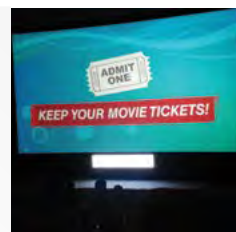




ANCOM BERHAD

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



TOGETHER
WE CAN MAKE
A DIFFERENCE
ANNUAL REPORT 2019

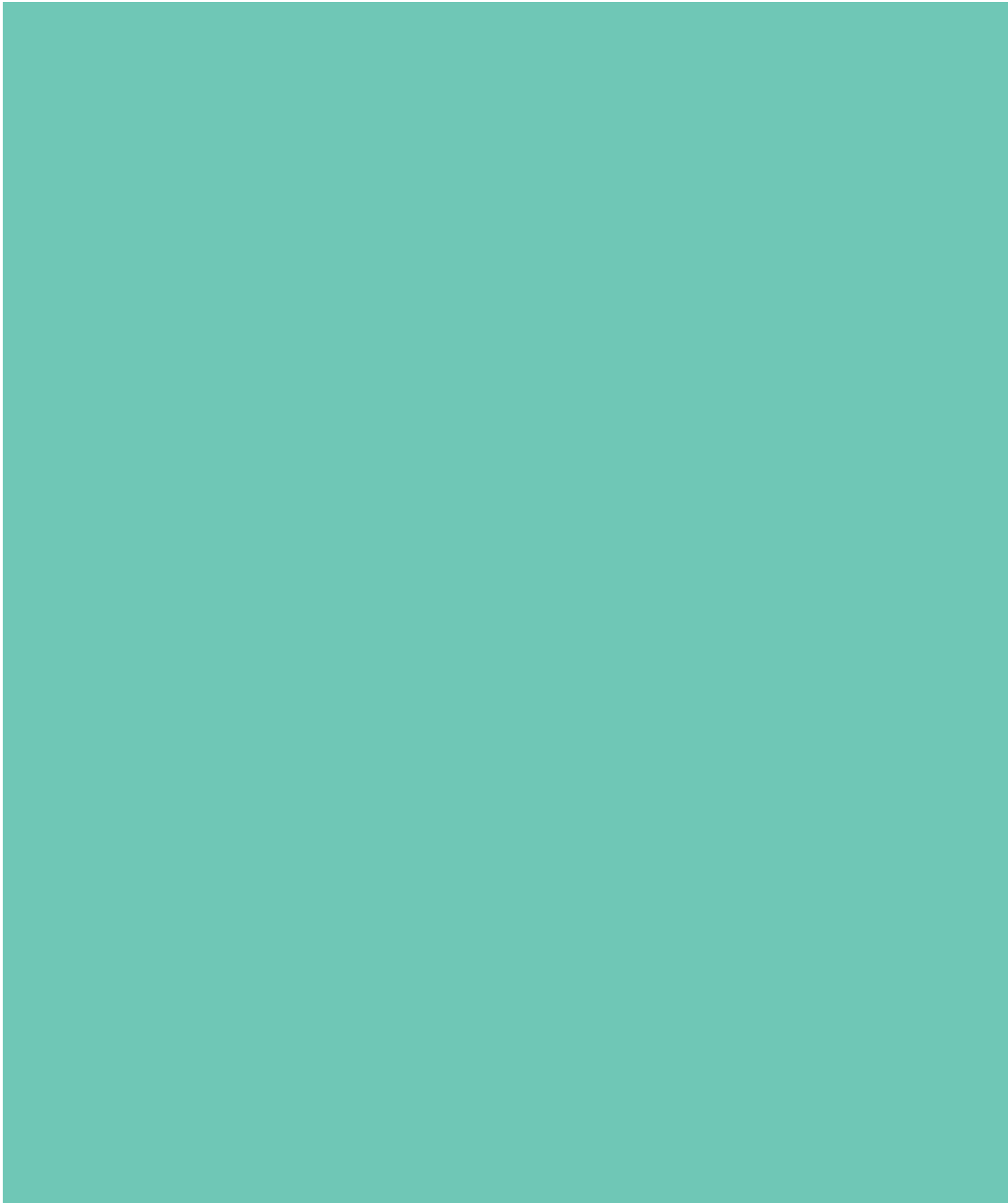


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- Proxy Form

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Siew Ka Wei

(Executive Chairman)

Dato' Johari Razak

(Executive Director)

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)

Siew Ka Kheong

(Alternate Director to Dato' Siew Ka Wei)

AUDIT COMMITTEE

Edmond Cheah Swee Leng (Chairman)
Tan Sri Dato' Seri Abdull Hamid
Bin Embong
Lim Hock Chye

REMUNERATION AND NOMINATION COMMITTEE

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

COMPANY SECRETARIES

Choo Se Eng (MIA 5876)
Wong Wai Foong (MAICSA 7001358)

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 PLT, Chartered Accountants

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
- Industrial Products Sector
- Stock code: 4758

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

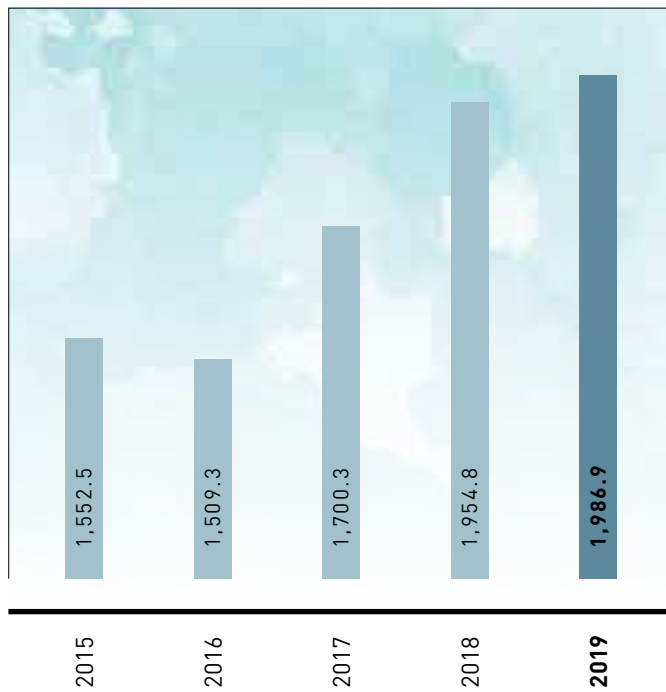
FIVE-YEAR HIGHLIGHTS

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	1,986,891	1,954,809	1,700,261	1,509,312	1,552,476
Profit before taxation	21,479	47,028	51,442	17,222	29,727
(Loss)/Profit for the financial year	(2,071)	25,661	29,277	2,342	5,261
Effective percentage rate of tax - %	>100	45	43	86	82
Profit/(Loss) attributable to owners of the parent	15,132	17,581	17,466	(6,990)	2,166
ASSETS EMPLOYED					
Property, plant and equipment	280,355	286,399	292,559	235,551	228,382
Investments	12,962	7,616	3,513	4,086	12,100
Other non-current assets	130,434	124,992	129,723	127,429	109,559
Current assets	660,468	795,368	717,946	545,716	574,516
TOTAL ASSETS	1,084,219	1,214,375	1,143,741	912,782	924,557
FINANCED BY					
Share capital	245,766	218,956	218,956	218,956	218,956
Reserves	75,262	100,755	86,827	65,906	66,814
Less: Treasury shares, at cost	(5,566)	(2,473)	(2,473)	(2,377)	(2,127)
Ancom shareholders' interests	315,462	317,238	303,310	282,485	283,643
Non-controlling interests	139,443	168,407	166,918	159,013	138,318
Total equity	454,905	485,645	470,228	441,498	421,961
Non-current liabilities	66,419	68,733	73,918	30,235	36,320
Current liabilities	562,895	659,997	599,595	441,049	466,276
TOTAL EQUITY AND LIABILITIES	1,084,219	1,214,375	1,143,741	912,782	924,557
SHAREHOLDERS' INTERESTS					
Earnings/(Loss) per ordinary share – sen	6.44	7.42	7.37	(2.95)	0.91
Net assets per ordinary share – RM	1.37	1.34	1.28	1.19	1.19
OTHER INFORMATION					
Depreciation & amortisation	28,976	25,819	22,385	19,654	19,008
Interest expense	21,515	19,013	14,211	13,038	11,032

FIVE-YEAR HIGHLIGHTS (CONT'D)

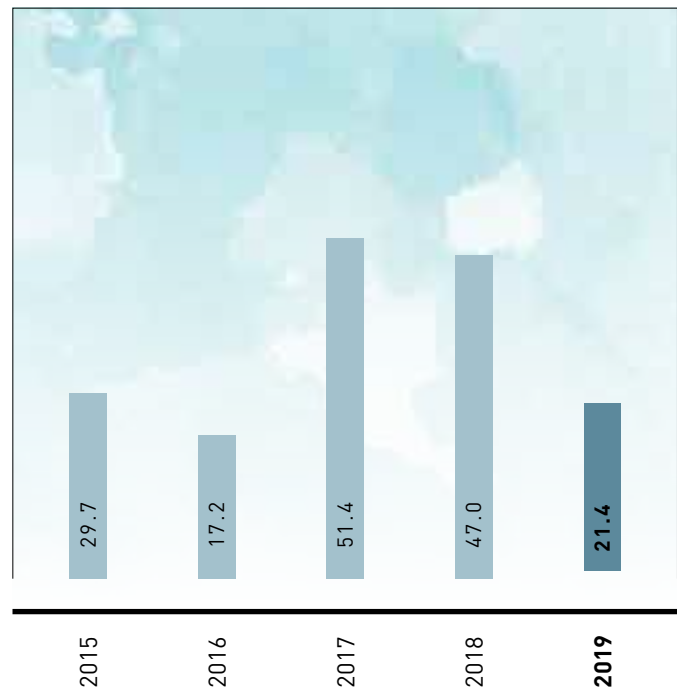
REVENUE

RM' million



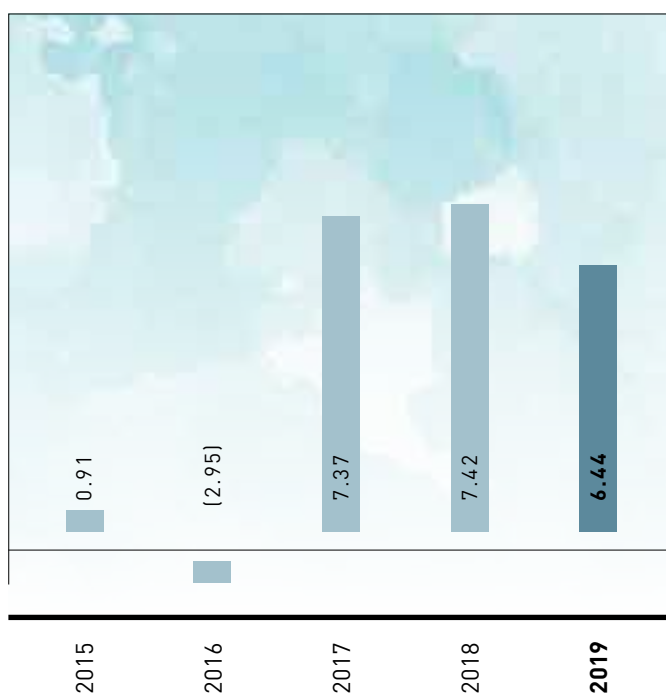
PROFIT BEFORE TAXATION

RM' million



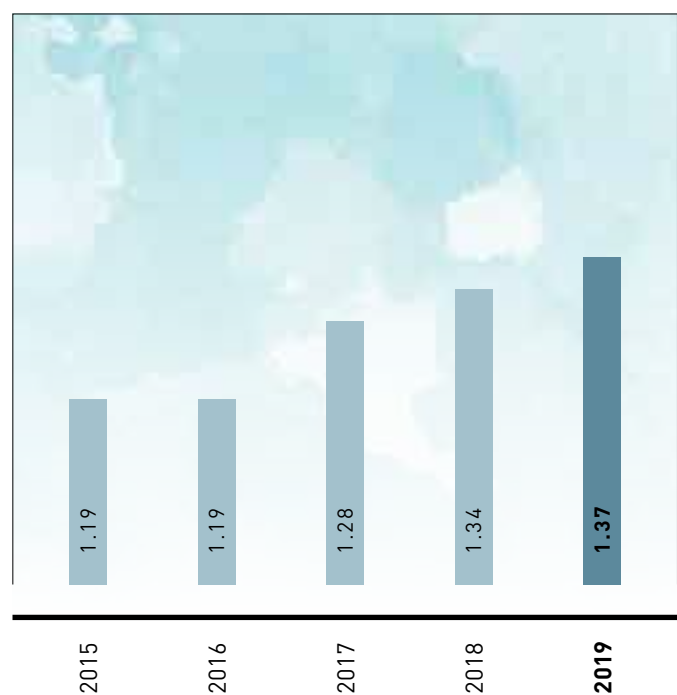
EARNINGS/(LOSS) PER ORDINARY SHARE

Sen



NET ASSETS PER ORDINARY 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. / ANCOM ENERGY & SERVICES 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

51, Goldhill Plaza #11-03
Singapore 308900
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

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, Block 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

LIST OF PRINCIPAL OFFICES (CONT'D)**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

**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.

7th Floor, 205B Hoang Hoa Tham Street
Ward 06, 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 AMBIENT SDN. BHD. (FORMERLY KNOWN AS
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

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 SDN. BHD. / REDBERRY OUTDOORS SDN. BHD.
/ REDBERRY RETAIL SDN. BHD.**

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

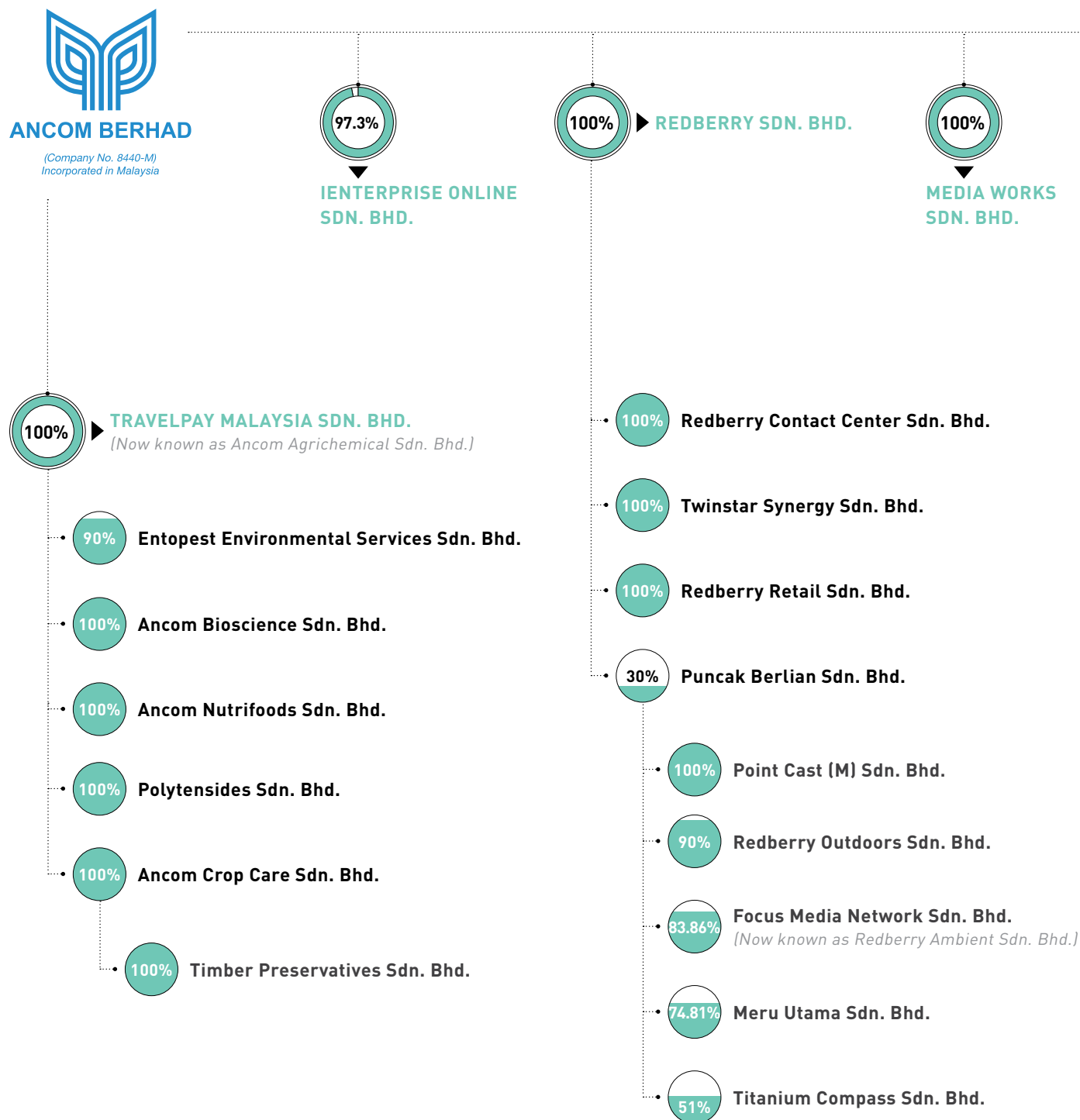
TWINSTAR SYNERGY SDN. BHD.

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 2019



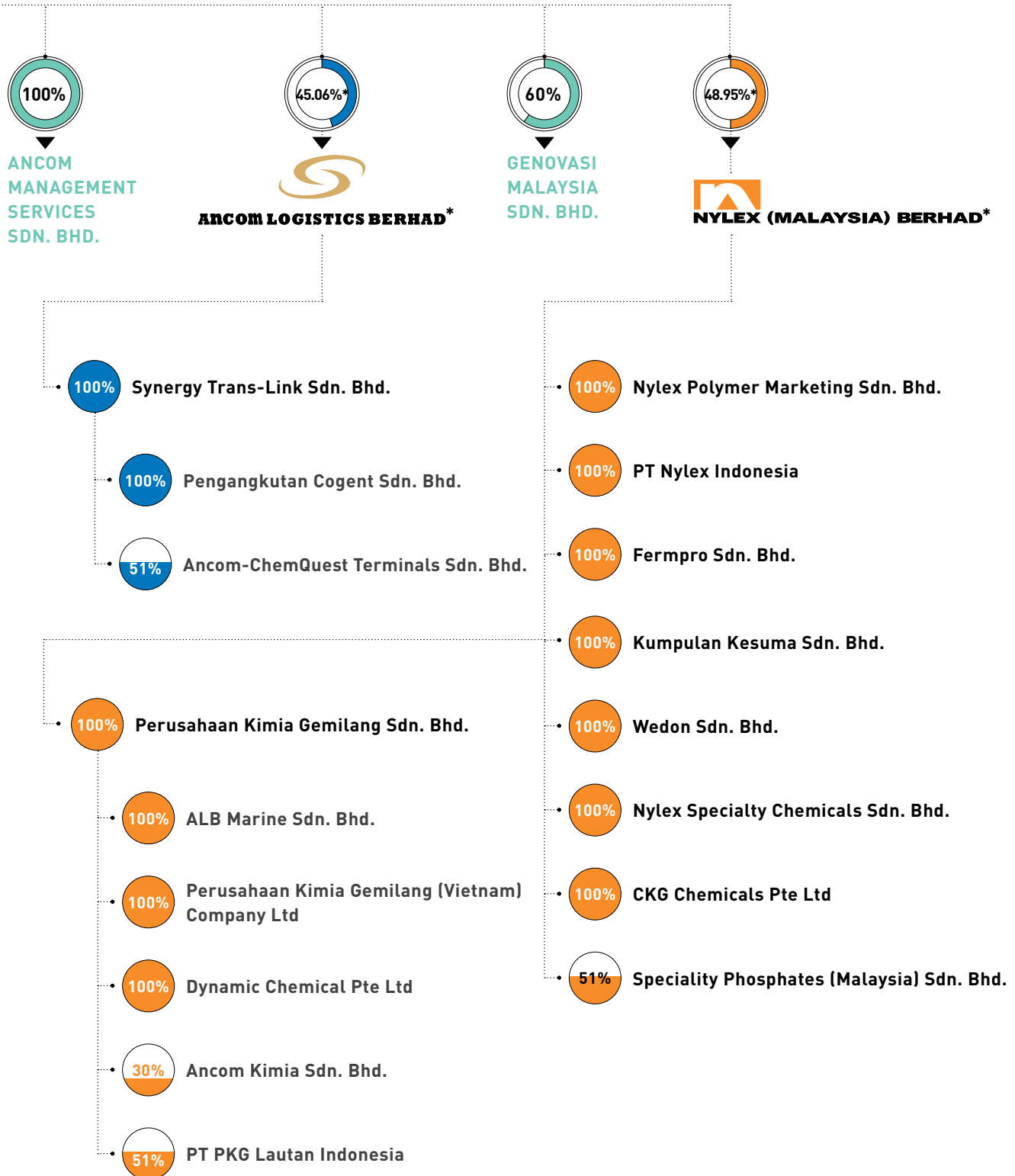
Note:

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

* Direct and Indirect Interest

CORPORATE STRUCTURE (CONT'D)

AS AT 31 MAY 2019



BOARD OF DIRECTORS

DATO' SIEW KA WEI

AGE 63 | MALE | MALAYSIAN | EXECUTIVE CHAIRMAN



Dato' Siew joined the Board on 23 October 1985 and was elected as its Executive Chairman on 2 January 2018. He was appointed Deputy Group Managing Director on 17 October 1995, and promoted to the Group Managing Director on 30 July 2003.

Dato' Siew received his secondary and tertiary education in the United Kingdom, first studying in Marlborough College from the age of 13 years, then completing his tertiary education at Imperial College London. He received his Bachelor of Science (Hons) in Chemical Engineering and Master of Science ("MSc") in Operational Research at Imperial College, graduating in 1978. In April 2013, he received an honorary Doctor of Business Administration (Entrepreneurship) from HELP University of Malaysia.

Dato' Siew has extensive experience in the field of petrochemicals accumulated for more than 30 years in the local and international sectors.

He was a very active member of the Young Presidents' Organisation ("YPO") from 1993 until 2006. He was Chairman of the Malaysian Chapter of YPO, and Co-Chairman of its first Regional Conference in Kuala Lumpur in 1998. He

became a member of the International Board of YPO in 2000 and served until 2003. During his tenure, he was Chairman of YPO's Global Leadership Congress in Beijing in 2003. He is also a past President of the Imperial College Alumni Association of Malaysia ("ICAAM") and a past Governor of the Board of Governors of Marlborough College Malaysia.

Currently, Dato' Siew is also the Group Managing Director of Nylex (Malaysia) Berhad and the Executive Vice Chairman of Ancom Logistics Berhad, both of which are subsidiaries of the Company and are listed on Bursa Malaysia Securities Berhad.

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

DATO' JOHARI RAZAK

AGE 64 | MALE | MALAYSIAN | EXECUTIVE DIRECTOR



Dato' Johari was appointed to the Board on 27 November 1992. He was made the Group Managing Director on 2 July 1994 and became the Executive Chairman on 30 July 2003. He was re-designated to a Non-Independent Non-Executive Chairman on 1 August 2007, then as an Executive Director on 2 January 2018.

Dato' Johari holds a Bachelor of Laws from the University of Kent, United Kingdom, and was called to the Bar of England and Wales at Lincoln's Inn in 1976.

He started his career as a Chambering Student/Legal Assistant with Rithaudeen & Aziz in January 1977 during which time he was admitted as an advocate and solicitor of the High Court of Malaya. He joined Shearn Delamore & Co in 1979 and served as a Partner of the firm in the Corporate and Commercial Department from 1981 to 1994, handling legal matters relating to listings, restructurings, mergers and acquisitions, joint ventures, loans as well as company secretarial matters. He re-joined the firm as a Partner on 1 August 2007 and headed the Competition Law Practice Group until he retired 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 (CONT'D)

TAN SRI DATO' DR LIN SEE YAN

AGE 80 | 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.

Tan Sri Lin is an independent strategic and financial consultant; a British Chartered Scientist and a UK Chartered Statistician. He received three degrees from Harvard University, including a PhD in Economics. He is an Eisenhower Fellow and a Fellow of the IMF Institute in Washington DC; Royal Statistical Society, London; Asian Institute of Chartered Bankers; Malaysian Insurance Institute (Hon.); Malaysian Institute of Management and the Malaysian Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies; a Research Professor at Sunway University and an Adjunct Professor of Economics 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 as a member of key steering committees at the Ministry of Higher Education; a

member of the Asian Shadow Financial Regulatory Committee; a Governor of the Asian Institute of Management, Manila; a 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.

Tan Sri Lin is also currently a Director of Wah Seong Corporation Berhad and Sunway Berhad; Chairman of IGB REIT Management Sdn. Bhd., (the manager of the IGB Real Estate & Investment Trust). In addition, he serves as a trustee of the Tun Ismail Ali Foundation, Malaysian Economic Association Foundation, Prime Minister's Exchange Fellowship Malaysia, Jeffrey Cheah Foundation and Harvard Club of Malaysia Foundation; and is a 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. He is currently a member of the Audit Committee.

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

Tan Sri Hamid served in the Judicial and Legal Service of the Government of Malaysia in 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 in the Prime Minister's Department, Ministry of Land and Regional Development, Treasury and Ministry of Home Affairs. He has also served as a Legal Advisor to the Negeri Sembilan and Pahang State Governments.

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

BOARD OF DIRECTORS (CONT'D)**CHAN THYE SENG**

AGE 62 | MALE | MALAYSIAN | NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Thye Seng joined the Board on 19 October 1999.

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

Thye Seng 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 65 | 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 ("MIA") and Institute of Chartered Accountants in England & Wales ("ICAEW"). He is also a Certified Financial Planner.

Edmond's career started with a professional accounting firm in London where he was an Audit Manager. He was later made 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, the largest private unit trust management company in Malaysia. He is a former member of the Task Force on Islamic Finance at 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 of 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 sits on the Board of Nylex (Malaysia) Berhad, a subsidiary of the Company which is listed on Bursa Malaysia Securities Berhad. He is also the Chairman of Adventa Berhad as well as an Investment Committee Member and Director of MAAKL Mutual Berhad.

BOARD OF DIRECTORS (CONT'D)

LIM HOCK CHYE

AGE 64 | MALE | MALAYSIAN | INDEPENDENT NON-EXECUTIVE DIRECTOR



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

Hock Chye graduated with a LLB (Hons.) from the University of London, United Kingdom in 1999.

