



ANCOM LOGISTICS BERHAD

*(Company No. 6614-W)
Incorporated in Malaysia*



**TOGETHER
WE CAN MAKE A
DIFFERENCE**



**ANNUAL
REPORT
2017**



51st

ANNUAL GENERAL MEETING

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

DATE: Thursday, 19 October 2017

TIME: 12.00 noon



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COVER RATIONALE

Being one of the logistic experts in Malaysia, Ancom Logistics has dedicated to adopting sustainable and remain agility into every part of the business. In order for the Company to be mould beyond expectations, Ancom Logistics will continue to be productivity and taking prudent strategic steps persistently. As we pave the way for greater things to come, together we can make a difference.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Abdul Latif bin Abdullah

Independent Non-Executive Chairman

Dato' (Dr) Siew Ka Wei

Executive Vice Chairman

Abdul Latif bin Mahamud

Non-Independent Non-Executive Director

Safrizal bin Mohd Said

Independent Non-Executive Director

Lim Hock Chye

Independent Non-Executive Director

Edmond Cheah Swee Leng

Independent Non-Executive Director

AUDIT COMMITTEE

Safrizal bin Mohd Said (Chairman)
Abdul Latif bin Mahamud
Lim Hock Chye

REMUNERATION & NOMINATION COMMITTEE

Lim Hock Chye (Chairman)
Dato' Abdul Latif bin Abdullah
Abdul Latif bin Mahamud
Safrizal bin Mohd Said

COMPANY SECRETARIES

Soo Shioh Fang
Stephen Geh Sim Whye

REGISTERED OFFICE

Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel :{603} 7805 1817 / 3817
Fax :{603} 7804 1316

BUSINESS ADDRESS

No. 2A, Jalan 13/2, Seksyen13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel :{603} 7495 5000
Fax :{603} 7495 5088

REGISTRAR

Tricor Investor & Issuing House Services
Sdn. Bhd.

Office
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel. :{603} 2783 9299
Fax :{603} 2783 9222

Customer Service Centre
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

AUDITORS

BDO
Chartered Accountants

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
Listed on 6 July 2004

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

SOLICITORS

Shearn Delamore & Co

DOMICILE

Malaysia

WEBSITE

www.ancomlogistics.com.my

FIVE-YEAR HIGHLIGHTS

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	28,333	32,366	32,253	49,729	61,463
(Loss)/Profit before taxation	(2,463)	(286)	758	14,939	2,761
(Loss)/Profit after taxation	(3,063)	(309)	(453)	13,923	1,779
Effective percentage rate of tax - %	>100	>100	>100	6.8	35.6
Net Profit/(Loss) attributable to shareholders of the Company	(4,128)	(1,654)	(1,540)	13,596	628
ASSETS EMPLOYED					
Property, plant and equipment	29,805	29,988	34,003	37,715	68,389
Investments	1,802	1,802	1,802	1,802	2,802
Other non-current assets	-	-	30	162	472
Current assets	20,872	25,536	24,226	41,301	24,223
TOTAL ASSETS	52,479	57,326	60,061	80,980	95,886
FINANCED BY					
Share capital	23,664	23,664	23,664	47,329	47,329
Reserves	8,526	8,526	8,526	14,940	15,038
Accumulated losses	(7,339)	(3,211)	(1,557)	(11,164)	(5,829)
Shareholders' funds	24,851	28,979	30,633	51,105	56,538
Non-controlling interests	10,119	14,670	14,795	13,708	13,381
Total shareholders' fund and non-controlling interests	34,970	43,649	45,428	64,813	69,919
Non-current liabilities	6,225	5,768	6,511	7,099	9,761
Current liabilities	11,284	7,909	8,122	9,068	16,206
TOTAL FUNDS EMPLOYED	52,479	57,326	60,061	80,980	95,886
SHAREHOLDERS' INTERESTS					
(Loss)/Earnings per share - sen	(0.87)	(0.35)	(0.33)	2.87	0.13
Gross dividend per share - sen	-	-	-	4.00	0.50
Net assets attributable to shareholders per share - sen	5.25	6.12	6.47	10.80	11.95
OTHERS					
Depreciation	4,069	4,463	4,695	6,269	6,951
Interest expense	66	101	138	325	517

LIST OF PRINCIPAL OFFICES

ANCOM LOGISTICS BERHAD

No. 2A, Jalan 13/2, Seksyen13, 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

PENGANGKUTAN COGENT SDN. BHD.

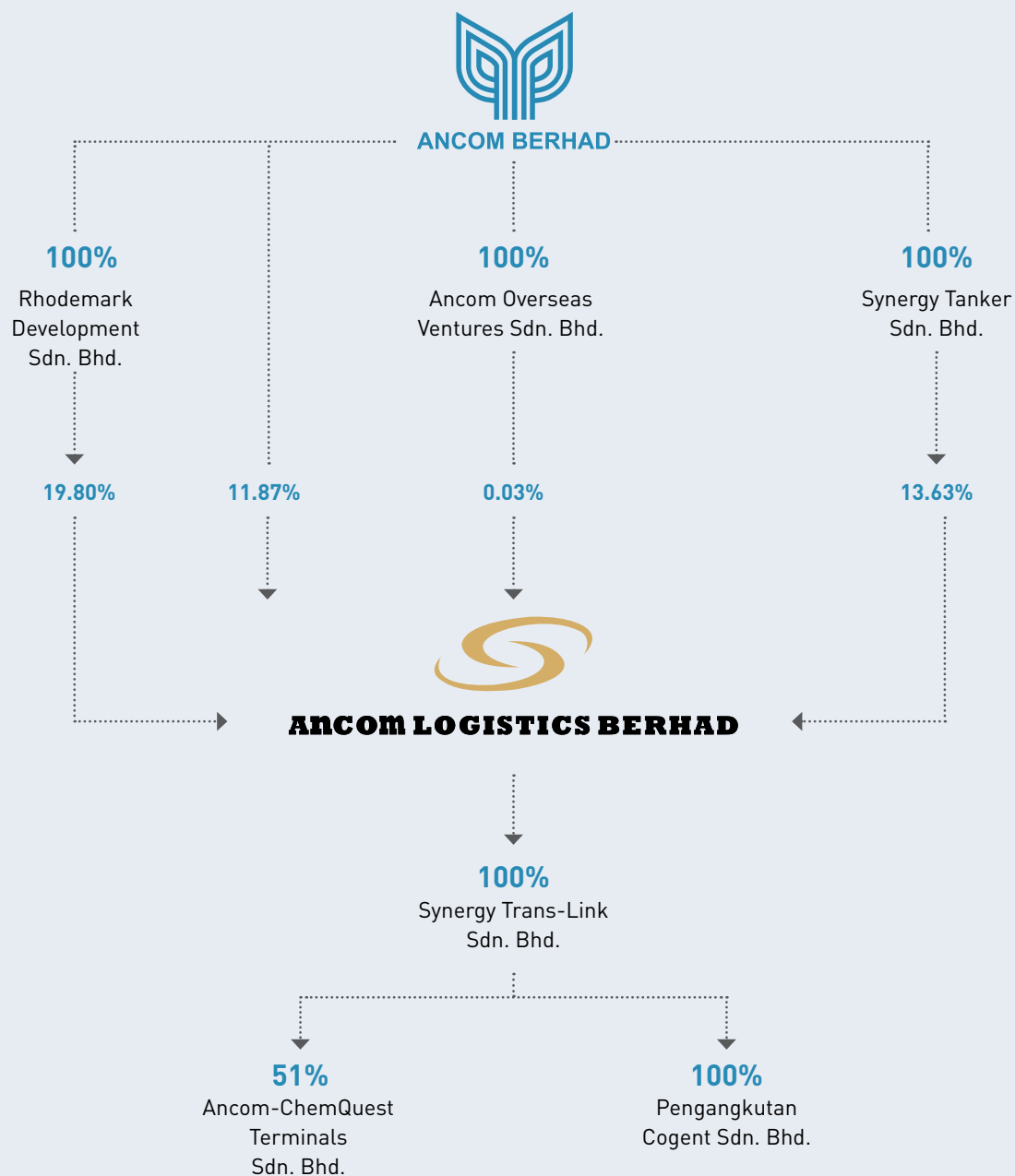
PTD 149227, Jalan Berjaya 7, Taman Perindustrian Berjaya
81200 Kempas Lama, Johor Darul Takzim, Malaysia

Tel : (607) 558 3131

Fax : (607) 558 1313

CORPORATE STRUCTURE

As at 31 May 2017



Note:

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

BOARD OF DIRECTORS



**DATO' ABDUL LATIF BIN
ABDULLAH**

Age 67, Male, Malaysian
Independent Non-Executive Chairman

Dato' Latif was appointed as Chairman of the Company on 20 August 2004. He was re-designated as Executive Chairman on 1 December 2004 and later as Non-Independent Non-Executive Chairman on 1 June 2006 and on 15 August 2014, as Independent Non-Executive Chairman of the Company. He is currently a member of the Remuneration and Nomination Committee ("R&N Committee") of the Company.

Dato' Latif obtained the Bachelor of Arts (Hons) degree in International Relations from University Malaya and Master of Science (Marine Law & Policy) degree from University of Wales. He had also attended the Senior Management Development Program at Harvard Business School. He is a member of Chartered Institute of Logistic and Transport, United Kingdom.

Dato' Latif started his career in 1975 with the Ministry of Foreign Affairs as Attachment Officer of the West Asian Desk. He later joined Malaysian International Shipping Corporation Berhad ("MISC") as a Management Trainee and was subsequently promoted to Assistant Manager, Liner Division. From 1982 to 1992, he was with Perbadanan Nasional Shipping Line Berhad ("PNSL") where he held a number of senior positions and was instrumental in the formation of and heading a number of subsidiaries and joint venture companies within the PNSL Group. In 1990, he became a founder Director of Mitsui OSK Lines (M) Sdn. Bhd. and remains as its Chairman after his retirement in 2005.

He was previously a Public Interest Director in Bursa Malaysia Berhad, Executive Chairman of Realmild (M) Sdn. Bhd. and Chairman of Radicare (M) Sdn. Bhd., Labuan Shipyard & Engineering Sdn. Bhd., Penang Port Sdn. Bhd., International Shipowners' Association of Malaysia, Amanah Raya Asian Finance Islamic Marine Fund and Vice-Chairman of the Malaysian Shipowners' Association.

Presently, Dato' Latif is the Chairman of Efficient E-Solutions Berhad and the Deputy Chairman of Ekowood International Berhad.

**BOARD OF
DIRECTORS****DATO' (DR) SIEW KA WEI**

Age 61, Male, Malaysian
Executive Vice Chairman

Dato' Siew was appointed as Non-Independent Executive Director of the Company on 17 October 2001. He was re-designated as the Non-Independent Non-Executive Deputy Chairman on 20 August 2004 and later as the Executive Vice Chairman of the Company on 25 January 2011 respectively.

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

Dato' Siew was appointed as the Chairman of Tourism Malaysia on 21 September 2016. He is also the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 25,000 chief executive officers and leaders of major companies and organizations over the world. He was a director of the International Board of Directors of YPO from 2000 to 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. In April 2013, Dato' Siew was conferred an honorary degree in Doctor of Business Administration honoris causa by HELP University, Malaysia.

Currently, Dato' Siew is the Group Managing Director of Ancom Berhad, the holding company of the Company, and its subsidiary, Nylex (Malaysia) Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad. He is currently the President of the Imperial College Alumni Association of Malaysia and a Governor of the Board of Governors for Malborough College of Malaysia.

Dato' Siew is a substantial shareholder of the Company through his direct and indirect shareholding in Ancom Berhad and his direct and indirect interest in the Company.

BOARD OF DIRECTORS



SAFRIZAL BIN MOHD SAID

Age 51, Male, Malaysian
Independent Non-Executive Director

Safrizal joined the Board as Independent Non-Executive Director on 24 December 2002. He is currently the Chairman of the Audit Committee and a member of the R&N Committee of the Company.

