,486
	235,551	76,991	(554)	(21,436)	2,743	(736)	-	292,559
<div> <div>←</div> <div>At 31.5.2017</div> <div>→</div> </div>								
				Accumulated depreciation and impairment				
				Cost		Carrying amount		
				RM'000		RM'000		
Freehold land				1,016		1,016		
Buildings				57,928		(7,355)		
Leasehold land				57,454		(6,218)		
Plant and machinery				267,019		(185,648)		
Vessel and equipment				77,913		(1,301)		
Motor vehicles				43,244		(30,226)		
Furniture, fittings and office equipment				28,652		(21,495)		
Renovation				11,163		(4,073)		
Assets under construction				4,486		-		
				548,875		(256,316)		
						292,559		

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2018	Balance as at 1.6.2017	Additions	Depreciation charge for the financial year	Disposal	Balance as at 31.5.2018
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	22,134	-	(241)	-	21,893
Buildings	5,606	-	(127)	-	5,479
Motor vehicles	1,128	161	(327)	(131)	831
Furniture, fittings and office equipment	130	57	(75)	-	112
Renovation	1,280	1,536	(257)	-	2,559
	30,278	1,754	(1,027)	(131)	30,874

	At 31.5.2018		
	Cost	Accumulated depreciation and impairment	Carrying amount
	RM'000	RM'000	RM'000
Leasehold land	23,580	(1,687)	21,893
Buildings	6,327	(848)	5,479
Plant and machinery	2,403	(2,403)	-
Motor vehicles	1,802	(971)	831
Furniture, fittings and office equipment	1,239	(1,127)	112
Renovation	5,359	(2,800)	2,559
	40,710	(9,836)	30,874

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2017	Balance as at 1.6.2016	Additions	Depreciation charge for the financial year	Disposal	Balance as at 31.5.2017
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	22,375	-	(241)	-	22,134
Buildings	5,732	-	(126)	-	5,606
Motor vehicles	1,352	140	(321)	(43)	1,128
Furniture, fittings and office equipment	171	36	(77)	-	130
Renovation	1,080	377	(177)	-	1,280
	30,710	553	(942)	(43)	30,278

	At 31.5.2017		
	Cost	Accumulated depreciation and impairment	Carrying amount
	RM'000	RM'000	RM'000
Leasehold land	23,580	(1,446)	22,134
Buildings	6,327	(721)	5,606
Plant and machinery	2,403	(2,403)	-
Motor vehicles	1,999	(871)	1,128
Furniture, fittings and office equipment	1,182	(1,052)	130
Renovation	3,823	(2,543)	1,280
	39,314	(9,036)	30,278

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Each class of property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) 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% - 12.5%
Leasehold land	1% - 5%
Plant and machinery	5% - 33.3%
Vessel and equipment	5% - 20%
Motor vehicles	5% - 25%
Furniture, fittings and office equipment	5% - 33.3%
Renovation	2% - 10%

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	23,272	76,991	1,754	553
Financed by hire purchase and lease arrangements	(1,417)	(3,107)	-	-
Cash payments on purchase of property, plant and equipment	21,855	73,884	1,754	553

- (d) The carrying amounts of property, plant and equipment of the Group and of the Company under hire purchase and finance lease at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	4,483	3,418	406	546
Furniture, fittings and office equipment	118	21	-	-
Plant and machinery	3,267	14,140	-	-
	7,868	17,579	406	546

- (e) As at 31 May 2018, included in property, plant and equipment are certain land and buildings of the Group and the Company with a total carrying amount of RM49,687,000 (2017: RM49,731,000) and RM27,372,000 (2017: RM27,740,000) respectively charged to banks for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.
- (f) As at 31 May 2018, vessel and equipment of the Group with carrying amount of RM72,582,000 (2017: RM76,471,000) have been charged to licensed banks for banking facilities granted to certain subsidiaries as disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

6. INVESTMENT PROPERTIES

Group 2018	Balance as at 1.6.2017	Depreciation charge for the financial year	Balance as at 31.5.2018
Carrying amount	RM'000	RM'000	RM'000
Freehold land at cost	20	-	20
Buildings at cost	339	(11)	328
	359	(11)	348
2017	Balance as at 1.6.2016	Depreciation charge for the financial year	Balance as at 31.5.2017
Carrying amount	RM'000	RM'000	RM'000
Freehold land at cost	20	-	20
Buildings at cost	351	(12)	339
	371	(12)	359
	Group		
	2018	2017	
	RM'000	RM'000	
Fair value	940	710	

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investments properties are fifty (50) years.
- (c) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM18,000 (2017: RM18,000).
- (d) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM10,000 (2017: RM10,000).
- (e) The fair value of investment properties for disclosure purposes, which are at Level 3 fair value, was recommended by the Directors as at the end of reporting period based on indicative market value of similar properties in the vicinity on a price per square foot basis.
- (f) The investment properties of the Group are mainly used to generate rental income. However, the fair value of the investment properties reflects the highest and best use of the said properties should the investment properties be disposed. Currently, management does not intend to dispose off the investment properties and the existing use of the investment properties remains for rental purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Quoted shares in Malaysia, at cost	32,762	33,654
Unquoted shares, at cost	226,056	226,056
Equity loans	100,000	70,000
	358,818	329,710
Less: Impairment loss of investments in unquoted shares	(50,903)	(50,903)
	307,915	278,807

- (a) Investments in subsidiaries are measured at cost. Non-controlling interests are measured at their proportionate share of net assets of subsidiaries, unless another measurement basis is required by MFRS.
- (b) The details of the subsidiaries are disclosed in Note 39 to the financial statements.
- (c) Quoted investments in a subsidiary with a carrying amount of RM22,792,000 (2017: RM23,684,000) and quoted investments held by a subsidiary with a carrying amount of RM69,470,000 (2017: RM68,435,000) have been charged to licensed banks for credit facilities granted to the Company (Note 22).
- (d) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000	Others*	Total RM'000
			RM'000	
2018				
NCI percentage of ownership interest and voting interest (%)	54.2%	54.7%		
Carrying amount of NCI	131,680	11,697	25,030	168,407
Profit/(Loss) allocated to NCI	11,330	580	(3,830)	8,080
Other comprehensive loss allocated to NCI	(8,089)	-	-	(8,089)
Total comprehensive income/(loss) allocated to NCI	3,241	580	(3,830)	(9)

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(d) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows: (continued)

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000	Others*	Total RM'000
2017				
NCI percentage of ownership interest and voting interest (%)	54.2%	54.7%		
Carrying amount of NCI	134,734	13,567	18,617	166,918
Profit/(Loss) allocated to NCI	14,442	(1,192)	(1,439)	11,811
Other comprehensive income allocated to NCI	4,018	-	-	4,018
Total comprehensive income/(loss) allocated to NCI	18,460	(1,192)	(1,439)	15,829

* The NCI of all other subsidiaries that are not wholly-owned by the Group are deemed to be immaterial.

(e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000
2018		
Assets and liabilities		
Non-current assets	274,634	28,842
Current assets	504,817	18,525
Non-current liabilities	(47,445)	(7,295)
Current liabilities	(371,770)	(7,331)
Net assets	360,236	32,741
Results		
Revenue	1,446,375	28,980
Profit for the financial year	20,075	221
Total comprehensive income	5,828	221
Cash flows from operating activities	30,162	773
Cash flows used in investing activities	(9,543)	(529)
Cash flows used in financing activities	(25,443)	(1,798)
Net decrease in cash and cash equivalents	(4,824)	(1,554)
Dividend paid to NCI	720	2,450

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows: (continued)

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000
2017		
Assets and liabilities		
Non-current assets	293,959	31,607
Current assets	511,379	20,872
Non-current liabilities	(55,186)	(6,225)
Current liabilities	(387,689)	(11,284)
Net assets	362,463	34,970
Results		
Revenue	1,337,256	28,333
Profit/(Loss) for the financial year	23,761	(3,063)
Total comprehensive income/(loss)	30,875	(3,063)
Cash flows (used in)/from operating activities	(22,060)	8,726
Cash flows used in investing activities	(62,620)	(1,217)
Cash flows from/(used in) financing activities	127,853	(6,109)
Net increase in cash and cash equivalents	43,173	1,400
Dividend paid to NCI	95	5,488

- (f) Management reviews the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amounts of the investments in subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or the value-in-use of the respective subsidiaries. The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate pre-tax discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to support their income and cash flows. Significant judgements and estimates had also been used to determine the key assumptions applied to the cash flow projections, which includes the profit margins, growth rates, and the appropriate pre-tax discount rates used for each of the subsidiary. Impairment losses are made when the carrying amount of the investment in subsidiaries exceed its recoverable amount.

7.1 Acquisition of additional interest in subsidiaries

- (a) During the financial year, the Group via its wholly-owned subsidiary, Ancom Crop Care Sdn. Bhd. subscribed additional 1,332,000 ordinary shares in Entopest Environmental Services Sdn. Bhd. ('EES') for consideration of RM1,332,000, thereby increasing the Group's equity interest in EES from 90% to 99.9%.
- (b) In the previous financial year, the Company subscribed an additional 2,499,998 ordinary shares of RM1.00 each in Ancom Management Services Sdn. Bhd. ('AMS') for cash consideration of RM2,500,000.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**7.2 Acquisition of subsidiaries**

(a) During the financial year:

- (i) the Company has on 28 July 2017 incorporated a wholly-owned subsidiary, TravelPay Malaysia Sdn. Bhd. with issued and paid-up share capital of RM2 comprising 2 ordinary shares.
- (ii) the Group via its subsidiary, EES, acquired 65 ordinary shares, representing 65% equity interest in Entopest Environmental Services (PG) Sdn. Bhd. (formerly known as Ecogreen Pest Management Sdn. Bhd.) ('EPM') for a cash consideration of RM106,000. The acquisition does not have any material impact to the Group.

Subsequent to the acquisition, EES further acquired 35 ordinary shares, representing 35% equity interest in EPM for cash consideration of RM159,000, thereby increasing the Group's equity interest in EPM from 65% to 100% and became a wholly-owned subsidiary of EES.

- (iii) the Group via its wholly-owned subsidiary, Puncak Berlian Sdn. Bhd., ('PBSB') has on 20 November 2017 acquired 2 ordinary shares, representing 100% equity interest in Ten Plus Resources Sdn. Bhd. ('TPSB') for cash consideration of RM2.

Subsequent to the acquisition, the Group's equity interest in TPSB decreased from 100% to 90% following the issuance of new ordinary shares to a corporate shareholder. No significant loss incurred from the dilution of equity interest.

- (iv) the Group via its subsidiary, PBSB, has on 27 March 2018 acquired 1 ordinary share, representing the entire equity interest in Novaberry Sdn. Bhd. for cash consideration of RM1.

