



ANCOM LOGISTICS BERHAD

(Company No. 6614-W)
Incorporated in Malaysia



TOGETHER
WE CAN MAKE
A DIFFERENCE
ANNUAL REPORT 2019

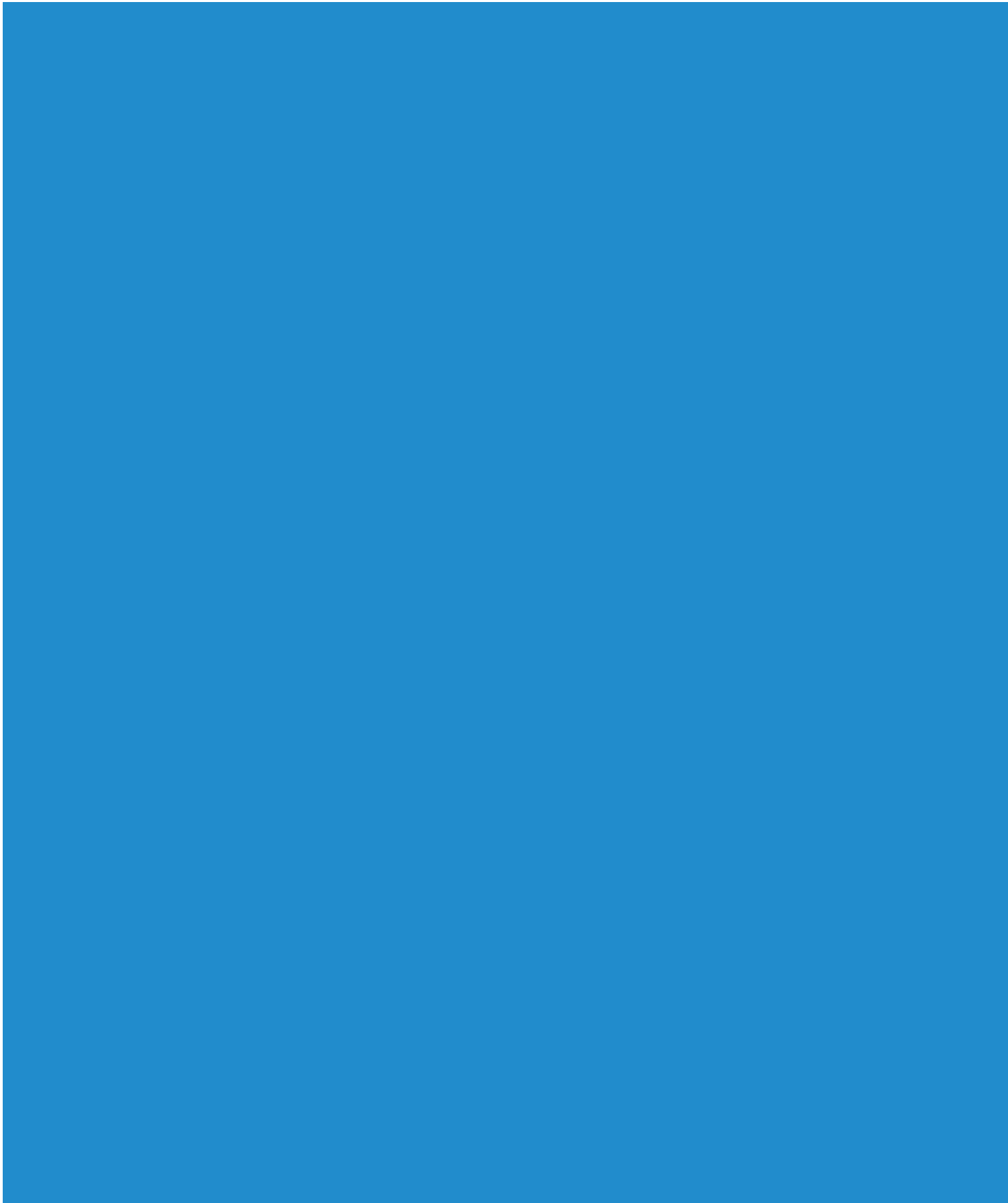


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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Abdul Latif Bin Abdullah

(Independent Non-Executive Chairman)

Dato' 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)

AUDIT COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

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

COMPANY SECRETARIES

Choo Se Eng (MIA 5876)
Stephen Geh Sim Whye (MICPA 1810)

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, Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 5000
Fax : (603) 7495 5088

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.

Office

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

Customer Service Centre

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

AUDITORS

BDO PLT, Chartered Accountants

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
(Stock Code: 0048)

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

SOLICITORS

Lee, Perara & Tan

DOMICILE

Malaysia

WEBSITE

www.ancomlogistics.com.my

FIVE-YEAR HIGHLIGHTS

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	29,697	28,980	28,333	32,366	32,253
Profit/(Loss) before taxation	1,965	1,369	(2,463)	(286)	758
Profit/(Loss) for the financial year	769	221	(3,063)	(309)	(453)
Effective percentage rate of tax - %	61%	84%	>100%	>100%	>100%
Net loss attributable to owners of the parent	(344)	(792)	(4,128)	(1,654)	(1,540)
ASSETS EMPLOYED					
Property, plant and equipment	30,573	27,040	29,805	29,988	34,003
Investments	1,802	1,802	1,802	1,802	1,802
Other non-current assets	-	-	-	-	30
Current assets	16,053	18,525	20,872	25,536	24,226
TOTAL ASSETS	48,428	47,367	52,479	57,326	60,061
FINANCED BY					
Share capital	23,664	23,664	23,664	23,664	23,664
Reserves	8,526	8,526	8,526	8,526	8,526
Accumulated losses	(8,742)	(8,131)	(7,339)	(3,211)	(1,557)
	23,448	24,059	24,851	28,979	30,633
Non-controlling interests	8,018	8,682	10,119	14,670	14,795
Total equity	31,466	32,741	34,970	43,649	45,428
Non-current liabilities	9,053	7,295	6,225	5,768	6,511
Current liabilities	7,909	7,331	11,284	7,909	8,122
TOTAL EQUITY AND LIABILITIES	48,428	47,367	52,479	57,326	60,061
SHAREHOLDERS' INTERESTS					
Loss per ordinary share – sen	(0.07)	(0.17)	(0.87)	(0.35)	(0.33)
Net assets per ordinary share – sen	4.95	5.08	5.25	6.12	6.47
OTHER INFORMATION					
Depreciation	4,497	4,039	4,069	4,463	4,695
Interest expense	330	166	66	101	138

LIST OF PRINCIPAL OFFICES

ANCOM LOGISTICS BERHAD

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

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 2019



Note:
Only major companies are shown in this Corporate Structure.

* Direct and Indirect Interest

BOARD OF DIRECTORS

DATO' ABDUL LATIF BIN ABDULLAH

AGE 69 | 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 a currently a member of the Remuneration and Nomination Committee ("R&N Committee") of the Company.

Dato' Latif obtained a 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 attached to West Asian Desk. He later joined Malaysian International Shipping Corporation Berhad ("MISC") as an Executive and was subsequently promoted to Assistant Manager, Liner Division of MISC. 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. He was the General Manager, Business and Corporate Division of PNSL before opting to join Mitsui OSK Lines (M) Sdn. Bhd. ("Mitsui OSK") in 1990 as a founder Director and remains as Chairman of Mitsui OSK after his retirement in 2005.

Presently, Dato' Latif is the Chairman of Efficient E-Solutions Berhad.

DATO' SIEW KA WEI

AGE 63 | MALE | MALAYSIAN | EXECUTIVE VICE CHAIRMAN



Dato' Siew was appointed as 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.

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 a very active member of the Young Presidents' Organisation ("YPO") from 1993 until 2006. He was Chairman of the Malaysian Chapter of YPO and was Co-Chairman of the first Regional Conference in Kuala Lumpur in 1998. He became a member of the International Board of YPO in 2000 and served until 2003. During his tenure he was Chairman of YPO's Global Leadership Congress in Beijing in 2003. He was also a past President of the Imperial College Alumni Association of Malaysia (ICAAM), and a past Governor of the Board of Governors of Marlborough College of Malaysia.