He was a Deputy Editor with The Star newspaper, where he wrote for the Business Section. He later became a consultant with an organisation promoting good corporate governance and practices in Malaysia. He was also a panel speaker for Bursatra Sdn. Bhd. on Continuing Education Programmes for public-listed company directors. He has been the Group Director of Strategic Planning & Corporate Affairs, HELP University Sdn. Bhd. (formerly known as HELP International Corporation Berhad) since April 2008.

Hock Chye is also a Director of Ancom Logistics Berhad, a subsidiary of the Company which is listed on Bursa Malaysia Securities Berhad.

SIEW KA KHEONG

AGE 59 | MALE | MALAYSIAN | ALTERNATE DIRECTOR TO DATO' SIEW KA WEI

Ka Kheong was appointed as an Alternate Director to Dato' Siew Ka Wei on 26 April 2019.

He graduated with a Bachelor of Science in Chemical Engineering from University College London, United Kingdom.

Ka Kheong is currently the Executive Director of IEnterprise Online Sdn. Bhd., a subsidiary of the Company, and heads the Group's IT Division. Prior to this, he was the Managing Director of a company he set up in 1982 which was involved in the IT industry.

He has more than 30 years of experience in the IT industry, specialising in system development and application. His experience spans across industries such as Financial Services, Manufacturing, Distribution and Retail. He is the Chairman of a local company that provides professional IT certification from the Project Management Institute, USA, to IT professionals in Malaysia.

Notes:

1. *Other than Dato' Siew Ka Wei and Siew Ka Kheong who are brothers, there are no family relationships 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 on them during the financial year.*
4. *Please refer to Corporate Governance Overview Statement 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

(Dato' Siew Ka Wei's profile is disclosed in the Board of Directors of this Annual Report)

LEE CHEUN WEI

GROUP CEO,
MANAGING DIRECTOR - ANCOM CROP CARE SDN. BHD.
("ACC")

AGE 45 | MALE | MALAYSIAN

Cheun Wei has been the Group CEO since January 2018 and the Managing Director of ACC since July 2014.

Cheun Wei started his career in 1997 as a Group Accountant at EPE Power Corporation Berhad, a Transmission and Distribution Engineering company ("EPE"), and was made the Chief Financial Officer of the EPE Group in 2003. He was the Director of Corporate Finance of Tamco Corporate Holdings Berhad (now known as Ancom Logistics Berhad, a subsidiary of the Company) from 2005 to 2009. He joined the Company in 2009 as the Group Chief Financial Officer.

He graduated with a BA (Hons) in Accounting and Finance from Lancaster University, United Kingdom, and holds a MSc in Finance (Distinction) from Cass Business School, London. For both degrees, he was awarded full scholarships from British Chevening/HSBC and the Renong/UEM Group respectively.

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 any public company or listed issuer.

Cheun Wei currently hold 6,572,880 ordinary shares, representing 2.86% shareholding in the Company.

DATUK WONG SAI WAN

GROUP CHIEF MEDIA OFFICER

AGE 57 | MALE | MALAYSIAN

Datuk Wong joined Redberry Sdn. Bhd., a subsidiary of the Company, in July 2013 as a Director - Special Projects after a successful career in The Star media group for more than 29 years. He was promoted to Chief Operating Officer in 2015 heading the Group's Media Division where he oversaw the operations and management of the Group's media business. In January 2018, he was redesignated as the Group Chief Media Officer, in charge of Corporate Affairs, Marketing, Communications and Public Relations for the Group.

Datuk Wong started his career in journalism at The Star in 1984 and rose through the ranks from being a reporter to becoming a Bureau Chief (Seremban), Senior News Editor and Executive Editor before leaving the leading English language daily in 2013.

Datuk Wong studied Law at Manchester City University, United Kingdom.

He has no directorship in any public company or listed issuer.

KEY SENIOR MANAGEMENT (CONT'D)**ROBIN LING SENG CHIONG**

DEPUTY CEO – NYLEX (MALAYSIA) BERHAD (“NYLEX”),
EXECUTIVE DIRECTOR – PERUSAHAAN KIMIA GEMILANG
SDN. BHD. (“PKG”)

AGE 49 | MALE | MALAYSIAN

Robin joined the Nylex group in 2007 as an Executive Director of PKG, a subsidiary of Nylex, in charge of its industrial chemical trading business. In January 2018, he was promoted to Deputy CEO of Nylex, assisting the Group Managing Director in overseeing the Nylex group’s business operations. Prior to joining PKG, he worked as the Asia Pacific Regional Manager for a United States specialty chemicals company for 13 years.

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

He has no directorship in any public company or listed issuer.

THO TUCK WOH

CEO – REDBERRY MEDIA GROUP

AGE 59 | MALE | MALAYSIAN

Tuck Woh joined the Redberry Media Group in 2008 as Managing Director of its Cinema and Digital Advertising Division. He was promoted to CEO of the Redberry Media Group in January 2018.

He started his career as an auditor with a Big Four audit firm in Malaysia in 1981 and stayed till 1990. He then joined Inter Pacific Communications Sdn. Bhd., an advertising agency, as the General Manager in 1991, and subsequently took up the post of Finance Director/Deputy Chairman at Yaohan (M) Berhad from 1994 until 1997. He was the Executive Director of Jerasia Capital Berhad, a fashion textile company, from 1998 until 2003. He also held executive roles in large retail and garment companies such as CK Tangs, Hytex and Cheetah from 2004 to 2007.

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

He has no directorship in any public company or listed issuer.

LIM CHANG MENG

CHIEF FINANCIAL OFFICER – ANCOM BERHAD AND
ANCOM LOGISTICS BERHAD (“ALB”)

AGE 47 | MALE | MALAYSIAN

Chang Meng is the Chief Financial Officer of Ancom and ALB, a subsidiary of the Company.

Chang Meng began his career as an auditor with a Big Four audit firm in Malaysia in 1992 and stayed until 2000 with his last position as an Audit Manager. He subsequently joined a construction company and later a stockbroking company as a Finance Manager.

He joined Tamco Corporate Holdings Berhad (now known as ALB) in 2005 as its Corporate Accounting Manager, and became its Head of Corporate Finance of the Company in 2010. He was promoted to the position of Chief Financial Officer of ALB in 2011 and Chief Financial Officer of the Company in 2014.

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

He has no directorship in any public company or listed issuer.

CHOO SE ENG

COMPANY SECRETARY

AGE 58 | MALE | MALAYSIAN

Se Eng is the Company Secretary of Ancom, Nylex, ALB and their subsidiaries.

He started his career as an auditor in a Big Four audit firm 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 worked for two years in the Corporate Finance division of a merchant bank, and was with a public listed company as its Corporate Finance Manager for four years before joining the Company in 1995 as its Senior Manager of Corporate Planning. He assumed the role of Company Secretary in 1996, and maintained this position until his resignation in August 2016. He rejoined the Company in April 2018.

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 any public company or listed issuer.

KEY SENIOR MANAGEMENT (CONT'D)**MICHELLE CHEN TAI NGOH**

CHIEF FINANCIAL OFFICER – NYLEX

AGE 52 | FEMALE | MALAYSIAN

Michelle joined Nylex in 1995 as an Associate Accounts Manager and held various positions within its Corporate Office in the ensuing years. She was appointed to her current position as Chief Financial Officer in 2010. Before joining Nylex, she was attached to an international professional service firm.

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

She has no directorship in any public company or listed issuer.

PHILLIP KARUPPIAH

GROUP HUMAN RESOURCE DIRECTOR

AGE 61 | MALE | MALAYSIAN

Phillip has been the Group Human Resource Director of Ancom since April 2013.

He started his career as a journalist with the New Straits Times and has experience in communication consulting with Burson Marsteller as well as banking operations with 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., publisher of the Sun newspaper, and General Manager of Group Human Resources at Phileo Allied Group, a financial services organisation.

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

He has no directorship in any public company or listed issuer.

DATO' LEE YEW MENG

CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR - GENOVASI MALAYSIA SDN. BHD. ("GENOVASI")

AGE 64 | MALE | MALAYSIAN

Dato' Lee is the Chief Executive Officer / Executive Director of Genovasi, a subsidiary of the Company, a position he has held since January 2016.

He has spent his entire 40-year career in sales & marketing and communication, 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 pursuant to 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 aspiration of achieving high-income status. Dato' Lee joined Genovasi in 2016 and has been instrumental in the growth of Genovasi d.school Malaysia, a learning institute dedicated to the teaching of Design Thinking for professionals at all levels.

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 any public company or listed issuer.

KEY SENIOR MANAGEMENT (CONT'D)

SIEW KA KHEONG

EXECUTIVE DIRECTOR – IENTERPRISE ONLINE SDN. BHD.

(Siew Ka Kheong's profile is disclosed in the Board of Directors of this Annual Report)

ERIC CHAN HEAN CHIN

DIVISIONAL HEAD - POLYMER DIVISION, NYLEX

AGE 59 | MALE | MALAYSIAN

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

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

He has no directorship in any public company or listed issuer.

WILLIAM TAN WEE LIAN

DEPUTY MANAGING DIRECTOR - FERMPRO SDN. BHD. ("FERMPRO") / MANAGING DIRECTOR - NYLEX SPECIALTY CHEMICAL SDN. BHD. ("NSC")

AGE 52 | MALE | MALAYSIAN

William started his career as a Sales Executive in PKG in 1994. In 1997, he was transferred to Fermpro, a subsidiary of Nylex, where he held various positions before being promoted to his current position as Deputy Managing Director in 2006. In 2005, he was given additional responsibility to manage NSC, another subsidiary of Nylex, and in 2007, was promoted to his current position as Managing Director of NSC.

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

He has no directorship in any public company or listed issuer.

KONG HWAI MING

EXECUTIVE DIRECTOR – CKG CHEMICALS PTE LTD ("CKG")

AGE 59 | MALE | SINGAPOREAN

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

Hwai Ming holds a Diploma in Mechanical Engineering and a Post-Diploma in Industrial Management from Singapore Polytechnic.

He has no directorship in any public company or listed issuer.

KEY SENIOR MANAGEMENT (CONT'D)**WONG SIUT YIN**

DIRECTOR - KUMPULAN KESUMA SDN. BHD. ("KESUMA")
WEDON SDN. BHD.

AGE 51 | FEMALE | MALAYSIAN

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

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

She has no directorship in any public company or listed issuer.

DATUK ABDUL RASHID HASHIM

EXECUTIVE CHAIRMAN – ANCOM KIMIA SDN. BHD. ("AKSB")

AGE 55 | MALE | MALAYSIAN

Datuk Rashid joined AKSB, a subsidiary of Nylex, as Executive Chairman in 2009, a position he held until today. He is also the Chief Executive Officer of MSTI Corporation Sdn. Bhd., an associate of the company which is involved in the provision of IT services.

Datuk Rashid started his career as an assistant credit officer with a commercial bank in 1982. In 1990, he joined ESPI Industries Sdn. Bhd., a parts and accessories manufacturer for Proton, as General Manager. In 1994, he was appointed as the Personal Assistant to the Managing Director of Ayer Molek Plantation Berhad. Subsequently, in 2000, he joined property developer HBA Development Bhd as its Chief Executive Officer. In 2008, he was appointed the Managing Director of property developer and engineering group Global Globe Sdn. Bhd.

Datuk Rashid graduated with a Diploma in Credit Management from Institut Teknologi MARA.

He has no directorship in any public company or listed issuer.

MOHD YUSOF BIN MUHAMAD DON

GENERAL MANAGER – PENGANGKUTAN COGENT
SDN. BHD. ("COGENT")

AGE 51 | MALE | MALAYSIAN

Mohd Yusof was appointed the General Manager of Cogent, a subsidiary of ALB, in February 2015. Prior to joining Cogent, he was a Senior Manager/Director of Penang-based Hayara Sdn. Bhd., a solid waste management contractor, and Hayana Sdn. Bhd., a construction materials company, from 2013 to 2015. Before that, he held various senior managerial positions with Soi Yong Berhad and Koperasi Usaha Bersatu (M) Berhad.

Mohd Yusof holds a Bachelor's degree in Industrial Engineering from the University of Alabama, Tuscaloosa, Alabama, USA.

He has no directorship in any public company or listed issuer.

SERENA KHOO SOOK LAI

GENERAL MANAGER – ANCOM-CHEMQUEST TERMINALS
SDN. BHD. ("ACQT")

AGE 54 | FEMALE | MALAYSIAN

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

She has more than 25 years of experience in the bulk chemicals and logistics businesses. Prior to her current position, she held various positions in PKG, a subsidiary of Nylex, her last position being Senior Operations Manager.

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

She has no directorship in any public company or listed issuer.

Notes:

1. Except for Siew Ka Kheong (who is the brother of Dato' (Dr) Siew Ka Wei), there is no family relationship between the Key Senior Management with any Director and/or major shareholder of the Company.
2. Other than Dato' Siew Ka Wei and Siew Ka Kheong who are interested in certain Related Party Transactions disclosed in this Annual Report, the other Key Senior Management have no 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 on them during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Ancom Berhad (“Ancom” or “the Company”) started operations in 1969 as Ansul (Malaysia) Sdn. Bhd., a pioneer in the manufacture of agricultural chemicals and herbicides. After several changes in management and shareholders, Ancom assumed its present name on 9 September 1989. On 29 March 1990, it became a public listed company.

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

Today, Ancom and its subsidiaries (“the Group”) is a diversified group with core businesses in agricultural chemicals, industrial chemicals, polymer and chemical logistics which contribute to 93% of the total Group’s revenue. Other key business interests are in education, IT, electrical components and media.

AGRICULTURAL CHEMICALS DIVISION

The Agricultural Chemicals Division is primarily involved in the manufacture, formulation and sale of agricultural chemicals focusing on crop protection and timber preservatives. Our product range includes herbicides, fungicides, insecticides and rodenticides. In recent years, the division has expanded into the downstream business of pest control, hygiene and fumigation services. We have two plants in Malaysia servicing both the domestic and overseas markets. Our key export markets are North and Latin America, South Africa, New Zealand and Australia.

As the result of an internal restructuring exercise completed on 31 May 2019, the Agricultural Chemicals Division has been reorganised and placed under Ancom Agrichemical Sdn. Bhd. (formerly known as TravelPay Malaysia Sdn. Bhd.), a wholly-owned subsidiary of Ancom. Key subsidiaries in this division are:

- Ancom Crop Care Sdn. Bhd.
- Polytensides Sdn. Bhd.
- Ancom Bioscience Sdn. Bhd.
- Timber Preservatives Sdn. Bhd.
- Entopest Environmental Services Sdn. Bhd.
- Ancom Nutrifooods Sdn. Bhd.

INDUSTRIAL CHEMICALS DIVISION

This division is made up of the Distribution and the Manufacturing businesses. The Distribution business markets and distributes a wide range of petrochemicals and industrial chemicals in the Asia Pacific region. The Manufacturing business manufactures ethanol, phosphoric acid, adhesives and sealants.

This Distribution business is made up of the following companies:

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

The Manufacturing business consists of the following companies:

- Fermpro Sdn. Bhd. (“Fermpro”)
- Nylex Specialty Chemicals Sdn. Bhd. (“NSC”)
- Speciality Phosphates (Malaysia) Sdn. Bhd.
- Kumpulan Kesuma Sdn. Bhd.
- Wedon Sdn. Bhd.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

POLYMER DIVISION

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

- PT Nylex Indonesia ("PTNI")
- Nylex Polymer Marketing Sdn. Bhd.

The division operates through four strategic business units, namely Films and Coated Fabrics ("FCF"), Geosynthetics, Rotomouldings and Trading.

The FCF business unit manufactures and markets high quality, value-added synthetic leather, namely polyvinyl chloride ("PVC") and polyurethane ("PU") leathercloths, films and sheets, targeting the furniture and automotive markets. We are also an industry leader in geosynthetic drainage products serving the construction and civil engineering industry. For our Rotomould products, we have found our niche in the customised intermediate bulk containers ("IBC"), chemical containers, safety barriers and other customised moulding markets in areas such as the industrial chemicals, road safety and landscaping industries.

We sell our products through a network of distributors as well as directly to industrial customers. Our markets extend throughout ASEAN, Australia, India, Sri Lanka, China, Korea, the Middle East, Indian Ocean islands and Africa.

The division has two manufacturing plants, in Shah Alam, Selangor and Surabaya, Indonesia.

LOGISTICS DIVISION

The Logistics Division is principally involved in:

- (a) owning, management and charter hire of a ship for the carriage of chemicals
- (b) tank farm and terminal operations for the provision of bulk storage facilities for liquid chemicals
- (c) bulk chemical land transportation services

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

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

Key subsidiaries included in this division include:

- NYL Logistics Sdn. Bhd. ("NYL")
- ALB Marine Sdn. Bhd. ("ALBM")
- Ancom-ChemQuest Terminals Sdn. Bhd.
- Pengangkutan Cogent Sdn. Bhd.

Subsequent to the financial year, on 28 June 2018, Nylex disposed of NYL which has since ceased to be subsidiaries of the Group.

MEDIA DIVISION

The Media Division of the Group owns and operates a wide range of media platforms including outdoor billboards, indoor advertisements in airports, cinemas, mass rail transit ("MRT") stations, public buses, petrol stations, convenience shops, hypermarkets and digital screens with a primary focus on the Klang Valley.

Through its joint venture company TeaFM Radio Sdn. Bhd., the Division operates a free-to-air radio channel in East Malaysia. Through Puncak Berlian Sdn. Bhd., the division has 18.75% effective equity interest in joint venture company, PT Avabanindo Perkasa, which has secured the advertising service concession in Phase 1 Stations of the Mass Rapid Transit in Jakarta ("MRT Jakarta Adverting Concession").

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Key subsidiaries under this division during the financial year include:

Redberry Sdn. Bhd. ("RBSB") and its subsidiaries:

- Puncak Berlian Sdn. Bhd. ("PBSB") and its subsidiaries:
 - Meru Utama Sdn. Bhd. ("MUSB")
 - Titanium Compass Sdn. Bhd. ("TCSB")
 - Redberry Outdoors Sdn. Bhd. ("ROSB")
 - Redberry Ambient Sdn. Bhd. (formerly known as Focus Media Network Sdn. Bhd.) ("RBA")
 - Point Cast (M) Sdn. Bhd. ("PCM")
 - Redberry Media Sdn. Bhd. ("RBM")
 - Ten Plus Resources Sdn. Bhd. ("TPSB")
- Twinstar Synergy Sdn. Bhd. ("Twinstar")
- Redberry Retail Sdn. Bhd.

and its joint venture and associate:

- TeaFM Radio Sdn. Bhd. ("TeaFM")
- Actmedia Sdn. Bhd. ("Actmedia")

On 31 May 2019, RBSB completed the disposal of 6,850,042 ordinary shares, representing 40% of the issued and paid-up share capital in PBSB, to VGI Global Media (Malaysia) Sdn. Bhd. ("VGI Malaysia") for a consideration of RM9.6 million. Upon completion of the disposal, PBSB ceased to be a subsidiary and became a 30% associate of RBSB.

Subsequent to the financial year end, RBSB entered into a share sale agreement with VGI Malaysia for the acquisition of RBSB's entire interests in RBA, ROSB, PCM, RBM and TPSB ("Companies Acquired") for a consideration of RM1.3 million. The acquisition was completed on 6 August 2019 and the Companies Acquired remain subsidiaries of the Group.

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

The Group's revenue increased by 2.1% to RM1.99 billion in the financial year ended 31 May 2019 ("FY 2019") compared to revenue of RM1.95 billion in the financial year ended 31 May 2018 ("FY 2018"). Profit before taxation ("PBT") decreased by 54.3% from RM47.0 million in FY 2018 to RM21.5 million.

The Group posted RM15.1 million in profit attributable to owners of the parent, 14.2% lower than the RM17.6 million achieved in FY 2018.

After adjusting for the bonus issue and treasury shares, basic earnings per ordinary share dropped to 6.44 sen from 7.42 sen in the previous financial year, while net assets per ordinary share attributable to owners of the parent increased from RM1.34 as at 31 May 2018 to RM1.37 as at 31 May 2019.

Net trade working capital decreased by 27.9% year-on-year to RM97.6 million from RM135.4 million, while net debt increased to RM284.6 million from RM251.2 million mainly due to lower cash and bank balances. The Group's net debt to equity ratio as at 31 May 2019 increased to 90.2% from 79.2% as at 31 May 2018. This was mainly due to higher net debt position. The high net debt ratio of the Group is mainly due to financing obtained for the capital expenditure incurred in 2016 for the purchase of MV Nylex 1 for JPY1.9 billion.

AGRICULTURAL CHEMICALS DIVISION

The Agricultural Chemicals Division saw its revenue decrease by 10.1% to RM273.6 million in FY 2019 from RM304.4 million in FY 2018 mainly due to lower revenue from the trading business. Despite lower revenue, segmental PBT rose 12.1% to RM47.1 million from RM42.0 million in the previous financial year due to the manufacturing business which enjoys higher profit margins than the trading business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Continued expansion of the manufacturing facilities, which started in the previous year, enabled the division to sustain its growth momentum with improved efficiencies. Management is still actively pursuing its plan to diversify its pool of suppliers to better manage both cost and supply of key raw materials.

The division is exploring various business opportunities within the agriculture related segment to sustain its growth momentum. Such measures are important for revenue stream diversification and expansion of product offerings so that, over the longer term, the division can mitigate the effects of cyclical down trends of certain products.

The trade war between the US and China continues to have an adverse effect on the global economy, hence also the division which relies heavily on international commerce for its raw materials and sales. Management is vigilant on the potential fallout from the trade war and will take all the necessary steps to minimise any potential impact to our business.

INDUSTRIAL CHEMICALS DIVISION

The Industrial Chemicals Division, the largest revenue contributor within the Group, posted a 10.9% year-on-year increase in revenue from RM1.29 billion to RM1.43 billion. However, segmental PBT declined to RM5.7 million from RM24.9 million in the previous financial year due to lower profit margins and losses incurred by foreign subsidiaries.

Distribution Business

The Distribution business had a tough and challenging year due to the ongoing US-China trade war, volatile crude oil prices and softening of global demand. Volatility of crude oil prices worsened during the year with over-supply following the commissioning of a few new cracker plants. This has led to de-stabilising of industrial chemical prices.

Despite these challenges, revenue from the Distribution business increased to RM1.34 billion from RM1.20 billion in FY 2018, primarily due to higher sales volume in the Malaysian and Indonesian markets. The Malaysian operations increased its sales volume and market share, particularly from the supply of Methanol to the biodiesel industry. Revenue from the Malaysian and Indonesian operations grew by 22.1% and 29.9%, respectively.

Higher revenue notwithstanding, the Distribution business suffered losses of RM1.4 million compared with a PBT of RM14.0 million in FY 2018, mainly due to lower margins on certain products and negative contribution from its foreign subsidiaries in Singapore, Indonesia and Vietnam. The volatility of crude oil prices and weaker demand affected our product margins. In order to restore the profitability of these foreign subsidiaries, we will focus on higher margin products and further improve our inventory as well as logistics management.

The biodiesel industry has been a particular boon to the Malaysian operations after the announcement in December 2018 of implementation of the B10 biodiesel programme for the transportation sector and B7 for the industrial market in year 2019. In Indonesia, the biodiesel market remains at B20 for the year 2019 with plans to increase to B30 and eventually B100 as the government lends it support to the Indonesian palm oil industry. These biodiesel programmes should increase the demand for Methanol in both Malaysia and Indonesia. Meanwhile, the formaldehyde industry remains challenging in ASEAN, and particularly in Malaysia and Thailand, due to the shortage of wood supply and weak demand for wood finishing products globally.

Across ASEAN, demand for solvents has been weak in all industries due to global economic uncertainties. Nevertheless, we will continue with our strategy of expanding our solvents market share in Malaysia, Singapore, Vietnam and Indonesia by offering competitive pricing and maintaining supply reliability during this difficult business environment. Logistics support from our chemical tanker MT Nylex 1 and storage terminals from our related company continue to lend us an added advantage.

Manufacturing business

Our Manufacturing business also showed a decline in revenue, which dropped by 2.6% to RM92.2 million from RM94.7 million in FY 2018, mainly due to softening demand for phosphoric acid. Due to the lower revenue and lower margin earned on product mix, this business segment recorded lower PBT of RM7.1 million compared with RM10.9 million in the last financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Fermpro, a leading supplier of ethanol to the local market, invested in a new plant which was commissioned in June 2019. To facilitate the construction of the new plant during the financial year, Fermpro's production facilities were shut down for several months. Consequently, Fermpro's PBT contribution fell to RM0.4 million from RM2.8 million in FY 2018. We expect Fermpro's new plant to contribute to higher quality products and reduced unit cost of production in the next financial year.

Revenue from phosphoric acid sales also declined by 11.5% year-on-year, affected by the Government's decision to lower the import duty of phosphoric acid resulting in more competitors in the market. To negate the effects of such competition, we are focusing on enhanced manufacturing efficiency while scouring the market for more competitive suppliers as we maintain the high quality of our products.

Our sealants and adhesive products managed to record a 17.6% increase in revenue, assisted by higher demand from the automotive industry.

The Manufacturing business will focus on yield enhancement and product quality in the financial year ending 31 May 2020.

POLYMER DIVISION

Soft demand for our FCF and geosynthetic drainage products led to decreased revenue of RM112.3 million by the Polymer Division compared with RM125.8 million in FY 2018. The domestic market saw a significant drop in demand for our PVC synthetic leather, as cheaper imported fabrics dominated the furniture upholstery segment. Meanwhile, suspension of major local infrastructure projects by the Government curbed the demand for geosynthetic drainage products. This, however, was partially mitigated by substantial exports to Singapore, Indonesia, Australia and Hong Kong. The division also achieved higher revenue from its rotomoulded plastic products mainly due to improved demand for its IBC and chemical tanks.

PTNI experienced a marginal decline in revenue of about 1.6%, mainly attributed to translation loss as a result of a weakening Indonesian Rupiah. The Indonesian market was cautious for much of the year due to uncertainties prior to the general election. Following the elections, the market gradually improved in the second half of the year.

The division recorded a PBT of RM11.2 million, marking a decrease of RM3.8 million from the previous year's RM15.0 million. This was mainly due to lower revenue coupled with lower margins for some of its products.

