

ANCOM LOGISTICS BERHAD (Company No.: 196601000150(6614-W))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MAY 2020**

	Individual quarter ended		Year-to-date ended	
	31.05.2020	31.05.2019	31.05.2020	31.05.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	6,841	8,028	30,930	29,697
Cost of sales	(5,503)	(6,395)	(24,218)	(23,371)
Gross profit	1,338	1,633	6,712	6,326
Other income	112	243	723	1,012
Administrative expenses	(1,040)	(1,257)	(4,708)	(4,980)
Other operating expenses	(7)	(46)	(11)	(63)
Finance costs	(322)	(100)	(649)	(330)
Profit before taxation	81	473	2,067	1,965
Tax expense	(671)	(399)	(1,436)	(1,196)
Net (loss)/profit for the financial year	(590)	74	631	769
(Loss)/Profit attributable to:				
Owners of the parent	(700)	(165)	(360)	(344)
Non-controlling interests	110	239	991	1,113
	(590)	74	631	769
Loss per ordinary share attributable to owners of the parent	Sen	Sen	Sen	Sen
- Basic	(0.15)	(0.03)	(0.08)	(0.07)

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 2019 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 196601000150(6614-W))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 MAY 2020**

	Individual quarter ended		Year-to-date ended	
	31.05.2020	31.05.2019	31.05.2020	31.05.2019
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the financial year	(590)	74	631	769
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	(590)	74	631	769
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(700)	(165)	(360)	(344)
Non-controlling interests	110	239	991	1,113
	(590)	74	631	769

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 2019 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 196601000150(6614-W))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020**

	Unaudited 31.05.2020 RM'000	Audited 31.05.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	21,403	30,573
Rights-of-use assets	10,296	-
Investment in associate	1,802	1,802
	33,501	32,375
Current assets		
Trade and other receivables	9,370	9,165
Tax recoverable	3	-
Other investments	2,650	2,163
Short term deposits with licensed banks	148	143
Cash and bank balances	3,642	4,582
	15,813	16,053
TOTAL ASSETS	49,314	48,428
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	4,495	4,314
Loan and borrowings	552	3,306
Short term lease liabilities	3,708	-
Provision for taxation	144	289
	8,899	7,909
Non-current liabilities		
Deferred tax liabilities	4,234	4,351
Long term lease liabilities	4,786	-
Loan and borrowings	1,062	4,702
	10,082	9,053
TOTAL LIABILITIES	18,981	16,962
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	23,664	23,664
Reserves	8,526	8,526
Accumulated loss	(9,102)	(8,742)
	23,088	23,448
Non-controlling interests	7,245	8,018
TOTAL EQUITY	30,333	31,466
TOTAL EQUITY AND LIABILITIES	49,314	48,428
Net assets per share attributable to owners of the parent (RM)	0.05	0.05

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 2019 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 196601000150(6614-W))

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL QUARTER ENDED 31 MAY 2020

	Attributable to equity holders of the Company			Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	----- Non-Distributable-----	Distributable				
	Share capital RM'000	Merger reserve RM'000	Accumulated loss RM'000			
Balance as at 1 June 2018, as previously reported	23,664	8,526	(8,131)	24,059	8,682	32,741
Effect on the adoption of MFRS 9	-	-	(267)	(267)	(13)	(280)
Restated balance as at 1 June 2018	23,664	8,526	(8,398)	23,792	8,669	32,461
Total comprehensive (loss)/income	-	-	(344)	(344)	1,113	769
Transactions with owners						
Dividend paid to Non-controlling interests	-	-	-	-	(1,764)	(1,764)
Balance as at 31 May 2019/1 June 2019	23,664	8,526	(8,742)	23,448	8,018	31,466
Total comprehensive (loss)/income	-	-	(360)	(360)	991	631
Transactions with owners						
Dividend paid to Non-controlling interests	-	-	-	-	(1,764)	(1,764)
Balance as at 31 May 2020	23,664	8,526	(9,102)	23,088	7,245	30,333

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 2019 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD (Company No.: 196601000150(6614-W))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL QUARTER ENDED 31 MAY 2020**

	Year-to-date ended	
	31.05.2020	31.05.2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,067	1,965
Adjustments for non-cash items:		
Depreciation	5,797	4,497
Interest expense	649	330
Interest income	(143)	(187)
Others	(38)	(247)
Operating profit before working capital changes	8,332	6,358
Net changes in working capital	(88)	(1,675)
Income tax paid	(1,701)	(1,564)
Net cash generated from operating activities	6,543	3,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(320)	(3,682)
Proceed from disposal of property, plant and equipment	189	501
Purchase of other investments	(487)	(400)
Increase of deposits with licensed banks	(4)	(4)
Interest received	143	187
Net cash used in investing activities	(479)	(3,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(105)	(330)
Dividend paid to non-controlling interest of a subsidiary	(1,764)	(1,764)
Payment for lease liabilities	(4,627)	-
Net withdrawal of borrowings	(506)	(633)
Net cash used in financing activities	(7,002)	(2,727)
Net decrease in cash and cash equivalents	(938)	(3,006)
Cash and cash equivalents at the beginning of the financial year	4,582	7,566
Effect of exchange rate changes	(2)	22
Cash and cash equivalents at the end of the financial period	3,642	4,582

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 2019 and the accompanying notes to this Interim Financial Report.