Currently, Dato' Siew is the Executive Chairman of Ancom Berhad, the holding company of the Company, and Group Managing Director of Nylex (Malaysia) Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

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 (CONT'D)

ABDUL LATIF BIN MAHAMUD

AGE 62 | 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. After his retirement, he was appointed as a Non-Independent Non-Executive Director on 25 January 2011.

Abdul Latif is currently a member of the Audit 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 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 then became the Chief Executive Officer and Executive Director of Ranhill Power Berhad following the acquisition of EPE by Ranhill Berhad.

He was the Managing Director of Ancom Berhad's Agricultural Chemicals division from 2011 to 2014.

SAFRIZAL BIN MOHD SAID

AGE 53 | 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 4 Accounting Firms, with his last position being a tax director. His experience in the field of taxation totals more than 30 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, privatisation 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.

BOARD OF DIRECTORS (CONT'D)**LIM HOCK CHYE**

AGE 64 | 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 in 1999.

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

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

Currently, Hock Chye is also a director of Ancom Berhad.

Notes:

1. *There are no family relationship amongst the Directors and/or major shareholders of the Company.*
2. *Other than Dato' Siew Ka Wei who has interest in certain Related Party Transactions as disclosed in this Annual Report, none of the other Directors has any business interest which conflict with their positions in the Company.*
3. *None of the Directors has been convicted of any offences other than traffic offences (if any) within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies on them during the financial year.*
4. *Please refer to Corporate Governance Overview Statement of this Annual Report for the Directors' meeting attendance records.*
5. *Please refer to Directors' Report of this Annual Report for the Directors' securities holdings in the Company and its related corporations.*

KEY SENIOR MANAGEMENT**DATO' SIEW KA WEI**

EXECUTIVE VICE CHAIRMAN

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

CHIEF FINANCIAL OFFICER

AGE 47 | MALE | MALAYSIAN

Chang Meng began his career as an Auditor with a Big 4 audit firm in 1992 until 2000. He was a Audit Manager before leaving the firm. He subsequently joined a construction company and later in a stockbroking company as 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 at Ancom Berhad ("Ancom") since 2010. In 2011, he was promoted as the Company's Chief Financial Officer and in 2014, the Group Chief Financial Officer of Ancom, both positions he held until today.

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

He has no directorship in public companies and listed issuers.

CHOO SE ENG

COMPANY SECRETARY

AGE 58 | MALE | MALAYSIAN

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

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

He was appointed the Joint Company Secretary of the Company when Ancom became its holding company in 1999. He also serves as the Joint Company Secretary of the subsidiaries in the Group.

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

He has no directorship in public companies and listed issuers.

KEY SENIOR MANAGEMENT (CONT'D)**MOHD YUSOF BIN MUHAMAD DON**

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

AGE 53 | MALE | MALAYSIAN

Mohd Yusof is the General Manager of Cogent, a subsidiary of the Company, since February 2015. Prior to joining Cogent, he was a Senior Manager/Director of Hayara Sdn. Bhd. and Hayana Sdn. Bhd., a solid waste management contractor and a construction materials company respectively, both of which are based in Penang, from 2013 to 2015.

Before that, he has held various senior managerial positions with Soi Yong Berhad and Koperasi Usaha Bersatu (M) Berhad.

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

He has no directorship in public companies and listed issuers.

SERENA KHOO SOOK LAI

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

AGE 54 | FEMALE | MALAYSIAN

Serena is currently the General Manager of ACQT, a subsidiary of the Company, since October 2017.

She has more than 25 years of experience in the bulk chemical business and logistics. Prior to the current position, she held various positions in Perusahaan Kimia Gemilang Sdn. Bhd. ("PKG"), a subsidiary of Nylex (Malaysia) Berhad, and her last position in PKG was a Senior Operations Manager.

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

She has no directorship in public companies and listed issuers.

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 Dato' Siew Ka Wei who has interest in 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 on them during the financial year.*

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

OVERVIEW

Ancom Logistics Berhad (“ALB”) is an investment holding company, with the entire equity interest in Synergy Trans-Link Sdn. Bhd. (“STL”). STL, in turn, holds the entire equity interest in Pengangkutan Cogent Sdn. Bhd. (“Cogent”) and 51% equity interest in Ancom-ChemQuest Terminals Sdn. Bhd. (“ACQT”).

Cogent owns and operates a fleet of chemical road tankers which provide land transportation services for bulk chemicals within Malaysia and across the border to Singapore.

ACQT owns and manages the leasing operations of a chemical tank farm and terminal in West Port located in Port Klang, Selangor.

FINANCIAL PERFORMANCE

For the financial year ended 31 May 2019 (“FY2019”), the Group posted higher revenue of RM29.7 million compared to RM29.0 million in the financial year ended 31 May 2018 (“FY2018”). Profit before taxation increased by 42.9% to RM2.0 million from RM1.4 million in FY2018 in line with the growth in revenue.

Logistics Division

The Logistics Division, which comprises the Group’s main business segment, posted better results year-on-year. The segment’s revenue increased to RM29.7 million from RM29.0 million in FY2018, while its profit before taxation rose by 30.3% to RM4.3 million from RM3.3 million. Both higher revenue and enhanced cost management contributed to the better performance in the financial year under review.

Since FY2018, Cogent has been on a fleet rationalisation programme for its chemical road tankers. New trucks have been purchased to replace ageing ones in phases. The management is also using the exercise to optimise the fleet size in order to meet its business needs while minimising excess. The programme has resulted in better operational efficiencies, lower down time and an overall better turnaround time.

The tank farm and terminal business continued to perform well as demand for chemical storage is still robust. To further enhance safety and security, in FY2019, equipment in the tank farm and terminal area were upgraded. Maintenance service was also carried out for better efficiencies and a smoother process flow.

Other Segment

The other segment includes the results of the investment holding company.

During FY2019, the division received an inter-segment dividend of RM2.0 million, which compared favourably to the absence of any inter-segment dividend in FY2018.

The division posted a segment loss before taxation of RM0.2 million compared to segment loss before taxation of RM1.7 million in FY2018, mainly due to the dividend income received.

OUTLOOK AND PROSPECTS

Overall, the petrochemicals industry is experiencing a slowdown given low demand and market uncertainties. This could negatively affect the movement and carriage of chemical products, which may weaken demand for the road transportation and tank farm services that the Group provides.

Barring any unforeseen circumstances, however, the Board is of the view that the Group will continue to achieve satisfactory performance in the next financial year. The Board will continue to exercise caution in managing the business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

CLEAR FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board has overall responsibility for the proper conduct of the Group’s business in achieving the Group’s objectives and goals. It provides clear and effective entrepreneurial leadership to Management. In addition to its stewardship responsibilities, the Board also ensures that Management has in place an achievable strategic plan and objectives, and appropriate processes for risk assessment, risk management and internal controls.

There is a clear distinction between the roles of the Independent Non-Executive Chairman (“Chairman”) and the Executive Vice Chairman (“EVC”) with clear division of responsibilities to ensure a balance of power and authority.

The Chairman is primarily responsible for instilling leadership and ensuring the Board’s effectiveness and conduct in discharging its responsibilities. The key responsibilities of the Chairman include:

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

The EVC, who heads the Management, has overall responsibility for the day-to-day management of the Group’s business and operations and for implementing the business plans and strategies, in line with the Company’s direction as agreed by the Board to achieve the financial goals set by the Board.

CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

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

- Formulate and chart the Group’s strategic direction, setting out the Group’s short-term and long-term plans and objectives;
- Review and approve the Group’s key operational policies, major investment in new businesses/projects and funding decisions;
- Oversee and review the Group’s business operations and financial performance;
- Ensure that the Group’s strategic plan supports long-term value creation encompassing strategies on economic, environmental and social considerations;
- Oversee the development, implementation and review of the succession plan for the Directors and key senior management;
- Understand the principal risks of the Group’s business;
- Review/monitor the risk management framework and the adequacy and integrity of the Group’s internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the Group’s business objectives;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

- Ensure that the Company has in place procedures to enable effective communication with stakeholders;
- Ensure the integrity of the Company's and the Group's financial and non-financial reporting; and
- Formulate and promote ethical and good corporate governance within the Group.

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, delegating such responsibility to the EVC and Management team, which consists of the various Heads of operating units and the Chief Financial Officer.

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

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

SEPARATION OF THE POSITIONS OF THE CHAIRMAN AND THE EVC

The positions of the Chairman and the EVC are held by two (2) 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.