Safrizal gained his Bachelor of Commerce degree from University of New South Wales, Australia. He is a member of CPA Australia. He has vast working experience in both the consulting as well as the commercial sectors in various capacities in Australia and Malaysia. He joined the Fraser & Neave (F&N) Group in Malaysia in 2002 and was responsible for setting up F&N's in-house Tax Department. Prior to joining the F&N Group, he was attached to a couple of the Big Four Accounting Firms, with his last position being a tax director. His experience in the field of taxation totals more than 20 years. During his time as a tax consultant, Safrizal managed a diversified portfolio of clients comprising local and multinational corporations from various industries, namely, finance, telecommunications, advertising, construction, manufacturing, shipping and insurance. Safrizal was also extensively involved in the rendering of business advice and tax planning in a variety of situations including corporate restructuring, public listing exercises, business expansion, privatization exercises, offshore investments and mergers and acquisitions.

Safrizal, who was an appointed Council Member of the Chartered Taxation Institute of Malaysia, has also conducted in-house training programmes and has chaired/spoken at public seminars on various tax matters.

Safrizal is currently a director of Nylex (Malaysia) Berhad.



EDMOND CHEAH SWEE LENG

Age 63, Male, Malaysian
Independent Non-Executive Director

Edmond joined the Board as Independent Non-Executive Director on 31 December 2011.

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

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

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

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

BOARD OF DIRECTORS



ABDUL LATIF BIN MAHAMUD

Age 60, Male, Malaysian
Non-Independent Non-Executive Director

Abdul Latif was appointed as Managing Director of the Company on 1 January 2005. He was re-designated as the Company's Group Managing Director on 1 July 2005 and Non-Independent Non-Executive Director on 25 January 2011. He was the Managing Director of Ancom Berhad's Agricultural Chemicals division until his retirement in 2014.

Abdul Latif is currently a member of the Audit Committee and R&N Committee of the Company.

He graduated with a degree in Electrical Engineering from University Technology MARA, Malaysia and holds an MBA from University of Hull, England. He began his career in Asea Brown Boveri as a Substation Design Engineer in 1982 and subsequently headed its substation contracts department. He subsequently joined Groupe Schneider in 1992 as General Manager, Operations in charge of Power Transmission & Distribution sales, contract management and assembly workshop. In 1995, he joined EPE Power Corporation Berhad ("EPE") as Senior General Manager - Power Distribution and in 2000 was appointed as a Chief Operation Officer, in charge of the EPE Group's power generation, transmission and distribution businesses. He became Managing Director of EPE in 2001. He was the Chief Executive Officer and Executive Director of Ranhill Power Berhad following the acquisition of EPE by Ranhill Berhad.



LIM HOCK CHYE

Age 62, Male, Malaysian
Independent Non-Executive Director

Hock Chye joined the Board as Independent Non-Executive Director on 5 December 2003. He is currently the Chairman of the R&N Committee and a member of the Audit Committee of the Company.

Hock Chye graduated with a LLB (Hons.) degree from the University of London, United Kingdom and holds a Certificate in Legal Practice.

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

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

Currently, Hock Chye is a director of Ancom Berhad and Nylex (Malaysia) Berhad.

Notes :

1. There are no family relationship amongst the Directors and/or major shareholders of the Company.
2. Other than certain Related Party Transactions as disclosed in this Annual Report, the Directors do not have any business interest which conflict with their positions in the Company.
3. None of the Directors has been convicted of any offences other than traffic offences (if any) within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. Please refer to *Statement on Corporate Governance* of this Annual Report for the Directors' meeting attendance records.
5. Please refer to *Directors' Report* of this Annual Report for the Directors' securities holdings in the Company and its related corporations.

KEY SENIOR MANAGEMENT

DATO' (DR) SIEW KA WEI

Age 61, Male, Executive Vice Chairman

Details of Dato' (Dr) Siew Ka Wei are disclosed in the Director's profile of this Annual Report.

Lim Chang Meng

Chief Financial Officer

Age 45, Male, Malaysian

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

He joined Tamco Corporate Holdings Berhad (former name of the Company) in 2005 as the Corporate Accounting Manager. Chang Meng also served as the Head of Corporate Finance in Ancom Berhad in 2010. In 2011, he was promoted as the Company's Chief Financial Officer, overseeing the financial matters in the Group. He was appointed as the Chief Financial Officer of Ancom Berhad in July 2014.

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

He has no directorship in public companies and listed companies.

Bon Kok Meng

Division Head - Logistics

Age 54, Male, Malaysian

Kok Meng was appointed as the Managing Director of Pengangkutan Cogent Sdn. Bhd. and Ancom-ChemQuest Terminals Sdn. Bhd. (subsidiaries of the Company) and Executive Director of NYL Logistics Sdn. Bhd. (a subsidiary of Nylex (Malaysia) Berhad) in June 2016.

Prior to this, he was the Managing Director for Yick Loong Transport group of companies for more than 20 years.

Kok Meng holds a Master Degree in Business Administration from the University of Warwick, United Kingdom.

He has no directorship in public companies and listed companies.

KEY SENIOR MANAGEMENT

Mohd Yusof Bin Muhamad Don

General Manager – Ancom Logistics Berhad
Age 51, Male, Malaysian

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

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

He has no directorship in public companies and listed companies.

Chee Hun Leong

General Manager – Ancom-ChemQuest Terminals Sdn. Bhd.
Age 63, Male, Malaysian

Hun Leong was appointed as the General Manager of Ancom-ChemQuest Terminals Sdn. Bhd., (a subsidiary of the Company), in January 2013.

He has more than 30 years of experience in the bulk chemical business, specialising in chemical marketing, logistics and safety, having involved in the business since 1984. Prior to the current position, he held various positions in Perusahaan Kimia Gemilang Sdn. Bhd. ("PKG"), a subsidiary of Nylex (Malaysia) Berhad and his last position in PKG was a Senior Sales Manager.

Hun Leong completed his secondary school with MCE "O" level education.

He has no directorship in public companies and listed companies.

Notes:

1. There is no family relationship between the Key Senior Management with any Director and/or major shareholder of the Company.
2. Other than certain Related Party Transactions as disclosed in this Annual Report, none of the Key Senior Management has any financial interest in any business arrangement involving the Group.
3. Other than traffic offences (if any), none of the Key Senior Management has been convicted of any offence within the past five (5) years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



**DATO'
ABDUL
LATIF BIN
ABDULLAH**

**INDEPENDENT
NON-EXECUTIVE
CHAIRMAN**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (“the Board”), I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 May 2017 (“FY2017”).

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

FY2017 has been a challenging year for the Group. We posted a lower revenue of RM28.3 million in FY2017 compared to RM32.4 million in the previous financial year ended 31 May 2016 ("FY2016"). Loss before taxation in FY2017 increased to RM2.5 million compared to a loss before taxation of RM0.3 million in FY2016.

After accounting for taxation and non-controlling interests, the loss attributable to shareholders for FY2017 amounted to RM4.1 million compared to RM1.7 million in FY2016.

The loss per share for the current financial year was 0.87 sen compared to a loss per share of 0.35 sen in FY2016.

REVIEW OF OPERATIONS

Under a difficult operating environment, the management is reviewing its cost efficiencies to remain competitive. In the chemical transportation business, profit margins are being eroded due to intense price competition. Management is carrying out essential upgrades to its plant and chemical tankers for better efficiencies. However, as competition intensifies on a slower economy, the group needs to explore other avenues to improve its economies of scale in the business.

The logistics division posted a revenue of RM27.6 million in FY2017 as compared to RM28.2 million in FY2016. Segmental profit decreased to RM1.3 million in FY2017 compared to RM2.0 million in FY2016.

As for the investment holding business (without taking in the dividend income from subsidiary) higher corporate expenses resulted in a higher segmental loss of RM3.7 million in FY2017 compared to a segmental loss of RM0.9 million in FY2016.

OUTLOOK AND PROSPECTS

There remains uncertainty in the global economy and the sustainability of global demand continues to be weak. The Board expects the business to remain challenging and will continue to exercise caution in managing the business going forward.

APPRECIATION

On behalf of the Board, I wish to express our sincere appreciation to the management and all employees for their commitment, dedication and contribution throughout the year. The Board would also like to extend our gratitude to all our valued shareholders, customers, suppliers, business partners, bankers and all regulatory authorities for their continued support and confidence in the Group.

Dato' Abdul Latif bin Abdullah

Chairman

Petaling Jaya, Selangor Darul Ehsan

23 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

Overview

Ancom Logistics Berhad Group (“ALB Group” or “the Group”) is principally involved in the provision of bulk liquid chemical-related logistics services in Malaysia. The key subsidiaries are Ancom-ChemQuest Terminals Sdn. Bhd. (“ACT”) and Pengangkutan Cogent Sdn. Bhd. (“PCSB”).

ACT operates a tank farm in West Port in Klang, Selangor for the provision of bulk storage facilities for liquid chemicals servicing petrochemical companies in Malaysia and the region. PCSB owns and operates a fleet of chemical road tankers and provides cross-border bulk chemicals land transportation services within Malaysia and to Singapore.

Financial performance

For the current financial year ended 31 May 2017 (“FY2017”), the ALB Group reported a lower revenue of RM28.3 million compared to RM32.4 million in the previous financial year ended 31 May 2016 (“FY2016”). The Group posted a loss before taxation of RM2.5 million in FY2017 compared to a loss before taxation of RM0.3 million in FY2016.

Logistics Division

The business of the logistics division continues to be difficult in FY2017. The division posted a revenue of RM27.6 million in FY2017, which is lower than the RM28.2 million in FY2016. The lower revenue resulted in a decrease in segmental profit from RM2.0 million in FY2016 to RM1.3 million in FY2017.

The tank farm business remains stable in FY2017. During the current financial year, ACT has carried out upgrading of its facilities in the premise for improvement in safety and also preventive equipment. This is expected to reduce incidents in the tank farms and improve productivity. However, the transportation business continues to be under pressure as PCSB is facing intense competition from other players. PCSB is rationalising its cost structure and has plans to upgrade its fleet of tankers gradually to be more cost efficient.

Other Segment

Other segment includes the results of the investment holding company and the remaining subsidiaries of the Group.

The division posted lower revenue of RM0.8 million in FY2017 compared to RM4.1 million in FY2016 due to disposal of Ancom Component Sdn. Bhd. during the financial year. Segmental profit improved to RM2.1 million in FY2017 compared to RM0.7 million in FY2016 due to higher dividend income of RM5.7 million (FY2016: RM3.1 million) received from a subsidiary. Excluding dividend income, the division would report a segmental loss of RM3.7 million in FY2017 compared to a segmental loss of RM0.9 million in FY2016. Higher segmental loss incurred by the division is mainly due to corporate expenses incurred.

OUTLOOK AND PROSPECTS

The business of the Group is expected to remain challenging due to the uncertainty surrounding the stability of the global economy and volatility in the chemical industry. The management will continue to exercise caution in managing the business going forward.

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”)

INTRODUCTION

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

The Board is pleased to present this statement outlining the applications by the Group of the principles and recommendations as set out in The Malaysian Code on Corporate Governance 2012 (“Code”) with reference to the Corporate Governance Guide (“Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) for the financial year ended 31 May 2017.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The Company is led by an experienced Board, which comprises one (1) Independent Non-Executive Chairman, one (1) Executive Vice Chairman (“EVC”), one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors.

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

There is a clear distinction between the roles of the Non-Executive Chairman and the EVC with clear division of responsibilities to ensure a balance of power and authority. The Chairman holds a non-executive position and is primarily responsible for ensuring the Board’s effectiveness and conduct in discharging its responsibilities. The EVC, who heads the Management, is responsible for implementing and executing the Board’s corporate decisions and strategies, in addition to the day-to-day operations of the Group to achieve the financial goals set by the Board.

Clear Roles and Responsibilities of the Board

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

- Formulating and charting the strategic direction and setting out the Group’s short-term and long-term plans and objectives. This will then be the basis for the EVC and Management team to formulate a detailed business plan;
- Reviewing and approving the Group’s key operational policies and initiatives and major investment and funding decisions of the Group, new business/projects and reviewing the same with the EVC;
- Overseeing and reviewing the Group’s business operations and financial performances to evaluate whether the business is being properly managed and sustained;
- Overseeing the development, implementation and review of the succession plan for the Directors and the key senior management;
- Overseeing the development, implementation and reviewing/monitoring of the risk management framework and the adequacy and integrity of the Group’s internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group; and
- Formulating and promoting ethical and good corporate governance within the Group.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

Formalised Ethical Standard through Code of Ethics

The Board, in discharging its oversight role, conducts its business in observation to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

A summary of the Code of Ethics is available on the Company's website at www.ancomlogistics.com.my.

