

ANCOM LOGISTICS BERHAD (Company No.: 6614-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MAY 2016**

| | Individual quarter ended | | Year-to-date ended | |
|---|--------------------------|----------------------|----------------------|----------------------|
| | 31.05.2016 RM'000 | 31.05.2015 RM'000 | 31.05.2016 RM'000 | 31.05.2015 RM'000 |
| Revenue | 8,512 | 9,065 | 32,683 | 32,253 |
| Cost of sales | (7,782) | (6,944) | (27,713) | (24,690) |
| Gross profit | 730 | 2,121 | 4,970 | 7,563 |
| Other income | 410 | 375 | 1,409 | 1,031 |
| Administrative expenses | (1,831) | (2,250) | (6,434) | (7,698) |
| Other operating expenses | (45) | - | (184) | - |
| | (736) | 246 | (239) | 896 |
| Finance costs | (15) | (92) | (40) | (138) |
| Profit before taxation | (751) | 154 | (279) | 758 |
| Tax expense | 675 | (381) | (18) | (1,211) |
| Net profit | (76) | (227) | (297) | (453) |
| Profit attributable to: | | | | |
| Equity holders of the Company | (403) | (446) | (1,642) | (1,540) |
| Non-controlling interests | 327 | 219 | 1,345 | 1,087 |
| | (76) | (227) | (297) | (453) |
| Earnings/(Loss) per ordinary share attributable to equity holders of the Company | Sen | Sen | Sen | Sen |
| - Basic | (0.09) | (0.09) | (0.35) | (0.33) |

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 6614-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 MAY 2016**

| | Individual quarter ended | | Year-to-date ended | |
|--|--------------------------|--------------|--------------------|--------------|
| | 31/5/2016 | 31/5/2015 | 31/5/2016 | 31/5/2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit | (76) | (227) | (297) | (453) |
| Other comprehensive income | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Foreign currency translation | - | - | - | - |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income | (76) | (227) | (297) | (453) |

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 6614-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2016**

| | Unaudited 31/5/2016 RM'000 | Audited 31/5/2015 RM'000 |
|---|----------------------------------|--------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 29,988 | 34,003 |
| Investment in associate | 1,802 | 1,802 |
| Intangible assets | - | - |
| Deferred tax assets | - | 30 |
| | 31,790 | 35,835 |
| Current assets | | |
| Inventories | 614 | 400 |
| Trade and other receivables | 13,430 | 16,223 |
| other current assets | 550 | 637 |
| Tax recoverable | - | 396 |
| Other investments | 508 | 868 |
| Short term deposits with licensed banks | 132 | 109 |
| Cash and bank balances | 8,187 | 5,542 |
| | 23,421 | 24,175 |
| Non-current assets held for sale | - | 51 |
| | 23,421 | 24,226 |
| TOTAL ASSETS | 55,211 | 60,061 |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Trade payables | 2,778 | 2,219 |
| Other payables | 3,159 | 4,185 |
| Loan and borrowings | 526 | 1,041 |
| Provision for taxation | (681) | 677 |
| | 5,782 | 8,122 |
| Net current assets | 17,639 | 16,053 |
| Non-current liabilities | | |
| Deferred tax liabilities | 5,642 | 6,016 |
| Loan and borrowings | 126 | 495 |
| | 5,768 | 6,511 |
| TOTAL LIABILITIES | 11,550 | 14,633 |
| NET ASSETS | 43,661 | 45,428 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | |
| Share capital | 23,664 | 23,664 |
| Reserves | 8,526 | 8,526 |
| Accumulated loss | (3,199) | (1,557) |
| | 28,991 | 30,633 |
| Non-controlling interests | 14,670 | 14,795 |
| TOTAL EQUITY | 43,661 | 45,428 |
| TOTAL EQUITY AND LIABILITIES | 55,211 | 60,061 |
| Net assets per share attributable to owners of the parent (RM) | 0.06 | 0.06 |