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.

QUALIFIED AND COMPETENT COMPANY SECRETARIES

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

The Company Secretaries play an advisory role to the Board in formulating the Company's Constitution and Board policies and procedures. They are responsible for the efficient administration of the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's Constitution, Board policies and procedures, and statutory and regulatory requirements. They are also responsible for regularly updating and apprising the Board of new regulations issued by the relevant authorities including corporate governance practices.

One of the key responsibilities of the Company Secretaries is to prepare and organise Board and Committee meetings as well as shareholder meetings. In consultation with the Chairman, the Company Secretaries will prepare the agenda and the relevant meeting papers for these meetings. The Company Secretaries will also attend these meetings and take minutes to accurately reflect the deliberations and decisions of the Board/Committees, including whether any Directors abstained from voting or deliberating on a particular matter.

The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the law. They are also tasked with facilitating the orientation of new Directors and assisting in Director training and development; monitoring corporate governance developments; and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

STRATEGICALLY PROMOTING SUSTAINABILITY

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

The Group continued to carry out activities which demonstrate its commitment to creating a better environmental, social, governance and sustainability agenda during the financial year ended 31 May 2019 as reported in the Sustainability Statement in this Annual Report.

ACCESS TO INFORMATION AND ADVICE

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

Members of senior management are invited to attend Board and Committee meetings to provide insight and to furnish clarification on issues that may be raised by the Directors. Whenever required, professional advisers appointed by the Company are invited to attend the Board/Committee meetings to provide the Board/Committees with explanations or clarification to facilitate informed decision-making.

BOARD CHARTER

In discharging its duties, the Board is guided by the Board Charter. The Company's Board Charter, which was approved by the Board on 16 October 2013 and last reviewed by the Board on 24 July 2019, 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 clearly outline the Directors' duties and responsibilities to effectively discharge their fiduciary duties in managing the Company's affairs.

The Board Charter focuses on the following areas:

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

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

CODE OF CONDUCT AND ETHICS

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

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

The Code of Conduct and Ethics was last reviewed by the Board on 24 July 2019.

WHISTLE-BLOWING

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

On 24 July 2019, the Board established a Whistle-Blowing Policy, which is available on the Company's website at www.ancomlogistics.com.my.

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

BOARD COMPOSITION

The Company's Board currently comprises one (1) Chairman, who is an Independent Non-Executive Director, one (1) EVC, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

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

ASSESSMENT OF INDEPENDENCE

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

SENIOR INDEPENDENT DIRECTOR

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

BOARD DIVERSITY POLICY

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board has taken note of the recommendation in the CG Code pertaining to the establishment of a policy on boardroom diversity including gender diversity. On 25 July 2018, the Board formulated a formal Board Diversity Policy which is available on the Company's website at www.ancomlogistics.com.my.

The Board Diversity Policy was last reviewed by the Board on 24 July 2019.

The Board is supportive of gender diversity in the boardroom as recommended by the CG Code to promote the representation of women on Boards of Directors. However, the appointment of new Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than solely by their gender or ethnicity. Nevertheless, the Board will endeavour to ensure that gender diversity is considered in nominating and selecting new Directors in future.

APPOINTMENT OF NEW DIRECTORS

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

The R&N Committee does not utilise independent sources to identify suitably qualified candidates as the Committee understands the specialised industry the Group operates in and the type of candidates whose background fit its criteria.

ANNUAL ASSESSMENT

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

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

REMUNERATION OF DIRECTORS

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

TIME COMMITMENT

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

There were four (4) Board meetings, four (4) 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 Directors	Attendance
Board Meetings:	
Dato' Abdul Latif Bin Abdullah	4/4
Dato' Siew Ka Wei	4/4
Abdul Latif Bin Mahamud	3/4
Safrizal Bin Mohd Said	3/4
Lim Hock Chye	4/4
Edmond Cheah Swee Leng (Resigned on 21 August 2018)	1/1
Audit Committee Meetings:	
Safrizal Bin Mohd Said	4/4
Abdul Latif Bin Mahamud	4/4
Lim Hock Chye	4/4
R&N Committee Meetings:	
Lim Hock Chye	1/1
Safrizal Bin Mohd Said	1/1
Dato' Abdul Latif Bin Abdullah	1/1
Abdul Latif Bin Mahamud (Resigned on 21 August 2018)	1/1

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

All the Directors attended the 52nd Annual General Meeting of the Company in October 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

CONTINUING EDUCATION PROGRAMME AND TRAINING

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

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

In April 2019, the Company's holding company, Ancom Berhad, collaborated with a legal firm to organise a workshop on "The Malaysian Anti-Corruption Commission Act 2009 and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001" for the Directors of the Company.

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS

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

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

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

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

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

SOUND FRAMEWORK TO MANAGE RISK

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**INTERNAL AUDIT FUNCTION**

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

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

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**CORPORATE DISCLOSURE POLICY**

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

The Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's website at www.ancomlogistics.com.my, and to ensure that such information is handled properly to avoid leakage or improper use. The Board will take reasonable steps to ensure that all investors have equal access to material information. Selective disclosure is not allowed.

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

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

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

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

LEVERAGING INFORMATION TECHNOLOGY

The Company releases all material information publicly through Bursa Securities' website at www.bursamalaysia.com and via the Company's website at www.ancomlogistics.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

SHAREHOLDERS' PARTICIPATION AT GENERAL MEETINGS

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

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

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

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

Minutes on the proceedings at the general meetings are recorded by the Company Secretaries. These are available for inspection by the Company's shareholders at the Company's registered office at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia. A summary of key matters discussed at the general meetings is also posted on the Company's website at www.ancomlogistics.com.my.

POLL VOTING

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

EFFECTIVE COMMUNICATION AND PROACTIVE ENGAGEMENT WITH STAKEHOLDERS

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

CORPORATE GOVERNANCE REPORT

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

AUDIT COMMITTEE REPORT

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

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference, which are available on the Company's website at www.ancomlogistics.com.my. The Terms of Reference was last reviewed by the Board on 24 July 2019.

MEMBERS AND MEETINGS

Membership of the Audit Committee is as follows:

Safrizal Bin Mohd Said - Chairman

(Independent Non-Executive Director)

Abdul Latif Bin Mahamud - Member

(Non Independent Non-Executive Director)

Lim Hock Chye - Member

(Independent Non-Executive Director)

Safrizal Bin Mohd Said is a member of CPA Australia and the Chartered Taxation Institute of Malaysia. The composition of the Audit Committee during the financial year complied with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

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

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

The Audit Committee held a total of four (4) meetings during the financial year. The attendance records of the members are as follows:

Members	Attendance
Safrizal Bin Mohd Said	4/4
Abdul Latif Bin Mahamud	4/4
Lim Hock Chye	4/4

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

SUMMARY OF ACTIVITIES

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

FINANCIAL RESULTS

The Audit Committee reviewed the Quarterly Interim Financial Reports ("Financial Reports") presented by the Management, with the aim to ensure 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 being recommended to the Board for consideration and approval, and for subsequent release to Bursa Malaysia Securities Berhad ("Bursa Securities").

AUDIT COMMITTEE REPORT (CONT'D)

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

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

INTERNAL AUDIT

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

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

EXTERNAL AUDIT

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

- Reviewed the External Audit Plan, scope and nature of the statutory audit of the Company's and of the Group's financial statements prior to the audit;
- Reviewed the External Audit Reports and the results of the External Auditors' examination of the Company's and Group's Financial Statements;
- Reviewed the External Auditors' recommendations and Management responses to these;
- Reviewed and discussed the impact of new and proposed changes in the Financial Reporting Standards and other new developments in financial reporting with the External Auditors;
- Reviewed the suitability of the External Auditors for re-appointment, taking into consideration their independence, performance, competence, experience of audit team assigned, provision of non-audit services and audit fees; and
- Received from the External Auditors written assurance confirming their professional independence to the audit engagement.

INTERNAL AUDIT FUNCTION

The Audit Committee recognises the importance of the Internal Audit function and the need for it to be independent of Management in order to carry out its functions effectively. 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 to review the adequacy and effectiveness of the Group's internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of the management information system and consequently determining future requirements for the internal control system.