The Code of 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 ethical behaviour for Directors based on trustworthiness and value that can be accepted and upheld by the Directors; and
- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations, and guidelines for administering a company.

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

Strategically Promoting Sustainability

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

The Group continued to carry out activities which demonstrate its commitment towards creating a better environmental, social and governance and sustainability agenda during the financial year ended 31 May 2017 as reported in the *Corporate Social Responsibility Statement* in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

Access to Information and Advice

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

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain minutes of meetings, operational and financial performance reports, details of corporate proposals, the Quarterly Interim Financial Reports or the Annual Audited Financial Statements, reports of the Board Committees, Internal Audit Reports and other matters for the Directors' perusal before the Board/Committee meetings. The Company Secretaries will strive to provide these materials to the Directors seven (7) days prior to the Board/Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board/Committee meetings.

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

Qualified and Competent Company Secretaries

The Board is supported by two (2) Company Secretaries. Both of the Company Secretaries have more than fifteen (15) years of experience in company secretarial practices and are qualified to act as a Company Secretary under the law.

The Company Secretaries play an advisory role to the Board in formulating the Company's Constitution and Board policies and procedures. The Company Secretaries have a key role to play in ensuring that the Board policies and procedures are both followed and regularly reviewed. They are responsible for the efficient administration of the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's Constitution, the Board policies and procedures, the statutory and regulatory requirements and for ensuring that decisions of the Board of Directors are implemented. They are also responsible for regularly updating and apprising the Board on new regulations issued by the regulatory authorities.

One of the key responsibilities of the Company Secretaries is to prepare and organise Directors and Committee meetings and the shareholders meetings. In consultation with the Chairman, the Company Secretaries will prepare the agenda and the relevant documents for these meetings. The Company Secretaries will also attend these meetings, and provide such information as and when is necessary. This responsibility will involve the issue of proper notices of meetings, preparation of agenda, circulation of relevant papers and taking minutes to record the business transacted at the meetings and the decisions taken.

The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the law.

The Company Secretaries work closely with the Chairman and the EVC to ensure that there are timely and appropriate information flows within the Board and to the Board Committees and Management.

STATEMENT ON CORPORATE GOVERNANCE

Board Charter

In discharging its duties, the Board is guided by the Board Charter. A copy of the Company's Board Charter, which was approved by the Board on 16 October 2013, is available on the Company's website at www.ancomlogistics.com.my.

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

The Board Charter focuses on the following areas:

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

The Board Charter was last reviewed on 26 July 2017, and it will be updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

PRINCIPLE 2: STRENGTHEN COMPOSITION

The Company is led by an experienced Board, which comprises one (1) Independent Non-Executive Chairman, one (1) Executive Vice Chairman ("EVC"), one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors.

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

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

Remuneration and Nomination Committee

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

The Terms of Reference of the R&N Committee were reviewed on 26 July 2017 and are available on the Company's website at www.ancomlogistics.com.my.

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

Lim Hock Chye	(Chairman)
Safrizal bin Mohd Said	(Member)
Abdul Latif bin Mahamud	(Member)
Dato' Abdul Latif bin Abdullah	(Member)

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

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

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

The R&N Committee is also responsible for determining and recommending to the Board the remuneration packages of the EVC of the Company. It is also responsible for reviewing and recommending to the Board the remuneration of the Non-Executive Directors. It is the ultimate responsibility of the Board to decide the remuneration of the Directors. The Directors' fees and benefits will be endorsed by the Board for approval by the shareholders at the Company's annual general meeting.

Annual Assessment

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

During the financial year ended 31 May 2017, the R&N Committee had one (1) meeting on 28 July 2016. The R&N Committee, after reviewing the current composition of the Board and the Board Committees, was satisfied that the Board and Board Committees comprised Directors who are persons of calibre and credibility with extensive expertise and a wealth of experience in legal, accounting, corporate finance, marketing, public services and business practice, as required under the Board Charter and the Terms of Reference of the Board Committees, to support the Group's continuous growth and prosperity. Accordingly, the R&N Committee recommended that the current composition of the Board and Board Committees be retained.

Re-election of Directors

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

The Constitution also provide that at least one-third (1/3) of the Board, who are longest in office since their last election, shall be subject to retirement by rotation every year and that each Director shall retire at least once in every three (3) years but he shall be eligible for re-election at the annual general meeting. The EVC is also subject to retirement at least once every three (3) years and he shall be eligible for re-election at the annual general meeting.

The motions to re-elect Directors are voted individually, unless a resolution for the re-election of two (2) or more Directors by a single resolution has been passed at the annual general meeting.

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

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

STATEMENT ON CORPORATE GOVERNANCE

Board Diversity Policy

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

The Board currently does not have any formal board diversity policy or target. The appointment of new Board Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than by their gender or ethnicity.

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

Remuneration of Directors

The R&N Committee is responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fees and benefits, and after taking into account a comparison with payments by similar companies, to the Board for its endorsement.

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

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

For the last financial year, the Chairman of the Board and the Non-Executive Directors of the Board received RM60,000 and RM50,000 respectively as Directors' fees per annum. The members of the Audit Committee received RM15,000 each while the members of the R&N Committee received RM5,000 each per annum. These were as recommended by the R&N Committee and the total Directors' fees of RM325,000 was approved by the shareholders at the 50th annual general meeting of the Company.

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

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

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

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

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Directors' fees and benefits to the Non-Executive Directors are subject to the shareholders' approval at the Annual General Meeting.

The aggregate amount of Directors' remuneration paid or payable to the Directors of the Company for the financial year ended 31 May 2017 is as follows:

Category	Group		Company	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Fees	-	-	-	325
Salaries	-	-	-	-
Other emoluments	-	-	-	14
Benefits-in-kind	-	-	-	18

Range of Remuneration*	Number of Directors		Total
	Executive Director	Non-Executive Director	
RM50,001 to RM100,000	-	5	5
Total	-	5	5

*inclusive of the remuneration for services rendered to the Company and subsidiaries of the Group.

The EVC did not receive any remuneration during the financial year.

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

PRINCIPLE 3: REINFORCE INDEPENDENCE

Assessment of Independence

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

- The Independent Director is neither an employee nor is related to any major shareholders/Management of the Group and does not participate in the day-to-day operation of the Group and has fulfilled the definition of "Independent Directors" in the Listing Requirements;

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- He/she is free from any business or other relationship with the Group which would materially interfere with the exercise of his/her independent judgement on matters at hand; and
- He/she is a person of calibre, credibility and has the necessary skill and experience to bring independent judgement to bear on the issues of strategy, business performance, resources and standards of conduct and to challenge Management in an effective and constructive manner. He/she is able to provide independent views in the Board's discussions and has not shown to have compromised on his/her independent judgement.

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

Tenure of Independence

Recommendation 3.2 of the Code states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Recommendation 3.3 of the Code states that the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

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

Based on the recent assessment in year 2017, the Board is generally satisfied with the level of independency demonstrated by the Independent Directors, i.e. they are independent of Management and free from any business dealing or other relationship with the Group that could be reasonably be materially interfere with their exercise of independent judgement.

Further, the Board had via the R&N Committee conducted an annual performance evaluation and assessment of Safrizal bin Mohd Said and Lim Hock Chye, who have served as the Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and recommended them to continue to act as the Independent Non-Executive Directors of the Company based on the following justifications:

- (a) They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements and their ability to bring an element of objectivity to the Board;
- (b) They have been with the Company for more than nine (9) years and therefore understand the company's business operations which enable them to participate actively and contribute during the deliberations or discussions at the meetings;
- (c) They have vast experience that could be shared with the Board; and
- (d) They have exercise due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company.

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

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In line with Recommendation 3.3 of the Code, the Board will seek shareholders' approval at the forthcoming AGM, to retain both Safrizal bin Mohd Said and Lim Hock Chye as Independent Directors of the Company.

Separation of the Positions of the Chairman and the EVC

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

PRINCIPLE 4: FOSTER COMMITMENT

Time Commitment

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

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

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

There were four (4) Board meetings, five (5) Audit Committee meetings and one (1) R&N Committee meeting held during the financial year. The attendance records of the Directors are as follows:

Name of Director

Board Meeting	Attendance
Dato' Abdul Latif bin Abdullah	3/4
Dato' (Dr) Siew Ka Wei	4/4
Abdul Latif bin Mahamud	3/4
Safrizal bin Mohd Said	4/4
Edmond Cheah Swee Leng	3/4
Lim Hock Chye	4/4

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Audit Committee Meeting :	Attendance
Safrizal bin Mohd Said	5/5
Abdul Latif bin Mahamud	4/5
Lim Hock Chye	5/5

R&N Committee Meeting:	Attendance
Lim Hock Chye	1/1
Safrizal bin Mohd Said	1/1
Dato' Abdul Latif bin Abdullah	0/1
Abdul Latif bin Mahamud	1/1

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

The proceedings of all meetings, were recorded in the minutes of the Board of Directors and Board Committee meetings respectively.

Continuing Education Programme and Training

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

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

In May 2017, the holding company organised a workshop on "Dealing in Listed Securities, Closed Period & Insider Trading" facilitated by a professional trainer for the Directors of the Company.

All the Directors of the Company have attended the above workshop except for Safrizal bin Mohd Said, who had separately attended the yearly event of National Tax Conference and National GST Conference.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Board strives to present true and fair, comprehensive, balanced and meaningful evaluation and assessment of the financial performance, financial position and future prospects of the Group in the Annual Audited Financial Statements and the Quarterly Interim Financial Reports of the Company and of the Group.

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

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

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

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

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

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

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

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

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

As such, the Audit Committee has recommended to the Board to re-appoint Messrs BDO as the External Auditors. The Board concurred with the Audit Committee's recommendation and has recommended to the shareholders to approve Messrs BDO's re-appointment at the forthcoming annual general meeting.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risk

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

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

Internal Audit Function

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

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

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

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

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

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

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

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

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

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

Leverage on Information Technology

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

Shareholders and investors are also encouraged to convey their queries and concerns to the Company via the Company's website at www.ancomlogistics.com.my or via email to corp@ancom.com.my. The queries will be attended by the Company's Senior Management or the Board, as the case may be.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholders' Participation at General Meetings

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

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

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

In line with the Listing Requirements, to encourage more shareholders participation at the Company's general meetings, the Company allows any member who is entitled to attend and vote at the general meeting to appoint a proxy to attend and vote for him/her and the proxy so appointed may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The Company's Constitution explicitly allows the right of a proxy to speak at general meetings. Notices of meeting convening the general meetings and related circulars are sent to the shareholders in accordance with the regulatory and statutory provisions. All notices are advertised in a national English newspaper within the prescribed deadlines.

All meetings are recorded by the Company Secretaries and the summary of key matters discussed at the general meetings is available for inspection at the Company's website.

Poll Voting

All resolutions that set out in the notice of any general meeting will be voted via poll voting.

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Effective Communication and Proactive Engagement with Shareholders

The Company would arrange for meetings with the equity research analysts, fund managers, institutional shareholders and investors from time to time to brief on the Company's performance, market outlook, business operations and other matters affecting shareholders' interest.

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

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

CONCLUSION

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

AUDIT COMMITTEE REPORT

Pursuant to Rule 15.15 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”)

The Board is pleased to present its Audit Committee Report for the financial year ended 31 May 2017.

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference, a copy of which is available on the Company’s website at www.ancomlogistics.com.my.

MEMBERS AND MEETINGS

The membership of the Audit Committee is as follows:

Safrizal bin Mohd Said (Independent Non-Executive Director)	-	Chairman
Abdul Latif Bin Mahamud (Non-Independent Non-Executive Director)	-	Member
Lim Hock Chye (Independent Non-Executive Director)	-	Member

The composition of the Audit Committee during the financial year complied with the Listing Requirements of Bursa Malaysia Securities Berhad.