(b) In the previous financial year:

- (i) the Group via Syarikat Wandeerfull Sdn. Bhd., a wholly-owned subsidiary of Ancom Overseas Ventures Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, acquired 2 ordinary shares of RM1 each representing the entire issued and paid-up share capital of Syarikat Wandeerfull (Kg Attap) Sdn. Bhd. (formerly known as Kemuning Kencana Sdn. Bhd.) for a cash consideration of RM2.
- (ii) the Group via Redberry Sdn. Bhd. ('RBSB'), a wholly-owned subsidiary of the Company, acquired 1 ordinary share representing the entire equity interest in Digital Showcase Sdn. Bhd. for cash consideration of RM1.

7.3 Disposal of subsidiaries

- (a) On 29 June 2017, RBSB entered into a Share Sale Purchase Agreement with Newsmakers Production Sdn. Bhd. for disposal of 2,375,000 ordinary shares, representing 95% equity interest in Unreserved Sdn. Bhd. for cash consideration of RM50,000. The disposal did not have any material financial impact to the Group.
- (b) The Group via its subsidiary, Nylex (Malaysia) Berhad ('Nylex') had on 30 March 2018 entered into a Share Sales Agreement with Bon Kok Meng and Astachem Holdings Sdn. Bhd. ('ASCH') for disposal of the total 2,200,000 ordinary shares, representing 100% of the issued and paid-up share capital in NYL Logistics Sdn. Bhd. ('NYL'), a 60% owned subsidiary of Nylex, to ASCH for a total consideration of RM14,400,000 ('Proposed Disposal').

Upon completion of the Proposed Disposal on 28 June 2018, NYL ceased to be a subsidiary of the Group on the same date.

- (c) In the previous financial year, Ancom Nutrifooods Sdn. Bhd. disposed 2 ordinary shares of RM1.00 each representing 100% equity interest in Hilly Ventures Sdn. Bhd. for a total cash consideration of RM2.

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7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.4 Dilution of equity interests in subsidiaries

- (a) RBSB had on 16 November 2017, entered into a conditional Share Sale Agreement with VGI Global Media (Malaysia) Sdn. Bhd. ('VGI Malaysia') for the disposal of 4,281,277 ordinary shares, representing 25% of the issued and paid-up share capital in PBSB to VGI Malaysia for a consideration of RM13,155,000. ('Proposed Transaction')

PBSB is an investment holding company which owns Meru Utama Sdn. Bhd., Focus Media Network Sdn. Bhd., Redberry Media Sdn. Bhd., TPSB, Point Cast (M) Sdn. Bhd., Redberry Outdoors Sdn. Bhd. and Titanium Compass Sdn. Bhd. ('PBSB Group').

The Proposed Transaction was completed on 26 January 2018. As a result of disposal, PBSB became a 75% owned subsidiary of the Group.

- (b) In the previous financial year, the Group's equity interest in TCSB decreased from 100.0% to 51.0% following the issuance of new ordinary shares to Utusan Airtime Sdn Bhd, VGI Global Media Public Company Limited and Ikatan Asli Sdn. Bhd.. The Group recognised a loss on dilution of equity interest amounting to RM490,000 during the financial year.

7.5 Equity loan

During the financial year, the Directors of the Company have reassessed the nature of the amounts owing by subsidiaries and determined that a portion of the outstanding balance amounting to RM100,000,000 shall constitute equity loans to a subsidiary, which are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future, and are considered to be part of the Company's net investment in providing the subsidiary a long term source of additional capital.

7.6 Common control transactions

- (a) During the financial year:
- (i) the Company disposed 900,000 ordinary shares of average price of RM1 each in Nylex to Rhodemark Developmenet Sdn. Bhd. ('RDSB') for a consideration of RM1,035,000 and recognised a gain on disposal of RM143,000. The disposal did not have any material financial impact to the Group.
 - (ii) RBSB disposed its entire equity interest in Point Cast (M) Sdn. Bhd. to PBSB comprising 2,500,000 ordinary shares for cash consideration of RM1. The disposal did not have any material financial impact to the Group.
 - (iii) RBSB disposed its entire equity interest in Redberry Media Sdn. Bhd. to PBSB comprising 49,000 ordinary shares for cash consideration of RM1. The disposal did not have any material financial impact to the Group.
 - (iv) PBSB disposed its entire equity interest in Redberry Contact Center Sdn. Bhd. to RBSB comprising 5,335,000 ordinary shares for cash consideration of RM1.00. The disposal did not have any material financial impact to the Group.

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7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.6 Common control transactions (continued)

(b) In the previous financial year:

- (i) the Company entered into a transaction with its subsidiary, Ancom Logistics Berhad ('ALB'), to acquire the entire 1,164,000 redeemable convertible preference shares and 466,000 ordinary shares of RM1 each representing 66.7% equity interest in Ancom Components Sdn. Bhd. for a total cash consideration of RM1. The acquisition did not have any material financial impact to the Group.
- (ii) the Company disposed 5,960,000 ordinary shares of average price of RM1 each in Nylex to RDSB for a consideration of RM5,949,000 and recognised a gain on disposal of RM40,000. The disposal did not have any material financial impact to the Group.

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	14,678	14,678	9,149	9,149
Group's share of post acquisition results	(5,026)	(5,284)	-	-
	9,652	9,394	9,149	9,149
Less: Impairment loss	(7,277)	(7,277)	(6,302)	(6,302)
	2,375	2,117	2,847	2,847

- (a) Investments in associates is measured at cost in the separate financial statements and accounted for using the equity method in the consolidated financial statements.
- (b) In the previous financial year, the Group via Nylex subscribed 400,000 ordinary shares in One Chem Terminal Sdn. Bhd. ('OCT') representing 40% of the issued and paid-up share capital of OCT for a cash consideration of RM400,000.
- (c) The details of the associates are disclosed in Note 39 to the financial statements.
- (d) The aggregate amount of the associates results shared by the Group during the financial year are as follows:

	2018	2017
Group	RM'000	RM'000
Share of profit/(loss) of the Group	258	(1,306)
Share of other comprehensive income of the Group	-	-
Share of total comprehensive income/(loss) of the Group	258	(1,306)

- (e) Tamco Chongqing Switchgear Company Limited has been placed under liquidation in previous financial years. The completion of the liquidation is pending the approval from the local regulatory in China.
- (f) Summarised financial information of the associates are not disclosed as it is immaterial to the Group.

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9. INVESTMENTS IN JOINT VENTURES

	Group	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	540	540
Group's share of post-acquisition results	(540)	(540)
	-	-

- (a) Investments in joint ventures are accounted for using the equity method in the consolidated financial statements.
- (b) The details of the joint ventures are disclosed in Note 39 to the financial statements.
- (c) Senandung Sonik Sdn. Bhd. ('SSSB') and TeaFM Radio Sdn. Bhd. ('TeaFM') are unlisted separate entities whose quoted market prices are not available. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to assets and obligation for liabilities of the joint arrangement resting primarily with TeaFM and SSSB.
- (d) The joint ventures are not allowed to distribute their profits prior to the consent of the venture partners.
- (e) Summarised financial information of joint ventures are not disclosed as it is immaterial to the Group.

10. OTHER INVESTMENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	147	407	-	260
Unquoted shares in Malaysia	330	330	-	-
Unquoted shares outside Malaysia	4,116	-	-	-
Club memberships	300	300	243	243
Total non-current other investments	4,893	1,037	243	503
Current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	1,067	546	-	-
Unit trusts	1,670	1,047	-	-
Total current other investments	2,737	1,593	-	-

Information on fair value hierarchy is disclosed in Note 33(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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11. INTANGIBLE ASSETS

Group 2018	Balance as at 1.6.2017	Additions	Amortisation during the financial year	Balance as at 31.5.2018
Carrying amount	RM'000	RM'000	RM'000	RM'000
Rights	3,226	-	(796)	2,430
Computer software	348	743	(121)	970
Development expenditure	-	391	-	391
	3,574	1,134	(917)	3,791

2017	Balance as at 1.6.2016	Additions	Amortisation during the financial year	Balance as at 31.5.2017
Carrying amount	RM'000	RM'000	RM'000	RM'000
Rights	4,051	-	(825)	3,226
Computer software	448	12	(112)	348
	4,499	12	(937)	3,574

	Company	
	2018	2017
	RM'000	RM'000
Computer software		
Balance as at 1 June 2017/2016	12	19
Amortisation during the financial year	(5)	(7)
Balance as at 31 May 2018/2017	7	12

- (a) Rights represent audio and visual advertising network distributions secured by the Group for media sales 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.
- (b) Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
- (c) Development expenditure comprise salaries of personnel involved in the development and design of products prior to commencement of commercial production.
- (d) Amortisation 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 amortisation periods are as follows:

Rights	5 to 10 years
Computer software	3 to 5 years

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

11. INTANGIBLE ASSETS (CONTINUED)

- (e) 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 cash generating units ('CGU') held as Rights:

Media Segment

- i. Cash flows were projected based on financial budgets approved by the CGU. The budgets covered a period of five (5) years, in accordance with the remaining years of utilisation of the Right.
- ii. The revenue to be derived from the Right is anticipated to be at least RM500,000 per year from financial year 2019 to financial year 2023.
- iii. A pre-tax discount rate of 5.3% (2017: 5.0%) per annum has been applied. The discount rate used is estimated based on weighted average cost of capital of the Group.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

12. GOODWILL ON CONSOLIDATION

	Group	
	2018	2017
	RM'000	RM'000
Balance as at 1 June 2017/2016	99,663	96,700
Acquisition of subsidiaries	862	-
Foreign exchange differences	(5,550)	2,963
Balance as at 31 May 2018/2017	94,975	99,663

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated from the acquisition date, to each of the Group's CGU that are expected to benefit from the synergies of the combination.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy for foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

12. GOODWILL ON CONSOLIDATION (CONTINUED)

(a) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs which has been identified according to business segments as follows:

	Group	
	2018	2017
	RM'000	RM'000
Industrial chemicals	68,568	74,106
Polymer	93	105
Logistics	4,762	4,762
Media	19,067	18,609
Others	2,485	2,081
	94,975	99,663

(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 relevant 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.

(c) In respect of the industrial chemicals and polymer CGUs, the key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:

- (i) A pre-tax discount rate of 5.3% (2017: 5.0%) per annum has been applied. The discount rate used is estimated based on weighted average cost of capital of the Group.
- (ii) Growth rate used is based on historical trends of each CGU taking into account the industry outlook. The average growth rates of 3.7% (2017: 3.4%) per annum.
- (iii) The profit margin applied to the projections are based on the historical profit margin trends for each of the individual CGUs.

With regards to the assessment of value-in-use of the polymer CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

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12. GOODWILL ON CONSOLIDATION (CONTINUED)

- (c) In respect of the industrial chemicals and polymer CGUs, the key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows: (continued)

For the industrial chemicals CGU, the estimated recoverable amount is higher than its carrying value. The implication of the key assumptions for the recoverable amount is discussed below:

Discount rate assumptions

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital which takes into account both debt and equity of the Group. The management has considered the possibility of greater than forecasted discount rate.