AUDIT COMMITTEE REPORT (CONT'D)

The Internal Audit reviews are conducted on a functional area basis that concentrating on areas of concern where the Internal Auditors can play a role to provide inputs for further improvements, thus serving as a valuable resource to evaluate processes and give assurance in relation to internal control effectiveness. The Internal Audit reviews are conducted according to the Internal Audit Plan approved by the Audit Committee. 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 major subsidiaries of the Group. The Internal Audit review places emphasis on best practices and management assurance encompassing all business risks, particularly:

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

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

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

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

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

The total cost incurred for the Group's Internal Audit function during the financial year was RM27,000 (2018: RM22,000).

ASSESSMENT OF INDEPENDENCE AND PERFORMANCE**EXTERNAL AUDITORS**

Under its Terms of Reference and External Auditors Assessment Policy, the Audit Committee is empowered by the Board to assess the independence and performance of the External Auditors and to review all issues in relation to their appointment, re-appointment, resignation or dismissal.

The assessment of independence focuses on whether there exists any relationship between the External Auditors and the Directors or senior management and major shareholders of the Group as well as any conflict of interest, including the extent of non-audit services performed by the External Auditors during the financial year that may impact their independence and objectivity. The assessment of performance focuses on the External Auditors' experience, competency, resources of the firm, quality of the staff assigned and the Audit Committee's opinion on the quality of the audit work.

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

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

The Board concurred with the Audit Committee's recommendation and will recommend that the shareholders approve Messrs BDO PLT's re-appointment at the forthcoming 53rd Annual General Meeting of the Company.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDITORS

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

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

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

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

The Board concurred with the Audit Committee's recommendation.

RISK MANAGEMENT

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

RELATED PARTY TRANSACTIONS

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

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

EMPLOYEES' SHARE OPTION SCHEME

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.

REMUNERATION AND NOMINATION COMMITTEE REPORT

The Board of Directors ("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.

TERMS OF REFERENCE

The R&N Committee is governed by its Terms of Reference, which are available on the Company's website at www.ancomlogistics.com.my. The Terms of Reference were last reviewed by the Board on 24 July 2019.

MEMBERS AND MEETINGS

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

Lim Hock Chye - Chairman

(Independent Non-Executive Director)

Safrizal Bin Mohd Said - Member

(Independent Non-Executive Director)

Dato' Abdul Latif Bin Abdullah - Member

(Independent Non-Executive Director)

Abdul Latif Bin Mahamud, who is a Non-Independent Non-Executive Director, resigned as a member of the R&N Committee on 21 August 2018.

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

SUMMARY OF ACTIVITIES

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

ASSESSMENT OF DIRECTORS

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

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

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

The R&N Committee did not engage an independent expert for the annual assessment as suggested by the Malaysian Code on Corporate Governance 2017 ("CG Code"). However, it has taken note that the involvement of an independent expert or party would lend greater objectivity to the assessment by providing an unbiased perspective on a Director's performance and his ability to contribute effectively to the Board.

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONT'D)

RE-ELECTION OF DIRECTORS

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

- i. Dato' Siew Ka Wei; and
- ii. Abdul Latif Bin Mahamud.

INDEPENDENCE ASSESSMENT OF THE INDEPENDENT DIRECTORS

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

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

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

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

In conjunction with the above assessment, the R&N Committee also considered the continued appointments of Lim Hock Chye and Safrizal Bin Mohd Said who have each served as Independent Directors for a continued period of more than twelve (12) years.

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

The Board concurred with the views of the R&N Committee and will seek shareholders' approval at the forthcoming 53rd AGM to retain both Lim Hock Chye and Safrizal Bin Mohd Said as Independent Directors of the Company based on the above justifications.

REVIEW OF THE AUDIT COMMITTEE

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

REMUNERATION OF DIRECTORS

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

In 2016, the holding company, Ancom Berhad, engaged a firm of consultants to provide a review of the fees of non-executive directors of 30 Malaysian public listed companies on Bursa Malaysia Securities Berhad, based on their most recent annual reports as at 31 January 2016.

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONT'D)

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

	Annual fee per Director (RM)
Directors on the Board of Directors	50,000
Members of Audit Committee	15,000
Members of R&N Committee	5,000

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

The R&N Committee has recommended the same amount of remuneration to be paid to the Non-Executive Directors in the current financial year.

The Board has endorsed the R&N Committee's recommendation and will propose that the Directors' fees for the Board and Committees for the current financial year amounting to RM282,205 be paid to the Non-Executive Directors subject to the approval of the Company's shareholders at the forthcoming 53rd AGM of the Company.

As in the previous year, the Executive Vice Chairman does not receive any remuneration from the Company and its subsidiaries in the financial year. None of the Directors received any remuneration from the subsidiaries during the financial year.

Subject to the approval of the Company's shareholders, the details of remuneration received and receivable by the Directors of the Company for the financial year ended 31 May 2019 are as follows:

Group and Company

	Directors' fee (RM)	Meeting allowance (RM)	Others (RM)	Total (RM)
Executive Director				
Dato' Siew Ka Wei	-	-	-	-
Non-Executive Directors				
Dato' Abdul Latif Bin Abdullah	65,000	2,496	11,100	78,596
Abdul Latif Bin Mahamud	66,110	3,744	-	69,854
Lim Hock Chye	70,000	4,160	-	74,160
Safrizal Bin Mohd Said	70,000	3,744	-	73,744
Edmond Cheah Swee Leng (Resigned on 21 August 2018)	11,095	417	-	11,512
TOTAL	282,205	14,561	11,100	307,866

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

CONCLUSION

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) is pleased to provide the Group’s Statement on Risk Management and Internal Control for the financial year ended 31 May 2019 made pursuant to Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). This Statement has been prepared in accordance with the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers” endorsed by the Bursa Securities.

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

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

RISK MANAGEMENT

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

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

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

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

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

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

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

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

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (June – August 2018)	October 2018	Pengangkutan Cogent Sdn. Bhd. (“Cogent”)	<ul style="list-style-type: none"> • Procurement • Human Resources Support • Safety and Health • Maintenance
2nd Quarter (September – November 2018)	January 2019	Ancom-ChemQuest Terminals Sdn. Bhd. (“ACQT”)	Follow up status updates on previously reported findings on ACQT
3rd Quarter (December 2018 – February 2019)	April 2019	Cogent	Follow up status updates on previously reported findings on Cogent
4th Quarter (March – May 2019)	July 2019	ACQT	<ul style="list-style-type: none"> • Business Development/Sales and Marketing • Finance & Accounts

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 general managers of the operating units who are “hands on” in running the operating units. 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 (CONT'D)

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") comprising the EVC, the Chief Financial Officer and the Risk Manager of Ancom Berhad 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 Company or its subsidiaries 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. The Audit Committee will review its own performance and Terms of References yearly to ensure that it is operating at maximum effectiveness, recommending any changes it considers necessary to the Group.

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

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

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

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 general managers of the operating units 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's Policies and Procedures*

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

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 May 2019. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. They further believe that the Statement on Risk Management and Internal Control is factually accurate.

CONCLUSION

The Board has received assurance from the 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.

SUSTAINABILITY STATEMENT

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

SCOPE OF DISCLOSURE

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

CUSTOMER MANAGEMENT

We strive to deliver positive customer experience, and this task is always high on our priority list. We pride ourselves in providing reliable, cost effective and innovative solutions in transportation and storage, and ensuring these tasks are executed in a timely and secured manner, to meet customer needs.

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

SUPPLIER MANAGEMENT & PROCUREMENT PRACTICE

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

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

We believe in contributing back to the economy which has given us much in economic benefits. The Group’s procurement for the FY 2019 was mainly from local suppliers and contractors.

COMMUNITY ENGAGEMENT & INVESTMENT

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

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

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

SUSTAINABILITY STATEMENT (CONT'D)**INDIRECT ECONOMIC IMPACT**

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

ENVIRONMENTAL IMPACT**CARBON EMISSIONS**

Carbon emissions are inevitable in our line of business, and we do our very best in minimising these emissions. Our vehicles are routinely sent for regular maintenance to ensure optimal performance and efficiency. Additionally, our drivers are trained to not leave engines running when vehicles are idle to minimise emissions.