The synthetic leather industry is moving towards environmentally friendly products such as Thermoplastic Polyurethane ("TPU") and PU. To keep our competitive edge, we will focus on product development for TPU synthetic leather and water-based lacquer systems. We have already developed capabilities in water-based technology for the automotive industry, and are currently capable of supplying vinyl with non-volatile organic compounds ("non-VOC") to the automotive industry. We fully complied with the new IATF 16949:2016 Automotive Standards.

For Geosynthetics, we continue to seek projects in the ASEAN region where infrastructure growth is promising. We shall build stronger networks with distributors and international contractors, especially specialist contractors, from China. We are exploring the possibility of extending our drainage product range or diversifying into landscaping and green environment segments.

LOGISTICS DIVISION

The division posted a lower revenue of RM39.2 million compared to RM50.8 million in FY 2018 following the disposal of NYL, a 60% owned subsidiary of Nylex, on 28 June 2018. It also made a loss before taxation of RM0.6 million compared to a segmental PBT of RM6.0 million as a result of recognising RM1.7 million in foreign exchange losses during the year from shipping operations. In contrast, the division had registered a gain on foreign exchange of RM2.8 million in FY 2018.

Since FY 2018, the trucking business has been undergoing a fleet rationalisation programme for its chemical road tankers. New trucks have been purchased to replace ageing ones in phases while the fleet is being optimised to minimise excess. Our tank farm and terminal business remained positive as demand for chemical storage services is still robust. Planned upgrades of the equipment in the tank farm and terminal area were carried out to further enhance safety and security and for better efficiencies and smoother process flow.

Moving forward, we expect the Logistics Division to continue to complement the Industrial Chemicals Division by providing intra-Group logistics support as well as better bulk cargo services for our customers in South East Asia (SEA) and South China.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

MEDIA DIVISION

The Media Division saw its revenue drop 30.5% from RM151.3 million in FY 2018 to RM105.2 million. The division incurred a loss before taxation of RM11.9 million compared to a loss before taxation of RM10.4 million in the previous financial year. Included in the results for FY 2019 was a RM23.4 million gain from the derecognition of PBSB as a subsidiary of RBSB.

Upon completion of the disposal of 40% interest in PBSB, PBSB together with its subsidiaries MUSB and TCSB and its joint venture company PT Avabanindo Perkasa ("PBSB Group"), ceased to be a subsidiary and became a 30% associate of RBSB. The other subsidiaries of PBSB – ROSB, RBA, PCM, RBM and TPSB – were acquired by RBSB on 6 August 2019 and shall remain subsidiaries of Ancom Group.

Advertising spend remained sluggish during the financial year and is expected to remain slow in the coming year. The partial disposal of our interest in PBSB Group should minimise the Group's negative exposure to the media industry in the coming year while allowing the Group to explore digital and online media opportunities.

INVESTMENT HOLDING AND OTHER DIVISIONS

The Investment Holding and Other Divisions incurred an aggregated segmental loss of RM30.7 million in FY 2019 compared to RM29.9 million in the previous financial year. The higher segmental loss was primarily due to losses incurred by the education and electrical components businesses.

PROSPECTS AND OUTLOOK

The challenging business environment is expected to persist in the coming financial year as a result of the ongoing trade war between the US and China. Market volatility and softening global demand will continue to put downward pressure on our profit margins across all chemical business segments. The immediate outlook for the Media Division is also expected to be challenging due to weak domestic market sentiment.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) is pleased to present an overview outlining the extent of the applications and compliance by the Ancom Berhad (“Company”) and its subsidiaries (“Group”) of the relevant principles, practices and recommendations as set out in the Malaysian Code on Corporate Governance 2017 (“CG Code”) issued by the Securities Commission as well as Corporate Governance Guide (“Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) for the financial year ended 31 May 2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

CLEAR FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board has overall responsibility for the proper conduct of the Group’s business in achieving the Group’s objectives and goals. It provides clear and effective entrepreneurial leadership to Management. In addition to its stewardship responsibilities, 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 Executive Chairman (“EC”) and the Group Chief Executive Officer (“GCEO”) with clear division of responsibilities to ensure a balance of power and authority.

The EC, in addition to his executive role, is also primarily responsible for instilling leadership and ensuring the Board’s effectiveness and conduct in discharging its responsibilities. The key responsibilities of the EC 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.

The GCEO, who heads the Management, has overall responsibility 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 achieve the financial goals set by the Board.

CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The Board retains full and effective control of and responsibility for the Group. The principal duties and responsibilities of the Board are, inter alia, as follows:

- Formulate and chart the Group’s strategic direction, setting out the Group’s short-term and long-term plans and objectives;
- Review and approve the Group’s key operational policies, major investment in new businesses/projects and funding decisions;
- Oversee and review the Group’s business operations and financial performance;
- Ensure that the Group’s strategic plan supports long-term value creation encompassing strategies on economic, environmental and social considerations;
- Oversee the development, implementation and review of the succession plan for the Directors and key senior management;
- Understand the principal risks of the Group’s business;
- Review/monitor 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 Group’s business objectives;
- Ensure that the Company has in place procedures to enable effective communication with stakeholders;
- Ensure the integrity of the Company’s and the Group’s financial and non-financial reporting; and
- Formulate and promote ethical and good corporate governance within the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board plays an active role in formulating the Group's strategic direction with the EC, GCEO and Management team. The Board does not involve itself in the day-to-day business operations of the Group, delegating such responsibility to the EC/GCEO and Management team, which consists of the Divisional Heads/Divisional Managing Directors and Chief Financial Officers.

To assist the Board to carry out its responsibilities more effectively, the Board has established an Audit Committee and a Remuneration and Nomination Committee ("R&N Committee"), which are entrusted with specific responsibilities to oversee the Company's affairs and have the authority to act on behalf of the Board in accordance with their respective Terms of Reference.

Please refer to the Audit Committee Report and Remuneration & Nomination Committee Report in this Annual Report for further details of their activities.

SEPARATION OF THE POSITIONS OF THE EC AND GCEO

The positions of the EC and GCEO are held by two (2) persons with different roles and responsibilities. The distinct and separate roles of the EC and 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.

QUALIFIED AND COMPETENT COMPANY SECRETARIES

The Board is supported by two (2) Company Secretaries, each with more than twenty (20) years of experience in company secretarial practices and 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. They are responsible for the efficient administration of the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's Constitution, Board policies and procedures, and statutory and regulatory requirements. They are also responsible for regularly updating and apprising the Board of new regulations issued by the relevant authorities including corporate governance practices.

One of the key responsibilities of the Company Secretaries is to prepare and organise Board and Committee meetings as well as shareholder meetings. In consultation with the EC, the Company Secretaries will prepare the agenda and the relevant meeting papers for these meetings. The Company Secretaries will also attend these meetings and take minutes to 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 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. They are also tasked with facilitating the orientation of new Directors and assisting in Director training and development; monitoring corporate governance developments; and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

The Company Secretaries work closely with the EC and the GCEO to ensure timely and appropriate information flow within the Board and to the Committees and Management. They are also the focal point for stakeholder communication.

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 to creating a better environmental, social, governance and sustainability agenda during the financial year ended 31 May 2019 as reported in the Sustainability Statement in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**ACCESS TO INFORMATION AND ADVICE**

All Directors have unrestricted access to Group information and interact with the Management to seek further information, updates or explanation on any aspect of the Group's operations or business during the quarterly Board meetings or as and when they deem necessary. There is no restriction on the number of meetings held between the Directors and Management. All Directors have unrestricted access to the service and advice of the Company Secretaries. The Directors may obtain independent professional advice on specific matters relevant to furtherance of their duties whenever necessary, at the Company's expense, and without the need for specific approval of the EC.

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.

Members of senior management are 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 with explanations or clarification to facilitate informed decision-making.

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 25 July 2019, 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 clearly outline the Directors' duties and responsibilities to effectively discharge their fiduciary duties in managing the Company's affairs.

The Board Charter focuses on the following areas:

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

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

CODE OF CONDUCT AND ETHICS

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

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 values that can be accepted and upheld by the Directors;
- To uphold the spirit of responsibility in line with legislation, regulations and guidelines on administering a company; and
- To manage conflicts of interest, preventing the abuse of power, corruption, insider trading or money laundering.

The Code of Conduct and Ethics is updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

The Code of Conduct and Ethics was last reviewed by the Board on 25 July 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**WHISTLE-BLOWING**

The Company is committed to upholding sound values and the highest standard of work ethics in line with good corporate governance. All its Directors, managers and employees are expected to conduct themselves with integrity in carrying out their functions.

On 25 July 2019, the Board established a Whistle-Blowing Policy, which is available on the Company's website at www.ancom.com.my.

The Policy provides an avenue for all employees of the Group and other stakeholders to raise concerns about any improper conduct without fear of retaliation. Offering protection to those who report improper conduct, the Policy strengthens the Group's accountability and transparency in conducting its business affairs.

BOARD COMPOSITION

The Company's Board currently comprises one (1) EC, one (1) 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 to support the EC and the Board.

The Board composition complies with the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") where at least one-third ($\frac{1}{3}$) of the Board must comprise Independent Non-Executive Directors. It also complies with Practice 4.1 of the CG Code in having at least 50% representation by Independent Non-Executive Directors.

ASSESSMENT OF INDEPENDENCE

The Board, through the R&N Committee, assesses the independence of the Independent Directors as detailed in the Remuneration and Nomination Committee Report in this Annual Report.

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. In these circumstances, concerns need not be focused on a single Director as all members of the Board fulfil this role individually and collectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**BOARD DIVERSITY POLICY**

The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, in its 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 Board has taken note of the recommendation in the CG Code pertaining to the establishment of a policy on boardroom diversity including gender diversity. On 26 July 2018, the Board formulated a formal Board Diversity Policy which is available on the Company's website at www.ancom.com.my.

The Board Diversity Policy was last reviewed by the Board on 25 July 2019.

The Board is supportive of gender diversity in the boardroom as recommended by the CG Code to promote the representation of women on Boards of Directors. However, 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 diversity are considered in nominating and selecting new Directors in future.

APPOINTMENT OF NEW DIRECTORS

The R&N Committee conducts a search for appropriate and suitably qualified candidates for appointment to the Board from time to time, as guided by the Board Diversity Policy. Its search is based on recommendations from fellow Board members, shareholders and Management.

The R&N Committee does 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 fit its criteria.

ANNUAL ASSESSMENT

The R&N Committee reviews and evaluates the performance of the Directors as well as the Board Committees annually.

Please refer to the Remuneration and Nomination Committee Report in this Annual Report for more details.

REMUNERATION OF DIRECTORS

Details of the Directors' remuneration, including remuneration for services rendered to the Company and to the subsidiaries received and receivable by the Directors of the Company for the financial year ended 31 May 2019, are disclosed in the Remuneration and Nomination Committee Report in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**TIME COMMITMENT**

All the Directors committed sufficient time to carry out their duties during the financial year. To ensure that the Directors have the time to focus on and fulfil their roles and responsibilities, the Listing Requirements state that they should not hold more than five (5) directorships in public listed companies.

The Directors are required to inform the Board of 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 appointments, should they wish to accept new board directorships in other public listed companies.

To help the Directors plan their schedules and attend the Board and Committee meetings, at the end of every calendar year, the Company Secretaries draw up a proposed timetable for all Board and Committee meetings to be held in the following year. This includes the annual general meeting. Reminders are also sent to the Directors prior to each Board/Committee meetings.

Board meetings are held quarterly and additional meetings are convened as and when necessary as determined by EC or as requested by the Directors.

There were six (6) Board meetings, five (5) Audit Committee meetings and one (1) R&N Committee meeting held during the financial year. The attendance records below indicate the level of commitment of the Directors in carrying out their duties as Directors of the Company:

Name of Directors	Attendance
Board Meetings:	
Dato' Siew Ka Wei	5/6
Dato' Johari Razak	5/6
Tan Sri Dato' Dr Lin See Yan	6/6
Tan Sri Dato' Seri Abdull Hamid Bin Embong	5/6
Chan Thye Seng	6/6
Edmond Cheah Swee Leng	5/6
Lim Hock Chye	6/6
Audit Committee Meetings:	
Edmond Cheah Swee Leng	5/5
Tan Sri Dato' Seri Abdull Hamid Bin Embong	5/5
Lim Hock Chye	5/5
R&N Committee Meetings:	
Tan Sri Dato' Dr Lin See Yan	1/1
Edmond Cheah Swee Leng	1/1
Lim Hock Chye	1/1

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**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 discharge their duties and responsibilities effectively 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 April 2019, the Company collaborated with a legal firm to organise a workshop on "The Malaysian Anti-Corruption Commission Act 2009 and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001" for the Directors of the Company and its listed subsidiaries, Nylex (Malaysia) Berhad and Ancom Logistics Berhad.

In addition, the Directors attended various programmes and forums facilitated by external professionals, covering changes in the Companies Act 2016, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and cyber security.

During the financial year, Tan Sri Dato' Dr Lin See Yan also gave talks on various topics covering Strategy Planning, Building and Construction Industry, and The Impact on Technology and Entrepreneurship.

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 (collectively "Financial Statements") 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 of the Group, and to ensure that the Financial Statements are prepared in accordance with the Companies Act 2016, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Listing Requirements and other statutory and regulatory requirements.

ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS BY THE AUDIT COMMITTEE

Under its Terms of Reference and External Auditors Assessment Policy, 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.

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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 Auditors reports directly to the Audit Committee, that it is independent of the function it audits and has the authority 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 Auditors.

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.

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.

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 material information about the Group's business to its shareholders and investors for informed investment decisions in line with the Listing Requirements and best practices as recommended by the CG Code. The Board regards regular communication with the public via various announcements and the issuance of Annual Reports, circulars and press releases as key to building good relationships with its shareholders and investors.

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 or improper use. The Board will take reasonable steps to ensure that all investors have equal access to material information. Selective disclosure is not allowed.

The Company shall disclose all material information required to be disclosed under applicable securities laws, regulations and requirements as per the disclosure principles listed below:

- Material information will be announced immediately to Bursa Securities, and later be made available on the Company's website;
- Material information will be kept confidential temporarily if the immediate release of such information would be detrimental to the interests of the Company and/or its shareholders;
- The disclosure must be factual and non-speculative;
- If the Company learns that an earlier disclosure contained material error(s), such disclosures must be corrected immediately; and
- The Company will not comment, affirmatively or negatively, on rumours including those on the Internet. Should Bursa Securities request that the Company make a definitive statement in response to any market rumour that is causing significant volatility in the price of the Company's securities, the EC/GCEO will respond appropriately, after consulting with the Board or Advisors if time permits, before a reply is given to Bursa Securities.

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

The Company Secretaries are responsible for compiling 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**LEVERAGING INFORMATION TECHNOLOGY**

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.

SHAREHOLDERS' PARTICIPATION AT GENERAL MEETINGS

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

At the general meetings, the Board encourages and gives sufficient opportunity for shareholders to ask questions regarding the Group's affairs, its financial performance and the resolutions being proposed. The Chairman of the meeting, when presenting items on the agenda for voting, will give a brief background of the resolutions and shareholders are invited to give their views and raise questions before voting takes place. Explanatory notes are also available on the Notice of General Meeting to provide rationales for the resolutions.

The Company holds its general meetings at places that are easily accessible and at a time convenient for 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. The proxy may, but need not be, a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The Company's Constitution explicitly allows a proxy to speak at general meetings. Notices of 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 on the proceedings at the general meetings are recorded by the Company Secretaries. These are available for inspection by the Company's shareholders at the Company's registered office at Unit 30-01, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. A summary of key matters discussed at the general meetings is also posted on the Company's website at www.ancom.com.my.

POLL VOTING

As provided in the Company's Constitution, all resolutions are to be decided via poll voting.

EFFECTIVE COMMUNICATION AND PROACTIVE ENGAGEMENT WITH STAKEHOLDERS

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 CompanySecretary@ancom.com.my. Their queries will be attended to by the Company Secretaries, the Board or the senior management, as the case may be.

CORPORATE GOVERNANCE REPORT

Please refer to the Company's Corporate Governance Report, available on the Company's website at www.ancom.com.my, on the extent of the Company's application and compliance with the CG Code and the relevant explanations for any deviations.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present its Audit Committee Report for the financial year ended 31 May 2019.

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference, which are available on the Company's website at www.ancom.com.my. The Terms of Reference was last reviewed by the Board on 25 July 2019.

MEMBERS AND MEETINGS

Membership of the Audit Committee is as follows:

Edmond Cheah Swee Leng - Chairman

(Independent Non-Executive Director)

Lim Hock Chye - Member

(Independent Non-Executive Director)

Tan Sri Dato' Seri Abdull Hamid Bin Embong - Member

(Independent Non-Executive Director)

Edmond Cheah Swee Leng is a member of the Malaysian Institute of Accountants ("MIA") and Institute of Chartered Accountants in England & Wales ("ICAEW"). The composition of the Audit Committee during the financial year complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

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

A 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. Attendance of its members was as follows:

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

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

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") presented by the Management, with the aim of ensuring these complied with the disclosure requirements of 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 being recommended to the Board for its consideration and approval, and for subsequent release to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Audit Committee also sought explanations from Management on the Group's performance from time to time.

AUDIT COMMITTEE REPORT (CONT'D)

The Audit Committee also reviewed the Annual Audited Financial Statements ("Financial Statements") presented by Management, in the presence of the External Auditors, with the aim of ensuring these 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 contentious issues, if any, prior to recommending the Financial Statements to the Board for its consideration and approval, and for subsequent release to Bursa Securities.

In both the above reviews, the Chief Financial Officer assured the Audit Committee that the Financial Reports and Financial Statements had been prepared based on consistent and generally acceptable accounting policies and standards, that there were no material misstatements and that the Financial Reports and Financial Statements gave a true and fair view of the financial performance and positions of the Company and Group as at the respective reporting dates.

INTERNAL AUDIT

The Audit Committee performed the following in relation to the Internal Audit:

- Reviewed and approved the Internal Audit Plan, including the scope of audit, and ensured that all major and/or high-risk activities were covered;
- Reviewed the Risk Assessment Reports and ensured the effective implementation of a 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 weaknesses noted in the Internal Audit or non-compliance of the internal control system to assess 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;
- Reviewed Management's remedial actions to be undertaken in relation to the weaknesses and/or non-compliances and the follow-up actions undertaken by the Management;
- Reviewed the suitability of the Internal Auditors for re-appointment, taking into consideration their independence, performance, competence and experience; and
- Received from the Internal Auditors written assurance confirming their professional independence to the audit engagement.

EXTERNAL AUDIT

The Audit Committee carried out the following in relation to the External Audit:

- Reviewed the External Audit Plan, scope and nature of the statutory audit of the Company's and of the Group's Financial Statements prior to the audit;
- Reviewed the External Audit Reports and results of the External Auditors' examination of the Company's and the Group's Financial Statements;
- Reviewed the External Auditors' recommendations and Management's responses to these;
- Reviewed and discussed the impact of new and proposed changes in the 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 their independence, performance, competence and experience, provision of non-audit services and audit fees; and
- Received from the External Auditors written assurance confirming their professional independence to the audit engagement.

INTERNAL AUDIT 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 functions effectively. The Audit Committee outsourced the Group's Internal Audit function to an independent firm of consultants.

The Internal Audit function assists the Board to review the adequacy and effectiveness of the Group's internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of the management information system and consequently determining future requirements for the internal control system.

AUDIT COMMITTEE REPORT (CONT'D)

The Internal Audit Reviews are conducted on a functional area basis concentrating on areas of concern where the Internal Auditors can provide input for further improvements, thus serving as 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. Deliverables include the Internal Audit 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 major subsidiaries of the Group. The Internal Audit Review places emphasis on best practices and management assurance encompassing all business risks, particularly:

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

The Internal Audit Review evolves with changing risk profiles and adds value to the business, while assisting to improve business efficiency. 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. The Internal Auditors presented their quarterly Internal Audit Reports to the Audit Committee at its meetings for review and discussion with Management. The quarterly Internal Audit Reports highlighted the Internal Auditors' review and findings on the Group's compliance with established internal policies and procedures, their assessment of the magnitude of potential financial effects arising from the weaknesses noted, as well as the Internal Auditors' recommendations on 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 were 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 weaknesses noted have resulted in any material loss that would require separate disclosure in this Report and the Audit Committee has reported the same to the Board.

The total cost incurred for the Group's Internal Audit function during the financial year was RM60,000 (2018: RM41,000).

ASSESSMENT OF INDEPENDENCE AND PERFORMANCE

EXTERNAL AUDITORS

Under its Terms of Reference and External Auditors Assessment Policy, the Audit Committee is empowered by the Board to assess the independence and performance 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, including the extent of non-audit services performed by the External Auditors during the financial year that may impact their independence and objectivity. The assessment of performance focuses on the External Auditors' experience, competency, resources of the firm, quality of the staff assigned and the Audit Committee's opinion on the quality of the audit works.

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

The Audit Committee has recommended to the Board to re-appoint Messrs BDO PLT as the External Auditors.

The Board concurred with the Audit Committee's recommendation and will recommend that the shareholders approve Messrs BDO PLT's re-appointment at the forthcoming 50th Annual General Meeting of the Company.

AUDIT COMMITTEE REPORT (CONT'D)**INTERNAL AUDITORS**

The Audit Committee also assessed the independence and performance of the Internal Auditors during the financial year.

The assessment of independence focuses on whether there exists any relationship between the Internal Auditors and the Directors or senior management and major shareholders of the Group as well as any conflict of interest arising from such relationships. The assessment of performance focuses on the Internal Auditors' experience, competency, resources of the firm, the quality of the staff assigned and the Audit Committee's opinion on the quality of the Internal Audit Reports.

The Audit Committee was satisfied with the Internal Auditors' competence and independence. The Internal Auditors have given written assurance to the Audit Committee that they have complied with the relevant ethical requirements regarding their professional independence.

The Audit Committee has recommended to the Board to continue to engage the Internal Auditors.

The Board concurred with the Audit Committee's recommendation.

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 in this Annual Report.

RELATED PARTY TRANSACTIONS

The Audit Committee reviewed the procedures for related party transactions that took place within the Company and the Group during the financial year, including the recurrent related parties transactions ("RRPT") of a revenue and trading nature. The Audit Committee is satisfied that the procedures are sufficient to ensure that the related party transactions undertaken were on arm's length basis and on terms not more favourable to the related parties than those generally available to the public, nor were detrimental to the Company's minority shareholders.

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 a review of these procedures and processes at least once in a financial year.

EMPLOYEES' SHARE OPTION SCHEME

During the financial year, the Company established an Employees' Share Option Scheme for the benefit of eligible Directors and employees of the Group.

However, no option was granted as at to date.

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.

Please refer to the Statement on Risk Management and Internal Control in this Annual Report for more information.

REMUNERATION AND NOMINATION COMMITTEE REPORT

On 24 September 2001, the Board of Directors ("Board") combined the functions of the Remuneration Committee and the Nomination Committee to form the Remuneration and Nomination Committee ("R&N Committee").

The Board is pleased to present its Remuneration and Nomination Committee Report for the financial year ended 31 May 2019.

TERMS OF REFERENCE

The R&N Committee is governed by its Terms of Reference, which are available on the Company's website at www.ancom.com.my. The Terms of Reference were last reviewed by the Board on 25 July 2019.

MEMBERS AND MEETINGS

Membership of the R&N Committee, which comprises all Independent Directors, is as follows:

Tan Sri Dato' Dr Lin See Yan - Chairman

(Independent Non-Executive Director)

Edmond Cheah Swee Leng - Member

(Independent Non-Executive Director)

Lim Hock Chye - Member

(Independent Non-Executive Director)

The R&N Committee held one (1) meeting during the financial year, which was attended by all its members.

SUMMARY OF ACTIVITIES

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

ASSESSMENT OF DIRECTORS

The R&N Committee conducted an assessment of the Board's effectiveness as a whole and the performance of each individual Director in respect of the financial year ended 31 May 2019. It evaluated the Board's composition and the Directors' skills and understanding of: Strategy and Entrepreneurship; Legal and Regulatory Requirements; Corporate Governance, Risk Management and Internal Control; Audit, Accounting, Financial Reporting and Taxation; Human Capital; Sales and Marketing; Strategy and Planning; Government Relations; Marketing and Communication; and Information Technologies and Digital Skills. An assessment was also performed on the individual Directors by the Directors based on the same topics.

In addition, taking into consideration the Board's structure, size, composition and the required mix of expertise and experience which the Directors should bring to the Board, the R&N Committee assessed each Board member's qualifications, skills, knowledge, expertise and experience, time availability, professionalism, integrity and, in the case of Independent Non-Executive Directors, their ability to discharge such responsibilities and functions as expected of them.

The R&N Committee was satisfied with the results of the assessment and is of the opinion that the current size and composition of the Board is appropriate and well-balanced, with members comprising individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibility effectively. Accordingly, the R&N Committee recommended that the current composition of the Board and Committees be retained.

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONT'D)

The R&N Committee did not engage an independent expert for the annual assessment as suggested by the Malaysian Code on Corporate Governance 2017 ("CG Code"). However, it has taken note that the involvement of an independent expert or party would 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.

RE-ELECTION OF DIRECTORS

Based on the results of the assessment, the R&N Committee has recommended to the Board the re-election of the following Directors who are retiring at the Company's forthcoming annual general meeting ("AGM") pursuant to the Constitution of the Company:

- i. Dato' Siew Ka Wei; and
- ii. Chan Thye Seng.

INDEPENDENCE ASSESSMENT OF THE INDEPENDENT DIRECTORS

The R&N Committee assessed the independence of the Independent Directors using the following criteria:

- The Independent Director is neither an employee nor is related to any major shareholder/Management of the Group and does not participate in the day-to-day operations of the Group and has fulfilled the definition of "Independent Directors" in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements");
- He is free from any business or other relationship with the Group which would materially interfere with the exercise of his independent judgement on matters at hand; and
- He is a person of calibre, credibility and has the necessary skills 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 is able to provide independent views in the Board's discussions and has not shown to have compromised on his independent judgement.

From the results of the peer-assessment performed by the Directors, the Directors are also satisfied that the Independent Directors appeared to demonstrate conduct and behaviour that are essential indicators of independence, and they have acted in a manner that provide the necessary check and balance in the best interest of the Company and its shareholders.

The R&N Committee was satisfied with the level of independence demonstrated by the Independent Directors and recommended that they be retained as Independent Directors of the Company.

In conjunction with the above assessment, the R&N Committee also considered the continued appointments of Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng who have each served as Independent Directors for a continued period of more than twelve (12) years.