Based on the sensitivity analysis performed by the management, increase of 100 basis point in the discount rate used would not result in any impairment.

Growth rate assumptions

Management has considered that a possibility of a weaker than the anticipated growth rate which may occur if the industrial chemicals CGU does not perform as per expected results. The effect of bearish future growth performance is not expected to have an adverse impact on forecasts included in the budget, where a reduction in 1% of the growth rate used would not result in any impairment of the balance.

- (d) In respect of the media CGU, the key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:
- (i) Growth rate used is based on the historical trends of the CGU. The average growth rates of 7% (2017: 6%) per annum.
 - (ii) A pre-tax discount rate of 5.3% (2017: 5.0%) per annum has been applied. The discount rate used is estimated based on weighted average cost of capital of the Group.

Management is not aware of any reasonable possible changes in the key assumptions, which would cause the carrying amount of the media CGU to materially exceed its recoverable amount.

- (e) In respect of logistics and other CGUs, the management is not aware of any reasonable possible changes which would cause the carrying amount of the CGUs to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED TAX (ASSETS)/LIABILITIES

- (a) The deferred tax (assets)/liabilities are made up of the following:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 June 2017/2016	(16,961)	(15,658)	298	304
Recognised in profit or loss (Note 30)	525	(1,225)	(43)	(6)
Foreign exchange differences	136	(78)	-	-
	661	(1,303)	(43)	(6)
Balance as at 31 May 2018/2017	(16,300)	(16,961)	255	298
Presented as:				
Deferred tax assets, net	(26,226)	(26,486)	-	-
Deferred tax liabilities, net	9,926	9,525	255	298

- (b) The components and movements of deferred tax liabilities and assets of the Group during the financial year are as follows:

Deferred tax liabilities of the Group		Property, plant and equipment	Offsetting	Total
		RM'000	RM'000	RM'000
2018				
Balance as at 1 June 2017		12,556	(3,031)	9,525
Recognised in profit or loss		(568)	969	401
Foreign exchange differences		54	(54)	-
Balance as at 31 May 2018		12,042	(2,116)	9,926
2017				
Balance as at 1 June 2016		13,178	(2,606)	10,572
Recognised in profit or loss		(599)	(448)	(1,047)
Foreign exchange differences		(23)	23	-
Balance as at 31 May 2017		12,556	(3,031)	9,525

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

13. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

- (b) The components and movements of deferred tax liabilities and assets of the Group during the financial year are as follows: (continued)

Deferred tax assets of the Group

	Provision for liabilities RM'000	Unutilised tax losses and unabsorbed capital allowances RM'000	Others RM'000	Offsetting RM'000	Total RM'000
2018					
Balance as at 1 June 2017	(5,374)	(23,259)	(884)	3,031	(26,486)
Recognised in profit or loss	131	1,176	(214)	(969)	124
Foreign exchange differences	29	10	43	54	136
Balance as at 31 May 2018	(5,214)	(22,073)	(1,055)	2,116	(26,226)
2017					
Balance as at 1 June 2016	(3,289)	(24,766)	(781)	2,606	(26,230)
Recognised in profit or loss	(2,085)	1,544	(85)	448	(178)
Foreign exchange differences	-	(37)	(18)	(23)	(78)
Balance as at 31 May 2017	(5,374)	(23,259)	(884)	3,031	(26,486)

- (c) The components and movements of deferred tax liabilities of the Company during the financial year are as follows:

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000
2018	
Balance as at 1 June 2017	298
Recognised in profit or loss	(43)
Balance as at 31 May 2018	255
2017	
Balance as at 1 June 2016	304
Recognised in profit or loss	(6)
Balance as at 31 May 2017	298

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

13. 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	
	2018	2017
	RM'000	RM'000
Unutilised tax losses	115,142	111,174
Unabsorbed capital allowances	18,293	13,376
Others	(7,968)	(248)
	125,467	124,302

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.

14. INVENTORIES

	Group	
	2018	2017
	RM'000	RM'000
At cost		
Raw materials and consumables	30,446	25,912
Packing materials	597	487
Work-in-progress	878	1,076
Finished goods	48,298	37,711
Inventory-in-transit	3,259	2,896
	83,478	68,082
At net realisable value		
Raw materials and consumables	12,168	10,631
Work-in-progress	3,037	3,566
Finished goods	30,898	65,822
	46,103	80,019
	129,581	148,101

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula and weighted average method. The cost comprises all costs of purchase, cost of conversion plus other costs 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 production overheads based on normal operating capacity of the production facilities.

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,482,380,000 (2017: RM1,315,685,000). The Group has also written down inventories by RM1,114,000 (2017: RM3,054,000) to their net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	367,055	340,885	-	-
Related parties	-	4,843	-	-
	367,055	345,728	-	-
Less: Impairment loss	(9,831)	(8,413)	-	-
	357,224	337,315	-	-
Other receivables				
Third parties	45,000	38,281	5,473	5,526
Related parties	24,920	20,999	-	11
	69,920	59,280	5,473	5,537
Less: Impairment loss	(9,464)	(10,253)	-	-
	60,456	49,027	5,473	5,537
Deposits	39,344	11,548	227	227
Loans and receivables	457,024	397,890	5,700	5,764
Deferred expenditure	13,699	7,086	-	-
Prepayments	39,660	18,625	1	1
	53,359	25,711	1	1
	510,383	423,601	5,701	5,765

- (a) Trade and other receivables are classified as loans and receivables and measured at amortised cost using the effective interest method.
- (b) 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 (2017: one (1) month to four (4) months). They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.
- (c) Amounts owing from related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (d) The currency exposure profile of trade and other receivables is disclosed in Note 34(i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2018	2017
	RM'000	RM'000
Neither past due nor impaired	277,853	211,169
Past due, not impaired		
1 to 30 days	42,290	55,746
31 to 60 days	19,588	38,630
61 to 90 days	6,655	11,633
91 to 120 days	5,508	7,035
More than 120 days	5,323	13,095
	79,364	126,139
Past due and impaired	9,838	8,420
	367,055	345,728

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	Individually assessed	Total
	RM'000	RM'000	RM'000
Group			
2018			
Trade receivables	379	9,917	10,296
Less: Impairment loss	(379)	(9,452)	(9,831)
	-	465	465
2017			
Trade receivables	393	8,027	8,420
Less: Impairment loss	(393)	(8,020)	(8,413)
	-	7	7

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(f) The reconciliation of movement in impairment loss is as follows:

	Group	
	2018	2017
	RM'000	RM'000
Trade receivables		
At 1 June 2017/2016	8,413	6,899
Charge for the financial year	2,275	1,802
Reversal of impairment loss	(33)	(299)
Written off	(790)	(5)
Exchange differences	(34)	16
At 31 May 2018/2017	9,831	8,413
Other receivables		
At 1 June 2017/2016	10,253	8,360
Written off	(875)	-
Charge for the financial year	86	1,893
At 31 May 2018/2017	9,464	10,253
	19,295	18,666

Trade and other 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.

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, current economic trends and changes in customer payment terms when making a 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.

(g) Information on financial risks of trade and other receivables are disclosed in Note 34 to the financial statements.

16. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Amounts owing by subsidiaries	44,160	47,750
Less: Impairment loss	(2,989)	(2,989)
	41,171	44,761

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16. AMOUNTS OWING BY SUBSIDIARIES (CONTINUED)

- (a) Amounts owing by subsidiaries are classified as loans and receivables and measured at amortised cost using the effective interest method.
- (b) The Company assesses the impairment of receivables on the amounts owing by subsidiaries when the receivables are long outstanding. The recoverable amount of amounts owing by subsidiaries are assessed by reference to the value-in-use and fair value less costs to sell of the respective subsidiaries.

The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries 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.

- (c) The amounts owing by subsidiaries represent advances and payments made on behalf, which are interest-free, unsecured and payable upon demand in cash and cash equivalents except for an amount of RM27,757,000 (2017: RM32,627,000), which bears an interest rate of 6.0% (2017: 6.0%) per annum.
- (d) The amounts owing by subsidiaries are denominated in RM.
- (e) Information on financial risks of amounts owing by subsidiaries are disclosed in Note 34 to the financial statements.

17. AMOUNTS OWING BY/(TO) ASSOCIATES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Amounts owing by associates	20,946	17,481	4,458	4,432
Less: Impairment loss	(10,575)	(10,548)	(105)	(105)
	10,371	6,933	4,353	4,327
Amounts owing to associates	(27)	(41)	-	-

- (a) Amounts owing by associates are classified as loans and receivables and measured at amortised cost using the effective interest method.
- (b) Amounts owing to associates are classified as other financial liabilities and measured at amortised cost using the effective interest method.
- (c) The amounts owing by/(to) associates represent balances arising from trade transactions, advances and payments made on behalf which are unsecured, interest-free and payable upon demand in cash and cash equivalents. The trade transactions are carried out based on normal trade terms as disclosed in Notes 15(b) and 26(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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17. AMOUNTS OWING BY/(TO) ASSOCIATES (CONTINUED)

(d) The reconciliation of movement in the impairment loss are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 June 2017/2016	10,548	10,229	105	105
Charge for the financial year	27	319	-	-
At 31 May 2018/2017	10,575	10,548	105	105

(e) The amounts owing by/(to) associates are denominated in RM.

(f) Information on financial risks of amounts owing by/(to) associates are disclosed in Note 34 to the financial statements.

18. AMOUNTS OWING BY JOINT VENTURES

	Group	
	2018 RM'000	2017 RM'000
Amounts owing by joint ventures	88	56

(a) Amounts owing by joint ventures are classified as loans and receivables and measured at amortised cost using the effective interest method.

(b) The amounts owing by joint ventures represent advances and payments made on behalf, which are unsecured, interest free and payable upon demand in cash and cash equivalents.

(c) The amounts owing by joint ventures are denominated in RM.

19. CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term deposits with licensed banks	39,359	35,002	-	-
Cash and bank balances	100,087	100,315	24	24
	139,446	135,317	24	24

NOTES TO THE FINANCIAL STATEMENTS

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19. CASH AND BANK BALANCES (CONTINUED)

- (a) Short term deposits of the Group amounting to RM11,166,000 (2017: RM5,837,000) 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) The currency exposure profiles of cash and bank balances are disclosed in Note 34(i) to the financial statements.
- (c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	139,446	135,317	24	24
Less:				
Short term deposits with maturity period more than three (3) months	(3,653)	(135)	-	-
Short term deposits pledged with licensed banks	(11,166)	(5,837)	-	-
Bank overdrafts (Note 22)	(26,579)	(22,031)	(11,301)	(7,089)
As reported in statements of cash flows	98,048	107,314	(11,277)	(7,065)

- (d) Information on financial risks of cash and bank balances are disclosed in Note 34 to the financial statements.

20. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM'000	Number of shares	RM'000
Issued and fully paid:				
At beginning/end of the year	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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

20. SHARE CAPITAL (CONTINUED)

(b) With the introduction of the new Companies Act 2016 ('CA2016') effective 31 January 2017, the concept of authorised share capital and par value of share capital has been abolished. The balances within the share premium account and capital redemption reserve shall be transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of CA2016. Notwithstanding this provision, Section 618 of CA2016 provides transitional period of twenty four (24) months to utilise the amounts in the share premium account and capital redemption reserve. The Company has not utilise the balance in share premium account and capital redemption reserve during the financial year.

(c) Treasury shares

As at 31 May 2018, a total of 3,779,327 (2017: 3,779,327) treasury shares at a total cost of RM2,473,000 (2017: RM2,473,000) are held by the Company. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of CA2016 in Malaysia.

The number of ordinary shares as at 31 May 2018 net of treasury shares is 215,177,015 (2017: 215,177,015).

21. RESERVES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Share premium	4,332	4,332	4,332	4,332
Capital reserve	203	203	-	-
Exchange translation reserve	7,696	14,241	-	-
Capital redemption reserve	4,987	4,987	4,917	4,917
Distributable				
Retained earnings	83,537	63,064	42,347	41,294
	100,755	86,827	51,596	50,543

(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 a capital reduction exercise.

NOTES TO THE FINANCIAL STATEMENTS

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22. BORROWINGS

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current liabilities					
Secured					
Hire purchase and lease creditors	24	2,732	3,662	237	351
Term loans	23	51,403	56,510	3,228	646
		54,135	60,172	3,465	997
Current liabilities					
Unsecured					
Bankers' acceptances		111,015	128,374	-	-
Bank overdrafts		7,943	14,990	7,943	5,965
Revolving credits		69,004	64,900	11,800	12,400
		187,962	208,264	19,743	18,365
Secured					
Bankers' acceptances		2,040	1,081	2,040	-
Bank overdrafts		18,636	7,041	3,358	1,124
Revolving credits		52,850	31,708	52,850	30,000
Trust receipts		33,594	34,041	-	-
Hire purchase and lease creditors	24	2,667	3,367	115	108
Term loans	23	13,146	5,757	1,548	3,237
Others		25,632	24,209	-	-
		148,565	107,204	59,911	34,469
		336,527	315,468	79,654	52,834
Total borrowings					
Bankers' acceptances		113,055	129,455	2,040	-
Bank overdrafts	19	26,579	22,031	11,301	7,089
Revolving credits		121,854	96,608	64,650	42,400
Trust receipts		33,594	34,041	-	-
Hire purchase and lease creditors	24	5,399	7,029	352	459
Term loans	23	64,549	62,267	4,776	3,883
Others		25,632	24,209	-	-
		390,662	375,640	83,119	53,831

NOTES TO THE FINANCIAL STATEMENTS

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22. BORROWINGS (CONTINUED)

- (a) The secured borrowings of the Group are secured by the following:
- (i) a fixed charge over the land and buildings of the Group and the Company as disclosed in Note 5 in the financial statements;
 - (ii) a fixed charge over the vessel and equipment of the Group as disclosed in Note 5 in the financial statements;
 - (iii) a charge over certain quoted shares of a quoted subsidiary of the Company and a charge over quoted investments held by a subsidiary as disclosed in Note 7 in the financial statements;
 - (iv) pledge of short term deposits of the Group with licensed banks as disclosed in Note 19 in the financial statements;
 - (v) assignment of insurance policies covering stock in trade of certain subsidiaries; and
 - (vi) joint and several guarantees from Directors of the Company.
- (b) The secured borrowings of the Company are secured by the following:
- (i) a fixed and floating charge over certain assets of the Company; and
 - (ii) certain shares of a quoted subsidiary.
- (c) The currency exposure profiles of borrowings are disclosed in Note 34(i) to the financial statements.
- (d) Information on financial risks of borrowings are disclosed in Note 34 to the financial statements.

23. TERM LOANS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
- not later than one year	13,146	5,757	1,548	3,237
Non-current liabilities				
- later than one year and not later than five years	26,939	24,320	3,228	646
- later than five years	24,464	32,190	-	-
	51,403	56,510	3,228	646
	64,549	62,267	4,776	3,883

NOTES TO THE FINANCIAL STATEMENTS

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24. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase and lease payments:				
- not later than one year	2,909	3,981	130	130
- later than one year and not later than five years	2,872	3,785	249	378
Total minimum hire purchase and lease payments	5,781	7,766	379	508
Less: Future interest charges	(382)	(737)	(27)	(49)
Present value of hire purchase and lease payments	5,399	7,029	352	459
Repayable as follows:				
Current liabilities:				
- not later than one year	2,667	3,367	115	108
Non-current liabilities:				
- later than one year and not later than five years	2,732	3,662	237	351
	5,399	7,029	352	459

Information on financial risks of hire purchase and lease creditors are disclosed in Note 34 to the financial statements.

25. PROVISION FOR RETIREMENT BENEFITS

Movements in the net liabilities recognised in the statement of financial position are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Balance as at 1 June 2017/2016	4,221	3,808
Actuarial loss/(gain) from re-measurement	30	(13)
Charged to profit or loss	568	590
Utilised during the financial year	(2)	(239)
Foreign exchange differences	(145)	75
Balance as at 31 May 2018/2017	4,672	4,221

The retirement benefit obligation is a post-employment benefit plan under which the Group is obligated to pay eligible employees a fixed percentage on the average annual salary for each completed year of service. 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.

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26. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trade payables	205,864	187,939	-	-
Other payables	61,615	38,886	890	1,061
Deposits	10	141	-	-
Accruals	40,270	37,793	1,224	1,185
Other financial liabilities	307,759	264,759	2,114	2,246
Deferred revenue	11,377	12,951	-	-
	319,136	277,710	2,114	2,246

- (a) The normal credit terms available to the Group in respect of trade payables ranged from 30 to 90 days (2017: 30 to 90 days) from date of invoice.
- (b) Deferred revenue of the Group represents the portion of the consideration received in advance in respect of the utilisation of advertising space in the next financial year.
- (c) The currency exposure profiles of trade and other payables are disclosed in Note 34(i) to the financial statements.
- (d) Information on financial risks of trade and other payables are disclosed in Note 34 to the financial statements.

27. AMOUNTS OWING TO SUBSIDIARIES

- (a) 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, except for an amount totalling of RM38,616,000 (2017: RM37,369,000), which is subject to interest ranging from 6.0% - 7.5% (2017: 6.0% - 7.5%) per annum.
- (b) The amounts owing to subsidiaries are denominated in RM.
- (c) Information on financial risks of amounts owing to subsidiaries are disclosed in Note 34 to the financial statements.

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28. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,758,103	1,569,303	-	-
Services rendered	196,264	130,191	-	-
Rental income	432	755	2,131	2,439
Interest income	-	-	213	1,428
Dividend income (gross):				
- Quoted investments in Malaysia	10	12	10	12
- Quoted subsidiaries	-	-	559	696
- Unquoted subsidiaries	-	-	10,000	18,000
	10	12	10,569	18,708
	1,954,809	1,700,261	12,913	22,575

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 activities of the Group 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 percentage of total services to be performed.

(c) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(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.

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29. FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- amounts owing to subsidiaries	-	-	2,841	3,077
- bank overdrafts	1,248	1,157	742	746
- term loans, revolving credits and bankers' acceptance	13,215	11,728	3,175	2,818
- others	4,550	1,326	42	33
	19,013	14,211	6,800	6,674

30. TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current taxation based on profit for the financial year:				
- Malaysian income tax	18,593	20,116	287	571
- Foreign income tax	3,289	4,873	-	-
	21,882	24,989	287	571
(Over)/Under provision in prior years:				
- Malaysian income tax	(1,035)	(1,600)	41	(309)
- Foreign income tax	(5)	1	-	-
	(1,040)	(1,599)	41	(309)
	20,842	23,390	328	262
Deferred tax (Note 13)				
Relating to origination and reversal of temporary differences	(72)	(16)	(30)	(288)
Under/(Over) provision in prior years	597	(1,209)	(13)	282
	525	(1,225)	(43)	(6)
	21,367	22,165	285	256

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

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30. TAXATION (CONTINUED)

- (c) The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	47,028	51,442	1,338	9,141
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	11,287	12,346	321	2,194
Tax effects in respect of:				
Non-allowable expenses	12,788	13,620	2,894	2,587
Non-taxable income	(2,401)	(4,288)	(2,958)	(4,498)
Tax incentives and allowances	(76)	(43)	-	-
Deferred tax assets not recognised	5,589	4,329	-	-
Effect of changes in tax rate	(7)	(486)	-	-
Share of results of associates	(61)	313	-	-
Utilisation of unrecognised tax losses and capital allowances	(5,309)	(1,003)	-	-
Different tax rates in foreign jurisdictions	-	185	-	-
	21,810	24,973	257	283
(Over)/Under-provision in prior years:				
- income tax	(1,040)	(1,599)	41	(309)
- deferred tax	597	(1,209)	(13)	282
	(443)	(2,808)	28	(27)
	21,367	22,165	285	256

- (d) Tax savings of the Group are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Utilisation of unrecognised tax losses and capital allowances	5,309	1,003
Utilisation of tax incentives and allowances	76	43

NOTES TO THE FINANCIAL STATEMENTS

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31. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the financial year has been calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue (after adjusting for treasury shares) during the financial year.

	Group	
	2018	2017
Profit attributable to equity holders of the parent (RM'000)	17,581	17,466
Weighted average number of ordinary shares in issue ('000)	215,177	215,248
Basic earnings per ordinary share for the financial year (sen)	8.17	8.11

(b) Diluted earnings per ordinary share

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per ordinary share equals basic earnings per ordinary share.

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities of the Group would be 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 2017.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 May 2018 and 31 May 2017.

The Group monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to owners of parent. Net debt are calculated as total borrowings (comprising current and non-current borrowings as shown in the statements of financial position) net of cash and bank balances.

		Group	
	Note	2018 RM'000	2017 RM'000
Borrowings	22	390,662	375,640
Short term deposits with licensed bank	19	(39,359)	(35,002)
Cash and bank balances	19	(100,087)	(100,315)
Net debt		251,216	240,323
Total equity attributable to owners of the parent		317,238	303,310
Gearing ratio		0.79	0.79

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

32. CAPITAL MANAGEMENT (CONTINUED)

Pursuant to the requirements of Practice Note No. 17/2005, of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 May 2018.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS**(a) Determination of fair values**

The fair values of financial assets and financial liabilities are determined as follows:

- (i) 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 portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

- (ii) Quoted investments

The fair value of quoted investments is determined by reference to the exchange quoted market bid prices at the close of the business at the end of the reporting period.

- (iii) Club memberships

The fair value of club memberships is determined by reference to club membership price.

- (iv) Hire purchase and lease creditors

The fair values of the hire purchase and lease creditors are estimated by discounting future contractual cash flows at current market interest rates available to the Group by reference to similar leasing arrangements.