WASTE AND EFFLUENT MANAGEMENT

As a responsible corporation, we have initiated various sustainable environmental conservation efforts. Our commitment towards environmental conservation and compliance are realised through our best efforts in ensuring our operating facilities comply with the necessary regulatory requirements. We ensure our employees are competent persons under regulations pertaining to industrial effluent and scheduled waste management, among other things. Used materials such as papers, paper cartons and cardboard boxes are re-used, where possible, or sent to recycling centers. Our transportation and storage operation do not produce significant amount of scheduled waste.

WATER CONSUMPTION

In FY 2019, we consumed a total of approximately 4,000m³ of water. Water is used primarily for drinking and sanitation at our facilities and is obtained solely from municipal suppliers and discharged into public sewage systems. We implement measures to minimise water consumption as part of our environmental management system.

ENERGY CONSUMPTION

In FY 2019, we consumed a total of approximately 310,000kWh of electrical energy. The Group is continuously looking for ways to ensure business operations are energy efficient. By minimising energy consumption, we can lower our operational cost and reduce our carbon footprint.

To minimise energy usage, energy-saving lightbulbs are used whenever possible throughout our operations. Additionally, our Group uses inverted air-conditioners, which are more energy-efficient, as opposed to traditional air-conditioners.

WORKPLACE DIVERSITY & INCLUSION

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

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

We encourage the hiring of locals, as we believe in contributing back to the society in which we operate our business in. For FY 2019, our workforce fully consists of locals.

SUSTAINABILITY STATEMENT (CONT'D)

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

We are a culturally diverse group, with the workforce representing people of different ethnicities in Malaysia. To strengthen the spirit among people of different beliefs and culture, we continued to celebrate major festivals such as Chinese New Year and Hari Raya, among others in FY 2019.

OCCUPATIONAL SAFETY & HEALTH, WORKFORCE TRAINING AND DEVELOPMENT

Keeping our people safe is our first and primary responsibility as a company. It is a core value for us, and an unequivocal expectation from our employees, their families and communities. We aim to establish a "Safety First" culture in the Group. Training, coaching, and recognition are critical components to continuously encourage a culture of safety.

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

- (a) Scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on-site drills were conducted for all the driver and operating personals at the Bulk Liquid Terminal to ensure that employees are well trained to handle emergency situations;
- (b) Regular training on workplace safety, product handling, inspection of firefighting equipment, fire safety talk by the Public Fire Safety and Prevention Education Centre, the personal protection equipment talk and fire and chemical handling drills were carried out for the employees on a regular basis;
- (c) Regular first aid training to employees at the Group's Bulk Liquid Terminal; and
- (d) Fire drill conducted with Bomba Malaysia/West Port Bomba at the Group's Bulk Liquid Terminal to test the emergency response readiness in the event of fire or accident at the Terminal.

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

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

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

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

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

EMPLOYEE BENEFITS

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

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

SUSTAINABILITY STATEMENT (CONT'D)**ANTI-CORRUPTION**

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

On 24 July 2019, the Board has established a Whistle-Blowing Policy. Any incidents of bribery, corruption, unethical behaviour, malpractices, illegal acts and other unlawful or improper conduct can be reported by our employees and business partners through our whistleblowing channel at www.ancomlogistics.com.my. By protecting the confidentiality of whistle-blowers, we encourage whistleblowing to be done without fear of reprisal or victimisation should it be done in good faith.

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

PRODUCT AND SERVICES RESPONSIBILITY

As a provider of transportation and storage services, we are an important component of our customers' supply chains. We have recorded each and every complaints and feedback from our customer as basis for further improvement on our services.

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

COMPLIANCE

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

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Directors hereby state that they are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group as at 31 May 2019 and of the financial performance and cash flows of the Company and of the Group for the financial year ended 31 May 2019. The Directors are also responsible for ensuring that the Audited Financial Statements comply with the provisions of the Companies Act 2016, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and other statutory and regulatory requirements.

In preparing the Audited Financial Statements, the Directors have:

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

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

FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2019

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details 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
Profit/(Loss) for the financial year	769	(225)
Attributable to:		
Owners of the parent	(344)	(225)
Non-controlling interests	1,113	-
	769	(225)

DIVIDEND

No dividend has been paid, proposed or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any 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 (CONT'D)**DIRECTORS**

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

Dato' Abdul Latif Bin Abdullah	[Non-Executive Chairman]
Dato' Siew Ka Wei	[Executive Vice Chairman]
Abdul Latif Bin Mahamud	
Safrizal Bin Mohd Said	
Lim Hock Chye	
Edmond Cheah Swee Leng	[Resigned on 21 August 2018]

Subsidiaries of Ancom Logistics Berhad

Sabli Bin Sibil	
Lee Cheun Wei	
Surasak Suwannapasri	
Somsak Chatteerapat	[Alternate to Surasak Suwannapasri]
Chin Kok Wooi	
Lim Wee Sern	[Appointed on 8 April 2019]
Tan Sri Mohamed Al Amin Abdul Hamid	[Resigned on 3 August 2018]

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 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	← Number of ordinary shares →			Balance as at 31.5.2019
	Balance as at 1.6.2018	Bought	Sold	
Shares in the Company				
<u>Direct interest:</u>				
Dato' Siew Ka Wei	749,867	-	(380,000)	369,867
<u>Indirect interest:</u>				
Dato' Siew Ka Wei	215,473,196	-	(1,278,200)	214,194,996

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

	←————— Number of ordinary shares —————→				Balance as at 31.5.2019
	Balance as at 1.6.2018	Bonus issue	Bought	Sold	
Shares in the holding company					
Ancom Berhad					
<u>Direct interest:</u>					
Dato' Siew Ka Wei	24,017,165	2,425,555	430,700	-	26,873,420
<u>Indirect interest:</u>					
Dato' Siew Ka Wei	20,471,748	2,047,173	-	-	22,518,921
Shares in a related company					
Nylex (Malaysia) Berhad					
<u>Direct interest:</u>					
Dato' Siew Ka Wei	2,096,460	-	-	-	2,096,460
<u>Indirect interest:</u>					
Dato' Siew Ka Wei	93,608,359	-	4,000,000	(4,000,000)	93,608,359

By virtue of his interest in the shares in the holding company, Ancom Berhad, Dato' 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' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received and receivable by the Directors 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 23 to the financial statements.

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

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Executive Directors				
- fees	282	325	282	325
- other emoluments	15	16	15	16
- benefits-in-kind	11	11	11	11
	308	352	308	352

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 of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. During the financial year, the total amount of insurance premium effected for any Director and officer of the Group and of the Company was RM11,000.

There were no indemnity was given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' REPORT (CONT'D)**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)****(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT**

- (c) The Directors are not aware of any circumstances:
 - (i) which would 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.

(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.

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

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

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

	Group RM'000	Company RM'000
Statutory audit	112	62
Other services	4	4
	116	66

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

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

Dato' Abdul Latif Bin Abdullah
Director

Dato' Siew Ka Wei
Director

Kuala Lumpur
22 August 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 48 to 91 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Abdul Latif Bin Abdullah
Director

Kuala Lumpur
22 August 2019

Dato' Siew Ka Wei
Director

STATUTORY DECLARATION

I, Lim Chang Meng (CA 15594), 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 48 to 91 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur this)
22 August 2019)

Lim Chang Meng

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ANCOM 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 2019 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 91.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2019 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("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.

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.

Recoverability of trade receivables

Gross trade receivables of the Group as at 31 May 2019 were RM5,395,000 as disclosed in Note 8 to the financial statements.

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

Audit response

Our audit procedures performed include:

- (i) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;
- (ii) recomputed the correlation coefficient between the macroeconomics indicators set by the Group and historical losses to determine the appropriateness of the forward looking information used by the Group; and
- (iii) inquired of management to assess the rationale underlying the relationship between the forward looking information and expected credit losses.