The R&N Committee is of the view that the length of service of the Independent Directors does not affect a Director's ability to remain independent and to discharge his duties with integrity and competency. More importantly, the Independent Directors must maintain their independence from Management and their freedom from any business or other relationship which could interfere with the exercise of independent judgement or the ability to provide the necessary checks and balances in the best interests of the Company, as exemplified in the criteria for appointment of Independent Directors mentioned earlier in this Statement. The R&N Committee also believes that valuable contributions can be obtained from Directors who have developed valuable insight into 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.

The Board concurred with the views of the R&N Committee and will seek shareholders' approval at the forthcoming 50th AGM 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.

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONT'D)

REVIEW OF THE AUDIT COMMITTEE

Pursuant to Paragraph 15.20 of Chapter 15 of the Listing Requirements, the R&N Committee conducted an assessment of the terms of office and performance of the Audit Committee and each of its members and was of the opinion that the Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.

REMUNERATION OF DIRECTORS

The R&N Committee is responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fees and benefits as per the Board Remuneration Policy which maintains strong linkage between the Directors' remuneration and performance, value and sustainability of the Company as well as the skills and experience required. The Board Remuneration Policy is available on the Company's website at www.ancom.com.my.

During the financial year, the Company engaged a firm of consultants to provide a review of the fees of non-executive directors of 30 Malaysian public listed companies on Main Market of Bursa Malaysia Securities Berhad, based on their most recent annual reports as at 31 January 2019.

Based on the review, the R&N Committee is of the opinion that the Directors' fees and allowances paid to the Non-Executive Directors in the last financial year as follows were still reflective of the current market rates.

	Annual fee per Director (RM)
Non-Executive Directors on the Board of Directors	50,000
Members of Audit Committee	30,000
Members of R&N Committee	20,000

In addition, each Non-Executive Director received an attendance allowance amounting to RM416.67 for each Board and Committee meeting attended.

The R&N Committee has 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 that the Directors' fees for the Board and Committees for the current financial year amounting to RM408,630 be paid to the Non-Executive Directors subject to the approval of the Company's shareholders at the forthcoming 50th AGM of the Company.

The R&N Committee also assumes the task of recommending to the Board the remuneration package for the Executive Chairman ("EC") and the Executive Director. The remuneration of the EC and Executive Director comprises a monthly salary, bonuses, benefits-in-kind ("BIK") and other benefits that the Board approves from time to time. The EC and Executive Director are not entitled to the Director's fee and attendance allowance for the Board and Committee meetings that they attend.

Based on the review by the consultants mentioned above, the R&N Committee is of the opinion that the remuneration of the EC and the Executive Director during the financial year was reasonable.

Subject to the approval of the shareholders at the 50th AGM of the Company for the payment of Directors fees, the details of remuneration, including remuneration for services rendered to the Company and to the subsidiaries, received and receivable by the Directors of the Company for the financial year ended 31 May 2019 are as follows:

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONT'D)

	Director's fee (RM'000)	Salaries and other emoluments (RM'000)	Bonus (RM'000)	Meeting allowances (RM'000)	BIK (RM'000)	Total (RM'000)
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Company

Executive Directors						
Dato' Siew Ka Wei	-	398.1	-	-	66.4	464.5
Dato' Johari Razak	-	1,010.2	-	-	35.2	1,045.4
Non-Executive Directors						
Tan Sri Dato' Dr Lin See Yan	70.0	-	-	2.9	-	72.9
Tan Sri Dato' Seri Abdull Hamid Bin Embong	80.0	-	-	4.6	18.3	102.9
Chan Thye Seng	50.0	-	-	2.5	-	52.5
Edmond Cheah Swee Leng	100.0	-	-	4.6	-	104.6
Lim Hock Chye	100.0	-	-	4.6	-	104.6
Tan Sri Mohamad Al Amin Abdul Majid <i>(Resigned on 3 August 2018)</i>	8.6	-	-	-	-	8.6
Total	408.6	1,408.3	-	19.2	119.9	1,956.0

Group

Executive Directors						
Dato' Siew Ka Wei	-	1,434.1	4,032.4	-	94.4	5,560.9
Dato' Johari Razak	-	1,010.2	-	-	35.2	1,045.4
Non-Executive Directors						
Tan Sri Dato' Dr Lin See Yan	70.0	-	-	2.9	-	72.9
Tan Sri Dato' Seri Abdull Hamid Bin Embong	80.0	-	-	4.6	18.3	102.9
Chan Thye Seng	50.0	-	-	2.5	-	52.5
Edmond Cheah Swee Leng	211.1	-	-	10.4	-	221.5
Lim Hock Chye	192.5	-	-	10.4	-	202.9
Tan Sri Mohamad Al Amin Abdul Majid <i>(Resigned on 3 August 2018)</i>	8.6	292.6	-	-	4.7	305.9
Total	612.2	2,736.9	4,032.4	30.8	152.6	7,564.9

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 actions undertaken as Directors 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 to have intentionally breached the law.

CONCLUSION

The R&N Committee is of the opinion that it has discharged its duties in accordance with its Terms of Reference during the financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) is pleased to provide the Group’s Statement on Risk Management and Internal Control for the financial year ended 31 May 2019 made pursuant to Paragraph 15.26(b) of the Main Market 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” endorsed by Bursa Securities.

For the purpose of this Statement, the “Group” means the Company and its subsidiaries, excluding the associates and joint ventures. This Statement does not cover the associates and joint ventures as the Company does not have control over their operations, management and internal control systems.

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 are focused on achieving the following objectives:

- Effective and efficient 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 identify, manage and mitigate, rather than to eliminate, risks that may impede the achievement of the Group’s business objectives due to the inherent limitations of 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 financial information, financial losses or fraud.

RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, assessing and responding to risks that could impede achievement of the Group’s objectives. The process was in place for the financial year under review and up to the date of issuance of this Annual Report.

The process of risk identification involves identifying possible risk exposures arising from changes in the internal and external environment as well as operational conditions. The risk measurement guidelines consist of qualitative measures to determine the financial and non-financial consequences of the different risks based on their likelihood and impact.

As part of the risk management process, a Registry of Risks and a Risk Management Handbook have been adopted. The Registry of Risks identifies principal business risks and is updated according to changes in the risk profile as well as the identities of the risk owners. The Risk Management Handbook summarises the risk management methodology, approach and processes; the roles and responsibilities of the risk owners; and various risk management concepts. It is the responsibility of risk owners to ensure that adequate control systems are implemented to minimise and control risks faced by the Group.

The Management has been empowered with the responsibility to manage the risks and internal controls associated with the Group’s operations and to ensure compliance with the applicable laws and regulations. A Risk Manager has been appointed to review, update and report on key risk factors of the main operating subsidiaries at the Audit Committee’s quarterly meetings. In addition, significant issues and controls implemented are discussed at Management meetings and the quarterly Audit Committee meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**INTERNAL AUDIT FUNCTION**

In accordance with the Malaysian Code on Corporate Governance 2017, the Group in its efforts to provide an 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 address critical business processes, identify risks and internal control gaps, assess the effectiveness and adequacy of the existing state of internal control of the Group and recommend 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 Reports on follow-up actions are tabled to the Audit Committee during its quarterly meetings.

For the financial year ended 31 May 2019, the following subsidiaries of the Group were audited by the Internal Auditors:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (June – August 2018)	October 2018	Genovasi Malaysia Sdn. Bhd.	<ul style="list-style-type: none"> • Business Development, Sales and Marketing • Administration of Contracts/Agreements • Monitoring of partner institutions • Monitoring of student recruitment status • Monitoring of status of sponsorship • Fee collection and disbursement • Recording and reporting
2nd Quarter (September – November 2018)	January 2019	Entopest Environmental Services Sdn. Bhd.	<ul style="list-style-type: none"> • Sales and Marketing • Business Operations • Billing and Collection • Costing • Procurement and Supplies Quality Assurance
3rd Quarter (December 2018 – February 2019)	April 2019	Ancom Components Sdn. Bhd.	<ul style="list-style-type: none"> • Procurement and Supplies Quality Assurance • Inventory Management • Logistics and Delivery Management • Production/Assembly • Quality Control • Maintenance and Manufacturing Engineering
4th Quarter (March – May 2019)	July 2019	Focus Media Network Sdn. Bhd. (Now known as Redberry Ambient Sdn. Bhd.)	<ul style="list-style-type: none"> • Sales and Marketing • Contract Administration • Collection • Business Operations • Purchasing

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 (CONT'D)

The Board has entrusted the daily running of the business to the Executive Chairman ("EC"), the Group Chief Executive Officer ("GCEO") and his Management team. The GCEO is assisted by 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 Group's operational manuals, policies and procedures. 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, risk owners who will be responsible to monitor the occurrence of the risks are assigned.

The following are the types of risk affecting the Group's operations:

- Hazard risks, which include risks from fire and other property damage, windstorms and other natural perils, theft and other crimes, personal injury, business interruption, disease and disability, and liability claims;
- 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, environment, 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 GCEO, Chief Financial Officer and the Risk Manager has been set up to report on 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 deems 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;
- Reviews and recommendations to the Audit Committee in relation to risk management;
- Making recommendations to the Audit Committee on compliance by the Group with its risk management strategy;
- Reporting any material changes to the risk profile of the Group to the Audit Committee;
- 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 on the Group's annual reporting responsibilities in relation to matters pertaining to the Group's risk management strategy; and
- Undertaking annual reviews 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 Group or its subsidiaries and such officers or employees shall be required to respond to such enquiries.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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

To assist the Audit Committee to discharge 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 the authority 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 on a yearly basis.

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 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 actual results with the previous year's results and the explanations on significant variances is presented to the Board during the Board meetings.

The Group's Quarterly Interim Financial Reports and Annual Audited Financial Statements are only released to Bursa Securities after being reviewed by the Audit Committee and approved by the Board.

- *Group's 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 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 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 2019. The External Auditors have 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 has not been 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. They further believe that the Statement on Risk Management and Internal Control is factually accurate.

CONCLUSION

The Board has received assurance from the EC, the GCEO and Chief Financial Officer that the Group's risk management and internal control system operated adequately and effectively during the financial year under review 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 loss, 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

The Board of Directors (“Board”) is pleased to present its Sustainability Statement for the financial year ended 31 May 2019 (“FY 2019”)

SCOPE OF DISCLOSURE

The information provided in this Sustainability Statement covers the period from 1 June 2018 to 31 May 2019 and applies to the entire Ancom Berhad (“Ancom” or “Company”) and its subsidiaries (“Group”) as described in the Audited Financial Statements for FY 2019. As a result, all subsidiaries under the umbrella of the Company have been included in the reporting scope. In determining the sustainability disclosure of the Group, the reporting scope cover Malaysia, Singapore, Indonesia and Vietnam which is based on the geographical location of the Group’s operations and external customers.

CUSTOMER MANAGEMENT

We strive to deliver positive customer experience, and this task is always high on our priority list. We work closely with our customers, and understand their needs. Ancom prides itself in providing quality, reliable, cost effective and innovative solutions in manufacturing, marketing and trading of polymer, industrial and agriculture chemical products; transportation and storage as well as IT solutions and media and advertising, and ensuring these tasks are executed in a timely and secured manner, to meet customer needs.

Besides providing products and services in the most efficient manner possible, we strive to ensure that safety is never out of our minds. We do our best to ensure the products we produce meet our customers’ requirements. We also ensure that products in transit have clear product signage and labels displayed on the product’s body. Additionally, our products will be clearly labelled with copy of Material Safety Data Sheet to ensure the safe, proper use and handling of the products.

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 between subsidiaries of the Group.

In addition to the overarching procurement policy which applies to all operating locations, we specifically have green procurement guidelines, which recognise our responsibility and commitment to continuously improve our environmental credentials through responsible supplier sourcing, waste management, pollution prevention, use of renewable energy, energy efficiency and supply chain efficiency.

We believe in contributing back to the economy which has given us much in economic benefits. For the FY2019, we have optimised the Group’s procurement to procure from local suppliers as much as possible.

Suppliers’ performances are monitored through vendor evaluation. Evaluations on suppliers are generally focus on areas such as price and payment terms, product and service quality, operation scale, reliability and credibility. Any identified issues are communicated with the suppliers for necessary rectification action and improvement.

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 the various businesses of the Group.

SUSTAINABILITY STATEMENT (CONT'D)

The Group has participated in various community projects, and has also contributed financially to various charitable organisations in FY 2019.

The Group encourages its employees to volunteer for community projects. During the financial year, the Group organised various activities to reach out to the local community, such as visiting the needy group, distributed food and provided medical supplies to them, contributed donations and other charitable activities.

INDIRECT ECONOMIC IMPACT

Our business generates a wide range of indirect economic benefits, including continual investments in our production facilities and regional logistics network, which will 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 continual investments help to drive supply and demand for these promising solutions.

ENVIRONMENTAL IMPACT**CARBON AND OTHER GREENHOUSE GAS EMISSIONS**

Carbon emissions are inevitable in our line of business, and we do our very best in minimising these emissions. Regular and scheduled maintenance are performed on our fleet of vehicle and plants to ensure optimal performance and efficiency. Additionally, our drivers are trained to not leave engines running when vehicles are idle to minimise emissions.

Certain subsidiaries in the Group employs Alam Sekitar Malaysia Sdn. Bhd. to carry out quarterly stack gas emission tests to ensure compliance with the Environmental Quality Act, 1974 ("EQA").

As per the requirement set by Department of Environment ("DOE"), certain subsidiaries have monitored the air emissions on a regular basis. Besides this, air emission measurement and reporting is performed annually by an independent laboratory registered with the DOE. The air emission parameters measured are Nitrogen Oxides ("NOx"), Sulphur Dioxides ("SOx"), and Particulate Matter (dust emission).

WASTE AND EFFLUENT MANAGEMENT

As a responsible corporation, we have initiated various sustainable environmental conservation efforts. Our commitment towards environmental conservation and compliance are realised through our best efforts in ensuring our operating facilities comply with the necessary regulatory requirements. We ensure our employees are competent persons under regulations pertaining to industrial effluent and scheduled waste management, among other things. Used materials such as papers, paper cartons and cardboard boxes are re-used, where possible, or sent to recycling centers.

Some of the by-products of our manufacturing operations are hazardous. As a responsible corporate citizen, we strive to minimise the possibility of harm resulting from unintended contact with hazardous waste.

As part of our waste management process, we quantify and inventorise hazardous waste. Hazardous wastes are temporarily stored in our premises pending further treatment or disposal and are kept in designated areas away from the manufacturing line. Prior to transportation of hazardous waste, they are properly packaged and labelled.

Our chemical wastes are sent to Kualiti Alam Waste Management Centre in Negeri Sembilan for proper disposal. Monthly reports on the scheduled waste are submitted to the DOE and the Majlis Bandaraya Shah Alam ("MBSA").

Our transportation and storage operation do not produce significant amount of scheduled waste.

SUSTAINABILITY STATEMENT (CONT'D)

WATER CONSUMPTION

Water is used in a myriad ways at the Group. Besides generating steam and cooling in various production processes, water is also used for drinking and sanitation, as well as for cleaning.

Ancom has a hands-on approach to minimise water consumption, through the Group's implementation of various initiatives to foster water conservation practices and habits among employees. We implement measures to minimise water consumption as part of our environmental management system.

ENERGY CONSUMPTION

The Group is continuously looking for ways to ensure our business operations are energy efficient. 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. Additionally, our Group uses inverted air-conditioners, which are more energy-efficient, as opposed to traditional air-conditioners. Employees of the Group are encouraged to turn-off lights and air-conditioners when the office is not in use.

SOCIAL CONTRIBUTION

WORKPLACE DIVERSITY & INCLUSION

In Ancom, 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 which we believe, begins with offering same opportunities and career perspectives to women and men regardless of races. However, understandably the biggest challenge will be the business nature and working models of our logistics and chemicals, which is still considered a male dominated industry.

We are well represented by all races and age groups with men outnumbering women. Our Malaysian-based operation's workforce comprised of employees with a fair representation of major ethnic groups in Malaysia. We strive to increase the number of women in all positions especially management role over the longer term.

We encourage the hiring of locals, as we believe in contributing back to the society in which we operate our business in. For FY 2019, our Malaysian-based operation's workforce mainly consists of locals.

We encourage our people to perform the best of their abilities by motivating, connecting and valuing their contributions. We also believe that teamwork is one of the pillars to a corporation's success. Regular teambuilding activities/sessions were held to strengthen the bond among the employees.

We are a culturally diverse group, with the workforce representing people of different ethnicities in Malaysia. 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 in FY 2019.

OCCUPATIONAL SAFETY & HEALTH, WORKFORCE TRAINING AND DEVELOPMENT

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 encourage a culture of safety.

SUSTAINABILITY STATEMENT (CONT'D)

Safety training courses which helps address the major sources of known risk has been introduced such as:

- (a) Proactive measures are taken to reduce employees' exposure to the noise in the high noise level areas, such as providing ear plugs and soundproofing the affected areas where possible. Annual Employee Audiometric Hearing tests are also conducted to ensure employees' hearing is in good condition;
- (b) Ensure that Personal Protective Equipment ("PPE") which are registered with the Department of Occupational Safety and Health are used;
- (c) Scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on-site drills were conducted for all the drivers and operating personnels at the Bulk Liquid Terminal to ensure that employees are well trained to handle emergency situations;
- (d) Regular training on safety, product handling, first aid, fire-fighting, inspection of fire-fighting equipment, fire and chemical handling drills and health briefings were carried out at the Group's manufacturing plants;
- (e) Regular fire safety talk by the Public Fire Safety and Prevention Education Centre, the PPE talk and fire and chemical handling drills were carried out for the employees at the Group's manufacturing plants; and
- (f) Fire drill conducted with Bomba Malaysia/West Port Bomba at the Group's Bulk Liquid Terminal to test the emergency response readiness in the event of fire or accident at the Terminal.

In cognisance of the Group's "Safety First" culture, the Group has ensured all of its staff were adequately trained in matters of health and safety.

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

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 and Health and to ascertain they are effective, appropriate and could be continually used in the organisation.

Additionally, to ensure safe and smooth provision of our services, the Group sends 78 drivers and 30 workers for annual health screenings.

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

EMPLOYEE BENEFITS

At Ancom, we do our best to be an exemplary corporate citizen. We believe in providing for our employees, in order to make their work life more comfortable.

The Group provides group insurance coverage including personal accident, hospitalisation and surgical and life insurance, transport allowances and medical allowances to employees based on their job-scope and area of coverage.

SUSTAINABILITY STATEMENT (CONT'D)

ANTI-CORRUPTION

The combination of sound corporate governance and ethical business conduct are fundamental to the achievement of our objectives to grow our business sustainably and enhance stakeholders' value. We therefore strive to uphold our reputation for integrity in every sphere of our operations. It is our policy to conduct business in a fair, honest and transparent way. We strongly oppose corrupt practices or acts of bribery to obtain an unfair advantage.

On 25 July 2019, the Board has established a Whistle-Blowing Policy. Any incidents of bribery, corruption, unethical behaviour, malpractices, illegal acts and other unlawful or improper conduct can be reported by our employees and business partners through our whistleblowing channel at www.ancom.com.my. By protecting the confidentiality of whistle-blowers, we encourage whistleblowing to be done without fear of reprisal or victimisation should it be done in good faith.

In FY 2019, there were no confirmed incidents of corruptions and no significant fines or non-monetary sanctions for non-compliance with laws and regulations. We will continue to take serious measures to prevent any occurrence of such incidents in the Group.

PRODUCT AND SERVICES RESPONSIBILITY

As a manufacturer and marketer of chemical products and polymer; provider of transportation and storage services as well as IT solutions and media and advertising, we are an important component of our customers' supply chains. We have recorded each and every complaints and feedback from our customer as basis for further improvement on our services.

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 policies of the Group.

COMPLIANCE

An effective governance structure and risk management system forms the backbone of our business operations. Risk assessments are conducted periodically 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 the Group's 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 with other relevant professional and regulatory requirements.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 2019 and of the financial performance and cash flows of the Company and of the Group for the financial year ended 31 May 2019. The Directors are also responsible for ensuring that the Audited Financial Statements comply with the provisions of the Companies Act 2016, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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

For The Financial Year Ended 31 May 2019

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DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2019.

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 40 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
Loss for the financial year	(2,071)	(5,638)
Attributable to:		
Owners of the parent	15,132	(5,638)
Non-controlling interests	(17,203)	-
	(2,071)	(5,638)

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

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM218,956,342 to RM245,766,284 by way of:

- (i) issuance of 21,892,942 new ordinary shares at RM21,892,942 on the basis of one (1) bonus share for every ten (10) existing ordinary shares held by the shareholders of the Company; and
- (ii) transfer of capital redemption reserve pursuant to Section 618(2) of the Companies Act 2016 amounting to RM4,917,000 to become part of the Company's share capital.

DIRECTORS' REPORT (CONT'D)

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.

At the Extraordinary General Meeting held on 18 October 2018, the shareholders of the Company approved the establishment of an Employee Share Option Scheme ('ESOS' or 'Scheme') of up to ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the eligible Executive Directors and employees of the Group.

The salient features of the Scheme are as follows:

- i. The Scheme shall be in force for a duration of five (5) years from 6 March 2019 and may be extended for up to another five (5) years immediately from the expiry of the first 5 years, but will not in aggregate exceed ten (10) years from 6 March 2019 ('Duration of the Scheme');
- ii. The maximum number of new ordinary shares in the Company which may be available under the Scheme shall not be more than ten per centum (10%) of the issued and fully paid-up share capital (excluding treasury shares) of the Company at any point in time during the Duration of the Scheme;
- iii. Eligible Executive Directors and employees of the Group (excluding Nylex (Malaysia) Berhad ('Nylex'), Ancom Logistics Berhad ('ALB') and dormant subsidiaries) are those who have been confirmed in service on the date of the offer and has attained eighteen (18) years of age or above; and are employed on a continuous full time basis (either permanent or on contract);
- iv. The option price shall be determined by the ESOS Committee of the Company at a discount of not more than ten per centum (10%) from the volume weighted average market price of the Company's shares as quoted on Bursa Malaysia Securities Berhad ('Bursa Securities') for the five (5) market days immediately preceding the date of the offer; and
- v. The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the ordinary shares issued shall rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, no ESOS options were granted by the Company.

REPURCHASE OF SHARES

At the 49th Annual General Meeting held on 18 October 2018, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to ten per centum (10%) of its own ordinary shares.

On 7 November 2018, a total of 381,932 new ordinary shares of RM381,932 was issued for the treasury shares held by the Company pursuant to a bonus issue on the basis of one (1) bonus share for every ten (10) existing ordinary shares held by the shareholders of the Company.

During the financial year, the Company repurchased 5,726,700 of its issued ordinary shares from the open market of Bursa Securities at an average price of RM 0.47 per share. The total consideration paid for the repurchases including transaction costs was RM2,711,000.

As at 31 May 2019, a total of 9,887,959 (2018: 3,779,327) treasury shares at a total cost of RM5,566,000 (2018: 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 and the Main Market Listing Requirements and applicable guideline of Bursa Securities.

The number of ordinary shares as at 31 May 2019 net of treasury shares is 230,961,325 (2018: 215,177,015). Further details are disclosed in Note 21(c) to the financial statements.

DIRECTORS' REPORT (CONT'D)**DIRECTORS**

The Directors who have held office during the financial year and up to the date of this report are as follows:

Dato' Siew Ka Wei	(Executive Chairman)
Siew Ka Kheong	(Alternate to Dato' Siew Ka Wei, appointed on 26 April 2019)
Tan Sri Dato' Dr. Lin See Yan	
Tan Sri Dato' Seri Abdull Hamid Bin Embong	
Dato' Johari Razak	
Chan Thye Seng	
Edmond Cheah Swee Leng	
Lim Hock Chye	
Tan Sri Mohamed Al Amin Abdul Majid	(Resigned on 3 August 2018)

Subsidiaries of Ancom Berhad

Abdul Latif Bin Mahamud	
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	(Deceased on 30 January 2019)
Cheah Yoke Yin	(Appointed on 17 May 2019)
Chen Tai Ngoh	
Chin Kok Wooi	
Dato' Abdul Latif Bin Abdullah	
Dato' Henry Lau Lee Kong	
Dato' Lee Yeow Chor	
Dato' Lim Wee Sern	(Appointed on 8 April 2019)
Dato' Ng How Hon	
Dato' Sri Tong Seech Wi	
Datuk (Dr.) Abd Hapiz Bin Abdullah	
Datuk Abdul Rashid Bin Hashim	
Datuk Anuar Bin Ahmad	
Datuk Azizan Bin Abdul Rahman	(Resigned on 1 August 2018)
Datuk Hasnul Bin Hassan	
Datuk Mohd Anis Hisham Bin Abd Aziz	
Datuk Serin Bin Sudah @ Masree	
Datuk Wong Sai Wan	
Eric Chan Hean Chin	
Fong Seow Kee	(Resigned on 22 June 2018)
Hasdi Bin Husain	
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	

DIRECTORS' REPORT (CONT'D)

The Directors who have held office during the financial year and up to the date of this report are as follows: (continued)

Subsidiaries of Ancom Berhad (continued)

Lim Lay Chin
Lim Liang Tan
Ling Tung Leh
Lim Wee Beng
Low Huoi Seong
Masahiko Otomo
Mohamad Abdul Naser Bin Md. Jaafar @ Yunus
Mohamad Ruslan Bin Ali
Mohd Azlan Bin Mohammed
Norzain Bin Abdul Wahab
Phoon Chiong Kit (Resigned on 7 August 2019)
Robin Ling Seng Chiong
Sabli Bin Sibil
Safrizal Bin Mohd Said
Shamsudin Bin Basri
Shigeo Fuji
Siew Yuen Tuck
Somsak Chatteerapat (Alternate to Surasak Suwannapasri)
Stephane Sylvain Alphonse Taib (Resigned on 7 August 2019)
Surasak Suwannapasri
Suzuki Masayuki
Tan Sri Abd Ghafar Bin Mahmud
Tan Wee Lian
Tho Tuck Woh
Toh Puan Norella Binti Talib
Wong Kah Pun
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' REPORT (CONT'D)

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 2019 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 1.6.2018/ Date of appointment	Bonus issue	Bought	Sold	Balance as at 31.5.2019
Shares in the Company					
<u>Direct interests:</u>					
Dato’ Johari Razak	465,427	46,542	-	-	511,969
Dato’ Siew Ka Wei	24,017,165	2,425,555	430,700	-	26,873,420
Tan Sri Dato’ Dr. Lin See Yan	165,375	16,537	-	-	181,912
<u>Indirect interests:</u>					
Dato’ Siew Ka Wei	20,471,748	2,047,173	-	-	22,518,921
Chan Thye Seng	42,797,402	4,279,738	-	-	47,077,140
Siew Ka Kheong	16,839,885	-	-	-	16,839,885
Subsidiary, Nylex					
<u>Direct interests:</u>					
Dato’ Johari Razak	131,360	-	-	-	131,360
Dato’ Siew Ka Wei	2,096,460	-	-	-	2,096,460
Tan Sri Dato’ Dr. Lin See Yan	17,337	-	-	-	17,337
<u>Indirect interests:</u>					
Dato’ Siew Ka Wei	93,608,359	-	4,000,000	(4,000,000)	93,608,359
Chan Thye Seng	87,967,041	-	-	-	87,967,041
Siew Ka Kheong	5,131,492	-	-	-	5,131,492
Subsidiary, ALB					
<u>Direct interests:</u>					
Dato’ Johari Razak	23,271	-	-	-	23,271
Dato’ Siew Ka Wei	749,867	-	-	(380,000)	369,867
Tan Sri Dato’ Dr. Lin See Yan	8,268	-	-	-	8,268
<u>Indirect interests:</u>					
Dato’ Siew Ka Wei	215,473,196	-	-	(1,278,200)	214,194,996
Chan Thye Seng	214,562,757	-	-	(1,278,200)	213,284,557
Siew Ka Kheong	667,302	-	-	-	667,302

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

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

DIRECTORS' REPORT (CONT'D)**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 following:

- (a) certain Directors who may deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- (b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 36 to the financial statements.