ANCOM LOGISTICS BERHAD
(Incorporated in Malaysia)
(Company No: 196601000150(6614-W))

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 MAY 2020**

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 2019. 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 2019.

For the financial periods up and including the financial year ended 31 May 2019, 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 2019.

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 2019 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 2019:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 119	Plan, Amendment, Curtailment or Settlement

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group other than the following:

MFRS 16 Leases

The Group has adopted MFRS 16 Leases using the modified retrospective approach with a date of initial application on 1 June 2019. As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance lease and operating lease under the MFRS 117 Leases are no longer required.

Under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

In respect of the lessor accounting, MFRS 16 retains most of the requirements in MFRS 117. Lessor continues to classify its leases as operating leases or finance leases, and account for them differently.

The impacts of adopting MFRS 16 to opening balances of the Group as at 1 June 2019 are as follows:

Statements of financial position

	Impact of change in account policies		
	As at 31 May 2019 RM'000	Effect of MFRS 16 RM'000	As at 1 June 2019 RM'000
Non-current assets			
Property, plant and equipment	280,355	(79,290)	201,065
Right-of-use assets	-	129,875	129,875
			<hr/>
Impacts to the assets	280,355	50,585	330,940
			<hr/> <hr/>
Non-current liabilities			
Hire-purchase liabilities	3,088	(3,088)	-
Lease liabilities	-	8,495	8,495
			<hr/>
Current liabilities			
Hire-purchase liabilities	2,800	(2,800)	-
Lease liabilities	-	1,532	1,532
			<hr/>
	5,888	4,138	10,026
			<hr/> <hr/>

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 2019.

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 2020, 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 amounts reported in prior period that have a material effect on the financial quarter ended 31 May 2020.

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 2020.

A8 Dividends

There was no dividend declared and/or paid during the financial quarter ended 31 May 2020.

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 investment holding activities.

	Logistics	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
31 May 2020				
Revenue				
External revenue	30,930	-	-	30,930
Inter-segment revenue	-	-	-	-
Total revenue	30,930	-		30,930
Segment results	4,460	(1,744)	-	2,716
Finance costs				(649)
Profit before taxation				2,067
Tax expense				(1,436)
Net profit for the financial year				631
31 May 2019				
Revenue				
External revenue	29,697	-	-	29,697
Inter-segment revenue	48	-	(48)	-
Total revenue	29,745	-		29,697
Segment results	4,568	(2,273)	-	2,295
Finance costs				(330)
Profit before taxation				1,965
Tax expense				(1,196)
Net profit for the financial year				769

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 2020.

A11 Capital commitments

The capital commitments as at the end of the reporting date are as follows:

	RM'000
Property, plant and equipment	
- Approved and contracted for	1,225
- Approved but not contracted for	15,000
	<u>16,225</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 2020.

A13 Changes in contingent liabilities

The Group does not have any contingent liabilities as at 31 May 2020.

A14 Subsequent events

Saved as disclosed in Section B7 Status of Corporate Proposals, there were no events subsequent to the end of the financial quarter ended 31 May 2020 up to the date of this Interim Financial Report which may substantially affect the results or operations of the Group other than those disclosed

B. ADDITIONAL INFORMATION REQUIRED UNDER THE ACE MARKET LISTING REQUIREMENTS

B1 Review of Group's performance

Overall review for the financial year ended 31 May 2020

For the financial year ended 31 May 2020, the Group posted higher revenue of RM30.9 million compared to RM29.7 million last year and higher profit before taxation ("PBT") of RM2.1 million for the current financial year compared to RM2.0 million last year. The Group's performance up to the third financial quarter ended 29 February 2020 was better than the previous year corresponding period, but the effect of COVID-10 Pandemic has severely impacted the results in the current financial quarter. As a result, there was only a marginal improvement in the full year results of the Group.

Overall review for the financial quarter ended 31 May 2020

During the financial quarter ended 31 May 2020, the Group posted a sharp drop in revenue of RM6.8 million compared to RM8.0 million last year due to the impact of the COVID-19 Movement Control Order ("MCO") which resulted in the closure of many businesses. Consequently, the Group reported lower PBT of RM0.1 million for the current financial quarter as compared to RM0.5 million in the corresponding quarter last year.

Review of business segments for the financial quarter ended 31 May 2020

Logistics Segment

For the financial quarter ended 31 May 2020, the Logistics segment posted lower revenue of RM6.8 million compared to RM8.0 million in the corresponding financial quarter last year. Segmental profit declined to RM0.7 million in the current financial quarter compared with RM1.1 million in the corresponding quarter last year. This drop in revenue and profit is entirely due to MCO where volume drop substantially especially for the trucking business.

Other Segment

The others segment reported a lower segmental loss of RM0.3 million for the current financial quarter compared with RM0.5 million in the corresponding quarter last year. This is the result of austerity and cost cutting measures implemented by the management. The costs incurred are main on payroll and corporate expenses.