We have determined that there are no key audit matters to be communicated in our auditors' report of the audit of the separate financial statements of the Company.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF ANCOM LOGISTICS BERHAD

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF ANCOM LOGISTICS BERHAD**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

Other Matters

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koo Swee Lin
03281/08/2020 J
Chartered Accountant

Kuala Lumpur
22 August 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	30,573	27,040	185	280
Investments in subsidiaries	6	-	-	22,474	22,474
Investment in an associate	7	1,802	1,802	1,833	1,833
		32,375	28,842	24,492	24,587
Current assets					
Trade and other receivables	8	9,165	9,145	1,347	1,248
Current tax assets		-	4	-	4
Other investments	9	2,163	1,671	-	-
Cash and bank balances	10	4,725	7,705	785	1,522
		16,053	18,525	2,132	2,774
TOTAL ASSETS		48,428	47,367	26,624	27,361
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	11	23,664	23,664	23,664	23,664
Accumulated losses		(8,742)	(8,131)	(2,637)	(2,376)
Merger reserve	12	8,526	8,526	-	-
		23,448	24,059	21,027	21,288
Non-controlling interests	6(c)	8,018	8,682	-	-
TOTAL EQUITY		31,466	32,741	21,027	21,288
LIABILITIES					
Non-current liabilities					
Borrowings	13	4,702	2,582	-	-
Deferred tax liabilities	16	4,351	4,713	-	-
		9,053	7,295	-	-
Current liabilities					
Trade and other payables	17	4,314	5,792	5,591	6,055
Borrowings	13	3,306	1,240	-	18
Current tax liabilities		289	299	6	-
		7,909	7,331	5,597	6,073
TOTAL LIABILITIES		16,962	14,626	5,597	6,073
TOTAL EQUITY AND LIABILITIES		48,428	47,367	26,624	27,361

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) for the financial year	769	221	(225)	(1,654)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income/(loss)	769	221	(225)	(1,654)
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(344)	(792)	(225)	(1,654)
Non-controlling interests	1,113	1,013	-	-
	769	221	(225)	(1,654)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

Group	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 2018, previously reported		23,664	8,526	(8,131)	24,059	8,682	32,741
Adjustments on initial application of MFRS 9	27.1(iii)	-	-	(267)	(267)	(13)	(280)
As at 1 June 2018, restated		23,664	8,526	(8,398)	23,792	8,669	32,461
(Loss)/Profit for the financial year		-	-	(344)	(344)	1,113	769
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive (loss)/income		-	-	(344)	(344)	1,113	769
Transaction with owners							
Dividend paid to non-controlling interests of a subsidiary	6(d)	-	-	-	-	(1,764)	(1,764)
Total transaction with owners		-	-	-	-	(1,764)	(1,764)
As at 31 May 2019		23,664	8,526	(8,742)	23,448	8,018	31,466
As at 1 June 2017		23,664	8,526	(7,339)	24,851	10,119	34,970
(Loss)/Profit for the financial year		-	-	(792)	(792)	1,013	221
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive (loss)/income		-	-	(792)	(792)	1,013	221
Transaction with owners							
Dividend paid to non-controlling interests of a subsidiary	6(d)	-	-	-	-	(2,450)	(2,450)
Total transaction with owners		-	-	-	-	(2,450)	(2,450)
As at 31 May 2018		23,664	8,526	(8,131)	24,059	8,682	32,741

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company				
As at 1 June 2017		23,664	(722)	22,942
Loss for the financial year		-	(1,654)	(1,654)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss		-	(1,654)	(1,654)
As at 31 May 2018/1 June 2018, previously reported		23,664	(2,376)	21,288
Adjustments on initial application of MFRS 9	27.1(iii)	-	(36)	(36)
As at 31 May 2018/1 June 2018, restated		23,664	(2,412)	21,252
Loss for the financial year		-	(225)	(225)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss		-	(225)	(225)
As at 31 May 2019		23,664	(2,637)	21,027

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation:		1,965	1,369	(213)	(1,654)
Adjustments for:					
Bad debts written off		-	7	-	-
Depreciation of property, plant and equipment	5	4,497	4,039	73	75
Dividend income from a subsidiary		-	-	(2,000)	-
(Gain)/Loss on disposal of property, plant and equipment		(89)	(263)	4	-
Impairment loss on:					
- trade receivables	8(h)	-	68	-	-
- other receivables	8(h)	-	-	24	-
Reversal of impairment loss on:					
- trade receivables	8(h)	(86)	-	-	-
- other receivables	8(h)	(15)	-	-	-
Interest expense	19	330	166	23	270
Interest income		(187)	(331)	(179)	(324)
Fair value gain in other investments		(92)	(41)	-	-
Property, plant and equipment written off	5	59	20	-	-
Unrealised (gain)/loss on foreign exchange		(24)	65	-	-
Operating profit/(loss) before changes in working capital		6,358	5,099	(2,268)	(1,633)
Working capital changes:					
Trade and other receivables		(198)	684	(328)	859
Trade and other payables		(1,477)	(4,528)	(124)	(867)
Cash generated from/(used) in operations		4,683	1,255	(2,720)	(1,641)
Tax paid		(1,564)	(482)	(2)	-
Net cash generated from/(used in) operating activities		3,119	773	(2,722)	(1,641)

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

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income from a subsidiary		-	-	2,000	-
Interest income		187	331	179	324
Placement of deposits pledged to a licensed bank		(4)	(4)	-	-
Purchase of other investments		(400)	(800)	-	-
Proceeds from disposal of property, plant and equipment		501	263	18	-
Purchase of property, plant and equipment	5(a)	(3,682)	(319)	-	(3)
(Repayments to)/Advances from related companies		-	-	(1,300)	213
Advances from/(Repayments) to subsidiaries		-	-	1,129	(2,456)
Net cash (used in)/generated from investing activities		(3,398)	(529)	2,026	(1,922)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net repayments of hire purchase and lease creditors		(1,433)	(502)	(18)	(41)
Dividend paid to non-controlling interests of a subsidiary	6(d)	(1,764)	(2,450)	-	-
Interest paid		(330)	(166)	(23)	(270)
Net drawdown of borrowings		800	1,320	-	-
Net cash used in financing activities		(2,727)	(1,798)	(41)	(311)
Net decrease in cash and cash equivalents		(3,006)	(1,554)	(737)	(3,874)
Effect of exchange rate changes on cash and cash equivalents		22	(65)	-	-
Cash and cash equivalents at beginning of financial year		7,566	9,185	1,522	5,396
Cash and cash equivalents at end of financial year	10(c)	4,582	7,566	785	1,522

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

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Term loan (Note 14)		Hire purchase and lease creditors (Note 15)	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
At 1 June 2017		-	-	2,029	59
Cash flows		1,320	-	(502)	(41)
Non-cash flows:					
- Purchase of property, plant and equipment	5(a)	-	-	975	-
At 31 May 2018/1 June 2018		1,320	-	2,502	18
Cash flows		800	-	(1,433)	(18)
Non-cash flows:					
- Purchase of property, plant and equipment	5(a)	-	-	4,819	-
At 31 May 2019		2,120	-	5,888	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and 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 ("Ancom"), 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 2019 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 22 August 2019.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details 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 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 27.1 to the financial statements.

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

4. OPERATING SEGMENTS

The Group 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 investment holding activities.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

4. OPERATING SEGMENTS (CONTINUED)**(i) Operating segments**

	Logistics		Others		Adjustments and eliminations		Note	Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000		2019 RM'000	2018 RM'000
Revenue									
External customers	29,697	28,980	-	-	-	-		29,697	28,980
Inter-segment	-	-	2,000	-	(2,000)	-	(a)	-	-
Total revenue	29,697	28,980	2,000	-	(2,000)	-		29,697	28,980
Segment profit/(loss) before taxation	4,262	3,266	(224)	(1,663)	(2,073)	(234)		1,965	1,369
Interest income	31	275	179	324	(23)	(268)		187	331
Depreciation	(4,424)	(3,964)	(73)	(75)	-	-		(4,497)	(4,039)
Interest expense	(330)	(164)	(23)	(270)	23	268		(330)	(166)
Other material non-cash items:									
- property, plant and equipment written off	(59)	(20)	-	-	-	-		(59)	(20)
- reversal/(impairment) loss on trade and other receivables	199	(68)	15	-	(113)	-		101	(68)
- gain/(loss) on disposal of property, plant and equipment	93	263	(4)	-	-	-		89	263
- gain/(loss) on unrealised foreign exchange (net)	24	(65)	-	-	-	-		24	(65)
Segment assets	49,356	46,894	26,626	27,363	(27,554)	(26,890)	(b)	48,428	47,367
Investment in an associate	-	-	1,833	1,833	(31)	(31)		1,802	1,802
Additions to non-current assets	8,501	1,291	-	3	-	-	(c)	8,501	1,294
Segment liabilities	15,951	12,403	6,383	6,848	(5,372)	(4,625)	(d)	16,962	14,626

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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	
	2019 RM'000	2018 RM'000
Malaysia	27,431	26,122
Singapore	2,266	2,858
	29,697	28,980

(iii) Major Customer

Included in the Malaysia segment is revenue generated from a related company, Perusahaan Kimia Gemilang Sdn. Bhd. amounted to RM8,377,000 (2018: RM5,812,000).