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

Members	Attendance
Safrizal bin Mohd Said	5/5
Abdul Latif Bin Mahamud	4/5
Lim Hock Chye	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”), which were presented by the Management, with the aim of ensuring that the Financial Reports, inter alia, complied with the disclosure requirements of the Listing Requirements, the approved Malaysian Financial Reporting Standards (“MFRSs”), the International Financial Reporting Standards (“IFRSs”), the Companies Act, 2016, and other statutory and regulatory requirements, prior to recommending the Financial Reports to the Board for consideration and approval, and for subsequent release to Bursa Malaysia Securities Berhad. The Audit Committee also sought explanations from Management on the Group’s performance from time to time.

AUDIT COMMITTEE REPORT

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

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

Internal audits

During the financial year under review, the Audit Committee carried out the following activities:

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

External Audits

During the financial year under review, the Audit Committee carried out the following activities:

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

**AUDIT COMMITTEE
REPORT****INTERNAL 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 function effectively. During the financial year, the Group's internal audit function was outsourced to an independent firm of consultants. The Internal Audit function assists the Board in reviewing the adequacy and effectiveness of the Group's internal control system in identifying and managing principle risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of the management information system and consequently determining the future requirements for the internal control system.

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

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

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

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

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

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

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

The total cost incurred for the Group's internal audit function during the financial year was RM22,000 (2016: RM20,000).

AUDIT COMMITTEE REPORT

ASSESSMENT OF INDEPENDENCE AND PERFORMANCE

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

RISK MANAGEMENT

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

RELATED PARTY TRANSACTIONS

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

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

EMPLOYEES' SHARE OPTION SCHEME

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

CONCLUSION

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

INTRODUCTION

The Board is pleased to provide the Group's Statement on Risk Management and Internal Control for the financial year ended 31 May 2017 made pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the Task Force with the support and endorsement of Bursa Securities.

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

BOARD RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

RISK MANAGEMENT

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

INTERNAL AUDIT FUNCTION

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

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

For the financial year ended 31 May 2017, two (2) internal audit reviews and two (2) follow-up reviews had been carried out by the independent consulting firm:-

AUDIT PERIOD	REPORTING MONTH	NAME OF ENTITY AUDITED	AUDITED AREAS
1st Quarter (Jun 2016 – Aug 2016)	Oct 2016	Pengangkutan Cogent Sdn. Bhd.	<ul style="list-style-type: none"> Business Development, Sales & Marketing, Procurement Human Resources (HR) and Asset Administration Finance and Accounts
2nd Quarter (Sept 2016 – Nov 2016)	Jan 2017	Ancom-ChemQuest Terminals Sdn. Bhd.	<p>Follow-up actions on previously reported audited findings:-</p> <ul style="list-style-type: none"> Internal Audit (“IA”) reported in July 2016 on Business Development, Sales and Marketing, Contract Management, Cost of Sales and Gross Profit Margin.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3rd Quarter (Dec 2016 – Feb 2017)	Apr 2017	Pengangkutan Cogent Sdn. Bhd.	<p>Follow-up actions on previously reported audited findings:-</p> <ul style="list-style-type: none"> • IA reported in October 2016 on Business Development, Sales and Marketing, Procurement, Human Resources (HR) & Asset Administration and Finance & Accounts. • IA reported in October 2015 on Customer Service, Logistic Operations, Invoicing & Costing, Payment process & procedures, Maintenance and Safety & Health.
4th Quarter (Mar 2017 – May 2017)	July 2017	Ancom-ChemQuest Terminals Sdn. Bhd.	<ul style="list-style-type: none"> • Operations.

THE KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM

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

- **Organisational Structure and Responsibility Levels**

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

The Board has entrusted the daily running of the business to the Executive Vice Chairman ("EVC") and his Management team. The EVC is assisted by the Divisional Managing Directors who are "hands on" in running the operating divisions. Experienced and competent employees have been placed in positions of responsibility to ensure that the objectives of the Group's Risk Management and Internal Control System are achieved.

- **Risk Management Process**

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Audit Committee has been entrusted by the Board to ensure that an effective and adequate Risk Management and Internal Control system is in place at all times. A Risk Management Working Group ("RMWG") has been set up to report to the Audit Committee on matters relating to Risk Management and Internal Control.

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

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee has been empowered to ensure that the Internal Audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has all the authorities and resources necessary to carry out its responsibilities. It approves the Internal Audit Plan and reviews and assesses the performance of the Internal Audit function.

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

- **Reporting and Review**

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

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

- **Group Policies and Procedures**

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

REVIEW OF THIS STATEMENT

Pursuant to Rule 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the scope outline in the Recommended Practice Guide 5 issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 May 2017, and reported to the Audit Committee that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement on Risk Management and Internal Control factually inaccurate.

CONCLUSION

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

The Board is of the view that the Group's Risk Management and Internal Control system during the financial year under review and up to the date of issuance of this Annual Report has been satisfactory and has not resulted in any material losses, contingencies or uncertainties that would jeopardise the value of the Group's assets and shareholders' investment. The Board will continue to take measures and maintain an ongoing commitment to strengthen the Group's Risk Management and Internal Control system.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Board understands the need for business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders.

In that respect, the Group has adopted the following broad principals in carrying out its activities:

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

The Company and its subsidiaries (“Group”) have carried out certain activities during the financial year ended 31 May 2017 which focuses on three main focal areas as disclosed below:



Environment

ENVIRONMENT

As a responsible corporation, the Group has initiated various sustainable environmental conservation efforts. Used materials such as papers, paper cartons and cardboard boxes are re-used, where possible, or sent to recycling centres. Used photocopy ink cartridges are sent to ink suppliers for re-use to help save the environment.

WORKPLACE

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

- Scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on site drills were conducted to ensure that employees are well trained to handle emergency situations;
- Regular training on workplace safety, product handling, inspection of fire fighting equipment; Fire Safety talk by the Public Fire Safety & Prevention Education Centre, the Personal Protection Equipment talk and fire and chemical handling drills were carried out for the employees on a regular basis;



Workplace

- Regular first aid training to employees at the Group’s Bulk Liquid Terminal; and
- Fire drill conducted with Bomba Malaysia/West Port Bomba at the Group’s Bulk Liquid Terminal to test the emergency response readiness in the event of fire or accident at the Terminal.

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

COMMUNITY

Consistent with one of the important focal areas of Corporate Social Responsibility which is to be responsible to the community in which the Group operates, employees of the Group are encouraged to volunteer for community projects. During the financial year, the Company has participated in various activities organised by its holding company or related companies to reach out to the local community. The activities were such as visiting the needy group, distributed food and provided medicine supplies to them, contributed donations and other charitable activities.



Community

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

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

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

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 2017 and of the results and cashflows of the Company and the Group for the financial year ended 31 May 2017. The Directors are also responsible for ensuring that the Audited Financial Statements comply with the Companies Act, 2016, the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs"), the Listing Requirements and other statutory and regulatory requirements.

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.



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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6 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)/Profit for the financial year	(3,063)	2,144
Attributable to:		
Owners of the parent	(4,128)	2,144
Non-controlling interests	1,065	-
	(3,063)	2,144

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 final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

DIRECTORS

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

Dato' Abdul Latif bin Abdullah	(Non-Executive Chairman)
Dato' (Dr) Siew Ka Wei	(Executive Vice Chairman)
Abdul Latif bin Mahamud	
Safrizal bin Mohd Said	
Lim Hock Chye	
Edmond Cheah Swee Leng	

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

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid	
Sabli Bin Sibil	
Lee Cheun Wei	
Somsak Chatteerapat	
Chin Kok Wooi	(Appointed on 22 May 2017)
Surasak Suwannapasri	
Leong Yew Weng	(Resigned on 22 May 2017)
Francis Quah Chuan Hoe	(Resigned as alternate Director to Leong Yew Weng on 22 May 2017)

In accordance with Article 103 of the Constitution of the Company, Dato' Abdul Latif bin Abdullah and Safrizal bin Mohd Said retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year and his beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 May 2017 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 31.5.2017
	Balance as at 1.6.2016	Bought	Sold	
Shares in the Company				
Direct interest:				
Dato' (Dr) Siew Ka Wei	725,867	24,000	-	749,867
Indirect interest:				
Dato' (Dr) Siew Ka Wei	215,473,196	-	-	215,473,196

DIRECTORS' REPORT

	← Number of ordinary shares →			Balance as at 31.5.2017
	Balance as at 1.6.2016	Bought	Sold	
Shares in the holding company				
Ancom Berhad				
Direct interest:				
Dato' (Dr) Siew Ka Wei	22,808,865	519,500	-	23,328,365
Indirect interest:				
Dato' (Dr) Siew Ka Wei	20,611,748	-	(140,000)	20,471,748
Shares in a related company				
Nylex (Malaysia) Berhad				
Direct interest:				
Dato' (Dr) Siew Ka Wei	1,522,049	574,411	-	2,096,460
Indirect interest:				
Dato' (Dr) Siew Ka Wei	93,671,435	5,960,000	(6,023,076)	93,608,359

By virtue of his interest in the shares in the holding company, Ancom Berhad, Dato' (Dr) Siew Ka Wei is also deemed to have an interest in the shares in all the other subsidiaries of Ancom Berhad to the extent Ancom Berhad has an interest.

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

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the transactions entered into the ordinary course of business with companies in which the Directors of the Company have substantial financial interests as disclosed in Note 24 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 of the Company who held office during the financial year ended 31 May 2017 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive Director				
- salaries, bonus and allowances	-	20	-	-
- other emoluments	-	204	-	-
	-	224	-	-
Non-Executive Directors				
- fees	325	325	325	325
- other emoluments	14	15	14	15
- benefits-in-kind	18	16	18	16
	357	356	357	356
	357	580	357	356

DIRECTORS' REPORT

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Company effected Directors' and Officers' liability insurance during the financial year to protect the Directors and Officers of the Group and 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 RM13,500.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be 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 necessitate the writing off of bad debts or render 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.

DIRECTORS' REPORT

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

(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.

HOLDING COMPANY

The Directors regard Ancom Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding and ultimate holding company.

AUDITORS

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

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2017 were as follows:

	Group RM'000	Company RM'000
Statutory audit	108	60
Other services	6	6
	114	66

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

Dato' Abdul Latif bin Abdullah
Director

Kuala Lumpur
23 August 2017

Dato' (Dr) Siew Ka Wei
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 54 to 94 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 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 to the financial statements on page 95 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Dato' Abdul Latif bin Abdullah
Director

Dato' (Dr) Siew Ka Wei
Director

Kuala Lumpur
23 August 2017

STATUTORY DECLARATION

I, Lim Chang Meng, being the officer primarily responsible for the financial management of Ancom Logistics Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 95 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)
23 August 2017)

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 Logistics Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ancom Logistics Berhad, which comprise the statements of financial position as at 31 May 2017 of the Group and of the Company, and statements of profit or loss and other 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 54 to 94.

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 2017 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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.

INDEPENDENT AUDITORS' REPORT

To The Members of Ancom Logistics Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters

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

1. Recoverability of trade receivables

As at 31 May 2017, the Group has trade receivables of RM5,864,000 which include debts that are past due but not impaired of RM4,548,000. The details of trade receivables and its credit risk have been disclosed in Note 9 and 23 to the financial statements.

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

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

Audit response

Our audit procedures performed include:

- (i) Assessed recoverability of receivables that were past due but not impaired by reviewing their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (ii) Assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

**INDEPENDENT AUDITORS'
REPORT**

To The Members of Ancom Logistics Berhad

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 internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

To The Members of Ancom Logistics Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (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 ability of the Group and of the Company 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.