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 6614-W)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL QUARTER ENDED 31 MAY 2016

| | Attributable to equity holders of the Company | | | | | | |
|---|--|----------------------------|-----------------------------|-------------------------------|-----------------|---|---------------------------|
| | ←----- | Non-Distributable | ----- | Distributable | | | |
| | Share capital RM'000 | Share premium RM'000 | Merger reserve RM'000 | Accumulated loss RM'000 | Total RM'000 | Non- controlling interest RM'000 | Total equity RM'000 |
| As at 1 June 2014 | 47,329 | 6,414 | 8,526 | (11,164) | 51,105 | 13,708 | 64,813 |
| Total comprehensive income | - | - | - | (1,540) | (1,540) | 1,087 | (453) |
| Transactions with owners | | | | | | | |
| Capital repayment | (18,932) | - | - | - | (18,932) | - | (18,932) |
| Capital repayment | (4,733) | - | - | 4,733 | - | - | - |
| Cancellation of share premium | - | (6,414) | - | 6,414 | - | - | - |
| Balance at 31 May 2015 | 23,664 | - | 8,526 | (1,557) | 30,633 | 14,795 | 45,428 |
| As at 1 June 2015 | 23,664 | - | 8,526 | (1,557) | 30,633 | 14,795 | 45,428 |
| Total comprehensive income | - | - | - | (1,642) | (1,642) | 1,345 | (297) |
| Dividend paid to non-controlling interest | - | - | - | - | - | (1,470) | (1,470) |
| Balance at 31 May 2016 | 23,664 | - | 8,526 | (3,199) | 28,991 | 14,670 | 43,661 |

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 6614-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL QUARTER ENDED 31 MAY 2016**

| | Year-to-date ended | |
|---|--------------------|-----------------|
| | 31/5/2016 | 31/5/2015 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | (279) | 758 |
| Adjustments for non-cash items: | | |
| Depreciation | 4,463 | 4,695 |
| Interest expense | 40 | 138 |
| Interest income | (357) | (232) |
| Others | - | (115) |
| Operating profit before working capital changes | 3,867 | 5,244 |
| Net changes in working capital | 2,200 | (8,547) |
| Income tax paid | (1,324) | (1,278) |
| Net cash generated from operating activities | 4,743 | (4,581) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (396) | (798) |
| Additional investments in other investments | - | - |
| Proceed from disposal of property, plant and equipment | - | 151 |
| Proceed from sale of other investments | 360 | 2,200 |
| Increase of deposits with licensed banks | (25) | (3) |
| Interest received | 357 | 232 |
| Net cash used in investing activities | 296 | 1,782 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (40) | (138) |
| Dividend paid to non-controlling interest | (1,470) | - |
| Capital repayment | - | (18,932) |
| Repayments of loans | - | (1,569) |
| Others | (542) | - |
| Net cash used in financing activities | (2,052) | (20,639) |
| Net decrease in cash and cash equivalents | 2,987 | (23,438) |
| Cash and cash equivalents at the beginning of the financial year | 4,771 | 28,209 |
| Cash and cash equivalents at the end of the financial period | 7,758 | 4,771 |
| Cash and cash equivalents | | |
| | | - |
| Cash and bank balances | 8,187 | 5,542 |
| Bank overdrafts | (429) | (771) |
| Short term deposits with licensed banks | 132 | 109 |
| | 7,890 | 4,880 |
| Deposits with maturity more than three months | (132) | (109) |
| | 7,758 | 4,771 |

The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD

(Incorporated in Malaysia)

(Company No: 6614-W)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 31 MAY 2016

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134

A1 Basis of preparation

This Interim Financial Report of Ancom Logistics Berhad ("ALB") and its subsidiaries ("Group") is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Rule 9.22(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("ACE Market Listing Requirements").

This Interim Financial Report should be read in conjunction with the Audited Financial Statements of ALB for the financial year ended 31 May 2015. These explanatory notes attached to this Interim Financial Report provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 May 2015.