- (v) Term loans

The fair value of term loans are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending or borrowing arrangements at the reporting date.

- (vi) Unit trusts

Unit trusts are valued using valuation models which uses both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, the risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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).

The significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below:

Financial instrument	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<u>Financial assets</u>		
Club memberships	Comparable market quotes	The higher the market quotes, the higher the fair value of the club memberships would be.

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position:

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000			
2018											
Financial assets											
Financial assets at fair value through profit or loss											
- Unit trusts	-	1,670	-	1,670	-	-	-	-	1,670	1,670	
- Quoted shares	1,214	-	-	1,214	-	-	-	-	1,214	1,214	
- Unquoted shares	-	-	-	-	-	-	4,446	4,446	4,446	4,446	
- Club memberships	-	-	300	300	-	-	-	-	300	300	
	1,214	1,670	300	3,184	-	-	4,446	4,446	7,630	7,630	
Financial liabilities											
Other financial liabilities											
- Hire purchase and lease creditors	-	-	-	-	-	5,305	-	5,305	5,305	5,399	
2017											
Financial assets											
Financial assets at fair value through profit or loss											
- Unit trusts	-	1,047	-	1,047	-	-	-	-	1,047	1,047	
- Quoted shares	953	-	-	953	-	-	-	-	953	953	
- Unquoted shares	-	-	-	-	-	-	330	330	330	330	
- Club memberships	-	-	300	300	-	-	-	-	300	300	
	953	1,047	300	2,300	-	-	330	330	2,630	2,630	
Financial liabilities											
Other financial liabilities											
- Hire purchase and lease creditors	-	-	-	-	-	6,853	-	6,853	6,853	7,029	

NOTES TO THE FINANCIAL STATEMENTS

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position: (continued)

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2018										
Financial assets										
Financial assets at fair value through profit or loss										
- Club memberships	-	-	243	243	-	-	-	-	243	243
Financial liabilities										
Other financial liabilities										
- Hire purchase and lease creditors	-	-	-	-	-	349	-	349	349	352
2017										
Financial assets										
Financial assets at fair value through profit or loss										
- Quoted shares	260	-	-	260	-	-	-	-	260	260
- Club memberships	-	-	243	243	-	-	-	-	243	243
	260	-	243	503	-	-	-	-	503	503
Financial liabilities										
Other financial liabilities										
- Hire purchase and lease creditors	-	-	-	-	-	441	-	441	441	459

NOTES TO THE FINANCIAL STATEMENTS

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value hierarchy (continued)

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 May 2018 and 31 May 2017.

The Group has established policies and procedures in respect of the measurement of fair value of financial instruments. Management regularly reviews significant unobservable inputs and valuation adjustments.

- (c) In view of the insignificant financial effect on the Group's and the Company's profit with the possible change in assumptions used, the Group and the Company did not separately disclose the effect of these sensitivities in the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

The main risk arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity 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 financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

31 May 2018	Ringgit Malaysia ('RM') RM'000	Indonesian Rupiah ('IDR') RM'000	United States Dollar ('USD') RM'000	Vietnam Dong ('VND') RM'000	Total RM'000
Trade and other receivables					
United States Dollar	66,579	-	-	-	66,579
Singapore Dollar	1,212	-	3,361	-	4,573
Ringgit Malaysia	-	-	90	-	90
Indonesian Rupiah	-	-	27,513	-	27,513
Japanese Yen	330	-	-	-	330
	68,121	-	30,964	-	99,085
Cash and bank balances					
United States Dollar	23,674	249	-	160	24,083
Pound Sterling	230	-	1	-	231
Chinese Renminbi	5	-	-	-	5
Indonesian Rupiah	-	-	265	-	265
Ringgit Malaysia	-	-	25	-	25
Singapore Dollar	3,112	-	364	-	3,476
	27,021	249	655	160	28,085

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency risk (continued)

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:
(continued)

31 May 2018	Ringgit Malaysia (‘RM’)	Indonesian Rupiah (‘IDR’)	United States Dollar (‘USD’)	Vietnam Dong (‘VND’)	Total
Functional currency	RM’000	RM’000	RM’000	RM’000	RM’000
Borrowings					
United States Dollar	60,922	-	-	14,849	75,771
Trade and other payables					
United States Dollar	25,468	724	-	-	26,192
Singapore Dollar	121	-	6,195	-	6,316
Swiss Franc	17	-	-	-	17
New Zealand Dollar	6	-	-	-	6
Philippine Peso	91	-	-	-	91
Indonesian Rupiah	-	-	607	-	607
Ringgit Malaysia	-	-	368	-	368
	25,703	724	7,170	-	33,597
31 May 2017	Ringgit Malaysia (‘RM’)	Indonesian Rupiah (‘IDR’)	United States Dollar (‘USD’)	Vietnam Dong (‘VND’)	Total
Functional currency	RM’000	RM’000	RM’000	RM’000	RM’000
Trade and other receivables					
United States Dollar	45,536	-	-	-	45,536
Singapore Dollar	962	-	1,859	-	2,821
Ringgit Malaysia	-	-	32	-	32
Brunei Dollar	16	-	-	-	16
Japanese Yen	323	-	-	-	323
	46,837	-	1,891	-	48,728
Cash and bank balances					
United States Dollar	19,319	9,565	-	74	28,958
Pound Sterling	1	-	-	-	1
Chinese Renminbi	3	-	-	-	3
Japanese Yen	242	5	-	-	247
Ringgit Malaysia	-	1	25	-	26
Singapore Dollar	1,335	2	134	-	1,471
	20,900	9,573	159	74	30,706

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Foreign currency risk (continued)

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:
(continued)

31 May 2017	Ringgit Malaysia ('RM')	Indonesian Rupiah ('IDR')	United States Dollar ('USD')	Vietnam Dong ('VND')	Total
Functional currency	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowings					
United States Dollar	63,030	-	-	7,112	70,142
Trade and other payables					
United States Dollar	9,983	2,852	-	2,578	15,413
Singapore Dollar	31	-	6,670	-	6,701
Euro	69	-	-	-	69
New Zealand Dollar	63	-	-	-	63
Philippine Peso	119	-	-	-	119
Ringgit Malaysia	-	-	383	-	383
	10,265	2,852	7,053	2,578	22,748

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after taxation 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	
		2018	2017
		RM'000	RM'000
Profit after taxation			
RM/USD	- strengthen by 3%	88	(186)
	- weaken by 3%	(88)	186
IDR/USD	- strengthen by 3%	(11)	153
	- weaken by 3%	11	(153)
VND/USD	- strengthen by 3%	(335)	(219)
	- weaken by 3%	335	219
USD/IDR	- strengthen by 3%	619	-
	- weaken by 3%	(619)	-

The Group's profit after taxation is not sensitive to other foreign currencies.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings, and is managed through the use of fixed and floating rate borrowings and 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 of the Company's financial instruments that are exposed to interest rate risk:

Group	Note	Effective annual interest rate %	Within 1 year	1 - 2	2 - 3	3 - 4	4 - 5	More than 5 years	Total
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 31 May 2018									
Fixed rates									
Short term deposits with licensed banks	19	2.71% - 4.10%	39,359	-	-	-	-	-	39,359
Hire purchase and lease creditors	24	1.17% - 8.42%	2,667	2,175	341	194	22	-	5,399
Term loans	23	5.39% - 6.35%	13,146	7,669	7,771	5,834	5,665	24,464	64,549
Floating rates									
Bank overdrafts	22	2.60% - 8.51%	26,579	-	-	-	-	-	26,579
Bankers' acceptances	22	4.05% - 5.70%	113,055	-	-	-	-	-	113,055
Revolving credits	22	3.50% - 8.73%	121,854	-	-	-	-	-	121,854
Trust receipts	22	3.34% - 6.69%	33,594	-	-	-	-	-	33,594
Other borrowings	22	3.41% - 10.20%	25,632	-	-	-	-	-	25,632

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate risk (continued)

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 of the Company's financial instruments that are exposed to 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 2017									
Fixed rates									
Short term deposits with licensed banks	19	2.90% - 4.39%	35,002	-	-	-	-	-	35,002
Hire purchase and lease creditors	24	2.41% - 8.47%	3,367	1,986	1,268	280	128	-	7,029
Term loans	23	4.51% - 6.34%	5,757	6,503	5,896	5,938	5,983	32,190	62,267
Floating rates									
Bank overdrafts	22	6.85% - 8.95%	22,031	-	-	-	-	-	22,031
Bankers' acceptances	22	4.00% - 6.00%	129,455	-	-	-	-	-	129,455
Revolving credits	22	4.95% - 8.73%	96,608	-	-	-	-	-	96,608
Trust receipts	22	2.29% - 6.69%	34,041	-	-	-	-	-	34,041
Other borrowings	22	1.98% - 10.20%	24,209	-	-	-	-	-	24,209

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate risk (continued)

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 of the Company's financial instruments that are exposed to 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 2018									
Fixed rates									
Amounts owing by subsidiaries	16	6.00%	27,757	-	-	-	-	-	27,757
Hire purchase and lease creditors	24	2.60%	115	121	116	-	-	-	352
Term loan	23	6.35%	1,548	1,548	1,680	-	-	-	4,776
Amounts owing to subsidiaries	27	6.00% - 7.50%	38,616	-	-	-	-	-	38,616
Floating rates									
Bankers' acceptance	22	5.36% - 5.91%	2,040	-	-	-	-	-	2,040
Bank overdrafts	22	7.76% - 8.51%	11,301	-	-	-	-	-	11,301
Revolving credits	22	5.25% - 7.25%	64,650	-	-	-	-	-	64,650

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate risk (continued)

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 of the Company's financial instruments that are exposed to 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 2017									
Fixed rates									
Amounts owing by subsidiaries	16	6.00%	32,627	-	-	-	-	-	32,627
Hire purchase and lease creditors	24	2.76%	108	115	121	115	-	-	459
Term loan	23	6.25%	3,237	646	-	-	-	-	3,883
Amounts owing to subsidiaries	27	6.00% - 7.50%	37,369	-	-	-	-	-	37,369
Floating rates									
Bank overdrafts	22	7.35% - 8.10%	7,089	-	-	-	-	-	7,089
Revolving credits	22	4.85% - 6.85%	42,400	-	-	-	-	-	42,400

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk (continued)

Sensitivity analysis for floating rate instruments

As at 31 May 2018, if there was a variation in interest rates by 10 basis points with all other variables held constant, the Group's and the Company's 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	
	2018	2017	2018	2017
Effects on profit after tax	RM'000	RM'000	RM'000	RM'000
10 basis point higher	(244)	(233)	(59)	(38)
10 basis point lower	244	233	59	38

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.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2018				
Group				
Financial liabilities				
Trade and other payables	307,759	-	-	307,759
Amounts owing to associates	27	-	-	27
Borrowings	336,527	31,564	25,807	393,898
Total undiscounted financial liabilities	644,313	31,564	25,807	701,684

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

34. 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
2018				
Company				
Financial liabilities				
Trade and other payables	2,114	-	-	2,114
Amounts owing to subsidiaries	39,442	-	-	39,442
Borrowings	79,654	3,492	-	83,146
Total undiscounted financial liabilities	121,210	3,492	-	124,702
2017				
Group				
Financial liabilities				
Trade and other payables	264,759	-	-	264,759
Amounts owing to associates	41	-	-	41
Borrowings	315,468	29,861	33,675	379,004
Total undiscounted financial liabilities	580,268	29,861	33,675	643,804
Company				
Financial liabilities				
Trade and other payables	2,246	-	-	2,246
Amounts owing to subsidiaries	43,713	-	-	43,713
Borrowings	52,834	1,046	-	53,880
Total undiscounted financial liabilities	98,793	1,046	-	99,839

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

34. 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 granted by the Group ranged from one (1) month to four (4) months (2017: 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 to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In respect of the cash and bank balances 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 did not have any significant exposure to any individual customer or counter party nor did it have any major concentration of credit risk related to any financial instruments.