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

DIRECTORS' REMUNERATION

Fees and other benefits of the Directors who held office during the financial year ended 31 May 2019 were as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
- salaries, bonus and allowances	6,190	4,253	1,338	920
- defined contribution plan	287	174	70	58
	6,477	4,427	1,408	978
Non-Executive Directors				
- fees	612	810	409	490
- salaries, bonus and allowances*	276	2,076	-	-
- defined contribution plan	17	125	-	-
- other emoluments	31	33	20	17
	936	3,044	429	507
Total remuneration of Directors	7,413	7,471	1,837	1,485

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM153,000 (2018: RM169,000) and RM120,000 (2018: RM113,000) respectively.

* This is payable to a Non-Executive Director of the Company who is an Executive Director of certain subsidiaries.

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 RM13,000.

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

DIRECTORS' REPORT (CONT'D)**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY****(I) 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.

(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.

DIRECTORS' REPORT (CONT'D)**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Significant events during the financial year and subsequent events between the end of the reporting period and the date when the financial statements are authorised for issue are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2019 were as follows:

	Group RM'000	Company RM'000
Statutory audit	979	136
Other services	24	10
	1,003	146

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Dato' Siew Ka Wei
Director

Kuala Lumpur
22 August 2019

Dato' Johari Razak
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 67 to 153 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 2019 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' Siew Ka Wei

Director

Kuala Lumpur
22 August 2019

Dato' Johari Razak

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 153 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)
22 August 2019)

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

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 2019 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 153.

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 2019, 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, 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 2019 amounted to RM77.9 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' REPORT (CONT'D)
TO THE MEMBERS OF ANCOM BERHAD**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 assessed 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. Impairment of trade receivables

The carrying amount of trade receivables has been disclosed in Note 15 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information.

Audit response

Our audit procedures included the following:

- a. Recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;
- b. Recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- c. Inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF ANCOM BERHAD

Key Audit Matters (continued)Key Audit Matter of the Company**1. Impairment assessment of carrying amounts of investments in subsidiaries**

The carrying amount of investments in subsidiaries has been disclosed in Note 7 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the recoverable amounts of the investments in subsidiaries. The recoverable amounts 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.

Our audit procedures included the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and assessed 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. Impairment of amounts owing by subsidiaries

The carrying amounts of amounts owing by subsidiaries has been disclosed in Note 16 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

Audit response

Our audit procedures included the following:

- a. Assessed the probability of default applied by the Company;
- b. Assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages; and
- c. Evaluated management's basis for determining recoverable cash flows, where applicable.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF ANCOM BERHAD**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 or 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.

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 MFRSs, IFRSs, 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 ability of the Group and of the Company 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF ANCOM BERHAD

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

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: (continued)

- (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.

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 40 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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Lum Chiew Mun
03039/04/2021 J
Chartered Accountant

Kuala Lumpur
22 August 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	280,355	286,399	29,738	30,874
Investment properties	6	337	348	-	-
Investments in subsidiaries	7	-	-	206,711	307,915
Investments in associates	8	12,008	2,375	2,847	2,847
Investments in joint ventures	9	-	-	-	-
Other investments	10	617	4,893	243	243
Intangible assets	11	26,055	3,791	2	7
Goodwill on consolidation	12	77,926	94,975	-	-
Deferred tax assets	13	26,453	26,226	-	-
		423,751	419,007	239,541	341,886
Current assets					
Inventories	14	170,868	129,581	-	-
Trade and other receivables	15	365,962	510,383	4,975	5,701
Amounts owing by subsidiaries	16	-	-	125,139	41,171
Amounts owing by associates	17	18,444	10,371	4,067	4,353
Amounts owing by joint ventures	18	5	88	-	-
Contract assets	19	15,970	-	-	-
Current tax assets		1,976	2,762	596	-
Other investments	10	3,042	2,737	-	-
Cash and bank balances	20	84,201	139,446	35	24
		660,468	795,368	134,812	51,249
TOTAL ASSETS		1,084,219	1,214,375	374,353	393,135

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 MAY 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	21	245,766	218,956	245,766	218,956
Less: Treasury shares, at cost	21(c)	(5,566)	(2,473)	(5,566)	(2,473)
Reserves	22	75,262	100,755	18,029	51,596
		315,462	317,238	258,229	268,079
Non-controlling interests	7(e)	139,443	168,407	-	-
TOTAL EQUITY		454,905	485,645	258,229	268,079
LIABILITIES					
Non-current liabilities					
Borrowings	23	50,770	54,135	1,796	3,465
Deferred tax liabilities	13	10,983	9,926	248	255
Provision for retirement benefits	26	4,666	4,672	-	-
		66,419	68,733	2,044	3,720
Current liabilities					
Borrowings	23	318,038	336,527	69,886	79,654
Trade and other payables	27	215,920	319,136	1,497	2,114
Amounts owing to subsidiaries	28	-	-	42,103	39,442
Amounts owing to associates	17	8,399	27	-	-
Contract liabilities	19	16,790	-	-	-
Current tax liabilities		3,748	4,307	594	126
		562,895	659,997	114,080	121,336
TOTAL LIABILITIES		629,314	728,730	116,124	125,056
TOTAL EQUITY AND LIABILITIES		1,084,219	1,214,375	374,353	393,135

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	29	1,986,891	1,954,809	19,611	12,913
Cost of sales		(1,756,383)	(1,681,906)	-	-
Gross profit		230,508	272,903	19,611	12,913
Other operating income		38,118	12,152	82,206	1,977
Distribution costs		(105,920)	(99,828)	-	-
Administrative expenses		(111,170)	(109,615)	(6,227)	(5,648)
Other operating expenses		(8,298)	(9,829)	(93,784)	(1,104)
Finance costs	30	(21,515)	(19,013)	(7,028)	(6,800)
Share of results of associates, net of tax	8(g)	(244)	258	-	-
Profit/(Loss) before taxation		21,479	47,028	(5,222)	1,338
Taxation	31	(23,550)	(21,367)	(416)	(285)
(Loss)/Profit for the financial year		(2,071)	25,661	(5,638)	1,053
Profit/(Loss) attributable to:					
Owners of the parent		15,132	17,581	(5,638)	1,053
Non-controlling interests	7(e)	(17,203)	8,080	-	-
		(2,071)	25,661	(5,638)	1,053

		Group	
Note		2019 Sen	2018 Sen
Basic and diluted:			
Earnings per ordinary share	32	6.44	7.42

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/Profit for the financial year		(2,071)	25,661	(5,638)	1,053
Other comprehensive income/(loss), net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		6,791	(14,634)	-	-
Item not to be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability	26	56	(30)	-	-
Other comprehensive income/(loss), net of tax		6,847	(14,664)	-	-
Total comprehensive income/(loss)		4,776	10,997	(5,638)	1,053
Total comprehensive income/(loss) attributable to:					
Owners of the parent		18,063	11,006	(5,638)	1,053
Non-controlling interests	7(e)	(13,287)	(9)	-	-
		4,776	10,997	(5,638)	1,053

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

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 2018, previously reported	218,956	4,332	203	4,987	7,696	(2,473)	83,537	317,238	168,407	485,645
Adjustments on initial application of MFRS 9	-	-	-	-	-	-	(16,901)	(16,901)	(4,805)	(21,706)
As at 1 June 2018, restated	218,956	4,332	203	4,987	7,696	(2,473)	66,636	300,337	163,602	463,939
Profit/(Loss) for the financial year	-	-	-	-	-	-	15,132	15,132	(17,203)	(2,071)
Other comprehensive income, net of tax	-	-	-	-	2,875	-	56	2,931	3,916	6,847
Total comprehensive income/(loss)	-	-	-	-	2,875	-	15,188	18,063	(13,287)	4,776
Transactions with owners										
Bonus shares issue	21,893	(4,332)	-	-	-	(382)	(17,179)	-	-	-
Repurchase of treasury shares of the Company	-	-	-	-	-	(2,711)	-	(2,711)	-	(2,711)
Transfer pursuant to Section 618(2) of the Companies Act 2016	4,917	-	70	(4,987)	-	-	-	-	-	-
Disposal/Derecognition of subsidiaries	-	-	-	-	-	-	-	-	(3,459)	(3,459)
Repurchase of treasury shares of a subsidiary	-	-	-	-	-	-	-	-	(5,179)	(5,179)
Additional interest in subsidiaries	-	-	-	-	135	-	(74)	61	(592)	(531)
Disposal of equity interests in subsidiaries	-	-	-	-	-	-	(288)	(288)	3,065	2,777
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,943)	(2,943)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(1,764)	(1,764)
Total transactions with owners	26,810	(4,332)	70	(4,987)	135	(3,093)	(17,541)	(2,938)	(10,872)	(13,810)
As at 31 May 2019	245,766	-	273	-	10,706	(5,566)	64,283	315,462	139,443	454,905

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

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 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 2018/1 June 2018, previously reported	218,956	4,332	4,917	(2,473)	42,347	268,079
Adjustments on initial application of MFRS 9	-	-	-	-	(1,501)	(1,501)
As at 1 June 2018, restated	218,956	4,332	4,917	(2,473)	40,846	266,578
Loss for the financial year	-	-	-	-	(5,638)	(5,638)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(5,638)	(5,638)
Transactions with owners						
Bonus shares issue	21,893	(4,332)	-	(382)	(17,179)	-
Repurchase of treasury shares of the Company	-	-	-	(2,711)	-	(2,711)
Transfer pursuant to Section 618(2) of the Companies Act 2016	4,917	-	(4,917)	-	-	-
Total transactions with owners	26,810	(4,332)	(4,917)	(3,093)	(17,179)	(2,711)
As at 31 May 2019	245,766	-	-	(5,566)	18,029	258,229

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		21,479	47,028	(5,222)	1,338
Adjustments for:					
Amortisation of intangible assets	11	2,790	917	5	5
Bad debts written off - third parties		974	2,299	-	-
Deposits written off		35	-	35	-
Depreciation of investment properties	6	11	11	-	-
Depreciation of property, plant and equipment	5	26,175	24,891	1,057	1,027
Dividend income	29	-	(10)	(16,148)	(10,569)
Fair value loss on other investments		126	88	-	-
Gain on disposal of other investments		-	(113)	-	(113)
Loss/(Gain) on disposal of property, plant and equipment		27	(481)	(90)	(19)
Gain on disposal of equity interest in subsidiaries		-	-	(15)	(143)
Gain on disposal/derecognition of subsidiaries		(23,625)	(196)	(79,900)	-
Impairment loss on:					
- amounts owing by associates	17(e)	-	27	-	-
- amounts owing by subsidiaries	16(d)	-	-	3,340	-
- investments in associates		1,573	-	-	-
- investments in subsidiaries	7(b)	-	-	87,059	-
- trade and other receivables		4,506	2,361	87	-
Interest expense	30	21,515	19,013	7,028	6,800
Interest income		(1,578)	(1,557)	(1,521)	(213)
Inventories written down	14	422	1,114	-	-
Property, plant and equipment written off	5	65	97	-	-
Reversal of impairment loss on trade and other receivables		(3,794)	(33)	-	-
Share of results of associates	8(g)	244	(258)	-	-
Net unrealised gain on foreign exchange		(290)	(2,898)	-	-
Provision for retirement benefits	26	545	568	-	-
Operating profit/(loss) before working capital changes		51,200	92,868	(4,285)	(1,887)
Working capital changes:					
Inventories		(41,709)	17,412	-	-
Trade and other receivables		60,936	(88,292)	604	64
Trade and other payables		(11,900)	36,278	(617)	(132)
Contract assets/liabilities		820	-	-	-
Amounts owing by associates		(8,636)	(3,465)	286	(26)
Amounts owing by joint ventures		(5)	(32)	-	-
Amounts owing to associates		8,372	(14)	-	-
Cash generated from/(used in) operations		59,078	54,755	(4,012)	(1,981)
Dividend received		-	10	16,148	10,569
Retirement benefits paid	26	(471)	(2)	-	-
Tax paid		(24,222)	(23,328)	(551)	(412)
Net cash from operating activities		34,385	31,435	11,585	8,176

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries		-	(254)	(2,570)	-
Acquisition of additional interests in subsidiaries		(531)	-	-	-
Acquisition of associates		(3,250)	-	-	-
Proceeds from disposal of equity interests in subsidiaries		2,777	13,165	130	1,035
Proceeds from disposal/derecognition of subsidiaries		8,247	46	-	-
Interest received		1,578	1,557	1,521	213
Proceeds from disposal of property, plant and equipment		1,385	802	290	150
Purchase of intangible assets	11	(1,006)	(1,134)	-	-
(Purchase)/Disposal of other investments		(4,666)	(4,975)	-	373
Purchase of property, plant and equipment	5(c)	(30,459)	(21,855)	(121)	(1,754)
Net payments from/(to) subsidiaries		-	-	7,782	(33,522)
Repurchase of treasury shares of a subsidiary		(5,179)	(3,496)	-	-
Withdrawal/(Placement) of short term deposits:					
- pledged with licensed banks		11,023	(5,329)	-	-
- with maturity period more than three (3) months		930	(3,518)	-	-
Net cash (used in)/from investing activities		(19,151)	(24,991)	7,032	(33,505)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests		(2,943)	(2,079)	-	-
Dividends paid to non-controlling interests of subsidiaries		(1,764)	(3,170)	-	-
Interest paid		(21,515)	(19,013)	(4,458)	(3,959)
Repurchase of treasury shares of the Company		(2,711)	-	(2,711)	-
Repayments of hire purchase and lease creditors		(2,845)	(3,047)	(116)	(107)
Net (repayments)/drawdown of borrowings		(18,294)	14,899	(12,144)	25,183
Net cash (used in)/from financing activities		(50,072)	(12,410)	(19,429)	21,117
Net decrease in cash and cash equivalents		(34,838)	(5,966)	(812)	(4,212)
Cash and cash equivalents at beginning of financial year		98,048	107,314	(11,277)	(7,065)
Effects of exchange rate changes on cash and cash equivalents		(297)	(3,300)	-	-
		97,751	104,014	(11,277)	(7,065)
Cash and cash equivalents at end of financial year	20(c)	62,913	98,048	(12,089)	(11,277)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings as at 1 June 2018/2017		390,662	375,640	83,119	53,831
Cash flows		(31,517)	16,400	(11,437)	29,288
Non-cash flows:					
- Purchase of property, plant and equipment	5(c)	5,439	1,417	-	-
- Disposal/Derecognition of subsidiaries		2,654	-	-	-
- Effect of foreign exchange		1,570	(2,795)	-	-
Borrowings as at 31 May 2019/2018		368,808	390,662	71,682	83,119

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

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 2019 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 22 August 2019.

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 40 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 41.1 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 June 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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 (CONT'D)

31 MAY 2019

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 (CONT'D)

31 MAY 2019

4. OPERATING SEGMENTS (CONTINUED)

(a) Operating segment

2019	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	531	273,641	1,428,246	39,157	105,181	112,264	27,871	-	1,986,891
Inter-segment sales	21,378	78,258	491	9,833	490	60	2,986	(113,496)	-
Total revenue	21,909	351,899	1,428,737	48,990	105,671	112,324	30,857	(113,496)	1,986,891
Segment (loss)/profit before taxation									
Interest income	(23,783)	47,053	5,685	(637)	(11,895)	11,175	(6,958)	839	21,479
Depreciation and amortisation	3,490	1	581	8	173	648	766	(4,089)	1,578
Share of results of associates	(1,459)	(5,510)	(1,701)	(8,351)	(7,004)	(4,605)	(961)	615	(28,976)
Interest expense	(244)	-	-	-	-	-	-	-	(244)
Other material non-cash items:	(9,394)	(1,281)	(7,049)	(4,450)	(3,121)	(11)	(215)	4,006	(21,515)
Gain on disposal/derecognition of subsidiaries	237	-	-	-	23,388	-	-	-	23,625
Inventories written down	-	-	(207)	-	-	(215)	-	-	(422)
Impairment loss on:									
- investments in associates	-	(493)	-	-	(1,080)	-	-	-	(1,573)
- trade and other receivables	(89)	(1,134)	-	-	(2,700)	-	(583)	-	(4,506)
Reversal of impairment loss on trade and other receivables	1,118	1,272	207	66	846	215	70	-	3,794
Bad debts written off - third parties	-	-	(7)	-	(963)	6	(10)	-	(974)
Segment assets	50,982	185,321	515,870	117,541	119,171	118,293	27,691	(50,650)	1,084,219
Investments in associates	6,426	507	-	1,802	6,120	-	17	(2,864)	12,008
Goodwill on consolidation	-	-	100,565	-	5,425	96	-	(28,160)	77,926
Additions to property, plant and equipment and intangible assets	10,776	11,337	939	8,635	2,766	1,047	1,404	-	36,904
Segment liabilities	66,457	83,683	288,996	99,045	62,445	23,562	5,285	(159)	629,314

31 MAY 2019

4. OPERATING SEGMENTS (CONTINUED)

(a) Operating segment (continued)

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 trade and other receivables	-	(31)	208	(68)	(981)	(986)	(503)	-	(2,361)
Gain on disposal/derecognition of subsidiaries	196	-	-	-	-	-	-	-	196
Reversal of impairment loss on trade and other receivables	-	-	-	-	17	-	16	-	33
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 (CONT'D)

31 MAY 2019

4. OPERATING SEGMENTS (CONTINUED)

(b) Geographical segment

In determining the geographical segment 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	1,083,543	1,117,415	885,880	999,685
Singapore	216,270	250,547	78,369	80,924
Indonesia	224,196	166,463	97,120	103,173
Other Southeast Asian countries	107,187	117,981	20,684	23,912
Other Asian countries	115,212	126,011	2,166	6,681
Australia and New Zealand	54,559	57,367	-	-
North and South America	86,101	83,062	-	-
Africa	41,787	33,503	-	-
Europe	58,036	2,460	-	-
	1,986,891	1,954,809	1,084,219	1,214,375

(c) Major customers

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

5. PROPERTY, PLANT AND EQUIPMENT

Group 2019	Balance as at 1.6.2018	Depreciation charge for the financial year	Disposals	Translation adjustments	Written off	Derecognition of subsidiaries	Disposal/ to intangible assets	Reclassi- fication	Balance as (Note 11) at 31.5.2019
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	1,016	-	-	-	-	-	-	-	1,016
Buildings	47,553	38	(9)	187	-	(583)	-	-	45,657
Leasehold land	49,735	432	-	119	-	-	-	-	49,172
Plant and machinery	78,343	13,310	(12)	403	(63)	(7,801)	-	-	70,827
Vessel and equipment	72,709	-	(93)	-	-	-	-	-	68,717
Motor vehicles	12,213	10,468	(1,035)	7	-	(1,153)	-	-	16,873
Furniture, fittings and office equipment	7,392	5,999	(63)	3	(2)	(464)	(58)	-	10,810
Renovation	8,778	931	(200)	-	-	(65)	-	-	8,788
Assets under construction	8,660	4,720	-	-	-	(885)	(4,000)	-	8,495
	286,399	35,898	(1,412)	719	(65)	(10,951)	(4,058)	-	280,355

	At 31.5.2019	At 31.5.2019
	Cost	Accumulated depreciation and impairment
	RM'000	RM'000
Freehold land	1,016	-
Buildings	56,329	(10,672)
Leasehold land	57,384	(8,212)
Plant and machinery	273,030	(202,203)
Vessel and equipment	77,820	(9,103)
Motor vehicles	43,166	(26,293)
Furniture, fittings and office equipment	33,339	(22,529)
Renovation	13,469	(4,681)
Assets under construction	8,495	-
	564,048	(283,693)
		280,355

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2018	Balance as at 1.6.2017	Additions	Disposals	Depreciation charge for the financial year	Translating adjustments	Written off	Acquisition of a subsidiary	Reclassi- fications	Balance as at 31.5.2018
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	1,016	-	-	-	-	-	-	-	1,016
Buildings	50,573	116	-	(2,078)	(1,062)	-	-	4	47,553
Leasehold land	51,236	-	-	(880)	(621)	-	-	-	49,735
Plant and machinery	81,371	11,936	(47)	(12,583)	(2,485)	-	-	151	78,343
Vessel and equipment	76,612	-	-	(3,903)	-	-	-	-	72,709
Motor vehicles	13,018	2,673	(270)	(3,302)	(35)	(97)	76	150	12,213
Furniture, fittings and office equipment	7,157	1,901	(4)	(1,667)	(13)	-	18	-	7,392
Renovation	7,090	2,166	-	(478)	-	-	-	-	8,778
Assets under construction	4,486	4,480	-	-	(1)	-	-	(305)	8,660
	292,559	23,272	(321)	(24,891)	(4,217)	(97)	94	-	286,399

	At 31.5.2018	Accumulated depreciation Cost and impairment	Carrying amount
	RM'000	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019	Balance as at 1.6.2018	Additions	Depreciation charge for the financial year	Disposal	Balance as at 31.5.2019
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	21,893	-	(241)	-	21,652
Building	5,479	-	(127)	-	5,352
Motor vehicles	831	-	(304)	-	527
Furniture, fittings and office equipment	112	114	(49)	-	177
Renovation	2,559	7	(336)	(200)	2,030
	30,874	121	(1,057)	(200)	29,738

	← At 31.5.2019 →		
	Cost	Accumulated depreciation and impairment	Carrying amount
	RM'000	RM'000	RM'000
Leasehold land	23,580	(1,928)	21,652
Building	6,327	(975)	5,352
Plant and machinery	2,403	(2,403)	-
Motor vehicles	1,802	(1,275)	527
Furniture, fittings and office equipment	1,262	(1,085)	177
Renovation	5,167	(3,137)	2,030
	40,541	(10,803)	29,738

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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
Building	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 RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Leasehold land	23,580	(1,687)	21,893
Building	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 (CONT'D)

31 MAY 2019

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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	35,898	23,272	121	1,754
Financed by hire purchase and lease arrangements	(5,439)	(1,417)	-	-
Cash payments on purchase of property, plant and equipment	30,459	21,855	121	1,754

- (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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	8,530	4,483	267	406
Furniture, fittings and office equipment	94	118	-	-
Plant and machinery	2,708	3,267	-	-
	11,332	7,868	267	406

- (e) As at 31 May 2019, certain land and buildings of the Group and of the Company with a total carrying amount of RM40,658,000 (2018: RM41,428,000) and RM27,004,000 (2018: RM27,372,000) respectively charged to banks for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.
- (f) As at 31 May 2019, vessel and equipment of the Group with carrying amount of RM68,605,000 (2018: RM72,582,000) have been charged to licensed banks for banking facilities granted to certain subsidiaries as disclosed in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

6. INVESTMENT PROPERTIES

Group 2019	Balance as at 1.6.2018	Depreciation charge for the financial year	Balance as at 31.5.2019
Carrying amount	RM'000	RM'000	RM'000
Freehold land at cost	20	-	20
Buildings at cost	328	(11)	317
	348	(11)	337

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

	Group	
	2019 RM'000	2018 RM'000
Fair value	940	940

- (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 (2018: RM18,000).
- (d) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM10,000 (2018: 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 (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Quoted shares in Malaysia, at cost	35,217	32,762
Unquoted shares, at cost	167,756	226,056
Equity loans	100,000	100,000
	302,973	358,818
Less: Impairment loss of investments in unquoted shares	(96,262)	(50,903)
	206,711	307,915

- (a) Investments in subsidiaries are measured at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

All components of non-controlling interests shall be initially measured at fair value on the acquisition date, unless another measurement basis is required by MFRS. The choice of the measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) 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.

During the financial year, an impairment loss of RM87,059,000 was recognised to bring its carrying value to its recoverable amount.

- (c) The details of the subsidiaries are disclosed in Note 40(a) to the financial statements.
- (d) Quoted investments in a subsidiary with a carrying amount of RM28,288,000 (2018: RM22,792,000) and quoted investments held by a subsidiary with a carrying amount of RM64,973,000 (2018: RM69,470,000) have been charged to licensed banks for credit facilities granted to the Company as disclosed in Note 23 to the financial statements.
- (e) 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	Puncak Berlian Sdn. Bhd.* RM'000	Others* RM'000	Total RM'000
2019					
NCI percentage of ownership interest and voting interest (%)	51.0%	54.9%			
Carrying amount of NCI	120,312	10,911	-	8,220	139,443
(Loss)/Profit allocated to NCI	(2,993)	925	(13,820)	(1,315)	(17,203)
Other comprehensive income allocated to NCI	3,916	-	-	-	3,916
Total comprehensive income/(loss) allocated to NCI	923	925	(13,820)	(1,315)	(13,287)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(e) 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	Puncak Berlian Sdn. Bhd.# RM'000	Others* RM'000	Total RM'000
2018					
NCI percentage of ownership interest and voting interest (%)	54.2%	54.7%	25.0%		
Carrying amount of NCI	131,680	11,697	8,330	16,700	168,407
Profit/(Loss) allocated to NCI	11,330	580	(4,406)	576	8,080
Other comprehensive loss allocated to NCI	(8,089)	-	-	-	(8,089)
Total comprehensive income/(loss) allocated to NCI	3,241	580	(4,406)	576	(9)

Puncak Berlian Sdn. Bhd. ceased to be a subsidiary and became an associate of the Group on 31 May 2019. Further details are disclosed in Note 7.7(b) to the financial statements.