**INDEPENDENT AUDITORS'
REPORT**

To The Members of Ancom Logistics Berhad

Other Reporting Responsibilities

The supplementary information set out in Note 30 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO

AF: 0206
Chartered Accountants

Kuala Lumpur
23 August 2017

Koo Swee Lin

03281/08/2018 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	29,805	29,988	352	145
Investments in subsidiaries	6	-	-	22,474	22,474
Investment in an associate	7	1,802	1,802	1,833	1,833
		31,607	31,790	24,659	24,452
Current assets					
Inventories	8	-	614	-	-
Trade and other receivables	9	9,904	15,325	1,872	6,837
Current tax assets		818	699	4	-
Other investments	10	830	508	-	-
Cash and bank balances	11	9,320	8,339	5,396	1,780
		20,872	25,485	7,272	8,617
Non-current assets held for sale	12	-	51	-	-
TOTAL ASSETS		52,479	57,326	31,931	33,069
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	23,664	23,664	23,664	23,664
Accumulated losses		(7,339)	(3,211)	(722)	(2,866)
Merger reserve	14	8,526	8,526	-	-
		24,851	28,979	22,942	20,798
Non-controlling interests	6(d)	10,119	14,670	-	-
TOTAL EQUITY		34,970	43,649	22,942	20,798

**STATEMENTS OF
FINANCIAL POSITION**
As at 31 May 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
LIABILITIES					
Non-current liabilities					
Borrowings	15	1,398	126	18	59
Deferred tax liabilities	17	4,827	5,642	-	-
		6,225	5,768	18	59
Current liabilities					
Trade and other payables	18	10,320	6,600	8,930	12,156
Borrowings	15	631	1,287	41	39
Current tax liabilities		333	22	-	17
		11,284	7,909	8,971	12,212
TOTAL LIABILITIES		17,509	13,677	8,989	12,271
TOTAL EQUITY AND LIABILITIES		52,479	57,326	31,931	33,069

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

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 May 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit for the financial year	(3,063)	(309)	2,144	(881)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income/(loss)	(3,063)	(309)	2,144	(881)
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(4,128)	(1,654)	2,144	(881)
Non-controlling interests	1,065	1,345	-	-
	(3,063)	(309)	2,144	(881)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2017

Group	Note	Share capital RM'000	Merger reserve RM'000	Accumulated losses RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 June 2016		23,664	8,526	(3,211)	28,979	14,670	43,649
(Loss)/Profit for the financial year		-	-	(4,128)	(4,128)	1,065	(3,063)
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive (loss)/income		-	-	(4,128)	(4,128)	1,065	(3,063)
Transactions with owners							
Disposal of a subsidiary	27	-	-	-	-	(128)	(128)
Dividend paid to non-controlling interests of a subsidiary	6(e)	-	-	-	-	(5,488)	(5,488)
Total transactions with owners		-	-	-	-	(5,616)	(5,616)
As at 31 May 2017		23,664	8,526	(7,339)	24,851	10,119	34,970
As at 1 June 2015							
(Loss)/Profit for the financial year		-	-	(1,654)	(1,654)	1,345	(309)
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive (loss)/income		-	-	(1,654)	(1,654)	1,345	(309)
Transaction with owners							
Dividend paid to non-controlling interests of a subsidiary	6(e)	-	-	-	-	(1,470)	(1,470)
Total transaction with owners		-	-	-	-	(1,470)	(1,470)
As at 31 May 2016		23,664	8,526	(3,211)	28,979	14,670	43,649

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2017

	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
As at 1 June 2015	23,664	(1,985)	21,679
Loss for the financial year	-	(881)	(881)
Other comprehensive income, net of tax	-	-	-
Total comprehensive loss	-	(881)	(881)
As at 31 May 2016/1 June 2016	23,664	(2,866)	20,798
Profit for the financial year	-	2,144	2,144
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	2,144	2,144
As at 31 May 2017	23,664	(722)	22,942

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before taxation:		(2,463)	(286)	2,132	(864)
Adjustments for:					
Deposits written off		-	2	-	-
Depreciation of property, plant and equipment	5	4,069	4,463	48	100
Dividend income from a subsidiary		-	-	(5,712)	(1,530)
(Gain)/Loss on disposal of property, plant and equipment		(37)	184	-	70
Gain on disposal of non-current asset held for sale		(37)	-	-	-
Loss on disposal of a subsidiary	27	162	-	-	-
Impairment loss on:					
- trade receivables	9(g)	-	304	-	-
- other receivables	9(g)	1,810	-	-	102
Reversal of impairment loss on:					
- trade receivables	9(g)	-	(292)	-	-
- other receivables	9(g)	-	-	(16)	-
Interest expense	20	66	101	446	590
Interest income		(483)	(333)	(419)	(419)
Fair value gain in other investments		(21)	(40)	-	-
Property, plant and equipment written off	5	474	75	-	-
Unrealised gain on foreign exchange		(5)	(160)	-	-
Operating profit/(loss) before changes in working capital		3,535	4,018	(3,521)	(1,951)
Increase in inventories		(27)	(214)	-	-
Decrease in trade and other receivables		2,140	1,531	4,989	57
Increase in trade and other payables		4,301	193	849	2,406
Cash generated from operations		9,949	5,528	2,317	512
Tax paid		(1,223)	(1,325)	(9)	-
Net cash from/(used in) operating activities		8,726	4,203	2,308	512

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income from a subsidiary		-	-	5,712	1,530
Interest income		483	333	419	419
Placement of deposits pledged to a licensed bank (Purchase)/Proceed from disposal of other investments		(3)	(23)	-	-
Proceeds from disposal of property, plant and equipment		(301)	400	-	-
Proceeds from disposal of non-current asset held for sale		37	267	-	200
Purchase of property, plant and equipment	5	88	-	-	-
Advances from a related party		(2,302)	(974)	(255)	-
Advances from related companies		-	-	41	-
Repayment to subsidiaries		-	-	651	-
Net cash outflow on disposal of a subsidiary	27	-	-	(4,775)	-
		781	-	-	-
Net cash (used in)/from investing activities		(1,217)	3	1,793	2,149
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of hire purchase and lease creditors		(330)	(542)	(39)	(295)
Dividend paid to non-controlling interests of a subsidiary	6(e)	(5,488)	(1,470)	-	-
Interest expense		(66)	(101)	(446)	(590)
Net (repayment)/drawdown of bankers' acceptances		(225)	740	-	-
Net cash used in financing activities		(6,109)	(1,373)	(485)	(885)
Net increase in cash and cash equivalents		1,400	2,833	3,616	1,776
Effect of exchange rate changes on cash and cash equivalents		28	153	-	-
Cash and cash equivalents at beginning of financial year		7,757	4,771	1,780	4
Cash and cash equivalents at end of financial year	11	9,185	7,757	5,396	1,780

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

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Unit C508, Block C, Kelana Square, Jalan SS 7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

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 holding and ultimate holding company of the Company is Ancom Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The consolidated financial statements for the financial year ended 31 May 2017 comprise the Company and its subsidiaries and the interest of the Company in an associate. 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 23 August 2017.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6 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 set out on pages 54 to 94 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.

However, Note 30 to the financial statements set out on page 95 has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

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 28 to the financial statements.

**NOTES TO THE
FINANCIAL STATEMENTS**

31 May 2017

4. OPERATING SEGMENTS

The Group is organised into business units based on their services, and has two reportable operating segments as follows:

- (i) The logistics segment is in the business of providing services such as rental and transportation services. It also includes freight forwarding, packing and crafting services.
- (ii) The other segment is involved in manufacturing and marketing of low voltage switchgear and investment holding activities.

The Group evaluates performance on the basis of profit or loss from operations before tax. These policies have been applied consistently throughout the current and previous financial years.

The Group's chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

4. OPERATING SEGMENTS (CONTINUED)

(i) Operating segments

	Logistics		Others		Adjustments and eliminations			Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	Note	2017 RM'000	2016 RM'000
Revenue									
External customers	27,553	28,213	780	4,153	-	-		28,333	32,366
Inter-segment	12	12	5,712	3,060	(5,724)	(3,072)	(a)	-	-
Total revenue	27,565	28,225	6,492	7,213	(5,724)	(3,072)		28,333	32,366
Segment profit/(loss) before taxation									
	1,270	2,018	2,140	670	(5,873)	(2,974)		(2,463)	(286)
Interest income	449	577	476	432	(442)	(676)		483	333
Depreciation	(4,017)	(4,344)	(52)	(119)	-	-		(4,069)	(4,463)
Interest expense	(56)	(15)	(452)	(762)	442	676		(66)	(101)
Other material non-cash items:									
- reversal of impairment loss on trade receivables	-	-	-	292	-	-		-	292
- impairment loss on trade and other receivables	-	(12)	(1,810)	(292)	-	-		(1,810)	(304)
- gain/(loss) on disposal of property, plant and equipment	37	(114)	-	(70)	-	-		37	(184)
- gain on disposal of non-current asset held for sale	37	-	-	-	-	-		37	-
- gain on foreign exchange (net)	5	160	-	-	-	-		5	160
Segment assets									
Investment in an associate	48,883	54,714	34,098	66,573	(30,502)	(63,961)	(b)	52,479	57,326
Additions to non-current assets	-	-	1,833	1,833	(31)	(31)	(c)	1,802	1,802
	4,183	933	255	41	-	-		4,438	974
Segment liabilities									
	14,060	21,312	13,568	16,917	(10,119)	(24,552)	(d)	17,509	13,677

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

4. OPERATING SEGMENTS (CONTINUED)

(i) Operating segments (continued)

Note:

- (a) Inter-segment revenue is eliminated on consolidation.
- (b) Inter-segment assets are deducted from the segment assets to arrive at total assets reported in the consolidated statement of financial position.
- (c) Additions to non-current assets mainly consists of property, plant and equipment.
- (d) Inter-segment liabilities are deducted from the segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

(ii) Geographical segments

In determining the geographical segments of the Group, revenue is based on the geographical location of external customers.

	Revenue	
	2017 RM'000	2016 RM'000
Malaysia	26,072	28,279
Singapore	2,261	4,087
	28,333	32,366

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.6.2016 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Disposal of a subsidiary RM'000	Written off RM'000	Balance as at 31.5.2017 RM'000
Carrying amount						
Freehold land	1,016	-	-	-	-	1,016
Buildings	2,844	40	(47)	-	-	2,837
Plant and machinery	20,970	1,696	(2,570)	(37)	-	20,059
Motor vehicles	4,603	2,618	(1,342)	-	(474)	5,405
Furniture, fittings and office equipment	555	43	(110)	(40)	-	448
Renovations	-	41	-	(1)	-	40
	29,988	4,438	(4,069)	(78)	(474)	29,805

	← At 31.5.2017 →		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	1,016	-	1,016
Buildings	4,070	(1,233)	2,837
Plant and machinery	53,856	(33,797)	20,059
Motor vehicles	26,571	(21,166)	5,405
Furniture, fittings and office equipment	2,239	(1,791)	448
Renovations	101	(61)	40
	87,853	(58,048)	29,805

Group	Balance as at 1.6.2015 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Disposal RM'000	Written off RM'000	Balance as at 31.5.2016 RM'000
Carrying amount						
Freehold land	1,016	-	-	-	-	1,016
Buildings	2,954	37	(147)	-	-	2,844
Plant and machinery	23,020	468	(2,518)	-	-	20,970
Motor vehicles	6,445	263	(1,588)	(451)	(66)	4,603
Furniture, fittings and office equipment	563	206	(205)	-	(9)	555
Renovations	5	-	(5)	-	-	-
	34,003	974	(4,463)	(451)	(75)	29,988

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	← At 31.5.2016 →		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	1,016	-	1,016
Buildings	4,030	(1,186)	2,844
Plant and machinery	52,414	(31,444)	20,970
Motor vehicles	27,162	(22,559)	4,603
Furniture, fittings and office equipment	2,713	(2,158)	555
Renovations	173	(173)	-
	87,508	(57,520)	29,988

Company	Balance as at 1.6.2016 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2017 RM'000
2017				
Carrying amount				
Motor vehicles	141	250	(47)	344
Furniture, fittings and office equipment	4	5	(1)	8
	145	255	(48)	352

	← At 31.5.2017 →		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Motor vehicles	1,223	(879)	344
Furniture, fittings and office equipment	21	(13)	8
	1,244	(892)	352

Company	Balance as at 1.6.2015 RM'000	Depreciation charge for the financial year RM'000	Disposal RM'000	Balance as at 31.5.2016 RM'000
2016				
Carrying amount				
Motor vehicles	510	(99)	(270)	141
Furniture, fittings and office equipment	5	(1)	-	4
	515	(100)	(270)	145

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	← At 31.5.2016 →		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Motor vehicles	973	(832)	141
Furniture, fittings and office equipment	16	(12)	4
	989	(844)	145

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchase of property, plant and equipment Financed by hire purchase and finance lease arrangements	4,438	974	255	-
	(2,136)	-	-	-
Cash payments on purchase of property, plant and equipment	2,302	974	255	-

(b) As of 31 May 2017, the carrying amounts of the property, plant and equipment of the Group and of the Company under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Motor vehicles	2,196	402	107	141

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 16 to the financial statements.