At the end of the reporting period, the Company did not have any significant exposure to any individual customer or counter party nor did it have any major concentration of credit risk related to any financial instruments other than the amounts owing by subsidiaries of RM41,171,000 (2017: RM44,761,000).

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 15 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 15 to the financial statements.

35. 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 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

35. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related parties transactions

In addition to the related parties information detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

	Group	
	2018 RM'000	2017 RM'000
Sales to a company in which certain Directors of the Company have substantial indirect shareholding	2,628	3,806
Sales to an associate - ActMedia (M) Sdn. Bhd. (formerly known as MagiqAds Sdn. Bhd.) ('ActMedia')	20	-
Purchases from a company in which certain Directors of the Company have substantial indirect shareholding	6,509	2,126
Purchases from an associate - ActMedia	365	2,380
Professional fees paid to firms in which certain Directors of the Company are Partners	716	1,152
Rental income from an associate - ActMedia	77	85
Rental income from a company in which certain Directors of the Company have substantial indirect shareholding	386	777
	Company	
	2018 RM'000	2017 RM'000
Professional fees paid to firms in which certain Directors of the Company are Partners	716	1,152
Purchase from a company in which certain Directors of the Company have substantial indirect shareholding	475	801
Rental income from an associate - ActMedia	77	85
Rental income from a company in which certain Directors of the Company have substantial indirect shareholding	338	729

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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

35. RELATED PARTY DISCLOSURES (CONTINUED)

(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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fees	1,619	1,576	490	520
Short term employee benefits	17,767	22,872	920	434
Defined contribution plan	1,486	1,472	58	28
Other emoluments	472	486	17	14
	21,344	26,406	1,485	996

36. COMMITMENTS

(a) Capital commitments

Capital commitments not provided for in the financial statements are as follows:

	Group	
	2018	2017
	RM'000	RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	1,204	400
Approved but not contracted for	118	75
	1,322	475

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

36. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The Group has aggregate future minimum leases commitments as at the end of each reporting period, as follows:

	Group	
	2018	2017
	RM'000	RM'000
Not later than one year	4,735	16,886
Later than one year and not later than five years	4,613	8,921
Later than five years	2,030	2,277
	11,378	28,084

37. CONTINGENT LIABILITIES

	Company	
	2018	2017
	RM'000	RM'000
Unsecured		
Guarantees given to third parties in respect of trade performance of subsidiaries	19,520	17,379
Guarantees given to financial institutions in respect of credit facilities granted	53,586	33,415
	73,106	50,794

All the above unexpired guarantees were not recognised as the Directors are of the view that the fair value of such guarantees given by the Company is negligible.

38. EMPLOYEE BENEFITS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	93,283	90,342	920	434
Defined contribution plan	9,721	8,253	58	28
Provision for retirement benefits	568	590	-	-
Other benefits	1,604	1,811	-	-
	105,176	100,996	978	462

Included in the employee benefits of the Group and of the Company are Executive Directors remuneration and other emoluments amounting to RM11,254,000 (2017: RM13,458,000) and RM978,000 (2017: RM462,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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39. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) Details of subsidiaries are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2018	2017	
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
Rhodemark Development Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Ancom Energy & Services Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
^(a) HSO Business Systems Sdn. Bhd.	Malaysia	48.0%	48.0%	Dormant
iEnterprise Online Sdn. Bhd.	Malaysia	64.3%	64.3%	Development of IT systems and providing IT related consultancy services
WorldSQL.com Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Ascension Lab Sdn. Bhd.	Malaysia	100.0%	100.0%	Development of IT systems and providing IT related consultancy services
* Ancom Components Sdn. Bhd.	Malaysia	66.7%	66.7%	Manufacturing and marketing of low voltage switchgear
Redberry Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding and provision of media advertising
Redberry Barter Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Ancom Management Services Sdn. Bhd.	Malaysia	100.0%	100.0%	Provision of management services
Genovasi Malaysia Sdn. Bhd.	Malaysia	60.0%	60.0%	Provide education, training, advisory and consulting services
TravelPay Malaysia Sdn. Bhd.	Malaysia	100.0%	-	Dormant
Synergy Tanker Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

39. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2018	2017	
Indirect:				
Ancom Bioscience Sdn. Bhd.	Malaysia	100.0%	100.0%	Trading of agricultural chemical products
Polytensides Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and sale of agricultural chemical products
Timber Preservatives Sdn. Bhd.	Malaysia	100.0%	100.0%	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%	54.0%	Promoting knowledge and skills development in IT
* Ancom do Brasil 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
* 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
Entopest Environmental Services Sdn. Bhd.	Malaysia	99.9%	90.0%	Provision of pest control, hygiene and sanitation services
* Entopest Environmental Services (PG) Sdn. Bhd. (formerly known as Ecogreen Pest Management Sdn. Bhd.)	Malaysia	100.0%	-	Provision of pest control, hygiene and sanitation services
Meru Utama Sdn. Bhd.	Malaysia	56.3%	75.0%	Provision of advertising in airports
Redberry Media Sdn. Bhd.	Malaysia	36.8%	49.0%	Provision of media related services
Redberry Outdoors Sdn. Bhd.	Malaysia	67.5%	90.0%	Provision of outdoor and transit advertising
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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

39. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2018	2017	
Indirect: (continued)				
Redberry Contact Center Sdn. Bhd.	Malaysia	100.0%	100.0%	Providing call centre services
Redberry Events Sdn. Bhd.	Malaysia	90.0%	90.0%	Provision of event organisation services
Redberry Screens Sdn. Bhd. (formerly known as Redberry Mall Sdn. Bhd.)	Malaysia	100.0%	100.0%	Provision of advertising in shopping malls
Focus Media Network Sdn. Bhd.	Malaysia	62.9%	83.9%	Provision of digital and cinema advertising
* Redberry Animation Sdn. Bhd.	Malaysia	51.0%	51.0%	Dormant
Unreserved Sdn. Bhd.	Malaysia	-	100.0%	Investment holding
Titanium Compass Sdn. Bhd.	Malaysia	38.3%	51.0%	Provision of advertising services on trains and transit facilities
Point Cast (M) Sdn. Bhd.	Malaysia	75.0%	100.0%	Provision of digital advertising media space
Ten Plus Resources Sdn. Bhd.	Malaysia	67.5%	-	Dormant
Twinstar Synergy Sdn. Bhd.	Malaysia	100.0%	100.0%	Printing of newspapers, journals, magazines, books and other literary works
Redberry Retail Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Puncak Berlian Sdn. Bhd.	Malaysia	75.0%	100.0%	Dormant
Novaberry Sdn. Bhd.	Malaysia	75.0%	-	Dormant
Redberry Solution Sdn. Bhd.	Malaysia	51.0%	51.0%	Marketing of credit cards
^#10 Nylex (Malaysia) Berhad	Malaysia	45.8%	45.8%	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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

39. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2018	2017	
Indirect: (continued)				
# ^(a) Nycon Manufacturing Sdn. Bhd.	Malaysia	45.8%	45.8%	Manufacture and marketing of rotomoulded plastic products, including bulk chemical containers, road barriers, playground equipment and disposal bins
# ^(a) Nylex Polymer Marketing Sdn. Bhd.	Malaysia	45.8%	45.8%	Marketing of polyurethane ('PU') and polyvinyl chloride ('PVC') synthetic leather, films and sheets, geosynthetic and general trading
*# ^(a) PT Nylex Indonesia	Indonesia	45.8%	45.8%	Manufacture, marketing and distribution of PVC and PU leather cloth
# ^(a) Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	45.8%	45.8%	Trading in petrochemicals and industrial chemicals
# ^(a) Fermpro Sdn. Bhd.	Malaysia	45.8%	45.8%	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products
# ^(a) Kumpulan Kesuma Sdn. Bhd.	Malaysia	45.8%	45.8%	Manufacture and marketing of sealants and adhesive products
# ^(a) Wedon Sdn. Bhd.	Malaysia	45.8%	45.8%	Marketing of sealants and adhesive products
# ^(a) Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	23.4%	23.4%	Manufacture and sale of chemicals
# ^(a) ALB Marine Sdn. Bhd.	Malaysia	45.8%	45.8%	Carrying out business of ship owning, ship management and charter hire of tanker
*# ^(a) Dynamic Chemical Pte. Ltd.	Singapore	41.2%	41.2%	Blending, trading and distribution of industrial chemicals

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

39. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company		Country of incorporation	Group's effective equity interest		Principal activities
			2018	2017	
Indirect: (continued)					
*#①	CKG Chemicals Pte. Ltd.	Singapore	45.8%	45.8%	Trading and distribution of industrial chemicals and gasoline blending components
#①	Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	45.8%	45.8%	Manufacture and sale of phosphoric acid
*#①	Perusahaan Kimia Gemilang (Vietnam) Company Ltd.	Vietnam	45.8%	45.8%	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals
*#①	PT PKG Lautan Indonesia	Indonesia	23.4%	23.4%	Importation and distribution of industrial chemicals
#①	NYL Logistics Sdn. Bhd.	Malaysia	27.5%	27.5%	Providing transportation and related services
#①	Ancom Kimia Sdn. Bhd.	Malaysia	27.5%	27.5%	Distribution of petrochemicals and industrial chemicals
##①	Ancom Logistics Berhad	Malaysia	45.3%	45.3%	Investment holding
##①	Synergy Trans-Link Sdn. Bhd.	Malaysia	45.3%	45.3%	Investment holding
##①	Ancom-ChemQuest Terminals Sdn. Bhd.	Malaysia	23.1%	23.1%	Build, own, operate, lease and manage chemical tank farm and warehouse
##①	Pengangkutan Cogent Sdn. Bhd.	Malaysia	45.3%	45.3%	Providing transportation and related services
##①	Hikmat Ikhlas Sdn. Bhd.	Malaysia	15.9%	15.9%	Trading and contracting in electrical engineering products
*	Syarikat Wandeerfull Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding, dealing in and subletting of properties
*	Wandeerfull Industries Sdn. Bhd.	Malaysia	100.0%	100.0%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

39. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2018	2017	
Indirect: (continued)				
* Pureplay Interactive Sdn. Bhd.	Malaysia	100.0%	100.0%	Digital marketing, providing web software and consulting services related to information technology
* Syarikat Wandeerfull (Kg Attap) Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Digital Showcase Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant

(b) Details of associates are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2018	2017	
Direct:				
* iSpring Capital Sdn. Bhd.	Malaysia	42.0%	42.0%	Dormant
* Jirnexu Pte. Ltd.	Singapore	24.0%	24.0%	Investment holding
MSTi Corporation Sdn. Bhd.	Malaysia	20.0%	20.0%	Trading of computer hardware and software and rendering of IT related consultancy services
Indirect:				
* Ancom Philippines Inc.	Philippines	39.6%	39.6%	Dormant. Holder of licenses for certain agricultural chemical products
* Tamco Chongqing Switchgear Company Limited	China	22.2%	22.2%	Under voluntary liquidation
* ActMedia (M) Sdn. Bhd. (formerly known as MagiqAds Sdn. Bhd.)	Malaysia	40.0%	40.0%	Advertising media design and production
* Durian FM Sdn. Bhd.	Malaysia	50.0%	50.0%	Dormant
* One Chem Terminal Sdn. Bhd.	Malaysia	18.3%	18.3%	Dormant

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

39. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(c) Details of the joint ventures are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities	
		2018	2017		
Indirect:					
*	Senandung Sonik Sdn. Bhd.	Malaysia	25.5%	25.5%	Holder of radio license
*	TeaFM Radio Sdn. Bhd.	Malaysia	15.3%	15.3%	Internet radio broadcasting
*	Not audited by BDO or BDO Member Firms.				

^ Percentage shareholding computed based on the number of ordinary shares in issue after deduction of the treasury shares of Nylex.

□ The Group considers that it controls these subsidiaries even though it owns less than 50% of voting rights. This is because the Group is the single largest shareholder of these companies. Since the date of acquisition of these subsidiaries, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. Further details of Nylex and ALB are as follows:

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 ALB under a statute or an agreement.

40. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

40.1 New MFRSs adopted during the 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
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

40. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

40.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycles</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

The Company did not raise proceeds from any corporate exercise during the financial year.

Audit and Non-audit Fee

The disclosure on audit fee and non-audit fee paid or payable to the External Auditors of the Company in the financial year is set out in page 60 to the financial statements.

Material Contracts Involving Directors' / Major Shareholders' Interests

There was no material contract (other than contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiary companies which involves the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 May 2018 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions ("RRPT")

The aggregate value of RRPT made during the financial year, pursuant to the shareholders' mandate obtained at 48th Annual General Meeting of the Company, are as follows:

Related Party	Transacting Parties for RRPT	Nature of RRPT	Value of RRPT (RM'000)	Interested directors, major shareholders and connected persons
Malay Mail Sdn. Bhd. ("MMSB")	The Company	Provision of advertising space in the newspaper and other media channels by MMSB to the Company and/or Redberry Group	6,509	<ul style="list-style-type: none"> Tan Sri Mohamed Al Amin Abdul Majid, a former director Dato' Siew Ka Wei Datin Young Ka Mun Siew Ka Kheong Quek Lay Kheng Siew Nim Chee & Sons Sdn. Bhd. Silver Dollars Sdn. Bhd.
	Redberry Sdn. Bhd. and its subsidiaries ("Redberry Group")			
	Twinstar Synergy Sdn. Bhd. ("TSSB"), a wholly-owned subsidiary of Redberry Sdn. Bhd.	Provision of printing services by TSSB to MMSB	2,628	

LIST OF TOP TEN PROPERTIES

IN TERMS OF NET BOOK VALUE AS AT 31 MAY 2018

Owner	Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2018 (RM'000)	Date of Acquisition/ Revaluation
1. Nylex (Malaysia) Berhad	H.S.(D) 256546, Lot 16, Persiaran Selangor, Section 15, Shah Alam, Selangor	Unexpired leasehold interest of 90 years (Expiring on 29 June 2108)	3.02 hectares	Office and factory buildings Age of buildings: approximately 47 years	30,588	5 May 2011
	H.S.(D) 256546, Lot 16, Persiaran Selangor, Section 15, Shah Alam, Selangor	Unexpired leasehold interest of 90 years (Expiring on 29 June 2108)	1.21 hectares	Warehouse, factory and vacant land Age of buildings: approximately 38 years		
2. Ancom Berhad	H.S.(D) 7524, No. 2A, Jalan 13/2, Petaling Jaya, Selangor	Unexpired leasehold interest of 87 years (Expiring in 2105)	1.31 hectares	Office buildings Age of buildings: approximately 33 to 43 years	27,372	7 April 2011
3. Ancom-ChemQuest Terminals Sdn. Bhd.	Jeti Petrokimia, Pelabuhan Barat Pelabuhan Klang, Selangor	Unexpired lease period of 6 years (Expiring on 31 August 2024)	9.8 acres	Tank farm, office and warehouse Age of building: approximately 21 years	17,852	N/A
4. Ancom Crop Care Sdn. Bhd.	PN 77684, Lot 39, Seksyen 15, Bandar Shah Alam Daerah Petaling, Selangor	Unexpired leasehold interest of 90 years (Expiring in 2108)	2.22 hectares	Office and factory buildings Age of buildings: approximately 48 years	13,012	11 May 2011
5. Ancom Crop Care Sdn. Bhd.	P.T. 4227, Mukim of Kapar, Daerah Klang, Selangor	Unexpired leasehold interest of 68 years (Expiring on 9 June 2086)	2.52 hectares	Office and factory buildings Age of buildings: approximately 27 years	10,377	30 March 2011
6. Perusahaan Kimia Gemilang Sdn. Bhd.	H.S.(M) 6259, PT 4228, Mukim of Kapar, Daerah Klang, Selangor	Unexpired leasehold interest of 68 years (Expiring on 9 June 2086)	2.85 hectares	Office and factory buildings Age of buildings: approximately 27 years	8,934	7 April 2011

LIST OF TOP TEN PROPERTIES

IN TERMS OF NET BOOK VALUE AS AT 31 MAY 2018

Owner	Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2018 (RM'000)	Date of Acquisition/ Revaluation
7. Nylex Specialty Chemicals Sdn. Bhd.	H.S.(M) 5507, PT 593, Persiaran Raja Lumu, Pandamaran Industrial Estate, Port Klang	Unexpired leasehold interest of 56 years (Expiring on 1 September 2074)	0.81 hectare	Office and factory buildings Age of buildings: approximately 43 years	3,280	25 April 2011
8. Nylex Specialty Chemicals Sdn. Bhd.	H.S.(M) 6588, PT 624, Persiaran Raja Lumu, Pandamaran Industrial Estate, Port Klang	Unexpired leasehold interest of 58 years (Expiring on 19 February 2076)	0.83 hectare	Office buildings and warehouse Age of buildings: approximately 41 years	2,639	25 April 2011
9. Pengangkutan Cogent Sdn. Bhd.	PTD 149227, Jalan Berjaya 7, Taman Perindustrian Berjaya, Daerah Johor Bahru, Johor	Freehold	0.61 hectare	Office building Age of building: approximately 9 years	3,315	2010
10. Fermpro Sdn. Bhd.	H.S.(M) 748, Lot 1113, Mukim of Chuping, Perlis	Unexpired leasehold interest of 28 years (Expiring on 22 November 2046)	1.62 hectares	Office and factory buildings Age of buildings: approximately 30 years	1,647	11 April 2011

ANALYSIS OF SHAREHOLDINGS

AS AT 27 AUGUST 2018

NO. OF HOLDERS OF EACH CLASS OF EQUITY SECURITIES

Class of securities	: Ordinary shares ("Shares")
Total no. issued	: 218,956,342
No. of holders	: 8,434
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	1,833	50,073	0.023
100 to 1,000	801	424,632	0.197
1,001 to 10,000	4,378	18,006,351	8.368
10,001 to 100,000	1,255	36,043,670	16.751
100,001 to less than 5% of issued Shares	165	105,975,942	49.251
5% and above of issued Shares	2	54,676,347	25.410
	8,434	215,177,015	100.000
Treasury shares	-	3,779,327	-
	8,434	218,956,342	100.000

SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Siew Ka Wei	24,087,165	11.19	20,471,748 ^(a)	9.51
Chan Thye Seng	-	-	42,797,402 ^(b)	19.89
Pacific & Orient Berhad	31,877,978	14.81	10,589,424 ^(c)	4.92
Siew Nim Chee & Sons Sdn. Bhd.	14,558,987	6.77	-	-

Notes:

- (a) Deemed interested by virtue of his direct and indirect interests held through Silver Dollars Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Datin Young Ka Mun and Quek Lay Kheng.
- (b) Deemed interested by virtue of his direct and indirect interests held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.
- (c) Deemed interested by virtue of its direct and indirect interests held through Pacific & Orient Insurance Co. Berhad, a wholly-owned subsidiary.

DIRECTORS' HOLDINGS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Johari Razak	465,427	0.22	-	-
Dato' Siew Ka Wei	24,087,165	11.19	20,471,748 ^(a)	9.51
Tan Sri Dato' Dr Lin See Yan	165,375	0.08	-	-
Chan Thye Seng	-	-	42,797,402 ^(b)	19.89

Note :

- (a) Deemed interested by virtue of his direct and indirect interests held through Silver Dollars Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Datin Young Ka Mun and Quek Lay Kheng.
- (b) Deemed interested by virtue of his direct and indirect interests held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.