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

(f) 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
2019		
Assets and liabilities		
Non-current assets	277,350	32,375
Current assets	443,327	16,053
Non-current liabilities	(45,604)	(9,053)
Current liabilities	(334,218)	(7,909)
Net assets	340,855	31,466
Results		
Revenue	1,560,354	29,697
(Loss)/Profit for the financial year	(4,520)	769
Total comprehensive income	2,125	769
Cash flows (used in)/from operating activities	(1,648)	3,119
Cash flows used in investing activities	(3,384)	(3,398)
Cash flows used in financing activities	(31,264)	(2,727)
Net decrease in cash and cash equivalents	(36,296)	(3,006)
Dividend paid to NCI	-	1,764

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (f) 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
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

7.1 Acquisition of additional interest in subsidiaries

- (a) During the financial year:

- (i) On 13 July 2018, the Group via Perusahaan Kimia Gemilang Sdn. Bhd. ('PKG'), a subsidiary of the Group held through Nylex (Malaysia) Berhad ('Nylex'), has acquired remaining 100,000 shares in Dynamic Chemical Pte. Ltd. ('DYM'), representing 10% equity interest in DYM, for a cash consideration of USD 170,000 (equivalent to RM686,000). As a result, DYM became a wholly-owned subsidiary of PKG on the same date.
- (ii) On 4 July 2012, the Company acquired one (1) ordinary share of RM1 each representing 33.3% of the share capital of Advanced Technology Studies Centre Sdn. Bhd. ('ATSC') from Lee Nan Phin ('LNP'), a Director of a subsidiary of the Company, iEnterprise Online Sdn. Bhd. ('IEOL') by way of disposal of 594,000 ordinary shares of RM1 each or 33% equity interest held by the Company in IEOL to LNP ('Share Exchange').

On 31 May 2019, both the Company and LNP reversed the above said transaction whereby the Company will transfer its one (1) ordinary share in ATSC back to LNP and LNP will transfer his 594,000 ordinary shares in IEOL to the Company ('Transaction').

Upon completion of the Transaction, Ancom's shareholding in IEOL will be increased from 64.3% to 97.3% and its shareholding in ATSC is reduced to 32.4% indirectly via IEOL and hence, ATSC shall cease to be a subsidiary of the Group and became an associate of the Group on the same date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**7.1 Acquisition of additional interest in subsidiaries (continued)**

- (b) In the previous financial year, the Group via its wholly-owned subsidiary, Ancom Crop Care Sdn. Bhd. ('ACC') subscribed for 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%.

7.2 Acquisition of subsidiaries

- (a) During the financial year:

- (i) On 7 December 2018, the Group via its subsidiary, ACC, acquired the following:

- one (1) ordinary share, representing 100% equity interest in Budi Prospek Sdn. Bhd. ('BPSB') for a cash consideration of RM1; and
- one (1) ordinary share, representing 100% equity interest in Vanguard Express Sdn. Bhd. (formerly known as Rimbun Prospek Sdn. Bhd.) for a cash consideration of RM1.

The acquisition did not have any material impact to the Group.

- (ii) On 1 March 2019, the Company acquired one (1) ordinary share representing 100% equity interest in Media Works Sdn. Bhd. for a cash consideration of RM1. The acquisition did not have any material impact to the Group.

- (b) In the previous financial year:

- (i) the Company has on 28 July 2017 incorporated a wholly-owned subsidiary, Ancom Agrichemical Sdn. Bhd. (formerly known as TravelPay Malaysia Sdn. Bhd.) ('AASB') with issued and paid-up share capital of RM2 comprising two (2) ordinary shares.

- (ii) the Group via its subsidiary, EES, acquired sixty-five (65) ordinary shares, representing 65% equity interest in Entopest Environmental Services (PG) Sdn. Bhd. ('EPG') for a cash consideration of RM106,000. The acquisition did not have any material impact to the Group.

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

- (iii) the Group via its subsidiary, Puncak Berlian Sdn. Bhd. ('PBSB'), has on 20 November 2017 acquired two (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 diluted 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 one (1) ordinary share, representing the entire equity interest in KHK Media Sdn. Bhd. (formerly known as Novaberry Sdn. Bhd.) for cash consideration of RM1.

7.3 Disposal of subsidiaries

- (a) The Group via its subsidiary, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**7.3 Disposal of subsidiaries (continued)**

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the disposal were as follows:

	RM'000
Property, plant and equipment	824
Trade and other receivables	1,874
Cash and bank balances	2,453
Trade and other payables	(1,060)
Net assets disposed	4,091
Non-controlling interest derecognised	(1,636)
Goodwill	4,762
	7,217
Proceeds from disposal	(8,640)
Gain on disposal of subsidiary	(1,423)
Cash inflow on disposal of subsidiary	
Sale proceeds from disposal	8,640
Cash and bank balances of subsidiary disposed	(2,453)
Fixed deposits with maturity of more than three months	496
Net cash inflow on disposal	6,683

- (b) In the previous financial year, Redberry Sdn. Bhd. ('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. ('USB') for cash consideration of RM50,000. Upon the completion of the above disposal, USB ceased to be a subsidiary of the Group. The disposal did not have any material financial impact to the Group.

7.4 Dilution of equity interests in subsidiaries**(a) During the financial year:**

- (i) RBSB had on 18 July 2018, entered into a Share Sale Agreement with OMG Live Limited ('OMG') for the disposal of 856,255 ordinary shares, representing 5% equity interest in PBSB to OMG for a cash consideration of RM2,631,000. Upon completion of the disposal on 7 September 2018, PBSB became a 70% owned subsidiary of the Group.
- (ii) the Company disposed 1,278,200 ordinary shares in Ancom Logistics Berhad ('ALB') for a total cash consideration of RM130,000. The disposal resulted in a reduction of equity interest in ALB from 45.3% to 45.1%. The disposal did not have any material financial impact to the Group.
- (iii) the Company disposed its entire equity interest in Ancom Energy & Services Sdn. Bhd. ('AES') to Ancom Components Sdn. Bhd. for cash consideration of RM1. The disposal resulted in a reduction of effective equity interest in AES from 100.0% to 66.7%. The disposal did not have any material financial impact to the Group.
- (iv) the Group's equity interest in EES, decreased from 99.9% to 90.0% following the issuance of new ordinary shares to non-controlling interests. The dilution of equity interest did not have any material financial impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**7.4 Dilution of equity interests in subsidiaries (continued)**

- (b) In the previous financial year, RBSB 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').

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

7.5 Equity loan

In the previous 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 were unsecured, interest-free and settlement was neither planned nor likely to occur in the foreseeable future, and were considered to be part of the Company's net investment in providing the subsidiary with a long term source of additional capital.

7.6 Common control transactions

- (a) During the financial year:

- (i) the Company acquired 4,000,000 ordinary shares of average price of RM0.60 each in Nylex from Rhodemark Development Sdn. Bhd. ('RDSB') for a consideration of RM2,570,000. The acquisition did not have any material financial impact to the Group.
- (ii) the Group completed an internal restructuring whereby the Company transferred its entire equity interest in ACC to AASB for a consideration of RM96,500,000 and recognised a gain on disposal of RM80,000,000. The consideration was satisfied by way of issuing and allotting 150,000 ordinary shares in AASB to the Company at RM643.33 per ordinary share. ACC has earlier disposed the entire equity interests in five (5) subsidiaries, namely Ancom Bioscience Sdn. Bhd., Ancom Nutrifooods Sdn. Bhd., Polytersides Sdn. Bhd., EES and BPSB to AASB for a total consideration of RM5,200,000.

- (b) In the previous financial year:

- (i) the Company disposed 900,000 ordinary shares of average price of RM1 each in Nylex to 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. The disposal did not have any material financial impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.7 Derecognition of subsidiaries

(a) Ancom Kimia Sdn. Bhd. ('AKM')

On 25 October 2018, PKG entered into a Share Sale Agreement with Retromark Solutions Sdn. Bhd. ('RSSB') for the disposal of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM, a 60% owned subsidiary of PKG, to RSSB for a total consideration of RM1,000,000. Upon completion of the above disposal on 30 November 2018, AKM ceased to be a subsidiary and became an associate of PKG on the same date.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the derecognition were as follows:

	RM'000
Property, plant and equipment	1
Trade and other receivables	12,719
Other investments	184
Current tax assets	197
Cash and bank balances	5,779
Deferred tax liabilities	(3)
Trade and other payables	(15,341)
Net assets disposed	3,536
Non-controlling interest derecognised	(1,865)
Goodwill	1,276
	2,947
Fair value of interest retained	(1,000)
Total disposal proceeds	(1,000)
Loss on derecognition of subsidiary	947
Cashflow from derecognition of subsidiary	
Sale proceeds from derecognition	1,000
Cash and bank balances of subsidiary derecognised	(5,779)
Net cash outflow on derecognition	(4,779)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.7 Derecognition of subsidiaries (continued)

(b) Puncak Berlian Sdn. Bhd. ('PBSB')

RBSB had on 19 April 2019, entered into a Share Sale Agreement ('SSA') with VGI Malaysia for the disposal of 6,850,042 ordinary shares, representing 40% of the issued and paid-up share capital in PBSB held by RBSB to VGI Malaysia for a consideration of RM9,600,000, subject to the terms and conditions stipulated in the SSA ("Proposal") and the fulfilment of the conditions precedent.

Upon completion of the Proposal on 31 May 2019, PBSB ceased to be a subsidiary and became an associate of RBSB on the same date.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the derecognition were as follows:

	RM'000
Property, plant and equipment	10,123
Intangible assets (Note 11)	10
Deferred tax assets	582
Trade and other receivables	29,772
Other investments	8,327
Current tax assets	1,011
Cash and bank balances	5,459
Borrowings	(2,780)
Trade and other payables	(74,199)
Net liabilities disposed	(21,695)
Non-controlling interest derecognised	195
Goodwill	14,912
	(6,588)
Fair value of interest retained	(7,200)
Total disposal proceeds	(9,600)
Gain on derecognition of subsidiary	(23,388)
Cashflow from derecognition of subsidiary	
Sale proceeds from derecognition	9,600
Bank overdrafts	2,717
Cash and bank balances of subsidiary derecognised	(5,459)
Net cash inflow on derecognition	6,858

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	26,128	14,678	9,149	9,149
Share of post-acquisition reserves	(5,270)	(5,026)	-	-
	20,858	9,652	9,149	9,149
Less: Impairment loss	(8,850)	(7,277)	(6,302)	(6,302)
	12,008	2,375	2,847	2,847

- (a) Investments in associates is measured at cost less impairment loss in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.
- (b) On 24 October 2018, a wholly-owned subsidiary of Nylex, Nycon Manufacturing Sdn. Bhd. ('Nycon') has acquired thirty (30) shares in RSSB, representing 30% equity interest in RSSB, for a cash consideration of RM1,250,000. As a results, RSSB became an associate of Nycon on the same date.
- (c) On 25 October 2018, PKG entered into a Share Sale Agreement with RSSB for the disposal of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM, a 60% owned subsidiary of PKG, to RSSB for a total consideration of RM1,000,000. Upon completion of the above disposal on 30 November 2018, AKM ceased to be a subsidiary and became an associate of PKG on the same date.
- (d) RBSB had on 19 April 2019, entered into a Share Sale Agreement with VGI Malaysia for the disposal of 6,850,042 ordinary shares, representing 40% of the issued and paid-up share capital in PBSB held by RBSB to VGI Malaysia for a consideration of RM9,600,000. Upon completion of the above disposal on 31 May 2019, PBSB ceased to be a subsidiary and became an associate of RBSB on the same date.
- (e) During the financial year, the Group via PKG and ACC have acquired 1,000,000 shares in DJ Money Matters Sdn. Bhd. ('DJ Money'), representing 50% equity interest in DJ Money for a total consideration of RM2,000,000. As a result, DJ Money became an associate of the Group.
- (f) The details of the associates are disclosed in Note 40(b) to the financial statements.
- (g) The aggregate amount of the associates results shared by the Group during the financial year are as follows:

Group	2019 RM'000	2018 RM'000
Share of (loss)/profit of the Group	(244)	258
Share of other comprehensive income of the Group	-	-
Share of total comprehensive (loss)/income of the Group	(244)	258

- (h) 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.
- (i) Summarised financial information of the associates are not disclosed as it is immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

9. INVESTMENTS IN JOINT VENTURES

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	540	540
Share of post-acquisition reserves	(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 40(c) 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 SSSB and TeaFM.
- (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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	147	147	-	-
Unquoted shares in Malaysia	170	330	-	-
Unquoted shares outside Malaysia	-	4,116	-	-
Club memberships	300	300	243	243
Total non-current other investments	617	4,893	243	243
Current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	662	1,067	-	-
Unit trusts	2,380	1,670	-	-
Total current other investments	3,042	2,737	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

11. INTANGIBLE ASSETS

Group 2019	Balance as at 1.6.2018	Disposal of subsidiaries Note 7.7(b)	Additions	Reclassification from property, plant and equipment (Note 5)	Reclassification from other receivables	Amortisation during the financial year	Balance as at 31.5.2019
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rights	2,430	-	-	-	20,000	(1,914)	20,516
Computer software	970	(10)	837	4,058	-	(876)	4,979
Development expenditure	391	-	169	-	-	-	560
	3,791	(10)	1,006	4,058	20,000	(2,790)	26,055

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

	Company	
	2019 RM'000	2018 RM'000
Computer software		
Balance as at 1 June 2018/2017	7	12
Amortisation during the financial year	(5)	(5)
Balance as at 31 May 2019/2018	2	7

- (a) Rights represent audio and visual advertising network distributions secured by the Group for media sales. These are recognised as assets 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

Development expenditure are not amortised until such time when the asset is available for use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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) to ten (10) years, in accordance with the remaining years of utilisation of the Rights.
- ii. The revenue to be derived from the Rights is anticipated to be at least RM500,000 per year from financial year 2020 to financial year 2028.
- iii. A pre-tax discount rate of 5.0% (2018: 5.3%) per annum has been applied. The discount rate used is estimated based on weighted average cost of capital of the Company.

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	
	2019 RM'000	2018 RM'000
Balance as at 1 June 2018/2017	94,975	99,663
Acquisition of subsidiaries	-	862
Disposal/Derecognition of subsidiaries	(20,950)	-
Foreign exchange differences	3,901	(5,550)
Balance as at 31 May 2019/2018	77,926	94,975

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

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.

- (a) Allocation of goodwill

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

	Group	
	2019 RM'000	2018 RM'000
Industrial chemicals	71,190	68,568
Polymer	96	93
Logistics	-	4,762
Media	4,155	19,067
Others	2,485	2,485
	77,926	94,975

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

12. GOODWILL ON CONSOLIDATION (CONTINUED)**(b) Recognition and measurement of impairment loss**

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 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.

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 5.0% (2018: 5.3%) per annum has been applied. The discount rate used is estimated based on weighted average cost of capital of the Company.
- (ii) Growth rate used is based on historical trends of each CGU taking into account the industry outlook. The average growth rates of 3.5% (2018: 3.7%) per annum.
- (iii) The profit margin applied to the projections are based on the historical profit margin trends for each of the individual CGUs.

Sensitivity to changes in assumptions

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.

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:

I. 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 Company. 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.

II. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

12. GOODWILL ON CONSOLIDATION (CONTINUED)

- (b) Recognition and measurement of impairment loss (continued)

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 1% (2018: 7%) per annum.
- (ii) A pre-tax discount rate of 5.0% (2018: 5.3%) per annum has been applied. The discount rate used is estimated based on weighted average cost of capital of the Company.

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.

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.

13. DEFERRED TAX (ASSETS)/LIABILITIES

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance as at 1 June 2018/2017	(16,300)	(16,961)	255	298
Recognised in profit or loss (Note 31)	309	525	(7)	(43)
Disposal/Derecognition of subsidiaries	579	-	-	-
Foreign exchange differences	(58)	136	-	-
	830	661	(7)	(43)
Balance as at 31 May 2019/2018	(15,470)	(16,300)	248	255
Presented as:				
Deferred tax assets, net	(26,453)	(26,226)	-	-
Deferred tax liabilities, net	10,983	9,926	248	255

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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:

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Offsetting RM'000	Total RM'000
2019			
Balance as at 1 June 2018	12,042	(2,116)	9,926
Recognised in profit or loss	(82)	1,681	1,599
Disposal/Derecognition of subsidiaries	(542)	-	(542)
Foreign exchange differences	(12)	12	-
Balance as at 31 May 2019	11,406	(423)	10,983
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

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
2019					
Balance as at 1 June 2018	(5,214)	(22,073)	(1,055)	2,116	(26,226)
Recognised in profit or loss	1,522	(1,154)	23	(1,681)	(1,290)
Disposal/Derecognition of subsidiaries	(3)	1,124	-	-	1,121
Foreign exchange differences	(4)	(28)	(14)	(12)	(58)
Balance as at 31 May 2019	(3,699)	(22,131)	(1,046)	423	(26,453)
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)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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

- (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
2019	
Balance as at 1 June 2018	255
Recognised in profit or loss	(7)
Balance as at 31 May 2019	248
2018	
Balance as at 1 June 2017	298
Recognised in profit or loss	(43)
Balance as at 31 May 2018	255

- (d) The amounts of temporary differences for which no deferred tax assets have been recognised in the statement of financial position are as follows:

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses	141,907	92,496
Unabsorbed capital allowances	16,897	11,580
Others	3,485	5,219
	162,289	109,295

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.

For subsidiaries in Malaysia, the unutilised tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unutilised tax losses for the year of assessment 2019 will expire in 7 years. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

14. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
At cost		
Raw materials and consumables	40,522	30,446
Packing materials	585	597
Work-in-progress	3,407	878
Finished goods	62,763	48,298
Inventory-in-transit	100	3,259
	107,377	83,478
At net realisable value		
Raw materials and consumables	5,597	12,168
Work-in-progress	-	3,037
Finished goods	57,894	30,898
	63,491	46,103
	170,868	129,581

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 RM1,661,162,000 (2018: RM1,482,380,000). The Group has also written down inventories by RM422,000 (2018: RM1,114,000) to their net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
Third parties	288,981	367,055	-	-
Related parties	1,016	-	-	-
	289,997	367,055	-	-
Less: Impairment loss	(23,129)	(9,831)	-	-
	266,868	357,224	-	-
Other receivables				
Third parties	41,018	45,000	5,047	5,473
Related parties	16,827	24,920	-	-
Deposits	36,718	39,344	15	227
	94,563	109,264	5,062	5,700
Less: Impairment loss	(14,112)	(9,464)	(87)	-
	80,451	99,800	4,975	5,700
Total receivables	347,319	457,024	4,975	5,700
Deferred expenditure	-	13,699	-	-
Prepayments	18,643	39,660	-	1
	18,643	53,359	-	1
	365,962	510,383	4,975	5,701

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (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 (2018: 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 in other receivables are unsecured, interest-free and payable within next twelve months or upon demand in cash and cash equivalents.
- (d) The currency exposure profile of trade and other receivables are disclosed in Note 35(i) to the financial statements.
- (e) Recognition and measurement of impairment loss

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Recognition and measurement of impairment loss (continued)

It requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information.

Lifetime expected loss provision for trade receivables of the Group as at 31 May 2019 are as follows:

	Gross carrying amount RM'000	Lifetime expected loss RM'000	Net carrying amount RM'000
Collective assessment			
Not past due	206,646	(1,317)	205,329
Past due			
1 to 30 days	31,391	(704)	30,687
31 to 60 days	11,474	(704)	10,770
Over 60 days	10,363	(6,171)	4,192
	53,228	(7,579)	45,649
Individual assessment	30,123	(14,233)	15,890
	289,997	(23,129)	266,868

Trade receivables are not secured by any collateral or credit enhancement.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

Impairment for other receivables, amounts owing by subsidiaries, amounts owing by associates and amounts owing by joint ventures are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
At 1 June 2018/2017 under MFRS 139	9,831	8,413	-	-
Effects of adoption of MFRS9	15,760	-	-	-
Restated at 1 June 2018/2017	25,591	8,413	-	-
Charge for the financial year	4,331	2,275	-	-
Reversal of impairment loss	(3,183)	(33)	-	-
Written off	(1,946)	(790)	-	-
Exchange differences	32	(34)	-	-
Disposal of subsidiaries	(1,696)	-	-	-
At 31 May 2019/2018	23,129	9,831	-	-
Other receivables				
At 1 June 2018/2017 under MFRS 139	9,464	10,253	-	-
Effects of adoption of MFRS9	5,295	-	-	-
Restated at 1 June 2018/2017	14,759	10,253	-	-
Charge for the financial year	175	86	87	-
Reversal of impairment loss	(611)	-	-	-
Written off	(62)	(875)	-	-
Disposal of subsidiaries	(149)	-	-	-
At 31 May 2019/2018	14,112	9,464	87	-
	37,241	19,295	87	-

(g) Information on financial risks of trade and other receivables are disclosed in Note 35 to the financial statements.

16. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Amounts owing by subsidiaries	132,969	44,160
Less: Impairment loss	(7,830)	(2,989)
	125,139	41,171

(a) Amounts owing by subsidiaries are classified as financial assets measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

16. AMOUNTS OWING BY SUBSIDIARIES (CONTINUED)

- (b) The amounts owing by subsidiaries represent advances and payments made on behalf, which are interest-free, unsecured and payable within next twelve months or upon demand in cash and cash equivalents except for an amount of RM22,922,000 (2018: RM27,757,000), which bears an interest rate of 6.0% (2018: 6.0%) per annum.
- (c) Amounts owing by subsidiaries are denominated in RM.
- (d) Recognition and measurement of impairment loss

Impairment for amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 15(e) to the financial statements.

Movements in the impairment allowance for amounts owing by subsidiaries are as follows:

	Company	
	2019 RM'000	2018 RM'000
At 1 June 2018/2017 under MFRS 139	2,989	2,989
Effects of adoption of MFRS 9	1,501	-
Restated at 1 June 2018/2017	4,490	2,989
Charge for the financial year	3,340	-
At 31 May 2019/2018	7,830	2,989

- (e) Information on financial risks of amounts owing by subsidiaries are disclosed in Note 35 to the financial statements.

17. AMOUNTS OWING BY/(TO) ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amounts owing by associates	29,582	20,946	4,172	4,458
Less: Impairment loss	(11,138)	(10,575)	(105)	(105)
	18,444	10,371	4,067	4,353
Amounts owing to associates	(8,399)	(27)	-	-

- (a) Amounts owing by associates are classified as financial assets measured at amortised cost.
- (b) Amounts owing to associates are classified as financial liabilities measured at amortised cost.
- (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 within next twelve months or 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 27(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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

(d) Amounts owing by/(to) associates are denominated in RM.

(e) Recognition and measurement of impairment loss

Impairment for amounts owing by associates are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 15(e) to the financial statements.

Movements in the impairment allowance for amounts owing by associates are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 June 2018/2017 under MFRS 139	10,575	10,548	105	105
Effects of adoption of MFRS 9	563	-	-	-
Restated at 1 June 2018/2017	11,138	10,548	105	105
Charge for the financial year	-	27	-	-
At 31 May 2019/2018	11,138	10,575	105	105

(f) Information on financial risks of amounts owing by/(to) associates are disclosed in Note 35 to the financial statements.

18. AMOUNTS OWING BY JOINT VENTURES

	Group	
	2019 RM'000	2018 RM'000
Amounts owing by joint ventures	93	88
Less: Impairment loss	(88)	-
	5	88

(a) Amounts owing by joint ventures are classified as financial assets measured at amortised cost.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

18. AMOUNTS OWING BY JOINT VENTURES (CONTINUED)

- (d) Recognition and measurement of impairment loss

Impairment for amounts owing by joint ventures are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 15(e) to the financial statements.

Movements in the impairment allowance for amounts owing by joint ventures are as follows:

	Group	
	2019	2018
	RM'000	RM'000
At 1 June 2018/2017 under MFRS 139	-	-
Effects of adoption of MFRS 9	88	-
Restated at 1 June 2018/2017	88	-
Charge for the financial year	-	-
At 31 May 2019/2018	88	-

19. CONTRACT ASSETS/(LIABILITIES)

	Group
	2019
	RM'000
Contract assets	
Deferred expenditure	15,970
Contract liabilities	
Deferred revenue	(16,790)
	(820)

Deferred expenditure is recognised as expense when the related goods or services are consumed. Deferred revenue is recognised as revenue when performance obligations are satisfied.

20. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Short term deposits with licensed banks	20,108	39,359	-	-
Cash and bank balances	64,093	100,087	35	24
	84,201	139,446	35	24

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

20. CASH AND BANK BALANCES (CONTINUED)

- (a) Short term deposits of the Group to RM143,000 (2018:RM11,166,000) have been pledged to licensed banks for banking facilities granted to certain subsidiaries of the Group as disclosed in Note 23 to the financial statements.
- (b) The currency exposure profiles of cash and bank balances are disclosed in Note 35(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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	84,201	139,446	35	24
Less:				
Short term deposits with maturity period more than three (3) months	(2,227)	(3,653)	-	-
Short term deposits pledged with licensed banks	(143)	(11,166)	-	-
Bank overdrafts (Note 23)	(18,918)	(26,579)	(12,124)	(11,301)
As reported in statements of cash flows	62,913	98,048	(12,089)	(11,277)

- (d) No expected credit losses were recognised arising from the deposits with licensed banks because the probability of default by these license banks were negligible.
- (e) Information on financial risks of cash and bank balances are disclosed in Note 35 to the financial statements.

21. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares	RM'000	Number of shares	RM'000
Issued and fully paid:				
At 1 June 2018/2017	218,956,342	218,956	218,956,342	218,956
Bonus issue	21,892,942	21,893	-	-
Transfer from capital redemption reserve pursuant to Section 618(2) of the Companies Act 2016	-	4,917	-	-
At 31 May 2019/2018	240,849,284	245,766	218,956,342	218,956

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

21. SHARE CAPITAL (CONTINUED)

- (a) During the financial year, the Company increased its issued and paid-up ordinary share capital from RM218,956,342 to RM245,766,284 by way of:
- (i) issuance of 21,892,942 new ordinary shares at RM21,892,942 on the basis of one (1) bonus share for every ten (10) existing ordinary shares held by the shareholders of the Company; and
 - (ii) transfer of capital redemption reserve pursuant to Section 618(2) of the Companies Act 2016 amounting to RM4,917,000 to become part of the Company's share capital.
- (b) 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.
- (c) Treasury shares

On 7 November 2018, a total of 381,932 new ordinary shares of RM381,932 was issued for the treasury shares held by the Company pursuant to a bonus issue on the basis of one (1) bonus share for every ten (10) existing ordinary shares held by the shareholders of the Company.