- (c) Each class of property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.
- (d) Depreciation 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 estimated useful lives represent common life expectancies applied in the industry within which the Group operates.

Buildings	13 - 30 years
Plant and machinery	10 - 15%
Motor vehicles	10 - 20%
Furniture, fittings and office equipment	10 - 20%
Renovations	20 - 33%

Freehold land has unlimited useful life and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	22,752	23,185
Less: Accumulated impairment losses	(278)	(711)
	22,474	22,474

(a) Investments in subsidiaries are measured at cost. Non-controlling interests are measured at their proportionate share of the net assets of subsidiaries, unless another measurement basis is required by MFRS.

(b) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2017 %	2016 %	
Synergy Trans-Link Sdn. Bhd.	Malaysia	100	100	Investment holding
#Hikmat Ikhlas Sdn. Bhd.	Malaysia	35	35	Dormant
*Ancom Components Sdn. Bhd.	Malaysia	-	67	Manufacturing and marketing of low voltage switchgear
Subsidiaries of Synergy Trans-Link Sdn. Bhd.				
Ancom-ChemQuest Terminals Sdn. Bhd.	Malaysia	51	51	Build, own, operate, lease and manage chemical tank farm and warehouse
Pengangkutan Cogent Sdn. Bhd.	Malaysia	100	100	Providing transportation and related services

* Not audited by BDO or BDO Member Firms.

The Group considers that it controls Hikmat Ikhlas Sdn. Bhd. ("HISB") even though it owns less than 50% of voting rights. This is because the Group is the single largest shareholder of HISB. Since the date of acquisition of HISB, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. The financial statement of HISB was consolidated as a subsidiary as the Group has control over the Board of HISB and has power to govern the financial and operating policies of HISB.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) On 2 August 2016, the Company entered into a transaction with its holding company, Ancom Berhad ("Ancom") to dispose 466,900 ordinary shares representing 67% equity interest in a subsidiary, Ancom Components Sdn. Bhd. ("ACM") and the entire 1,164,000 redeemable convertible preference shares of ACM for a total cash consideration of RM1.00. Effects of the disposal of ACM is disclosed in Note 27 to the financial statements.

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

	Ancom- ChemQuest Terminals Sdn. Bhd. RM'000	Others* RM'000	Total RM'000
2017			
NCI percentage of ownership interest and voting interest (%)	49%		
Carrying amount of NCI	10,414	(295)	10,119
Profit allocated to NCI	1,066	(1)	1,065
2016			
NCI percentage of ownership interest and voting interest (%)	49%		
Carrying amount of NCI	14,836	(166)	14,670
Profit allocated to NCI	1,345	-	1,345

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

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

	Ancom- ChemQuest Terminals Sdn. Bhd. RM'000
2017	
Assets and liabilities	
Non-current assets	20,874
Current assets	9,062
Non-current liabilities	(4,345)
Current liabilities	(4,339)
Net assets	21,252

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

2017	Ancom- ChemQuest Terminals Sdn. Bhd. RM'000
Results	
Revenue	9,639
Profit for the financial year	2,175
Total comprehensive income	2,175
Cash flows from operating activities	2,930
Cash flows from investing activities	8,193
Cash flows used in financing activity	(11,200)
Net decrease in cash and cash equivalents	(77)
Dividend paid to NCI	5,488
2016	
Assets and liabilities	
Non-current assets	21,879
Current assets	14,613
Non-current liabilities	(4,581)
Current liabilities	(1,634)
Net assets	30,277
Results	
Revenue	9,699
Profit for the financial year	2,745
Total comprehensive income	2,745
Cash flows from operating activities	3,895
Cash flows from investing activities	75
Cash flows used in financing activity	(3,000)
Net increase in cash and cash equivalents	970
Dividend paid to NCI	1,470

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	3,902	3,902	3,902	3,902
Group's share of post acquisition results	(31)	(31)	-	-
	3,871	3,871	3,902	3,902
Less: Impairment loss	(2,069)	(2,069)	(2,069)	(2,069)
	1,802	1,802	1,833	1,833

Investment in an associate is measured at cost in the separate financial statements and accounted for using the equity method in the consolidated financial statements.

The details of the associate are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2017	2016	
Tamco Chongqing Switchgear Company Limited	China	49%	49%	Under voluntary liquidation

Tamco Chongqing Switchgear Company Limited ("TCS") has been placed under liquidation in previous financial years. The completion of the liquidation is pending local regulatory requirements in China.

8. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
At cost		
Raw materials	-	228
Consumable	-	8
Finished goods	-	299
	-	535
At net realisable value		
Finished goods	-	79
	-	614

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM491,000 (2016: RM2,638,000).

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
Third parties	4,827	6,791	-	-
Amounts owing by related companies	1,022	1,264	-	-
Amount owing by a related party	15	20	-	-
	5,864	8,075	-	-
Less: Impairment loss	(12)	(711)	-	-
	5,852	7,364	-	-
Other receivables				
Amount owing by holding company	1,821	6,759	1,821	6,759
Amounts owing by subsidiaries	-	-	226	2,044
Amounts owing by related companies	2,355	-	1,810	-
Amount owing by a related party	-	38	-	38
Other receivables	320	361	11	1
Deposits	156	184	11	11
	4,652	7,342	3,879	8,853
Less: Impairment loss	(1,810)	-	(2,018)	(2,034)
	2,842	7,342	1,861	6,819
Loans and receivables	8,694	14,706	1,861	6,819
Prepayments	1,210	619	11	18
	9,904	15,325	1,872	6,837

- (a) Trade and other receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 120 days (2016: 30 to 120 days) from the date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Amount owing by holding company is unsecured, bears interest at a rate of 6% (2016: 6%) per annum and is repayable on demand in cash and cash equivalents.
- (d) Amounts owing by subsidiaries, amounts owing by related companies and amount owing by a related party in other receivables represent advances and expenses paid on behalf, which are unsecured, interest-free and repayable on demand in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The currency exposure profile of loans and receivables is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Singapore Dollar	280	893	-	-
Ringgit Malaysia	8,414	13,813	1,861	6,819
	8,694	14,706	1,861	6,819

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

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	1,304	2,911
Past due not impaired		
1 to 30 days	1,224	2,054
31 to 60 days	1,779	1,388
61 to 90 days	1,110	412
91 to 120 days	435	585
More than 120 days	-	14
	4,548	4,453
Past due and impaired	12	711
	5,864	8,075

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

At the end of the reporting period, trade receivables of the Group that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Individually impaired Group	
	2017 RM'000	2016 RM'000
Trade receivables	12	711
Less: Impairment loss	(12)	(711)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
At 1 June 2016/2015	711	699	-	-
Charge for the financial year	-	304	-	-
Reversal of impairment loss	-	(292)	-	-
Disposal of subsidiary	(699)	-	-	-
At 31 May 2017/2016	12	711	-	-
Other receivables				
At 1 June 2016/2015	-	-	2,034	1,932
Charge for the financial year	1,810	-	-	102
Reversal of impairment loss	-	-	(16)	-
At 31 May 2017/2016	1,810	-	2,018	2,034
	1,822	711	2,018	2,034

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

- (h) The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.
- (i) Information on financial risks of trade and other receivables is disclosed in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

10. OTHER INVESTMENTS

	Group	
	2017 RM'000	2016 RM'000
Current		
Unit trusts	830	508

Unit trusts are classified as fair value through profit or loss and measured at fair value categorised as Level 2 of the fair value hierarchy. Fair value of unit trusts is determined by reference to closing price at the end of the reporting period.

11. CASH AND BANK BALANCES

Cash and bank balances comprise the following as at the end of the reporting period:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	9,185	8,207	5,396	1,780
Deposits with a licensed bank	135	132	-	-
	9,320	8,339	5,396	1,780

(a) Deposits with a licensed bank of the Group amounting to RM135,000 (2016: RM132,000) have been pledged to a licensed bank for bank guarantee facilities granted to a subsidiary of the Group.

(b) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Singapore Dollar	1,036	2,202	-	-
Ringgit Malaysia	8,284	6,137	5,396	1,780
	9,320	8,339	5,396	1,780

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

11. CASH AND BANK BALANCES (CONTINUED)

- (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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	9,320	8,339	5,396	1,780
Less:				
Deposits pledged with a licensed bank	(135)	(132)	-	-
Bank overdrafts (Note 15)	-	(450)	-	-
	9,185	7,757	5,396	1,780

- (d) Information on financial risks of cash and bank balances is disclosed in Note 23 to the financial statements.

12. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2017 RM'000	2016 RM'000
Current		
Motor vehicles	-	51

In the previous financial year, a subsidiary of the Group entered into an agreement for the sale of motor vehicles for a consideration of RM88,000. This transaction was completed during the financial year.

13. SHARE CAPITAL

	Group and Company			
	2017 Number of shares '000	RM'000'	2016 Number of shares '000	RM'000
Issued and fully paid				
At beginning/end of the financial year	473,286	23,664	473,286	23,664

- (a) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.
- (b) With the introduction of the new Companies Act, 2016 ("CA 2016") effective 31 January 2017, the concept of authorised share capital and par value of share capital has been abolished.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

14. MERGER RESERVE

	Group	
	2017 RM'000	2016 RM'000
Merger reserve	8,526	8,526

Merger reserve arose from the acquisition of certain subsidiaries in previous financial years that was accounted for under the pooling of interest method.

15. BORROWINGS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities					
Secured					
Hire purchase and lease creditors	16	1,398	126	18	59
Current liabilities					
Secured					
Bankers' acceptances		-	740	-	-
Bank overdraft		-	450	-	-
Hire purchase and lease creditors	16	631	97	41	39
		631	1,287	41	39
		2,029	1,413	59	98
Total borrowings					
Bankers' acceptances		-	740	-	-
Bank overdraft	11	-	450	-	-
Hire purchase and lease creditors	16	2,029	223	59	98
		2,029	1,413	59	98

(a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) In the previous year, the bankers' acceptances and bank overdraft of the Group are secured by the corporate guarantees provided by the holding company.

(c) Borrowings are denominated in Ringgit Malaysia.

(d) Information on financial risks of borrowings is disclosed in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

16. HIRE PURCHASE AND LEASE CREDITORS

The future minimum lease payments under the hire purchase arrangements together with the net minimum lease payments are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payables:				
Not later than one (1) year	841	109	43	43
Later than one (1) year and not later than five (5) years	1,346	128	18	61
Total minimum lease payments	2,187	237	61	104
Less: Future interest charges	(158)	(14)	(2)	(6)
Present value of minimum lease payments	2,029	223	59	98
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	631	97	41	39
Non-current liabilities:				
- later than one (1) year and not later than five (5) years	1,398	126	18	59
	2,029	223	59	98

- (a) Information of financial risks of hire purchase and lease creditors is disclosed in Note 23 of the financial statements.
- (b) The carrying amounts of hire purchase and lease creditors approximate their fair values and are categorised as Level 2 in their fair value hierarchy.