For the financial periods up and including the financial year ended 31 May 2015, the Group prepared its financial report in accordance with Malaysian Financial Reporting Standard ("MFRSs") and International Financial Reporting Standards ("IFRSs"). The accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 May 2015.

A2 Significant accounting policies

The accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 May 2015 except for the adoption of the following Amendments to MFRSs and IC Interpretation (collectively referred to as "pronouncements") which are applicable to the Group for the financial year beginning 1 June 2015:

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

Amendments to MFRSs Annual Improvements to MFRSs 2010 - 2012 Cycle

Amendments to MFRSs Annual Improvements to MFRSs 2011 - 2013 Cycle

Amendments to MFRSs Annual Improvements to 2012-2014 Cycle

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 101 Disclosure Initiative

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

Amendments to MFRS 127 Equity Method in Separate Financial Statements

A2 Significant accounting policies (continued)

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

A3 Auditors' report on preceding annual financial statements

The auditors did not qualify the Group's Audited Financial Statements for the financial year ended 31 May 2015.

A4 Seasonality or cyclicity

The operations of the Group were not significantly affected by any seasonal and cyclical factors.

A5 Items of unusual nature and amount

During the financial quarter ended 31 May 2016, there were no items affecting the assets, liabilities, equity, net income or cash flows of the Group that are material and unusual by reason of their nature, size or incidence.

A6 Changes in estimates

There was no material changes in estimates of the amounts reported that have a material effect on the financial quarter ended 31 May 2016.

A7 Debt and equity securities

There was no issuance, cancellation, repurchase or repayment of debt and equity securities during the financial quarter ended 31 May 2016.

A8 Dividends

There was no dividend declared and/or paid during the financial quarter ended 31 May 2016.

Ancom Logistics Berhad (6614-W)

Notes to the Interim Financial Report for the financial quarter ended 31 May 2016

A9 Segmental information

For management purposes, the Group is organised into business units based on their products, and there are two (2) operating segments as follows:

- (a) 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.
- (b) The other segment is involved in manufacturing, trading and marketing of low voltage switchgear and investment holding activities.

| | Logistics | Others | Elimination | Total |
|------------------------|------------------|---------------|--------------------|----------------------|
| 31 May 2016 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | |
| External revenue | 28,213 | 4,470 | - | 32,683 |
| Inter-segment revenue | - | - | - | - |
| Total revenue | <u>28,213</u> | <u>4,470</u> | | <u>32,683</u> |
| Segment results | 1,452 | (1,691) | - | (239) |
| Finance costs | | | | <u>(40)</u> |
| Profit before taxation | | | | (279) |
| Tax expense | | | | <u>(18)</u> |
| Net profit | | | | <u>(297)</u> |
| | | | | |
| 31 May 2015 | | | | |
| Revenue | | | | |
| External revenue | 28,653 | 3,600 | - | 32,253 |
| Inter-segment revenue | 12 | - | (12) | - |
| Total revenue | <u>28,665</u> | <u>3,600</u> | | <u>32,253</u> |
| Segment results | 2,904 | (2,008) | - | 896 |
| Finance costs | | | | <u>(138)</u> |
| Profit before taxation | | | | 758 |
| Tax expense | | | | <u>(1,211)</u> |
| Net profit | | | | <u>(453)</u> |

A10 Valuation of property, plant and equipment

The Group did not carry out any valuation on its property, plant and equipment during the financial quarter ended 31 May 2016.

Ancom Logistics Berhad (6614-W)

Notes to the Interim Financial Report for the financial quarter ended 31 May 2016

A11 Commitments

(a) Operating lease commitment

Future minimum rentals payable under non-cancellable operating lease are as follows:

| | 31/05/2016 | 31/05/2015 |
|--|-------------------|-------------------|
| | RM'000 | RM'000 |
| Not later than 1 year | 676 | 461 |
| Later than 1 year but not later than 5 years | 4,269 | 4,137 |
| Later than 5 years | 1,921 | 2,775 |
| | <u>6,866</u> | <u>7,373</u> |