During the financial year, the Company repurchased its issued ordinary shares from the open market as summarised below:

Month	Number of shares repurchased	Purchase price			Total consideration RM'000
		Lowest RM	Highest RM	Average RM	
October 2018	40,000	0.62	0.65	0.63	25
November 2018	343,100	0.50	0.59	0.54	185
December 2018	912,900	0.45	0.52	0.49	449
January 2019	2,555,000	0.43	0.51	0.47	1,177
February 2019	341,900	0.44	0.52	0.48	168
March 2019	222,600	0.47	0.51	0.49	108
April 2019	198,300	0.44	0.49	0.46	93
May 2019	1,112,900	0.44	0.47	0.46	506
	<u>5,726,700</u>				<u>2,711</u>

As at 31 May 2019, a total of 9,887,959 (2018: 3,779,327) treasury shares at a total cost of RM5,566,000 (2018: 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 and listing requirements and applicable guideline of Bursa Malaysia Securities Berhad.

The number of ordinary shares as at 31 May 2019 net of treasury shares is 230,961,325 (2018: 215,177,015).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

22. RESERVES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable				
Share premium	-	4,332	-	4,332
Capital reserve	273	203	-	-
Exchange translation reserve	10,706	7,696	-	-
Capital redemption reserve	-	4,987	-	4,917
Distributable				
Retained earnings	64,283	83,537	18,029	42,347
	75,262	100,755	18,029	51,596

(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. During the financial year, the balances within the capital redemption reserve of RM4,917,000 has been transferred to share capital account pursuant to Section 618(2) of the Companies Act 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

23. BORROWINGS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities					
Secured					
Hire purchase and lease creditors	25	4,190	2,732	116	237
Term loans		46,580	51,403	1,680	3,228
		50,770	54,135	1,796	3,465
Current liabilities					
Unsecured					
Bankers' acceptances		115,765	111,015	-	-
Bank overdrafts		5,943	7,943	5,943	7,943
Revolving credits		57,700	69,004	11,200	11,800
Trust receipts		33,478	-	-	-
Term loans		506	-	-	-
Others		840	-	-	-
		214,232	187,962	17,143	19,743
Secured					
Bankers' acceptances		624	2,040	624	2,040
Bank overdrafts		12,975	18,636	6,181	3,358
Revolving credits		44,270	52,850	44,270	52,850
Trust receipts		10,115	33,594	-	-
Hire purchase and lease creditors	25	3,803	2,667	120	115
Term loans		7,337	13,146	1,548	1,548
Others		24,682	25,632	-	-
		103,806	148,565	52,743	59,911
		318,038	336,527	69,886	79,654
Total borrowings					
Bankers' acceptances		116,389	113,055	624	2,040
Bank overdrafts	20	18,918	26,579	12,124	11,301
Revolving credits		101,970	121,854	55,470	64,650
Trust receipts		43,593	33,594	-	-
Hire purchase and lease creditors	25	7,993	5,399	236	352
Term loans	24	54,423	64,549	3,228	4,776
Others		25,522	25,632	-	-
		368,808	390,662	71,682	83,119

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

23. BORROWINGS (CONTINUED)

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The secured borrowings of the Group are secured by the following:
- (i) a fixed charge over certain land and buildings of the Group and of the Company as disclosed in Note 5 to the financial statements;
 - (ii) a fixed charge over the vessel and equipment of the Group as disclosed in Note 5 to the financial statements;
 - (iii) a charge over certain quoted shares of a quoted subsidiary of the Company and a charge over certain 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 20 to the financial statements;
 - (v) assignment of insurance policies covering stock in trade of certain subsidiaries; and
 - (vi) guarantee from a Director of the Company.
- (c) The secured borrowings of the Company are secured by the following:
- (i) a fixed charge over the land and buildings of the Company and a subsidiary; and
 - (ii) certain shares of a quoted subsidiary and shares of an unquoted subsidiary.
- (d) The currency exposure profiles of borrowings are disclosed in Note 35(i) to the financial statements.
- (e) Information on financial risks of borrowings are disclosed in Note 35 to the financial statements.

24. TERM LOANS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
- not later than one year	7,843	13,146	1,548	1,548
Non-current liabilities				
- later than one year and not later than five years	26,891	26,939	1,680	3,228
- later than five years	19,689	24,464	-	-
	46,580	51,403	1,680	3,228
	54,423	64,549	3,228	4,776

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

25. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum hire purchase and lease payments:				
- not later than one year	4,146	2,909	130	130
- later than one year and not later than five years	4,406	2,872	119	249
Total minimum hire purchase and lease payments	8,552	5,781	249	379
Less: Future interest charges	(559)	(382)	(13)	(27)
Present value of hire purchase and lease payments	7,993	5,399	236	352
Repayable as follows:				
Current liabilities:				
- not later than one year	3,803	2,667	120	115
Non-current liabilities:				
- later than one year and not later than five years	4,190	2,732	116	237
	7,993	5,399	236	352

26. PROVISION FOR RETIREMENT BENEFITS

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

	Group	
	2019 RM'000	2018 RM'000
Balance as at 1 June 2018/2017	4,672	4,221
Actuarial (gain)/loss from re-measurement	(56)	30
Expense recognised to profit or loss	545	568
Utilised during the financial year	(471)	(2)
Foreign exchange differences	(24)	(145)
Balance as at 31 May 2019/2018	4,666	4,672

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	136,574	205,864	-	-
Other payables	46,134	61,615	404	890
Deposits	35	10	-	-
Accruals	33,177	40,270	1,093	1,224
Trade and other payables	215,920	307,759	1,497	2,114
Deferred revenue	-	11,377	-	-
	215,920	319,136	1,497	2,114

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) The normal credit terms available to the Group in respect of trade payables ranged from 30 to 90 days (2018: 30 to 90 days) from date of invoice.
- (c) 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.
- (d) The currency exposure profiles of trade and other payables are disclosed in Note 35(i) to the financial statements.
- (e) Information on financial risks of trade and other payables are disclosed in Note 35 to the financial statements.

28. AMOUNTS OWING TO SUBSIDIARIES

- (a) Amounts owing to subsidiaries are classified as financial liabilities measured at amortised cost.
- (b) 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 within next twelve months or upon demand in cash and cash equivalents, except for an amount totalling of RM35,275,000 (2018: RM38,616,000), which is subject to interest ranging from 6.0% - 7.5% (2018: 6.0% - 7.5%) per annum.
- (c) Amounts owing to subsidiaries are denominated in RM.
- (d) Information on financial risks of amounts owing to subsidiaries are disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

29. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<i>Revenue from contracts with customers</i>				
Recognised at point in time:				
Sale of goods	1,840,215	1,758,103	-	-
Services rendered	53,283	34,688	-	-
Recognised over time:				
Services rendered	92,862	161,576	-	-
	1,986,360	1,954,367	-	-
<i>Other revenue</i>				
Rental income	531	432	1,942	2,131
Interest income	-	-	1,521	213
Dividend income:				
- Quoted investments in Malaysia	-	10	-	10
- Quoted subsidiaries	-	-	919	559
- Unquoted subsidiaries	-	-	15,229	10,000
	-	10	16,148	10,569
	1,986,891	1,954,809	19,611	12,913

(a) Revenue from contracts with customers is disaggregated in Note 4 to the financial statements by geographical area.

(b) Sale of goods

Revenue from the sale of goods is recognised when the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

(c) Services rendered

Revenue in respect of the rendering of services is recognised when performance obligation is satisfied at point in time or over time.

(d) Rental income

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

(e) Interest income

Interest income is recognised as on a time proportion basis that reflects the effective yield on assets.

(f) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

30. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
- amounts owing to subsidiaries	-	-	2,570	2,841
- bank overdrafts	1,688	1,248	1,271	742
- term loans, revolving credits and bankers' acceptances	16,009	13,215	3,162	3,175
- others	3,818	4,550	25	42
	21,515	19,013	7,028	6,800

31. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current taxation:				
- Malaysian income tax	19,726	18,593	397	287
- Foreign income tax	2,535	3,289	-	-
	22,261	21,882	397	287
Under/(Over) provision in prior years:				
- Malaysian income tax	984	(1,035)	26	41
- Foreign income tax	(4)	(5)	-	-
	980	(1,040)	26	41
	23,241	20,842	423	328
Deferred tax (Note 13)				
Relating to origination and reversal of temporary differences	(190)	(72)	(21)	(30)
Under/(Over) provision in prior years	499	597	14	(13)
	309	525	(7)	(43)
	23,550	21,367	416	285

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 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 (CONT'D)

31 MAY 2019

31. TAXATION (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before taxation	21,479	47,028	(5,222)	1,338
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	5,155	11,287	(1,253)	321
Tax effects in respect of:				
Non-allowable expenses	15,584	12,788	25,230	2,894
Non-taxable income	(11,504)	(2,401)	(23,601)	(2,958)
Tax incentives and allowances	(55)	(76)	-	-
Deferred tax assets not recognised	12,726	5,589	-	-
Effect of changes in tax rate	-	(7)	-	-
Share of results of associates	59	(61)	-	-
Utilisation of unrecognised tax losses and capital allowances	(9)	(5,309)	-	-
Different tax rates in foreign jurisdictions	115	-	-	-
	22,071	21,810	376	257
Under/(Over) provision in prior years:				
- income tax	980	(1,040)	26	41
- deferred tax	499	597	14	(13)
	1,479	(443)	40	28
	23,550	21,367	416	285

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

	Group	
	2019 RM'000	2018 RM'000
Utilisation of unrecognised tax losses and capital allowances	9	5,309
Utilisation of tax incentives and allowances	55	76

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

32. 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	
	2019	2018
Profit attributable to owners of the parent (RM'000)	15,132	17,581
Weighted average number of ordinary shares in issue ('000)	234,814	237,070
Basic earnings per ordinary share for the financial year (sen)	6.44	7.42

The basic earnings per ordinary share for the previous financial year ended 31 May 2018 has been adjusted to reflect the bonus issue, which was completed on 7 November 2018. Further details are disclosed in Note 21(a) to the financial statements.

(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.

33. 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 2018.

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 2019 and 31 May 2018.

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 net of cash and bank balances.

	Note	Group	
		2019 RM'000	2018 RM'000
Borrowings	23	368,808	390,662
Short term deposits with licensed bank	20	(20,108)	(39,359)
Cash and bank balances	20	(64,093)	(100,087)
Net debt		284,607	251,216
Total equity attributable to owners of the parent		315,462	317,238
Gearing ratio		0.90	0.79

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

33. 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 2019.

34. 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 short term 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

34. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

34. 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 2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value		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	RM'000	RM'000	
Financial assets											
- Unit trusts	-	2,380	-	2,380	-	-	-	-	2,380	2,380	
- Quoted shares	809	-	-	809	-	-	-	-	809	809	
- Unquoted shares	-	-	170	170	-	-	-	-	170	170	
- Club memberships	-	-	300	300	-	-	-	-	300	300	
	809	2,380	470	3,659	-	-	-	-	3,659	3,659	
Financial liabilities											
- Hire purchase and lease creditors	-	-	-	-	-	7,826	-	7,826	7,826	7,993	
2018											
Financial assets											
- 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	4,746	7,630	-	-	-	-	7,630	7,630	
Financial liabilities											
- Hire purchase and lease creditors	-	-	-	-	-	5,305	-	5,305	5,305	5,399	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

34. 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 2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value 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	RM'000	RM'000
Financial assets										
- Club memberships	-	-	243	243	-	-	-	-	243	243
Financial liabilities										
- Hire purchase and lease creditors	-	-	-	-	-	236	-	236	236	236
2018										
Financial assets										
- Club memberships	-	-	243	243	-	-	-	-	243	243
Financial liabilities										
- Hire purchase and lease creditors	-	-	-	-	-	349	-	349	349	352

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 May 2019 and 31 May 2018.

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 (loss)/profit net of tax 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. 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. 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 2019	Ringgit Malaysia (‘RM’) RM’000	Indonesian Rupiah (‘IDR’) RM’000	United States Dollar (‘USD’) RM’000	Vietnamese Dong (‘VND’) RM’000	Total RM’000
Functional currency					
Trade and other receivables					
United States Dollar	66,852	-	-	-	66,852
Singapore Dollar	1,360	-	1,498	-	2,858
Indonesian Rupiah	-	-	18,230	-	18,230
Japanese Yen	368	-	-	-	368
	68,580	-	19,728	-	88,308
Cash and bank balances					
United States Dollar	9,303	1,454	-	76	10,833
Indonesian Rupiah	-	-	4,371	-	4,371
Ringgit Malaysia	-	-	18	-	18
Singapore Dollar	2,108	-	1,172	-	3,280
Japanese Yen	297	-	2	-	299
	11,708	1,454	5,563	76	18,801

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. 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 2019	Ringgit Malaysia ('RM')	Indonesian Rupiah ('IDR')	United States Dollar ('USD')	Vietnamese Dong ('VND')	Total
Functional currency	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowings					
United States Dollar	59,175	-	-	6,513	65,688
Trade and other payables					
United States Dollar	18,842	5	-	3,118	21,965
Singapore Dollar	46	-	2,595	-	2,641
New Zealand Dollar	52	-	-	-	52
Indonesian Rupiah	-	-	1,122	-	1,122
Ringgit Malaysia	-	-	367	-	367
	18,940	5	4,084	3,118	26,147
31 May 2018					
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. 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') RM'000	Indonesian Rupiah ('IDR') RM'000	United States Dollar ('USD') RM'000	Vietnamese Dong ('VND') RM'000	Total RM'000
Functional currency					
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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit net of tax to a reasonably possible change in the foreign currencies strengthened or weakened by 3% and exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2019 RM'000 (Increase)/ Decrease	2018 RM'000 Increase/ (Decrease)
(Loss)/Profit after taxation			
RM/USD	- strengthen by 3%	(42)	88
	- weaken by 3%	42	(88)
IDR/USD	- strengthen by 3%	33	(11)
	- weaken by 3%	(33)	11
VND/USD	- strengthen by 3%	(218)	(335)
	- weaken by 3%	218	335
USD/IDR	- strengthen by 3%	490	619
	- weaken by 3%	(490)	(619)

The Group's (loss)/profit after taxation is not sensitive to other foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. 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 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
As at 31 May 2019									
Fixed rates									
Short term deposits with licensed banks	20	3.05% - 5.70%	20,108	-	-	-	-	-	20,108
Hire purchase and lease creditors	25	3.07% - 7.60%	3,803	2,532	1,350	166	142	-	7,993
Floating rates									
Bankers' acceptances	23	4.11% - 5.70%	116,389	-	-	-	-	-	116,389
Bank overdrafts	23	7.55% - 7.76%	18,918	-	-	-	-	-	18,918
Revolving credits	23	4.95% - 8.73%	101,970	-	-	-	-	-	101,970
Trust receipts	23	5.59% - 6.69%	43,593	-	-	-	-	-	43,593
Other borrowings	23	3.27% - 9.75%	25,522	-	-	-	-	-	25,522
Term loans	24	5.41% - 6.72%	7,843	8,063	6,427	6,431	5,970	19,689	54,423

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. 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)

Group	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
As at 31 May 2018									
Fixed rates									
Short term deposits with licensed banks	20	2.71% - 4.10%	39,359	-	-	-	-	-	39,359
Hire purchase and lease creditors	25	1.17% - 8.42%	2,667	2,175	341	194	22	-	5,399
Floating rates									
Bankers' acceptances	23	4.05% - 5.70%	113,055	-	-	-	-	-	113,055
Bank overdrafts	23	2.60% - 8.51%	26,579	-	-	-	-	-	26,579
Revolving credits	23	3.50% - 8.73%	121,854	-	-	-	-	-	121,854
Trust receipts	23	3.34% - 6.69%	33,594	-	-	-	-	-	33,594
Other borrowings	23	3.41% - 10.20%	25,632	-	-	-	-	-	25,632
Term loans	24	5.39% - 6.35%	13,146	7,669	7,771	5,834	5,665	24,464	64,549

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. 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)

Company	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
As at 31 May 2019									
Fixed rates									
Amounts owing by subsidiaries	16	6.00%	22,922	-	-	-	-	-	22,922
Hire purchase and lease creditors	25	2.60%	120	116	-	-	-	-	236
Amounts owing to subsidiaries	28	6.00% - 7.50%	35,275	-	-	-	-	-	35,275
Floating rates									
Bankers' acceptances	23	5.36% - 5.91%	624	-	-	-	-	-	624
Bank overdrafts	23	7.76% - 8.51%	12,124	-	-	-	-	-	12,124
Revolving credits	23	5.25% - 7.25%	55,470	-	-	-	-	-	55,470
Term loan	24	6.35%	1,548	1,680	-	-	-	-	3,228

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. 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)

Company									
As at 31 May 2018									
Fixed rates									
Amounts owing by subsidiaries	16	6.00%	27,757	-	-	-	-	-	27,757
Hire purchase and lease creditors	25	2.60%	115	121	116	-	-	-	352
Amounts owing to subsidiaries	28	6.00% - 7.50%	38,616	-	-	-	-	-	38,616
Floating rates									
Bankers' acceptances	23	5.36% - 5.91%	2,040	-	-	-	-	-	2,040
Bank overdrafts	23	7.76% - 8.51%	11,301	-	-	-	-	-	11,301
Revolving credits	23	5.25% - 7.25%	64,650	-	-	-	-	-	64,650
Term loan	24	6.35%	1,548	1,548	1,680	-	-	-	4,776

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

In view of the insignificant financial effect on the Group's (loss)/profit net of tax with the possible change in interest rates, the management did not separately disclose the effect of this sensitivity in the financial statements.

(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 of 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
2019				
Group				
Financial liabilities				
Trade and other payables	215,920	-	-	215,920
Amounts owing to associates	8,399	-	-	8,399
Borrowings	321,245	38,764	19,995	380,004
Total undiscounted financial liabilities	545,564	38,764	19,995	604,323
Company				
Financial liabilities				
Trade and other payables	1,497	-	-	1,497
Amounts owing to subsidiaries	42,103	-	-	42,103
Borrowings	70,060	1,848	-	71,908
Total undiscounted financial liabilities	113,660	1,848	-	115,508

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(iii) Liquidity risk (continued)**

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
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
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

(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 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

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 RM125,139,000 (2018: RM41,171,000).

36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Group has related party relationship with its subsidiaries, associates and joint ventures as disclosed in Note 40 to the financial statements, and which Directors have substantial direct/indirect shareholding.

(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	
	2019 RM'000	2018 RM'000
Sales to a company in which a Director of the Company have substantial indirect shareholding	1,227	2,628
Sales to associates	3,579	20
Interest income from an associate	157	94
Purchases from companies in which certain Directors of the Company have substantial indirect shareholding	7,805	6,509
Purchases from an associate	142,035	365
Professional fees paid to firms in which certain Directors of the Company are Partners	17	716
Rental income from an associate	67	77
Rental income from a company in which a Director of the Company have substantial indirect shareholding	474	386

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

36. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related parties transactions (continued)

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: (continued)

	Company	
	2019 RM'000	2018 RM'000
Professional fees paid to firms in which certain Directors of the Company are Partners	17	716
Purchases from companies in which certain Directors of the Company have substantial indirect shareholding	574	475
Rental income from an associate	67	77
Rental income from a company in which certain Directors of the Company have substantial indirect shareholding	446	338

The Directors of the Group and of the Company are of the opinion that the above transactions were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The remuneration of Directors and other key management personnel of the Group and of the Company during the financial year was as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees	1,430	1,619	409	490
Short term employee benefits	19,889	17,767	1,338	920
Defined contribution plan	1,330	1,486	70	58
Other emoluments	492	472	20	17
	23,141	21,344	1,837	1,485

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

37. COMMITMENTS

(a) Capital commitments

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

	Group	
	2019 RM'000	2018 RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	1,534	1,204
Approved but not contracted for	1,662	118
	3,196	1,322

(b) Operating lease commitments

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

	Group	
	2019 RM'000	2018 RM'000
Not later than one year	17,195	4,735
Later than one year and not later than five years	24,867	4,613
Later than five years	1,188	2,030
	43,250	11,378

38. CONTINGENT LIABILITIES

	Company	
	2019 RM'000	2018 RM'000
Secured		
Bank guarantees given by financial institutions for trade performance of certain subsidiaries and working capital purpose	7,882	7,677
Unsecured		
Guarantees given to third parties in respect of trade performance of certain subsidiaries	1,317	12,833
Guarantees given to financial institutions in respect of credit facilities granted to certain subsidiaries	45,423	53,586
	46,740	66,419
	54,622	74,096

The Group designates guarantees as insurance contracts as defined in MFRS 4 *Insurance Contracts*.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

39. EMPLOYEE BENEFITS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	96,140	93,283	1,338	920
Defined contribution plan	10,373	9,721	70	58
Provision for retirement benefits	545	568	-	-
Other benefits	1,849	1,604	-	-
	108,907	105,176	1,408	978

Included in the employee benefits of the Group and of the Company are Executive Directors remuneration and other emoluments amounting to RM13,017,000 (2018: RM11,254,000) and RM1,408,000 (2018: RM978,000) respectively.

40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) Details of subsidiaries are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2019	2018	
<i>Direct:</i>				
Ancom Property Sdn. Bhd. (formerly known as Ancom Chemicals Sdn. Bhd.)	Malaysia	100.0%	100.0%	Investment holding
Rhodemark Development Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Ancom Agrichemical Sdn. Bhd. (formerly known as TravelPay Malaysia Sdn. Bhd.)	Malaysia	100.0%	100.0%	Investment holding
Ⓐ HSO Business Systems Sdn. Bhd.	Malaysia	48.0%	48.0%	Dormant
iEnterprise Online Sdn. Bhd.	Malaysia	97.3%	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

40. 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
		2019	2018	
Direct: (continued)				
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
Synergy Tanker Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Media Works Sdn. Bhd.	Malaysia	100.0%	-	Provision of online advertising
Indirect:				
Ancom Crop Care Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and marketing of agricultural chemical products
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
Ancom Energy & Services Sdn. Bhd.	Malaysia	66.7%	100.0%	Marketing of low voltage switchgear
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%	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

40. 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
			2019	2018	
	Indirect: (continued)				
*	Malancom Agrochemicals (Pte) Limited	South Africa	100.0%	100.0%	Dormant. Holder of licenses for certain agricultural chemical products
*	ChemResources China (Agencies) Limited	Hong Kong	100.0%	100.0%	Trading of chemical products
	Entopest Environmental Services Sdn. Bhd.	Malaysia	90.0%	99.9%	Provision of pest control, hygiene and sanitation services
	Entopest Environmental Services (PG) Sdn. Bhd.	Malaysia	90.0%	99.9%	Provision of pest control, hygiene and sanitation services
	Budi Prospek Sdn. Bhd.	Malaysia	100.0%	-	Dormant
	Vanguard Express Sdn. Bhd. (formerly known as Rimbun Prospek Sdn. Bhd.)	Malaysia	100.0%	-	Dormant
	Puncak Berlian Sdn. Bhd.	Malaysia	-	75.0%	Investment holding
@	Redberry Media Sdn. Bhd.	Malaysia	14.7%	36.8%	Provision of media related services
@	Redberry Outdoors Sdn. Bhd.	Malaysia	27.0%	67.5%	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
	Redberry Contact Center Sdn. Bhd.	Malaysia	100.0%	100.0%	Providing call centre services
	Redberry Events Sdn. Bhd.	Malaysia	90.0%	90.0%	Dormant
	Redberry Screens Sdn. Bhd.	Malaysia	100.0%	100.0%	Provision of digital advertising
@	Redberry Ambient Sdn. Bhd. (formerly known as Focus Media Network Sdn. Bhd.)	Malaysia	25.2%	62.9%	Provision of digital and cinema advertising

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

40. 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
			2019	2018	
Indirect: (continued)					
*	Redberry Animation Sdn. Bhd.	Malaysia	51.0%	51.0%	Dormant
@	Point Cast (M) Sdn. Bhd.	Malaysia	30.0%	75.0%	Provision of digital advertising
@	Ten Plus Resources Sdn. Bhd.	Malaysia	27.0%	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%	Provision of digital advertising
	KHK Media Sdn. Bhd. (formerly known as Novaberry Sdn. Bhd.)	Malaysia	100.0%	100.0%	Dormant
	Redberry Solution Sdn. Bhd.	Malaysia	51.0%	51.0%	Marketing of credit cards
^#@	Nylex (Malaysia) Berhad	Malaysia	49.0%	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
#@	Nycon Manufacturing Sdn. Bhd.	Malaysia	49.0%	45.8%	Dormant
#@	Nylex Polymer Marketing Sdn. Bhd.	Malaysia	49.0%	45.8%	Marketing of polyurethane ('PU') and polyvinyl chloride ('PVC') synthetic leather, films and sheets, geosynthetic and general trading

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

40. 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
		2019	2018	
Indirect: (continued)				
#@ PT Nylex Indonesia	Indonesia	49.0%	45.8%	Manufacture, marketing and distribution of PVC and PU leathercloth
#@ Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	49.0%	45.8%	Trading in petrochemicals and industrial chemicals
#@ Fermpro Sdn. Bhd.	Malaysia	49.0%	45.8%	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products
#@ Kumpulan Kesuma Sdn. Bhd.	Malaysia	49.0%	45.8%	Manufacture and marketing of sealants and adhesive products
#@ Wedon Sdn. Bhd.	Malaysia	49.0%	45.8%	Marketing of sealants and adhesive products
#@ Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	25.0%	23.4%	Manufacture and sale of chemicals
#@ ALB Marine Sdn. Bhd.	Malaysia	49.0%	45.8%	Carrying out business of ship owning, ship management and charter hire of tanker
*#@ Dynamic Chemical Pte. Ltd.	Singapore	49.0%	41.2%	Blending, trading and distribution of industrial chemicals
*#@ CKG Chemicals Pte. Ltd.	Singapore	49.0%	45.8%	Trading and distribution of industrial chemicals and gasoline blending components
#@ Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	49.0%	45.8%	Manufacture and sale of phosphoric acid
*#@ Perusahaan Kimia Gemilang (Vietnam) Company Ltd.	Vietnam	49.0%	45.8%	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

40. 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
			2019	2018	
Indirect: (continued)					
#@	PT PKG Lautan Indonesia	Indonesia	25.0%	23.4%	Importation and distribution of industrial chemicals
#@	NYL Logistics Sdn. Bhd.	Malaysia	-	27.5%	Providing transportation and related services
#@	Ancom Kimia Sdn. Bhd.	Malaysia	-	27.5%	Distribution of petrochemicals and industrial chemicals
##@	Ancom Logistics Berhad	Malaysia	45.1%	45.3%	Investment holding
##@	Synergy Trans-Link Sdn. Bhd.	Malaysia	45.1%	45.3%	Investment holding
##@	Ancom-ChemQuest Terminals Sdn. Bhd.	Malaysia	23.0%	23.1%	Build, own, operate, lease and manage chemical tank farm and warehouse
##@	Pengangkutan Cogent Sdn. Bhd.	Malaysia	45.1%	45.3%	Providing transportation and related services
##@	Hikmat Ikhlas Sdn. Bhd.	Malaysia	15.8%	15.9%	Dormant
*	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
*	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%	Property investment
	Digital Showcase Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Details of associates are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2019	2018	
Direct:				
* iSpring Capital Sdn. Bhd.	Malaysia	42.0%	42.0%	Dormant
* Jirnexu Pte. Ltd.	Singapore	25.0%	25.0%	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	22.1%	22.2%	Under voluntary liquidation
* ActMedia (M) Sdn. Bhd.	Malaysia	40.0%	40.0%	Advertising media design and production
* Durian FM Sdn. Bhd.	Malaysia	50.0%	50.0%	Dormant
Puncak Berlian Sdn. Bhd.	Malaysia	30.0%	-	Investment holding
* One Chem Terminal Sdn. Bhd.	Malaysia	19.6%	18.3%	To operate, lease and manage chemical tank farm and warehouse
* Retromark Solutions Sdn. Bhd.	Malaysia	14.7%	-	Marketing, promoting, distribution and supporting petrochemical and petroleum related products including industrial chemicals
Ancom Kimia Sdn. Bhd.	Malaysia	19.1%	-	Distribution of petrochemicals and industrial chemicals
* DJ Money Matters Sdn. Bhd.	Malaysia	37.3%	-	Money lending business
* Advanced Technology Studies Centre Sdn. Bhd.	Malaysia	32.4%	-	Promoting knowledge and skills development in IT

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

40. 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
		2019	2018	
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 PLT 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.