17. DEFERRED TAX LIABILITIES

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

	Group	
	2017 RM'000	2016 RM'000
Balance as at 1 June 2016/2015	5,642	5,986
Recognised in profit or loss (Note 21)	(815)	(344)
Balance as at 31 May 2017/2016	4,827	5,642

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

17. DEFERRED TAX LIABILITIES (CONTINUED)

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

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
2017			
Balance as at 1 June 2016	5,850	51	5,901
Recognised in profit or loss	(458)	(50)	(508)
Balance as at 31 May 2017	5,392	1	5,393
2016			
Balance as at 1 June 2015	6,015	1	6,016
Recognised in profit or loss	(165)	50	(115)
Balance as at 31 May 2016	5,850	51	5,901

Deferred tax assets of the Group

	Others RM'000	Total RM'000
2017		
Balance as at 1 June 2016	(259)	(259)
Recognised in profit or loss	(307)	(307)
Balance as at 31 May 2017	(566)	(566)
2016		
Balance as at 1 June 2015	(30)	(30)
Recognised in profit or loss	(229)	(229)
Balance as at 31 May 2016	(259)	(259)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	432	432	18	33

Deferred tax assets of the Company and certain subsidiaries have not been recognised in respect of these items as it is not certain that the Company and certain subsidiaries will have future taxable profits to offset the unutilised tax losses.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables				
Third parties	1,744	2,039	-	-
Amounts owing to related companies	3,529	503	-	-
	5,273	2,542	-	-
Other payables				
Other payables	698	726	88	84
Accruals	2,209	2,073	1,272	427
Deposits	10	10	-	-
Amount owing to holding company	67	59	-	-
Amounts owing to related companies	2,021	917	1,143	493
Amount owing to a related party	42	273	42	-
Amounts owing to subsidiaries	-	-	6,385	11,152
	5,047	4,058	8,930	12,156
	10,320	6,600	8,930	12,156

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2016: 30 to 90 days) respectively from date of invoice.
- (c) Amount owing to holding company, amounts owing to related companies, amount owing to a related party and amounts owing to subsidiaries in other payables represent advances and expenses paid on behalf, which are unsecured, interest-free and repayable on demand other than an amount owing to a subsidiary of RM4,632,000 (2016: RM9,476,000), which bears interest of 6% (2016: 6%) per annum.
- (d) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar	-	12	-	-
Singapore Dollar	31	174	-	-
Ringgit Malaysia	10,289	6,414	8,930	12,156
	10,320	6,600	8,930	12,156

- (e) Information on financial risks of trade and other payables is disclosed in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

19. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	780	4,153	-	-
Services rendered	27,553	28,213	-	-
Dividend income	-	-	5,712	1,530
	28,333	32,366	5,712	1,530

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

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

(a) Sale of goods

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

(b) Services rendered

Revenue in respect of the rendering of services is recognised when the services are performed, net of taxes and discounts.

(c) Dividend income

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

20. FINANCE COST

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense:				
- bankers' acceptances	-	11	-	-
- bank overdrafts	5	58	-	-
- hire purchases and lease creditors	61	32	4	17
- amount owing to a subsidiary	-	-	442	573
	66	101	446	590

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

21. TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current taxation based on profit for the financial year	1,507	1,170	-	17
Over-provision in prior years	(92)	(803)	(12)	-
	1,415	367	(12)	17
Deferred tax (Note 17)				
Relating to origination and reversal of temporary differences	(664)	(513)	-	-
(Over)/Under-provision in prior years	(151)	169	-	-
	(815)	(344)	-	-
	600	23	(12)	17

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit before taxation	(2,463)	(286)	2,132	(864)
Taxation at statutory tax rate of 24% (2016: 24%)	(591)	(69)	512	(207)
Tax effects in respect of:				
Expenses not deductible for tax purposes	1,461	722	863	583
Income not subject to tax	(27)	-	(1,371)	(367)
Utilisation of unrecognised tax losses	-	(4)	(4)	-
Deferred tax assets not recognised	-	8	-	8
(Over)/Under-provision in prior years:				
- income tax	(92)	(803)	(12)	-
- deferred tax	(151)	169	-	-
	600	23	(12)	17

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

22. LOSS PER ORDINARY SHARE

(a) Basic loss per ordinary share

The basic loss per ordinary share for the financial year has been calculated based on the consolidated loss for the year attributable to owners of the parent of RM4,128,000 (2016: RM1,654,000) and the weighted average number of 473,286,000 (2016: 473,286,000) ordinary shares in issue during the financial year.

	Group	
	2017	2016
Loss attributable to equity holders of the parent (RM'000)	(4,128)	(1,654)
Weighted average number of ordinary shares in issue ('000)	473,286	473,286
Basic loss per ordinary share for the financial year (sen)	(0.87)	(0.35)

(b) Diluted loss per ordinary share

The Group has no potential ordinary shares in issue at end of the reporting period and therefore, diluted loss per ordinary share equals basic loss per ordinary share.

23. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) 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 the previous financial year.

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 2017 and 31 May 2016.

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

	Group	
	2017 RM'000	2016 RM'000
Total debts	2,029	1,413
Total equity	24,851	28,979
Gearing ratio	0.08	0.05

**NOTES TO THE
FINANCIAL STATEMENTS**

31 May 2017

23. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Capital management (continued)**

Pursuant to the requirements of Guidance Note No.3/2006 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital of the Company. The Company has complied with this requirement during the financial year ended 31 May 2017.

(b) Financial risk management

The Group's activities expose it to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity and cashflow risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

It is, and has been throughout the financial year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity and cash flow risk and credit risk. Management reviews and agrees policies for managing each of these risks and these are summarised below:

(i) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, where the currency denomination differs from the functional currency, Ringgit Malaysia.

The Group also holds cash and bank balances denominated in foreign currency for working capital purposes.

The exposure of the Group to foreign currency risk is monitored on an on-going basis to ensure the net exposure is at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

23. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management (continued)

(i) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the SGD and USD exchange rates against the functional currency of the Group, with all other variables held constant: Movements due to movement in foreign currency are immaterial on a group level.

Loss after taxation	Group	
	2017 RM'000	2016 RM'000
SGD/RM - strengthen by 3% (2016: 3%)	39	67
- weaken by 3% (2016: 3%)	(39)	(67)
USD/RM - strengthen by 3% (2016: 3%)	-	(1)
- weaken by 3% (2016: 3%)	-	1

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises mainly from the Group's borrowings and deposits placed with licensed banks. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates. The Group does not use derivative financial instruments to hedge this risk.

Sensitivity analysis for interest rate risk

In view of the insignificant financial effect on the Group's loss 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.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

23. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management (continued)

(ii) 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:

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
2017									
Fixed rates									
Deposits with a licensed bank	11	3.10% - 3.30%	135	-	-	-	-	-	135
Hire purchase and lease creditors	16	2.42% - 3.60%	631	709	611	78	-	-	2,029
2016									
Fixed rates									
Deposits with a licensed bank	11	3.15% - 3.30%	132	-	-	-	-	-	132
Hire purchase and lease creditors	16	2.42% - 3.60%	97	101	25	-	-	-	223
Floating rates									
Bank overdraft Bankers' acceptances	15	8.60%	450	-	-	-	-	-	450
	15	5.00% - 6.00%	740	-	-	-	-	-	740
Company									
2017									
Fixed rates									
Hire purchase and lease creditors	16	2.80%	41	18	-	-	-	-	59
2016									
Fixed rates									
Hire purchase and lease creditors	16	2.80%	39	41	18	-	-	-	98

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

23. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management (continued)

(iii) Liquidity and cash flow risk

It is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate for the Group's operations.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2017				
Group				
Financial liabilities				
Trade and other payables	10,320	-	-	10,320
Borrowings	841	1,346	-	2,187
Total undiscounted financial liabilities	11,161	1,346	-	12,507
Company				
Financial liabilities				
Trade and other payables	8,930	-	-	8,930
Borrowings	43	18	-	61
Total undiscounted financial liabilities	8,973	18	-	8,991
2016				
Group				
Financial liabilities				
Trade and other payables	6,600	-	-	6,600
Borrowings	1,299	128	-	1,427
Total undiscounted financial liabilities	7,899	128	-	8,027
Company				
Financial liabilities				
Trade and other payables	12,156	-	-	12,156
Borrowings	43	61	-	104
Total undiscounted financial liabilities	12,199	61	-	12,260

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

23. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management (continued)

(iv) Credit risk

Cash deposits and receivables may give rise to credit risk, which requires the loss to be recognised if a counter party failed to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables details of which are disclosed in Note 9 to the financial statements.

Credit risk concentration profile

At the end of the reporting period, the Group and 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 amount owing by holding company of RM1,821,000 (2016: RM6,759,000).

24. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct and indirect subsidiaries as disclosed in Note 6 to the financial statements.

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

	Group	
	2017 RM'000	2016 RM'000
Holding company:		
Interest received	476	317
Related companies:		
Rendering of services	8,559	7,135
Related parties:		
Rendering of services to a company which owned by a corporate shareholder of a subsidiary	109	158
Rental income received from a company which a Director of the Company has substantial indirect shareholding	48	48

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

24. RELATED PARTY DISCLOSURES (CONTINUED)

- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (continued)

	Company	
	2017 RM'000	2016 RM'000
Holding company:		
Interest received	476	317
Subsidiaries:		
Interest received	-	102
Interest paid	442	573
Dividends received	5,712	1,530
Related party:		
Rental income received from a company which a Director of the Company has substantial indirect shareholding	48	48

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 and of the Company.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fees	329	-	325	325
Short-term employee benefits	426	141	-	-
Defined contribution plan	50	23	-	-
Other emoluments	14	219	14	15
	819	383	339	340

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

25. COMMITMENTS

(a) Capital commitments

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

	Group	
	2017 RM'000	2016 RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	-	355
Approved but not contracted for	-	158
	-	513

(b) Operating lease commitments

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

	Group	
	2017 RM'000	2016 RM'000
Not later than one year	951	676
Later than one year and not later than five years	4,300	4,269
Later than five years	1,067	1,921
	6,318	6,866

26. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and wages	7,240	6,946	450	917
Defined contribution plan	661	717	25	90
Other benefits	435	280	2	2
	8,336	7,943	477	1,009

Included in the employee benefits of the Group are Directors Remuneration and other emoluments which relates to Executive Directors of the Group amounting to RM29,000 (2016: RM453,000)

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

27. DISPOSAL OF A SUBSIDIARY

The effects on the financial statements for the financial year ended 31 May 2017 upon the disposal of ACM were as follows:

	At the date of disposal RM'000
Property, plant and equipment (Note 5)	78
Inventories	641
Trade and other receivables	3,384
Cash and bank balances	4
Trade and other payables	(2,517)
Borrowing	(1,300)
Net assets disposed off	290
Non-controlling interest derecognised	(128)
	162
Total disposal proceeds*	-
Loss on disposal to the Group	162
Cash inflow arising from disposal	
Cash consideration*	-
Cash and bank balances of subsidiary disposed	(4)
Bank overdraft of subsidiary disposed	785
Net cash inflow to the Group	781

* Represents RM1.00

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

28. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

28.1 New MFRSs adopted during the financial year

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

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, within the notes to the financial statements.
- (b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

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

28.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
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 Associates 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.

29. COMPANIES ACT 2016

Companies Act, 2016 ("CA2016") was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016 to replace the Companies Act, 1965. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which CA2016 comes into operation except Section 241 and Division 8 of Part III of CA2016.

Consequently, the Group and the Company effected the following changes as at 31 May 2017:

- (a) Authorised share capital has been removed; and
- (b) Par or nominal value of ordinary shares have been removed.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

30. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The accumulated losses as at the end of the reporting period are analysed as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total accumulated losses of the Company and its subsidiaries:				
Realised	(2,342)	6,688	(722)	(2,866)
Unrealised	(4,800)	(5,442)	-	-
	(7,142)	1,246	(722)	(2,866)
Less : Consolidated adjustments	(197)	(4,457)	-	-
Total accumulated losses	(7,339)	(3,211)	(722)	(2,866)

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

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

AUDIT FEE AND NON-AUDIT FEE

The disclosure on audit fee and non-audit fee paid or payable to the external auditors is set out in page 47 of this Annual Report.

MATERIAL CONTRACTS INVOLVING DIRECTORS' / MAJOR SHAREHOLDERS' INTERESTS

There was no material contract (other than contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiary companies which involves the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 May 2017 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 last annual general meeting of the Company is as follows :

TRANSACTIONING PARTIES		NATURE OF TRANSACTION	VALUE OF RRPT (RM'000)	INTERESTED DIRECTORS, MAJOR SHAREHOLDERS AND CONNECTED PERSONS
ALB GROUP	RELATED PARTY			
ACT (Seller)	PKG, CKG and Fermpro (Buyer)	Charges for storage rental for liquid chemicals	3,893	Ancom Berhad, Dato' (Dr) Siew Ka Wei and Siew Nim Chee Sons sdn. Bhd.
		Charges for handling of liquid chemicals for storage	295	
PCSB (Seller)	PKG, NSC, CKG and fermpro (Buyer)	Charges for transportation of liquid chemicals	3,141	

Notes :

- ACT - Ancom-ChemQuest Terminals Sdn. Bhd.
- PCSB - Pengangkutan Cogent Sdn. Bhd.
- PKG - Perusahaan Kimia Gemilang Sdn. Bhd.
- CKG - CKG Chemicals Pte Ltd
- Fermpro - Fermpro Sdn. Bhd.
- NSC - Nylex Specialty Chemicals Sdn. Bhd.