(b) Finance lease commitment

The Group has finance leases for certain terms of plant, equipment, furniture and fixtures. These leases do not have terms of renewal, but have purchases options at nominal values at the end of the lease term.

| | 31/5/2016 | 31/5/2015 |
|--|------------------|------------------|
| | RM'000 | RM'000 |
| Minimum lease payments: | | |
| Not later than 1 year | 109 | 303 |
| Later than 1 year but not later than 2 years | 125 | 231 |
| More than 2 years but not later than 5 years | 5 | 294 |
| Total minimum lease payments | <u>239</u> | <u>828</u> |
| Less: | <u>(16)</u> | <u>(63)</u> |
| Present value of minimum lease payments | <u>223</u> | <u>765</u> |
| | | |
| Present value of payments | | |
| Not later than 1 year | 97 | 270 |
| Later than 1 year but not later than 2 years | 121 | 211 |
| More than 2 years but not later than 5 years | 5 | 284 |
| | <u>223</u> | <u>765</u> |

A12 Changes in composition of the Group

There were no material changes in the composition of the Group for the financial quarter ended 31 May 2016.

A13 Changes in contingent liabilities

The Group does not have any contingent liabilities as at 31 May 2016.

A14 Subsequent events

There were no events subsequent to the end of the financial quarter ended 31 May 2016 up to the date of this Interim Financial Report which may substantially affect the results or operations of the Group other than the corporate proposal as disclosed in Note B7.

Ancom Logistics Berhad (6614-W)

Notes to the Interim Financial Report for the financial quarter ended 31 May 2016

A15 Related party transactions

The Group had the following transactions with related parties during the financial quarter ended 31 May 2016:

| | Individual quarter ended | | Year-to-date ended | |
|---------------------------------------|---------------------------------|-------------------|---------------------------|-------------------|
| | 31/05/2016 | 31/05/2015 | 31/05/2016 | 31/05/2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sale of services to related companies | 1,992 | 1,444 | 7,452 | 5,877 |

The Board is of the opinion that all transactions have been entered into in the normal course of business and have been established on an arm's length basis under terms no more favourable than those transacted with third parties.

B. ADDITIONAL INFORMATION REQUIRED UNDER THE ACE MARKET LISTING REQUIREMENTS

B1 Performance review for the current financial quarter against previous financial year corresponding quarter

For the financial year ended 31 May 2016, the Group posted higher revenue of RM32.7 million compared to RM32.3 million for the corresponding period last year. Nevertheless, the Group recorded a loss before taxation of RM0.3 million from profit before taxation ("PBT") of RM0.8 million a year ago.

During the financial quarter ended 31 May 2016, revenue of the Group decreased to RM8.5 million compared to RM9.1 million in the corresponding quarter last year. Correspondingly, loss before taxation increased to RM0.8 million compared to PBT of RM0.2 million in the corresponding quarter last year.

During the financial quarter ended 31 May 2016, the Logistics segment posted lower revenue of RM7.0 million in the current financial quarter compared to RM7.6 million in the corresponding period last year. The revenue of the Logistic Segment was affected by the lower demand from the third party on transportation services. Consequently, this segment reported a segmental loss of RM0.8 million from compared to segmental profit of RM0.2 million in the corresponding quarter last year.

Other Segment posted higher revenue of RM1.6 million compared to RM1.5 million in the corresponding quarter last year. However, this segment reported a higher segmental loss of RM0.5 million as compared with RM0.3 million in the corresponding quarter last year. The result of other segment is mainly from the engineering trading business and corporate exercise incurred by the investment holding company.

B2 Material change in the results for the current financial quarter as compared with immediate preceding financial quarter

Revenue for the current financial quarter increased to RM8.5 million from RM7.5 million in the immediate preceding quarter. Consequently, the Group recorded higher loss before taxation of RM0.9 million compared with RM0.8 million in the immediate preceding quarter.