5. PROPERTY PLANT AND EQUIPMENT

Group	Balance as at 1.6.2018 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Balance as at 31.5.2019 RM'000
Carrying amount						
Freehold land	1,016	-	-	-	-	1,016
Buildings	2,689	-	(148)	-	-	2,541
Plant and machinery	17,528	720	(2,645)	-	(59)	15,544
Motor vehicles	5,453	6,089	(1,354)	(410)	-	9,778
Furniture, fittings and office equipment	322	1,692	(342)	(2)	-	1,670
Renovations	32	-	(8)	-	-	24
	27,040	8,501	(4,497)	(412)	(59)	30,573

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	← At 31.5.2019 →		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	1,016	-	1,016
Buildings	4,070	(1,529)	2,541
Plant and machinery	54,554	(39,010)	15,544
Motor vehicles	26,734	(16,956)	9,778
Furniture, fittings and office equipment	3,768	(2,098)	1,670
Renovations	26	(2)	24
	90,168	(59,595)	30,573

Group	Balance as at 1.6.2017 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Written off RM'000	Balance as at 31.5.2018 RM'000
2018					
Carrying amount					
Freehold land	1,016	-	-	-	1,016
Buildings	2,837	-	(148)	-	2,689
Plant and machinery	20,059	94	(2,625)	-	17,528
Motor vehicles	5,405	1,164	(1,096)	(20)	5,453
Furniture, fittings and office equipment	448	36	(162)	-	322
Renovations	40	-	(8)	-	32
	29,805	1,294	(4,039)	(20)	27,040

	← At 31.5.2018 →		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	1,016	-	1,016
Buildings	4,070	(1,381)	2,689
Plant and machinery	53,950	(36,422)	17,528
Motor vehicles	23,154	(17,701)	5,453
Furniture, fittings and office equipment	2,271	(1,949)	322
Renovations	101	(69)	32
	84,562	(57,522)	27,040

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Balance as at 1.6.2018 RM'000	Depreciation charge for the financial year RM'000	Disposals RM'000	Balance as at 31.5.2019 RM'000
2019				
Carrying amount				
Motor vehicles	272	(71)	(20)	181
Furniture, fittings and office equipment	8	(2)	(2)	4
	280	(73)	(22)	185
			← At 31.5.2019 →	
		Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Motor vehicles		365	(184)	181
Furniture, fittings and office equipment		21	(17)	4
		386	(201)	185
Company	Balance as at 1.6.2017 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2018 RM'000
2018				
Carrying amount				
Motor vehicles	344	-	(72)	272
Furniture, fittings and office equipment	8	3	(3)	8
	352	3	(75)	280
			← At 31.5.2018 →	
		Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Motor vehicles		481	(209)	272
Furniture, fittings and office equipment		24	(16)	8
		505	(225)	280

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of property, plant and equipment	8,501	1,294	-	3
Financed by hire purchase and finance lease arrangements	(4,819)	(975)	-	-
Cash payments on purchase of property, plant and equipment	3,682	319	-	3

- (b) 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Motor vehicles	6,707	2,839	19	72

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 15 to the financial statements.

- (c) Each class of property, plant and equipment is 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.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	22,752	22,752
Less: Accumulated impairment losses	(278)	(278)
	22,474	22,474

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (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
		2019 %	2018 %	
Synergy Trans-Link Sdn. Bhd.	Malaysia	100	100	Investment holding
# Hikmat Ikhlas Sdn. Bhd.	Malaysia	35	35	Dormant
Subsidiaries of Synergy Trans-Link Sdn. Bhd.				
Ancom-ChemQuest Terminals Sdn. Bhd. ("ACT")	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

- # 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 statements 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.

- (c) The subsidiaries of the Group that have non-controlling interests ("NCI") are as follows:

2019	ACT RM'000	HISB RM'000	Total RM'000
NCI percentage of ownership interest and voting interest (%)	49%	65%	
Carrying amount of NCI	8,327	(309)	8,018
Profit allocated to NCI	1,121	(8)	1,113

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The subsidiaries of the Group that have non-controlling interests ("NCI") are as follows: (continued)

2018	ACT RM'000	HISB RM'000	Total RM'000
NCI percentage of ownership interest and voting interest (%)	49%	65%	
Carrying amount of NCI	8,983	(301)	8,682
Profit allocated to NCI	1,019	(6)	1,013

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

2019	ACT RM'000	HISB RM'000
Assets and liabilities		
Non-current assets	17,393	-
Current assets	5,842	2
Non-current liabilities	(4,973)	-
Current liabilities	(1,268)	(787)
Net assets/(liabilities)	16,994	(785)
Results		
Revenue	10,684	-
Profit/(loss) for the financial year	2,286	(12)
Total comprehensive income/(loss)	2,286	(12)
Cash flows from/(used in) operating activities	5,371	(8)
Cash flows (used in)/from investing activities	(2,623)	8
Cash flows used in financing activities	(2,904)	-
Net decrease in cash and cash equivalents	(156)	-
Dividend paid to NCI	1,764	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

2018	ACT RM'000	HISB RM'000
Assets and liabilities		
Non-current assets	18,167	-
Current assets	6,198	2
Non-current liabilities	(5,177)	-
Current liabilities	(856)	(775)
Net assets/(liabilities)	18,332	(773)
Results		
Revenue	10,214	-
Profit/(loss) for the financial year	2,079	(9)
Total comprehensive income/(loss)	2,079	(9)
Cash flows from/(used in) operating activities	3,149	(15)
Cash flows from investing activities	509	15
Cash flows used in financing activities	(3,696)	-
Net decrease in cash and cash equivalents	(38)	-
Dividend paid to NCI	2,450	-

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	3,902	3,902	3,902	3,902
Share of post-acquisition reserves	(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

7. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The details of the associate are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2019	2018	
Tamco Chongqing Switchgear Company Limited	China	49%	49%	Under voluntary liquidation

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

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
Third parties	3,670	4,430	-	-
Amounts owing by related companies	1,717	1,166	-	-
Amount owing by a related party	8	16	-	-
	5,395	5,612	-	-
Less: Impairment loss	(158)	(68)	-	-
	5,237	5,544	-	-
Other receivables				
Amount owing by holding company	1,340	959	1,340	959
Amounts owing by subsidiaries	-	-	249	461
Amounts owing by related companies	203	-	3	-
Other receivables	465	288	11	14
Deposits	339	1,078	1	11
	2,347	2,325	1,604	1,445
Less: Impairment loss	(21)	-	(268)	(208)
	2,326	2,325	1,336	1,237
Total receivables	7,563	7,869	1,336	1,237
Prepayments	1,602	1,276	11	11
	9,165	9,145	1,347	1,248

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 60 days (2018: 30 to 60 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% (2018: 6%) per annum and is repayable within next twelve months or upon demand in cash and cash equivalents.
- (d) Amounts owing by subsidiaries and amounts owing by related companies in other receivables represent advances and expenses paid on behalf, which are unsecured, interest-free and repayable within next twelve months or upon demand in cash and cash equivalents.
- (e) The currency exposure profile of total receivables is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Singapore Dollar	805	401	-	-
United States Dollar	204	223	-	-
Ringgit Malaysia	6,554	7,245	1,336	1,237
	7,563	7,869	1,336	1,237

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

The Group uses an allowance matrix to measure the expected credit loss of trade receivables based on grouping of customers sharing the same credit risk characteristics. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on geographic region.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Gross carrying amount RM'000	Lifetime expected loss RM'000	Net carrying amount RM'000
Collective assessment			
Not past due	5,157	(62)	5,095
Past due			
1 to 30 days	112	(20)	92
31 to 60 days	23	(11)	12
Over 60 days	103	(65)	38
	238	(96)	142
	5,395	(158)	5,237

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

(g) Impairment for inter-company balances are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(h) Movements in impairment allowance are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
At 1 June 2018/2017 under MFRS 139	68	12	-	-
Effects of adoption of MFRS 9	244	-	-	-
Restated as at 1 June 2018/2017	312	12	-	-
Charge for the financial year	-	68	-	-
Written off	(68)	(12)	-	-
Reversal of impairment loss	(86)	-	-	-
At 31 May 2019/2018	158	68	-	-
Other receivables				
At 1 June 2018/2017 under MFRS 139	-	1,810	208	2,018
Effects of adoption of MFRS 9	36	-	36	-
Restated as at 1 June 2018/2017	36	1,810	244	2,018
Charge for the financial year	-	-	24	-
Written off	-	(1,810)	-	(1,810)
Reversal of impairment loss	(15)	-	-	-
At 31 May 2019/2018	21	-	268	208
	179	68	268	208

(i) Information on financial risks of trade and other receivables is disclosed in Note 22 to the financial statements.