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.

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

41.1 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 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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9 described in the following section.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**41.1 New MFRSs adopted during the financial year (continued)**MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 with an initial application date of 1 June 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and of the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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

41.1 New MFRSs adopted during the financial year (continued)

MFRS 9 Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables, amounts owing by subsidiaries, amounts owing by associates and amounts owing by joint ventures are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 June 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM'000	New under MFRS 9 RM'000
Group				
Financial assets				
Other investments	FVTPL	FVTPL	7,630	7,630
Trade and other receivables, net of deferred expenditure and prepayments	L&R	AC	457,024	435,969
Amounts owing by associates	L&R	AC	10,371	9,808
Amounts owing by joint ventures	L&R	AC	88	-
Cash and bank balances	L&R	AC	139,446	139,446

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**41.1 New MFRSs adopted during the financial year (continued)**MFRS 9 Financial Instruments (continued)

(iii) Classification and measurement (continued)

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 June 2018: (continued)

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM'000	New under MFRS 9 RM'000
Group				
Financial liabilities				
Borrowings	OFL	AC	390,662	390,662
Trade and other payables, net of deferred revenue	OFL	AC	307,759	307,759
Amounts owing to associates	OFL	AC	27	27
Company				
Financial assets				
Other investments	FVTPL	FVTPL	243	243
Trade and other receivables, net of deferred expenditure and prepayments	L&R	AC	5,700	5,700
Amounts owing by subsidiaries	L&R	AC	41,171	39,670
Amounts owing by associates	L&R	AC	4,353	4,353
Cash and bank balances	L&R	AC	24	24
Financial liabilities				
Borrowings	OFL	AC	83,119	83,119
Trade and other payables, net of deferred revenue	OFL	AC	2,114	2,114
Amounts owing to subsidiaries	OFL	AC	39,442	39,442

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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

41.1 New MFRSs adopted during the financial year (continued)

MFRS 9 Financial Instruments (continued)

(iii) Classification and measurement (continued)

The following tables are reconciliations of the carrying amount of the statements of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 June 2018:

	Existing under MFRS 139		New under MFRS 9
	Carrying amount as at 31 May 2018 RM'000	Remeasure- ment RM'000	Carrying amount as at 1 June 2018 RM'000
Group			
Trade and other receivables:			
Opening balance	510,383	-	510,383
Increase in impairment loss	-	(21,055)	(21,055)
Total trade and other receivables	510,383	(21,055)	489,328
Amounts owing by associates:			
Opening balance	10,371	-	10,371
Increase in impairment loss	-	(563)	(563)
Total amounts owing by associates	10,371	(563)	9,808
Amounts owing by joint ventures:			
Opening balance	88	-	88
Increase in impairment loss	-	(88)	(88)
Total amounts owing by joint ventures	88	(88)	-
Retained earnings:			
Opening balance	83,537	-	83,537
Increase in impairment loss for:			
- trade and other receivables	-	(16,250)	(16,250)
- amounts owing by associates	-	(563)	(563)
- amounts owing by joint ventures	-	(88)	(88)
Total retained earnings	83,537	(16,901)	66,636

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**41.1 New MFRSs adopted during the financial year (continued)***MFRS 9 Financial Instruments* (continued)

(iii) Classification and measurement (continued)

The following tables are reconciliations of the carrying amount of the statements of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 June 2018: (continued)

	Existing under MFRS 139		New under MFRS 9
	Carrying amount as at 31 May 2018 RM'000	Remeasure- ment RM'000	Carrying amount as at 1 June 2018 RM'000
Group			
Non-controlling interests:			
Opening balance	168,407	-	168,407
Increase in impairment loss for trade and other receivables	-	(4,805)	(4,805)
Total non-controlling interests	168,407	(4,805)	163,602
Company			
Amounts owing by subsidiaries:			
Opening balance	41,171	-	41,171
Increase in impairment loss	-	(1,501)	(1,501)
Total amounts owing by subsidiaries	41,171	(1,501)	39,670
Retained earnings:			
Opening balance	42,347	-	42,347
Increase in impairment loss for amounts owing by subsidiaries	-	(1,501)	(1,501)
Total retained earnings	42,347	(1,501)	40,846

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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

41.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

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
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
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIODMaterial litigations

- (a) On 4 September 2018, Nylex vide its solicitors, served a Writ of Summons and Statement of Claim against Utusan Melayu (Malaysia) Berhad ('Utusan') to claim for return of deposits totaling RM10,000,000 for the proposed advertisement, branding and communication exercise, Nationwide Corporate Branding and Corporate Social Responsibility campaign.

On 8 April 2019, Nylex and Utusan entered into a Settlement Agreement for the settlement of the claim of RM10,000,000 by Nylex, application for security for costs by Nylex (collectively 'Nylex's Claim') and the counter-claim by Utusan.

The salient terms of the Settlement Agreement, amongst others, are:

- (i) Utusan shall procure its wholly owned subsidiary, Juasa Holdings Sdn. Bhd. ('Proprietor') to enter into a sale and purchase agreement with Nylex to transfer to Nylex all of its rights, title and interest in and to a parcel known as Unit No. 7-10, Wisma 730 (The Trax), No.1 Jalan Lima Off Jalan Chan Sow Lin, 54200 Kuala Lumpur measuring 10,335 square feet erected on master title Pajakan Negeri (WP) 52759 Lot No. 50066 Seksyen 92 Bandar Kuala Lumpur Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur ("Trax Property") for value of RM6,700,000 to be set off against the Nylex's Claim; and
- (ii) Utusan shall pay Nylex a total of RM2,886,051.82 ('the Cash Payment') vide fourteen (14) monthly instalments, of which thirteen (13) monthly instalments shall be RM200,000.00 each and a final instalment of RM286,051.82, the first instalment to be paid by 31 January 2020. Upon full payment of the Cash Payment, a sum equivalent to the Cash Payment shall be set off against Nylex's Claim.
- (iii) Utusan shall also reimburse Nylex the stamp duty for the assignment or transfer of the Trax Property to Nylex by 31 March 2021.

On 16 July 2019, Nylex and Utusan have entered into a Supplemental Settlement. The salient terms of the Supplemental Settlement Agreement, amongst others, are:

- (i) Utusan is required under the relevant provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other applicable guidelines to obtain a valuation report from an approved valuer and to obtain shareholders' approval for the transfer of the Trax Property from the Proprietor to Nylex.
- (ii) Due to the additional time required for Utusan to obtain the said valuation report before it can make an announcement on the sale and purchase agreement between the Proprietor and Nylex, Parties have agreed to grant Utusan up to 31 July 2019 or at any later date agreed by all Parties in writing to procure the Proprietor to execute the sale and purchase agreement for the transfer of the Trax Property.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD (CONTINUED)Material litigations (continued)

- (b) On 4 September 2018, RBSB vide its solicitors served a Writ of Summons and Statement of Claim against Utusan to claim for return of deposits totaling RM8,500,000 for the proposed "advertisement, branding and communication" exercise vide its letter dated 30 April 2018.

On 23 October 2018, Utusan filed a counter-claim for damages and exemplary damages of RM48,320,000 ('Counter-claims').

RBSB has filed an application for the summary judgement and the High Court at Kuala Lumpur had on 11 February 2019 awarded a summary judgement in favour of RBSB to recover the deposit of RM8,500,000 ('Summary Judgement').

On 8 April 2019, RBSB and Utusan entered into a Settlement Agreement wherein Utusan shall settle the Summary Judgement for the sum of RM8,500,000 ('Judgement Sum'), withdraw the Counter-claim appeal against the Summary Judgement and application for stay of execution proceedings by Utusan.

The salient terms of the Settlement Agreement, amongst others, are:

- (i) RM482,194.44 shall be set off against the Judgement Sum, being the settlement of the amount owing by RBSB to Utusan;
- (ii) Utusan shall procure Utusan Airtime Sdn. Bhd. ('UASB'), a wholly-owned subsidiary of Utusan, to transfer all its shares in Titanium Compass Sdn. Bhd. ('TCSB') representing 20% of the issued and paid up capital of TCSB free from encumbrances, valued at RM6,000,0000, which shall be set off against the Judgement Sum.; and
- (iii) RBSB shall bear the agreed portion of the loss suffered by Utusan of RM2,017,805.56 in connection to the previous supply agreement by setting off the amount against the Judgement Sum.

Upon signing of the Settlement Agreement RBSB undertakes not to execute the Summary Judgement against Utusan and Utusan shall within five (5) days from the execution of the Settlement Agreement, withdraw its counter-claim, appeal against the Summary Judgement and stay of execution with no liberty to file afresh.

Event subsequents to the end of the reporting period

- (c) On 14 June 2019, PKG has entered into a share sale agreement with RSSB for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM for a total consideration of RM1,000,000 ('Proposed Acquisition'). Upon completion of the Proposed Acquisition on 8 July 2019, AKM became a 60% owned subsidiary of PKG.
- (d) On 19 July 2019, RBSB has entered into a share sale agreement with PBSB for the acquisition of the following companies ('Acquired Companies'):
- Redberry Ambient Sdn. Bhd. (formerly known as Focus Media Network Sdn. Bhd.) ('RBA') comprising 3,760,000 ordinary shares, representing 83.9% equity interest in RBA for cash consideration of RM1,300,000.
 - Redberry Outdoors Sdn. Bhd. ('RBO') comprising 4,499,000 ordinary shares, representing 90% equity interest in RBO for cash consideration of RM1.
 - Ten Plus Resources Sdn. Bhd. ('TPSB') comprising 90,000 ordinary shares, representing 90% equity interest in TPSB for cash consideration of RM1.
 - Redberry Media Sdn. Bhd. ('RBM') comprising 49,000 ordinary shares, representing 49% equity interest in RBM for cash consideration of RM1.
 - Point Cast (M) Sdn. Bhd. ('PCM') comprising 2,500,000 ordinary shares, representing 100% equity interest in PCM for cash consideration of RM1.

Upon completion on 6 August 2019, the Acquired Companies shall remain subsidiaries of the Group.

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 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 subsidiaries which involves the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 May 2019 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 49th Annual General Meeting of the Company, is as follows:

Related Party	Transacting Party 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	7,065	<ul style="list-style-type: none"> • 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	1,227	

LIST OF TOP TEN PROPERTIES

IN TERMS OF NET BOOK VALUE AS AT 31 MAY 2019

	Owner	Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2019 (RM'000)	Date of Acquisition / Revaluation
1.	Nylex (Malaysia) Berhad	H.S.(D) 256546 Lot 16, Seksyen 15, Bandar Shah Alam, Selangor	Unexpired leasehold interest of 89 years (Expiring on 29 June 2108)	3.02 hectares	Office, building and factory Age of buildings: approximately 48 years	29,888	5 May 2011
		H.S.(D) 256546, Lot 16, Seksyen 15, Bandar Shah Alam, Selangor	Unexpired leasehold interest of 89 years (Expiring on 29 June 2108)	1.21 hectares	Warehouse, factory and vacant land Age of buildings: approximately 39 years		
2.	Ancom Berhad	H.S.(D) 7524, No. 2A, Jalan 13/2, Petaling Jaya, Selangor	Unexpired leasehold interest of 86 years (Expiring in 2105)	1.31 hectares	Office and factory buildings Age of buildings: approximately 33 to 44 years	27,004	7 April 2011
3.	Ancom-ChemQuest Terminals Sdn. Bhd.	Jeti Petrokimia, Pelabuhan Barat Pelabuhan Klang, Selangor	Unexpired lease period of 5 years (Expiring on 31 August 2024)	9.8 acres	Tank farm, office and warehouse Age of buildings: approximately 22 years	15,821	N/A
4.	Ancom Crop Care Sdn. Bhd.	PN 77684, Lot 39, Seksyen 15, Bandar Shah Alam, Selangor	Unexpired leasehold interest of 89 years (Expiring in 2108)	2.22 hectares	Office and factory buildings Age of buildings: approximately 49 years	15,472	11 May 2011
5.	PT Nylex Indonesia	HGB No. 82, Desa Sumengko Km31, Wringinanom, Gresik 61176 Indonesia	Unexpired leasehold interest of 10 years (Expiring on 12 Jan 2029)	0.64 hectares	Casting line factory and office Age of buildings: approximately 15 years	12,828	12 May 2011
		HGB No. 82, Desa Sumengko Km31, Wringinanom, Gresik 61176 Indonesia	Unexpired leasehold interest of 10 years (Expiring on 12 Jan 2029)	5.36 hectares	Calendar line factory and vacant land Age of building: approximately 5 years		

LIST OF TOP TEN PROPERTIES (CONT'D)

IN TERMS OF NET BOOK VALUE AS AT 31 MAY 2019

	Owner	Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2019 (RM'000)	Date of Acquisition / Revaluation
6.	Perusahaan Kimia Gemilang Sdn. Bhd.	H.S.(M) 6259, PT 4228, Mukim of Kapar, Daerah Klang, Selangor	Unexpired leasehold interest of 67 years (Expiring on 9 June 2086)	2.85 hectares	Office, building and factory Age of buildings: approximately 28 years	8,500	7 April 2011
7.	Ancom Crop Care Sdn. Bhd.	P.T. 4227, Mukim of Kapar, Daerah Klang, Selangor	Unexpired leasehold interest of 67 years (Expiring on 9 June 2086)	2.52 hectares	Office and factory buildings Age of buildings: approximately 28 years	7,898	30 March 2011
8.	Nylex Specialty Chemicals Sdn. Bhd.	H.S.(M) 5507, Lot 593, Persiaran Raja Lumu, Kawasan Perusahaan Pandamaran, 42000 Port Klang, Selangor Darul Ehsan	Unexpired leasehold interest of 55 years (Expiring on 1 September 2074)	0.81 hectares	Office building and factory Age of buildings: approximately 44 years	3,189	25 April 2011
9.	Pengangkutan Cogent Sdn. Bhd.	PTD 149227, Jalan Berjaya 7, Taman Perindustrian Berjaya, Daerah Johor Bahru, Johor	Freehold	0.61 hectares	Office building Age of building: approximately 10 years	3,114	2010
10.	Nylex Specialty Chemicals Sdn. Bhd.	H.S.(M) 6588, Lot 624, Persiaran Raja Lumu, Kawasan Perusahaan Pandamaran, 42000 Port Klang, Selangor Darul Ehsan	Unexpired leasehold interest of 57 years (Expiring on 19 February 2076)	0.83 hectares	Office building and warehouse Age of buildings: approximately 42 years	2,465	25 April 2011

ANALYSIS OF SHAREHOLDINGS

AS AT 30 AUGUST 2019

NO. OF HOLDERS OF EACH CLASS OF EQUITY SECURITIES

Class of securities : Ordinary shares ("Shares")
 Total no. issued : 240,849,284
 No. of holders : 8,066
 Voting rights : One vote per Share on a poll

DISTRIBUTION SCHEDULE

Holdings	No. of holders	Total Holdings	%
Less than 100	1,840	53,403	0.023
100 to 1,000	561	189,744	0.082
1,001 to 10,000	4,032	14,812,911	6.457
10,001 to 100,000	1,452	36,687,063	15.991
100,001 to less than 5% of issued Shares	179	127,612,229	55.624
5% and above of issued Shares	2	50,065,775	21.823
	8,066	229,421,125	100.000
Treasury shares	-	11,428,159	-
	8,066	240,849,284	100.000

SHAREHOLDING

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Substantial Shareholders</u>				
Dato' Siew Ka Wei	27,404,420	11.95	22,518,921 ^(a)	9.82
Chan Thye Seng	-	-	47,477,140 ^(b)	20.69
Pacific & Orient Berhad	35,065,775	15.28	11,648,365 ^(c)	5.08
Siew Ka Kheong	-	-	16,839,885 ^(d)	7.34
Siew Nim Chee & Sons Sdn. Bhd.	16,014,885	6.98	-	-
Pacific & Orient Insurance Co. Berhad	11,648,365	5.08	-	-
<u>Directors</u>				
Dato' Johari Razak	511,969	0.22	-	-
Dato' Siew Ka Wei	27,404,420	11.95	22,518,921 ^(a)	9.82
Tan Sri Dato' Dr Lin See Yan	181,912	0.08	-	-
Chan Thye Seng	-	-	47,477,140 ^(b)	20.69
Siew Ka Kheong (alternate to Dato' Siew Ka Wei)	-	-	16,839,885 ^(d)	7.34
<u>Group Chief Executive Officer</u>				
Lee Cheun Wei	6,572,880	2.86	-	-

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 interests in Pacific & Orient Insurance Co. Berhad, a wholly-owned subsidiary.
- (d) Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd. and Quek Lay Kheng.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 30 AUGUST 2019

THIRTY LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

(Without aggregating securities from different securities accounts belonging to the same person)

Name	No. of Shares	%
1. Pacific & Orient Berhad	18,080,937	7.881
2. Kenanga Capital Sdn. Bhd. - Siew Ka Wei	15,000,000	6.538
3. Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Ka Wei	10,986,745	4.789
4. Pacific & Orient Berhad	10,140,790	4.420
5. Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sdn. Bhd.	8,638,250	3.765
6. Lim Chin Tong	7,700,000	3.356
7. Lee Cheun Wei	6,407,880	2.793
8. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Pacific & Orient Insurance Co. Berhad (PB)	5,932,165	2.586
9. Pacific & Orient Insurance Co Berhad	5,716,200	2.492
10. Pacific & Orient Berhad	5,657,478	2.466
11. Malaysia Nominees (Tempatan) Sdn. Bhd. - Silver Dollars Sdn Bhd (01-00198-001)	5,200,451	2.267
12. Malaysia Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sdn. Bhd. (01-00195-001)	4,907,448	2.139
13. HLB Nominees (Tempatan) Sdn. Bhd. - E & O Developers Sdn. Bhd. (PJCAC)	4,008,138	1.747
14. Tai Mee Yin	3,607,670	1.573
15. RHB Capital Nominees (Tempatan) Sdn. Bhd. - Lim Kam Seng	2,560,000	1.116
16. TA Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sdn. Bhd.	2,469,187	1.076
17. Gan Sook Peng	2,428,741	1.059
18. Tan Kean Yip	2,321,890	1.012
19. Tan Aik Choon	2,036,430	0.888
20. Yap Ai Toi	2,012,000	0.877
21. HLB Nominees (Tempatan) Sdn. Bhd. - Eastern & Oriental Berhad (PJCAC)	2,004,069	0.874
22. Public Nominees (Tempatan) Sdn. Bhd. - Chiew Chieng Siew (E-PDG)	1,994,470	0.869
23. Malaysia Nominees (Tempatan) Sendirian Berhad - Siew Ka Wei (01-00849-000)	1,417,675	0.618
24. CGS-CIMB Nominees (Asing) Sdn. Bhd. - Exempt An for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,210,025	0.527
25. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Chan Hua Eng	1,210,000	0.527
26. Pacific & Orient Berhad	1,186,570	0.517
27. Astro (M) Sdn. Bhd.	1,047,178	0.456
28. Hasnul Bin Hassan	1,012,000	0.441
29. RHB Capital Nominees (Tempatan) Sdn. Bhd. - Chiew Cheing Siew	967,670	0.422
30. AllianceGroup Nominees (Tempatan) Sdn. Bhd. - Kong Kok Choy (8092812)	950,000	0.414
Total	138,812,057	60.505

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of the Company will be held at 2.30 p.m., on Thursday, 17 October 2019 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 2019 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 Clause 125 of the Company's Constitution: | |
| | (a) Dato' Siew Ka Wei | [Ordinary Resolution 1] |
| | (b) Chan Thye Seng | [Ordinary Resolution 2] |
| 3. | To approve the payment of Directors' fees for the financial year ended 31 May 2019. | [Ordinary Resolution 3] |
| 4. | To approve the payment of Directors' benefits (excluding Directors' fees) for the Non-Executive Directors 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 PLT 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 Ordinary 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 25 September 2019, 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;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (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
 - (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 in the best interest of the Company to give effect to the Proposed Renewal of RRPT Mandate.”

7. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK MANDATE (“PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE”)**

[Ordinary Resolution 7]

“THAT subject always to the Companies Act 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements (“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 provided that:

- (i) the aggregate number of ordinary shares in the Company purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase(s); and
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total 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.

THAT the authority conferred by this resolution will be effective upon the 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, but shall not prejudice the completion of purchase(s) by the Company of its own shares before the aforesaid expiry date and, in any event, in accordance with the Act, the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, the Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To deal with the treasury shares in the manners as allowed by the Act, the Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

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 Proposed Renewal of 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."

8. PROPOSED AUTHORITY TO ISSUE AND ALLOT SHARES**[Ordinary Resolution 8]**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act") and subject to the Constitution 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 to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, to such persons and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company, AND THAT the Directors be authorised to do all such things as they 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 approval 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 until the conclusion of the next annual general meeting in accordance with the Malaysian Code on Corporate Governance."

[Ordinary Resolution 9]

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (ii) "THAT approval 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 until the conclusion of the next annual general meeting in accordance with the Malaysian Code on Corporate Governance."

[Ordinary Resolution 10]

10. To transact any other business of which due notice shall have been given in accordance with the Constitution 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

25 September 2019

NOTES:

- a. A member, including an authorised nominee, entitled to attend, speak and vote at the Meeting may appoint not more than 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 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.
- c. Where a member, an authorised nominee or an exempt authorised nominee 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 in the Proxy Form.
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- f. A member may give the Company notice of termination of a person's authority to act as proxy not less than twenty-four (24) hours before the time appointed for holding the Meeting. The notice of termination must be in writing and be deposited at the Share Registrar's office as indicated above.
- g. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES:

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 May 2019

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 of Directors ("Board") has recommended to the shareholders for approval on the Directors' fees payable by the Company of RM408,630 and by the Group of RM612,192 for the financial year ended 31 May 2019.

In 2019, 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 2019 as the current fee structure remains relevant and competitive.

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 25 September 2019.

5. Ordinary Resolution 7 – Proposed Renewal of Authority for Share Buy-Back Mandate ("Proposed Renewal of Share Buy-Back Mandate")

This proposed resolution, if passed, will empower the Company to purchase its own shares up to ten per centum (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 Company's Statement to Shareholders dated 25 September 2019.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)**6. Ordinary Resolution 8 – Proposed 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 per centum (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"). As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate. 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 Board, through the Remuneration & Nomination Committee had carried out the necessary assessment on Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng who have served as Independent Directors for a cumulative term of more than twelve (12) years and had recommended them to continue to act as the Independent Directors of the Company based on the following justifications:

- (i) they fulfill the criteria as Independent Director as per the definitions stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and based on the peer-assessment by the Directors, the Directors are also satisfied with them appearing to demonstrate conduct and behaviour that are essential indicators of independence, and they have acted in a manner that provide the necessary check and balance in the best interest of the Company.
- (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 during deliberations or discussions at the Board and Committee meetings;
- (iii) they are knowledgeable and have applied their vast experience and due care in 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 carried out their professional duties in the interest of the Company.

Their profiles are set out in Board of Directors in the Company's 2019 Annual Report. The Board has decided not to adopt the 2-tier voting process for the approval to retain both Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng as Independent Directors of the Company.

PROXY FORM

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 to be represented %
NRIC No.		
Full Address		
Full Name in Block Letters		Proportion of shareholdings to be represented %
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 50th Annual General Meeting of the Company to be held at 2.30 p.m., on Thursday, 17 October 2019 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:

ORDINARY RESOLUTION		FOR	AGAINST
1	To re-elect Dato' Siew Ka Wei as a Director of the Company		
2	To re-elect Chan Thye Seng as a Director of the Company		
3	To approve the payment of Directors' fees		
4	To approve the payment of Directors benefits		
5	To re-appoint Messrs BDO PLT as Auditors of the Company		
6	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
7	Proposed renewal of share buy-back mandate		
8	Proposed authority to issue and allot Shares		
9	Continuing in office as an Independent Director – Tan Sri Dato' Dr. Lin See Yan		
10	Continuing in office as an Independent Director – Edmond Cheah Swee Leng		

[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 _____ 2019

[Signature / Common Seal of shareholder(s)]

Telephone no. during office hours:

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NOTES:

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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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