B3 Prospects for the next financial year

The economic climate remains uncertain amid oil price and currency volatility. The Board is of the view that the financial performance and prospects of the Group for the next financial year will be challenging. As a result, the Board will continue to exercise caution in managing the business.

B4 Forecast profit, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any publicly available documents or announcements.

B5 Profit before taxation

| | Individual quarter ended 31/5/2016 RM'000 | Year-to-date ended 31/5/2016 RM'000 |
|--|--|--|
| The profit before taxation is stated after charging/(crediting): | | |
| Interest income | (129) | (357) |
| Finance costs | 15 | 40 |
| Depreciation and amortisation | 1,047 | 4,463 |
| | <hr/> | <hr/> |

B6 Tax expense

| | Individual quarter ended | | Year-to-date ended | |
|--|---------------------------------|----------------------------|-----------------------------|----------------------------|
| | 31/5/2016 RM'000 | 31/5/2015 RM000 | 31/5/2016 RM'000 | 31/5/2015 RM000 |
| Current tax expense/(reversal) based on profit for the financial period: | | | | |
| Malaysian income tax | 472 | 381 | 1,165 | 1,211 |
| Under/(over) provision in prior years: | | | | |
| Malaysian income tax | (800) | - | (800) | - |
| Foreign income tax | - | - | - | - |
| | <hr/> (330) | 381 | <hr/> 363 | 1,211 |
| Deferred taxation: | | | | |
| Transfer to deferred taxation | (514) | - | (514) | - |
| Under provision in prior years | 169 | - | 169 | - |
| | <hr/> (675) | 381 | <hr/> 18 | 1,211 |

The effective rate of taxation for the Group in the current financial quarter is higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes.

Ancom Logistics Berhad (6614-W)

Notes to the Interim Financial Report for the financial quarter ended 31 May 2016

B7 Borrowings

The borrowings of the Group denominated in their functional currencies are as follows:

| | 31/5/2016 | 31/5/2015 |
|------------------------------|------------------|-----------|
| | RM'000 | RM'000 |
| SHORT TERM BORROWINGS | | |
| Secured: | | |
| Ringgit Malaysia | 526 | 1,041 |
| LONG TERM BORROWINGS | | |
| Secured: | | |
| Ringgit Malaysia | 126 | 495 |
| | 652 | 1,536 |

Note:

- Borrowings denominated in foreign currencies are stated at Ringgit Malaysia equivalent as at the reporting dates stated above.*

B8 Material litigation

The Group does not have any material litigation as at the date of this Interim Financial Report.

B9 Dividends

There was no dividend declared and/or paid during the financial quarter and period ended 31 May 2016.

B10 Earnings per share(a) Basic earnings per share

| | Individual quarter ended | | Year-to-date ended | |
|--|---------------------------------|-----------|---------------------------|-----------|
| | 31/5/2016 | 31/5/2015 | 31/5/2016 | 31/5/2015 |
| Weighted average number of ordinary shares ('000) | 473,286 | 473,286 | 473,286 | 473,286 |
| Net profit attributable to ordinary equity holders of the Company (RM'000) | (403) | (446) | (1,642) | (1,540) |
| Earnings per ordinary share (sen) | | | | |
| - Basic | (0.09) | (0.09) | (0.35) | (0.33) |

Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there is no dilutive potential ordinary share.

The Company does not have convertible securities at the end of the reporting periods.

Ancom Logistics Berhad (6614-W)

Notes to the Interim Financial Report for the financial quarter ended 31 May 2016

B11 Realised and unrealised profits

The breakdown of retained profits of the Group as at 31 May 2016 into realised and unrealised profits is as follows:

| | |
|--|----------------|
| Total retained profits of the Group | RM'000 |
| - Realised | (2,117) |
| - Unrealised | (5,642) |
| | <u>(7,759)</u> |
| Less: Consolidation adjustments | 4,560 |
| As per consolidated financial statements | <u>(3,199)</u> |

BY ORDER OF THE BOARD

Choo Se Eng
Stephen Geh Sim Whye
Company Secretaries
Petaling Jaya

29 July 2016