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

The Group posted lower revenue of RM6.8 million for the current financial quarter as compared with RM8.3 million in the immediate preceding quarter. Consequently, the Group reported lower PBT of RM0.1 million for the current financial quarter as compared to PBT RM0.8 million in the immediate preceding financial quarter. This drop in revenue and profit is entirely due to MCO where volume had drop substantially especially for the trucking business.

B3 Prospects for the next financial year

The petrochemicals industry was already experiencing a slowdown due to low demand and market uncertainties. The COVID-19 Pandemic has further exacerbated the situation when economy was made standstill with measures imposed to slow the spread of the disease. The MCO has impacted the operation and business of the companies.

The Board will continue to exercise caution in managing the business. Management has implemented immediate austerity measures and is exploring ways to build new capabilities for long term growth.

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 31.05.2020 RM'000	Year-to-date ended 31.05.2020 RM'000
The profit before taxation is stated after charging/(crediting):		
Interest income	41	(143)
Gain on foreign exchange	(19)	(19)
Fair value gain on other investment	(87)	(87)
Finance costs	322	649
Gain on disposal of property plant and equipment	-	(99)
Impairment loss on receivables	55	55
Depreciation and amortisation	2,125	5,797

B6 Tax expense

	Individual quarter ended		Year-to-date ended	
	31.05.2020	31.05.2019	31.05.2020	31.05.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense based on profit for the financial period:				
Malaysian income tax	616	693	1,381	1,490
Under provision in prior years:				
Malaysian income tax	172	68	172	68
	788	761	1,553	1,558
Deferred taxation:				
Transfer to deferred taxation	(468)	(380)	(468)	(380)
Under provision in prior years	351	18	351	18
	671	399	1,436	1,196

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

B7 Status of corporate proposals

There were no corporate proposals announced but not completed at the date of issuance of this Interim Financial Report other than the following:

ALB had on 16 July 2020 announced that the Company and its holding company, Ancom Berhad ("Ancom"), had entered into a Heads of Agreement ("HOA") with S7 Holdings Sdn Bhd ("S7"), Merrington Assets Limited ("MAL"), MY E.G. Capital Sdn Bhd ("MYEG Capital") and Avocat Sdn Bhd ("Avocat") for the following:

(S7, MAL, MYEG Capital and Avocat shall be collectively referred to as "Vendors" and ALB, Ancom and Vendors shall be collectively referred to as "Parties")

- i. Proposed acquisition by ALB of the entire share capital of S5 Holdings Inc. (Company No.: LL14071) ("S5") from the Vendors at a price to be agreed by the Parties, subject to a valuation report to be issued by an independent valuer to be agreed by the Parties, and in return ALB shall issue new ordinary shares in ALB ("ALB Shares") based on RM0.10 per share ("Consideration Shares") to the Vendors ("Proposed Acquisition");
- ii. Proposed Mandatory General Offer by the Vendors for the shares of ALB which are not owned by the Vendors upon completion of the Proposed Acquisition ("Proposed Mandatory General Offer");
- iii. Proposed private placement of new ordinary shares to be issued by ALB after the Proposed Acquisition ("Proposed Private Placement");
- iv. Proposed offer for sale of part of the Consideration Shares in ALB to be held by the Vendors upon completion of the Proposed Acquisition to independent third party investors ("Proposed Offer for Sale"); and
- v. Proposed disposal by ALB of Synergy Trans-Link Sdn Bhd ("STL"), a wholly-owned subsidiary of ALB, to Nylex (Malaysia) Berhad ("Nylex"), a 50.25% subsidiary of Ancom, at a valuation to be agreed by ALB and Nylex and upon such terms and conditions to be determined later ("Proposed Disposal"). For avoidance of doubt, the Proposed Acquisition, the Proposed Mandatory General Offer, Proposed Private Placement and Proposed Offer for Sale are not conditional upon the Proposed Disposal.

(Proposed Acquisition, Proposed Mandatory General Offer, Proposed Private Placement, Proposed Offer for Sale and Proposed Disposal shall be collectively be referred to as "Proposals")

B8 Utilisation of proceeds

The Company does not have any unutilised proceeds raised from any corporate exercise.

B9 Borrowings

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

	31.05.2020	31.05.2019
	RM'000	RM'000
SHORT TERM BORROWINGS		
Secured:		
Ringgit Malaysia	552	3,306
LONG TERM BORROWINGS		
Secured:		
Ringgit Malaysia	1,062	4,702
	<u>1,614</u>	<u>8,008</u>

B10 Material litigation

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

B11 Dividend

There was no dividend declared and/or paid during the financial quarter and period ended 31 May 2020.

B12 Earnings per share

Basic earnings per share

	Individual quarter ended		Year-to-date ended	
	31.05.2020	31.05.2019	31.05.2020	31.08.2018
Weighted average number of ordinary shares ('000)	473,286	473,286	473,286	473,286
Net loss attributable to owners of the parent (RM'000)	(700)	(165)	(360)	(344)
Loss per ordinary share (sen)				
- Basic	(0.15)	(0.03)	(0.08)	(0.07)

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.