ANALYSIS OF SHAREHOLDINGS

AS AT 27 AUGUST 2018

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.	Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Ka Wei	22,798,369	10.595
2.	Pacific & Orient Berhad	16,437,216	7.639
3.	Pacific & Orient Berhad	9,218,900	4.284
4.	Lim Chin Tong	7,000,000	3.253
5.	TA Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sendirian Berhad	6,790,170	3.156
6.	CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Pacific & Orient Insurance Co. Berhad (PB)	5,392,878	2.506
7.	Pacific & Orient Insurance Co Berhad	5,196,546	2.415
8.	Pacific & Orient Berhad	5,143,162	2.390
9.	Malaysia Nominees (Tempatan) Sendirian Berhad - Silver Dollars Sdn. Bhd. (01-00198-001)	4,727,683	2.197
10.	Malaysia Nominees (Tempatan) Sendirian Berhad - Siew Nim Chee & Sons Sdn. Bhd. (01-00195-001)	4,461,317	2.073
11.	HLB Nominees (Tempatan) Sdn. Bhd. - E & O Developers Sdn. Bhd. (PJCAC)	3,643,762	1.693
12.	Lee Cheun Wei	3,370,800	1.567
13.	Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sdn. Bhd. (001)	3,307,500	1.537
14.	Gan Sook Peng	2,795,200	1.299
15.	Tai Mee Yin	2,500,000	1.162
16.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Lim Kam Seng	2,300,000	1.069
17.	Tan Kean Yip	1,982,800	0.921
18.	Public Nominees (Tempatan) Sdn. Bhd. - Chiew Chieng Siew (E-PDG)	1,954,700	0.908
19.	Tan Aik Choon	1,851,300	0.860
20.	Ong Lei Im	1,850,000	0.860
21.	HLB Nominees (Tempatan) Sdn. Bhd. - Eastern & Oriental Berhad (PJCAC)	1,821,881	0.847
22.	Yap Ai Toi	1,610,500	0.748
23.	Malaysia Nominees (Tempatan) Sendirian Berhad - Siew Ka Wei (01-00849-000)	1,288,796	0.599
24.	CimSec Nominees (Asing) Sdn. Bhd. - Exempt An for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,144,423	0.532
25.	CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Chan Hua Eng	1,100,000	0.511
26.	Pacific & Orient Berhad	1,078,700	0.501
27.	Hong Peng Cheng	1,030,900	0.479
28.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Chiew Cheing Siew	1,009,700	0.469
29.	Astro (M) Sdn. Bhd.	951,980	0.442
30.	Hasnul Bin Hassan	750,000	0.349
	Total	124,509,183	57.861

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 49th Annual General Meeting of the Company will be held at 2.30 p.m., on Thursday, 18 October 2018 at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 May 2018 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To re-elect the following Directors, who retire pursuant to Article 81 of the Articles of Association of the Company: | |
| | (a) Dato' Johari Razak | [Ordinary Resolution 1] |
| | (b) Tan Sri Dato' Seri Abdull Hamid Bin Embong | [Ordinary Resolution 2] |
| 3. | To approve the payment of Directors' fees for the financial year ended 31 May 2018. | [Ordinary Resolution 3] |
| 4. | To approve the payment of Directors' benefits (excluding Directors' fees) of up to RM120,000 from the date of the forthcoming annual general meeting until the next annual general meeting of the Company. | [Ordinary Resolution 4] |
| 5. | To re-appoint Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | [Ordinary Resolution 5] |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions with or without modifications:

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 6. | PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Renewal of RRPT Mandate") | [Ordinary Resolution 6] |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.2 of the Circular to Shareholders dated 26 September 2018, provided that such transactions are necessary for day-to-day operations and carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

THAT the authority conferred by such mandate shall continue to be in force until:

- (i) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next annual general meeting is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

NOTICE OF ANNUAL GENERAL MEETING

(iii) revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of RRPT Mandate."

7. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

[Ordinary Resolution 7]

"THAT subject always to the Companies Act 2016 ("Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given for the Company to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company ("Share Buy-Back Mandate") provided that:

- (a) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company at any point of time pursuant to the Share Buy-Back Mandate shall not exceed ten per centum (10%) of the total number of issued ordinary shares of the Company as at the point of purchase;
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase; and
- (c) the Directors of the Company may decide either to retain the shares so purchased as treasury shares or cancel the shares so purchased or retain part of the shares so purchased and cancel the remainder or resell the treasury shares on Bursa Securities or distribute the treasury shares as dividends or transfer the treasury shares under an employees' share scheme or as purchase consideration or otherwise use the treasury shares for such other purpose in the manner as prescribed by the applicable laws, guidelines, rules and regulations.

THAT the authority conferred by this resolution will be effective upon passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next annual general meeting of the Company, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next annual general meeting of the Company after that date is required by law to be held; or
- (c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps to implement, finalise and to give full effect to the Share Buy-Back Mandate with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors deem fit and expedient at their discretion in the best interest of the Company in accordance with the Act, regulations and guidelines."

NOTICE OF ANNUAL GENERAL MEETING

8. AUTHORITY TO ISSUE AND ALLOT SHARES

[Ordinary Resolution 8]

“THAT subject always to the Companies Act 2016 (“Act”), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental/ regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to Section 75 of the Act to issue and allot shares 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 shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act, AND THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities pursuant to this resolution.”

9. CONTINUING IN OFFICE AS INDEPENDENT DIRECTORS

(i) “THAT authority be and is hereby given to Tan Sri Dato’ Dr Lin See Yan, who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as an Independent Director of the Company.”

[Ordinary Resolution 9]

(ii) “THAT authority be and is hereby given to Edmond Cheah Swee Leng, who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as an Independent Director of the Company.”

[Ordinary Resolution 10]

10. PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY (“Proposed Adoption of New Constitution”)

[Special Resolution]

“THAT the Company’s existing Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in the Circular to Shareholders dated 26 September 2018 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption of New Constitution.”

11. OTHER ORDINARY BUSINESS

To transact any other business of which due notice shall have been given in accordance with the Memorandum and Articles of Association of the Company and the Companies Act 2016.

By Order of the Board,

CHOO SE ENG (MIA 5876)
WONG WAI FOONG (MAICSA 7001358)
 Company Secretaries

Petaling Jaya
 26 September 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- a. A member entitled to attend, speak and vote at the Meeting may appoint up to two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. Where a member of the Company is an authorised nominee, he may appoint not more than two (2) proxies in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
- c. 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.
- d. 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.
- e. If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
- f. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2018 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- g. The instrument appointing a proxy shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 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 – Audited Financial Statements for the financial year ended 31 May 2018

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 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. Ordinary Resolution 3 – Directors' fees

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the Directors of the listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that shareholders' approval shall be sought at the 49th Annual General Meeting on the Directors' fee payable by the Company of RM490,000 and by the Group of RM810,000 for the financial year ended 31 May 2018.

In 2016, an independent Board remuneration review was conducted by an external consultant to ascertain the competitiveness and risk alignment of the existing remuneration structure. Based on the Remuneration & Nomination Committee's recommendation, the Board agreed that the Directors' fees of the Non-Executive Directors ("NEDs") of the Company and of the Group remain unchanged for the financial year ended 31 May 2018.

3. Ordinary Resolution 4 – Directors' benefits

The Directors' benefits comprise the meeting attendance allowance of RM416.67 per meeting and other benefits (car, fuel, driver, allowance and other emoluments) payable to the NEDs.

In determining the estimated total amount of benefits (excluding Directors' fees) for the NEDs, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees as well as the number of Directors involved.

4. Ordinary Resolution 6 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of RRPT Mandate")

This proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related parties in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad without the necessity to convene separate general meetings to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company and is subject to renewal on an annual basis.

Further details relating to this proposed resolution are set out in the Company's Circular to Shareholders dated 26 September 2018, which was circulated together with the Company's 2018 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

5. Ordinary Resolution 7 – Proposed Renewal of Share Buy-Back Authority

This proposed resolution, if passed, will empower the Company to purchase its own shares up to ten (10)% of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

Further details relating to this proposed resolution are set out in the Share Buy Back Statement dated 26 September 2018, which is circulated together with the Company's 2018 Annual Report.

6. Ordinary Resolution 8 – Authority to Issue and Allot Shares

This proposed resolution, if passed, will authorise the Directors to issue and allot up to a maximum of ten (10)% of the total number of issued shares (excluding treasury shares) in the Company for the time being for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

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. This general mandate will give flexibility to the Company for any 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, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit and in the best interest of the Company.

7. Ordinary Resolutions 9 and 10 – Continuing in Office as Independent Directors

The proposed Ordinary Resolutions 9 and 10, if passed, will enable Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng who had served as the Independent Directors of the Company for a cumulative term of more than twelve (12) years to continue serving as the Independent Directors of the Company as recommended under the Malaysian Code on Corporate Governance 2017.

Pursuant to the Malaysian Code on Corporate Governance 2017, the Board through the Remuneration & Nomination Committee has carried out the necessary assessments on Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng respectively and had recommended them to continue to act as the Independent Directors of the Company on the grounds that:

- (i) they fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (ii) they have been with the Company for more than twelve (12) years and therefore understand the Group's business operations which enable them to participate actively in contribute during the deliberations of discussions at the Board and Committee meetings;
- (iii) They are knowledgeable and have applied their vast experience and due care to discharge their duties and responsibilities as Independent Directors of the Company by exercising independent judgement and bringing objectivity to the oversight function of the Board; and
- (iv) they have given time commitment to attend the Company's meetings and performance of duties and have exercised due care during their tenure as Independent Directors of the Company, and have carried out their professional duties in the interest of the Company.

The Board has decided not to adopt the 2-tier voting process for the approval to retain Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng as Independent Directors of the Company. The Board has received legal opinion that the 2-tier voting may not be compatible with the Company's Articles of Association read together with the Companies Act 2016. As such, the Board has chosen not to adopt the 2-tier voting as a precautionary measure.

8. Special Resolution – Proposed Adoption of New Constitution

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the prevailing laws, guidelines or requirements of the relevant authorities, to render greater clarity and consistency throughout as well as to enhance administrative efficiency.

Further details relating to this proposed resolution are set out in the Company's Circular to Shareholders dated 26 September 2018, which was circulated together with the Company's 2018 Annual Report.

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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 NRIC No.
(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 %
NRIC No.		
Full Address		
Full Name in Block Letters		Proportion of Shareholdings %
NRIC No.		
Full Address		
		100 %

or failing *him / her, the Chairman of the Meeting as *my / our *proxy / proxies to attend and to vote for *me / us on *my / our behalf at the 49th Annual General Meeting of the Company to be held at 2.30 p.m., on Thursday, 18 October 2018 at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia and at any adjournment thereof and to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	To re-elect Dato' Johari Razak as a Director of the Company.		
Ordinary Resolution 2	To re-elect Tan Sri Dato' Seri Abdull Hamid Bin Embong as a Director of the Company.		
Ordinary Resolution 3	To approve the payment of Directors' fees for the Company and the Group.		
Ordinary Resolution 4	To approve the payment of Directors benefits.		
Ordinary Resolution 5	To re-appoint Messrs BDO as Auditors of the Company.		
Ordinary Resolution 6	Proposed Renewal of RRPT Mandate.		
Ordinary Resolution 7	Proposed Renewal of Share Buy-Back Authority.		
Ordinary Resolution 8	Authority to Issue and Allot Shares.		
Ordinary Resolution 9	Continuing in office as an Independent Director – Tan Sri Dato' Dr Lin See Yan.		
Ordinary Resolution 10	Continuing in office as an Independent Director – Edmond Cheah Swee Leng.		
Special Resolution	Proposed Adoption of New Constitution.		

(Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

[*Delete if not applicable]

Dated this day of 2018

.....
[Signature / Common Seal of shareholder(s)]

Telephone no. during office hours:

NOTES:

- a. A member entitled to attend, speak and vote at the Meeting may appoint up to two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. 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.
- c. 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.
- d. 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.
- e. If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
- f. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2018 shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- g. The instrument appointing a proxy shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.

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Affix
Stamp

ANCOM BERHAD (Company No. 8440-M)

The Share Registrar:
Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

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