LIST OF PROPERTIES

AS AT 31 MAY 2017

LOCATION	TENURE	LAND AREA	DESCRIPTIONS	NET BOOK VALUE AS AT 31 MAY 2017 (RM'000)	DATE OF ACQUISITION / REVALUATION
Ancom-ChemQuest Terminals Sdn. Bhd.					
1. Jeti Petrokimia Pelabuhan Barat Pelabuhan Klang Selangor	Unexpired lease period of 7 years (Expiring on 31 August 2024)	9.8 acres	Tank farm, office and warehouse Age of building : approximately 20 years	20,708	N/A
Pengangkutan Cogent Sdn. Bhd.					
2. PTD 149227 Jalan Berjaya 7 Taman Perindustrian Berjaya Johor Bahru , Johor	Freehold	6,070.3 sq.m.	Office building, Age of building : approximately 8 years	3,315	2010

ANALYSIS OF SHAREHOLDINGS

As at 5 September 2017

No. of Holders of Each Class of Equity Securities

Class of securities	: Ordinary shares ("Shares")
Total no. issued	: 473,286,313
No. of holders	: 11,975
Voting rights	: One vote per Share on a poll One vote per shareholder on a show of hands

Distribution Schedule

Holdings	No. of holders	Total Holdings	%
Less than 100	3,453	166,458	0.035
100 to 1,000	5,041	2,123,358	0.449
1,001 to 10,000	2,405	8,853,176	1.871
10,001 to 100,000	847	33,799,378	7.141
100,001 to less than 5% of issued Shares	225	134,849,170	28.492
5% and above of issued Shares	4	293,494,773	62.012
	11,975	473,286,313	100.000

Substantial Shareholders

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Rhodemark Development Sdn. Bhd.	93,725,580	19.80	-	-
Lim Hock Heng	79,073,516	16.71	-	-
Synergy Tanker Sdn. Bhd.	64,504,192	13.63	-	-
Ancom Berhad	56,191,485	11.87	158,356,272 ^(a)	33.46
Dato' (Dr) Siew Ka Wei	749,867	0.16	215,473,196 ^(b)	45.53
Mah Wing Investments Limited	-	-	214,562,757 ^(c)	45.33
Mah Wing Holdings Sdn. Bhd.	-	-	214,562,757 ^(c)	45.33
Chan Thye Seng	-	-	214,562,757 ^(c)	45.33
Pacific & Orient Berhad	-	-	214,562,757 ^(d)	45.33

Note:

- (a) Deemed interested by virtue of its direct interest in Synergy Tanker Sdn. Bhd., Ancom Overseas Ventures Sdn. Bhd. and Rhodemark Development Sdn. Bhd.
- (b) Deemed interested by virtue of his direct and indirect interest in Ancom Berhad, Siew Nim Chee & Sons Sdn. Bhd., Silver Dollars Sdn. Bhd. and Datin Young Ka Mun.
- (c) Deemed interested by virtue of its/his direct and indirect interest in Pacific & Orient Berhad.
- (d) Deemed interested by virtue of its direct and indirect interest in Ancom Berhad.

Directors' Holdings

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' (Dr) Siew Ka Wei	749,867	0.16	215,473,196 ^(e)	45.53

Note:

- (e) Deemed interested by virtue of his direct and indirect interest in Ancom Berhad, Siew Nim Chee & Sons Sdn. Bhd., Silver Dollars Sdn. Bhd. and Datin Young Ka Mun.

ANALYSIS OF SHAREHOLDINGS

As at 5 September 2017

Thirty Largest Shareholders

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

Name	No. of Shares	%
1. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Rhodemark Development Sdn. Bhd. (PB)	93,725,580	19.803
2. Lim Hock Heng	79,073,516	16.707
3. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Synergy Tanker Sdn. Bhd. (PB)	64,504,192	13.629
4. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Ancom Berhad (PB)	56,191,485	11.872
5. Tina Jennifer Pereira A/P Sebastian Ellarian	11,680,700	2.467
6. Kenneth William Khoo Boo Hor	9,458,100	1.998
7. Ling Yoke Tek	6,211,000	1.312
8. RHB Nominees (Tempatan) Sdn. Bhd. - Amara Investment Management Sdn. Bhd. for Tan Jit Liang	5,216,000	1.102
9. Tan Jit Liang	4,493,200	0.949
10. Public Invest Nominees (Tempatan) Sdn. Bhd. - Exempt An for Phillip Securities Pte Ltd (Clients)	3,639,800	0.769
11. Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Wong Fook Yew (E-SS2)	3,093,800	0.653
12. Wong Sick Kiew	3,045,000	0.643
13. AllianceGroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ong Yoong Nyock (8039533)	2,600,000	0.549
14. Quek Tuan Soon	2,322,100	0.490
15. Loh Kah Guan	2,167,300	0.457
16. Lim Kim Yew	2,063,400	0.435
17. Lim Kim Loy	2,000,000	0.422
18. RHB Nominees (Tempatan) Sdn. Bhd. - Amara Investment Management Sdn. Bhd. for Toh Chin Woon	1,900,000	0.401
19. HSBC Nominees (Asing) Sdn. Bhd. - Six Sis for Bank Sarasin CIE	1,792,000	0.378
20. HSBC Nominees (Asing) Sdn. Bhd. - Exempt An for The HongKong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	1,750,000	0.369
21. Loh Boon Hong	1,450,000	0.306
22. Lim Keng Chuan	1,441,600	0.304
23. RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Rossana Annizah Binti Ahmad Rashid @ Mohd Rashidi (CEB)	1,400,000	0.295
24. Terengganu Incorporated Sdn. Bhd.	1,370,800	0.289
25. Loh Boon Hong	1,200,000	0.253
26. Loh Kah Peng	1,200,000	0.253
27. Law Say Huat	1,156,100	0.244
28. Teh Yeng Song	1,100,000	0.232
29. Chua Peng Peng	1,000,000	0.211
30. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB Bank for Lim Eng Hock	1,000,000	0.211
Total	369,245,673	78.003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of the Company will be held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 19 October 2017 at 12 noon to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 May 2017 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To re-elect the following Directors, who retire pursuant to Article 103 of the Constitution of the Company:
 - (a) Abdul Latif Bin Mahamud **[Ordinary Resolution 1]**
 - (b) Safrizal Bin Mohd Said **[Ordinary Resolution 2]**
3. To approve the payment of Directors' fees of RM325,000 for the financial year ended 31 May 2017. **[Ordinary Resolution 3]**
4. To approve the payment of Directors' benefits (excluding Directors' fees) of up to RM90,000 from 1 February 2017 until the next Annual General Meeting of the Company. **[Ordinary Resolution 4]**
5. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **[Ordinary Resolution 5]**

AS SPECIAL BUSINESS

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

6. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RRPT MANDATE")** **[Ordinary Resolution 6]**

"THAT subject always to the ACE 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 2.4 of the Circular to Shareholders dated 26 September 2017, 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.

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

whichever is the earlier.

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

7. AUTHORITY TO ISSUE AND ALLOT SHARES

[Ordinary Resolution 7]

“THAT subject always to the Companies Act, 2016 (“Act”), the Constitution of the Company and the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 of the Act to issue and allot shares in the Company from time to time and upon such terms and conditions, to such persons and for such purposes as the Directors may deem fit PROVIDED THAT the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act, AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad pursuant to this resolution.”

8. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

(i) “THAT subject to the passing of Ordinary Resolution 2, authority be and is hereby given to Safrizal Bin Mohd Said, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company.”

[Ordinary Resolution 8]

(ii) “THAT authority be and is hereby given to Lim Hock Chye, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company.”

[Ordinary Resolution 9]

9. OTHER ORDINARY BUSINESS

To transact any other business 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,

SOO SHIOW FANG (MAICSA 7044946)
STEPHEN GEH SIM WHYE (MICPA 1810)
Secretaries

Petaling Jaya
26 September 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- a. A member entitled to attend and vote at the Meeting may appoint up to two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- b. Where a member of the Company is an authorised nominee, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- c. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- d. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
- e. If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
- f. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2017 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- g. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Unit C508 Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

EXPLANATORY NOTES:

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 May 2017

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

The Directors’ fees for the Non-Executive Directors (“NED”) had not been increased for the financial year ended (“FYE”) 2017 as compared with the Directors’ fees for the FYE2016, following an independent Board remuneration review conducted by an external consultant in 2016. The Board decided that the Directors’ fees for FYE2017 be maintained as FYE2016 given the recent review by the external consultant. The Board approved the Remuneration & Nomination Committee’s recommendation for the Directors’ fees to remain unchanged in respect of FYE2017 as the same is still competitive.

3. Ordinary Resolution 4 – Directors’ benefits

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the Directors and any benefits payable to the Directors of the listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that shareholders’ approval shall be sought at the 51st Annual General Meeting on the Directors’ benefits (excluding Directors’ fee) payable for the period from 1 February 2017 until the next Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

The Directors' benefits comprise the meeting attendance allowance of RM416 per meeting and other benefits (car, fuel, driver, allowance and other emoluments) payable to the Non-Executive Directors ("NED").

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 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 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 party in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. 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 Circular to Shareholders dated 26 September 2017, which is circulated together with the Company's 2017 Annual Report.

5. Ordinary Resolution 7 – Authority to Issue and Allot Shares

This proposed resolution, if passed, will authorise the Directors to issue and allot up to a maximum of 10% of the total number of issued shares in the Company for the time being for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

This is the renewal of the mandate obtained from the shareholders of the Company at the last annual general meeting ("Previous Mandate"). The Previous Mandate was not utilised and accordingly no proceeds were raised. This general mandate will give flexibility to the Company for any possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit and in the best interest of the Company.

6. Ordinary Resolutions 8 and 9 – Continuing in Office as Independent Non-Executive Directors

The proposed Ordinary Resolutions 8 and 9, if passed, will enable Safrizal Bin Mohd Said and Lim Hock Chye to continue serving as the Independent Non-Executive Directors of the Company as recommended under Malaysian Code on Corporate Governance.

The Remuneration & Nomination Committee and the Board had assessed the independence of Safrizal Bin Mohd Said and Lim Hock Chye, who had served as the Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years, and recommended them to continue to act as the Independent Non-Executive Directors of the Company on the ground that:

- (i) they fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and their ability to bring an element of objectivity to the Board.
- (ii) have vast experience that could be shared with the Board; and
- (iii) they have exercise due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company.

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ANCOM LOGISTICS BERHAD
 (Company No. 6614-W)
 Incorporated in Malaysia

FORM OF PROXY

CDS A/C. No.	No. of shares held

I/We NRIC No.
 (Full Name in Block Letters)

of
 (Full Address)

being (a) member(s) of ANCOM LOGISTICS BERHAD, hereby appoint

Full Name in Block Letters		Proportion of Shareholdings %
NRIC No.		
Full Address		
Full Name in Block Letters		Proportion of Shareholdings %
NRIC No.		
Full Address		
		100%

or failing *him / her, the Chairman of the Meeting as *my / our *proxy/proxies to attend and to vote for *me / us on *my / our behalf at the 51st Annual General Meeting of the Company to held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 19 October 2017 at 12 noon and at any adjournment thereof and to vote as indicated below:

ORDINARY RESOLUTION		FOR	AGAINST
1	To re-elect Abdul Latif Bin Mahamud as a Director of the Company.		
2	To re-elect Safrizal Bin Mohd Said 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 as Auditors of the Company.		
6	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
7	Authority to Issue and Allot Shares.		
8	Continuing in office as an Independent Non-Executive Director – Safrizal Bin Mohd Said.		
9	Continuing in office as an Independent Non-Executive Director – Lim Hock Chye.		

(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 2017

.....
 [Signature / Common Seal of shareholder(s)]

Telephone no. during office hours:

NOTES:

- a. A member entitled to attend and vote at the Meeting may appoint up to two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. Where a member of the Company is an authorised nominee, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- c. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- d. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
- e. If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
- f. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2017 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- g. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Unit C508 Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

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Stamp

ANCOM LOGISTICS BERHAD

(Company No. 6614-W)

Registered Office:
C508 Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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