9. OTHER INVESTMENTS

	Group	
	2019 RM'000	2018 RM'000
Current		
Unit trusts	2,163	1,671

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

10. CASH AND BANK BALANCES

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	4,582	7,566	785	1,522
Deposits with a licensed bank	143	139	-	-
	4,725	7,705	785	1,522

(a) Deposits with a licensed bank of the Group amounting to RM143,000 (2018: RM139,000) 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Singapore Dollar	990	2,423	-	-
Ringgit Malaysia	3,735	5,282	785	1,522
	4,725	7,705	785	1,522

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	4,725	7,705	785	1,522
Less: Deposits pledged with a licensed bank	(143)	(139)	-	-
	4,582	7,566	785	1,522

(d) No expected credit losses were recognised arising from the deposits with a licensed bank because the probability of default by this license bank was negligible.

(e) Information on financial risks of cash and bank balances is disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

11. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares '000	RM'000	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

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.

12. MERGER RESERVE

	Group	
	2019 RM'000	2018 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

13. BORROWINGS

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities					
Secured					
Term loan	14	1,614	1,320	-	-
Hire purchase and lease creditors	15	3,088	1,262	-	-
		4,702	2,582	-	-
Current liabilities					
Secured					
Term loan	14	506	-	-	-
Hire purchase and lease creditors	15	2,800	1,240	-	18
		3,306	1,240	-	18
		8,008	3,822	-	18
Total borrowings					
Term loan	14	2,120	1,320	-	-
Hire purchase and lease creditors	15	5,888	2,502	-	18
		8,008	3,822	-	18

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) Term loan 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 22 to the financial statements.

14. TERM LOAN

	Group	
	2019 RM'000	2018 RM'000
Current liabilities		
- not later than one (1) year	506	-
Non-current liabilities		
- later than one (1) year and not later than five (5) years	1,614	1,320
	2,120	1,320

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

15. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum lease payments:				
Not later than one (1) year	3,041	1,342	-	18
Later than one (1) year and not later than five (5) years	3,219	1,303	-	-
Total minimum lease payments	6,260	2,645	-	18
Less: Future interest charges	(372)	(143)	-	-
Present value of minimum lease payments	5,888	2,502	-	18
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	2,800	1,240	-	18
Non-current liabilities:				
- later than one (1) year and not later than five (5) years	3,088	1,262	-	-
	5,888	2,502	-	18

16. DEFERRED TAX LIABILITIES

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

	Group	
	2019 RM'000	2018 RM'000
Balance as at 1 June 2018/2017	4,713	4,827
Recognised in profit or loss (Note 20)	(362)	(114)
Balance as at 31 May 2019/2018	4,351	4,713

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

16. 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
2019			
Balance as at 1 June 2018	4,851	-	4,851
Recognised in profit or loss	(346)	-	(346)
Balance as at 31 May 2019	4,505	-	4,505
2018			
Balance as at 1 June 2017	5,392	1	5,393
Recognised in profit or loss	(541)	(1)	(542)
Balance as at 31 May 2018	4,851	-	4,851

Deferred tax assets of the Group

	Others RM'000	Total RM'000
2019		
Balance as at 1 June 2018	(138)	(138)
Recognised in profit or loss	(16)	(16)
Balance as at 31 May 2019	(154)	(154)
2018		
Balance as at 1 June 2017	(566)	(566)
Recognised in profit or loss	428	428
Balance as at 31 May 2018	(138)	(138)

- (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	
	2019 RM'000	2018 RM'000
Unutilised tax losses	423	423

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

The unutilised tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unutilised tax losses for the year of assessment 2019 will expire in 7 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables				
Third parties	1,496	1,608	-	-
Amount owing to a related company	8	-	-	-
	1,504	1,608	-	-
Other payables				
Other payables	655	679	19	3
Accruals	1,444	1,364	392	401
Deposits	10	10	-	-
Amount owing to holding company	71	71	-	-
Amounts owing to related companies	630	1,929	56	1,356
Amount owing to a related party	-	131	-	131
Amounts owing to subsidiaries	-	-	5,124	4,164
	2,810	4,184	5,591	6,055
	4,314	5,792	5,591	6,055

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2018: 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 within next twelve months or on demand.
- (d) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Singapore Dollar	30	27	-	-
Ringggit Malaysia	4,284	5,765	5,591	6,055
	4,314	5,792	5,591	6,055

- (e) Information on financial risks of trade and other payables is disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

18. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>Revenue from contracts with customers</i>				
Services rendered, recognised at a point in time	29,697	28,980	-	-
<i>Other revenue</i>				
Dividend income	-	-	2,000	-
	29,697	28,980	2,000	-

(a) Services rendered

Revenue in respect of the rendering of services arose from the logistics segment and is recognised at a point in time when the services have been rendered to the customer.

(b) Dividend income

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

19. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense:				
- term loan	105	15	-	-
- hire purchases and lease creditors	225	151	-	2
- amount owing to a subsidiary	-	-	23	268
	330	166	23	270

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

20. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax	1,490	1,427	12	-
Under/(Over)-provision in prior years	68	(165)	-	-
	1,558	1,262	12	-
Deferred tax (Note 16)				
Relating to origination and reversal of temporary differences	(380)	(514)	-	-
Under-provision in prior years	18	400	-	-
	(362)	(114)	-	-
	1,196	1,148	12	-

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before taxation	1,965	1,369	(213)	(1,654)
Taxation at statutory tax rate of 24% (2018: 24%)	472	329	(51)	(397)
Tax effects in respect of:				
Expenses not deductible for tax purposes	702	594	543	397
Income not subject to tax	(64)	(10)	(480)	-
Under/(Over)-provision in prior years:				
- income tax	68	(165)	-	-
- deferred tax	18	400	-	-
	1,196	1,148	12	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

21. 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 financial year attributable to owners of the parent of RM344,000 (2018: RM792,000) and the weighted average number of 473,286,000 (2018: 473,286,000) ordinary shares in issue during the financial year.

	Group	
	2019	2018
Loss attributable to owners of the parent (RM'000)	(344)	(792)
Weighted average number of ordinary shares in issue ('000)	473,286	473,286
Basic loss per ordinary share for the financial year (sen)	(0.07)	(0.17)

(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.

22. 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 shareholders 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 2019 and 31 May 2018.

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	
	2019 RM'000	2018 RM'000
Total debts	8,008	3,822
Total equity attributable to owners of the parent	23,448	24,059
Gearing ratio	0.34	0.16

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 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

22. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(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 cash flow 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.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the Singapore Dollar ("SGD") exchange rate against the functional currency of the Group, with all other variables held constant.

		Group	
		2019	2018
		RM'000	RM'000
Profit after taxation			
SGD/RM	- strengthen by 3% (2018: 3%)	40	64
	- weaken by 3% (2018: 3%)	(40)	(64)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the 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 a licensed bank. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

22. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Financial risk management (continued)****(ii) Interest rate risk (continued)**Sensitivity analysis for interest rate risk

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

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
2019									
Fixed rates									
Amount owing by holding company	8	6.00%	1,340	-	-	-	-	-	1,340
Deposits with a licensed bank	10	3.10% - 3.35%	143	-	-	-	-	-	143
Hire purchase and lease creditors	15	5.28% - 6.23%	2,800	2,055	1,033	-	-	-	5,888
Floating rates									
Term loan	14	5.98%	506	552	552	510	-	-	2,120
2018									
Fixed rates									
Amount owing by holding company	8	6.00%	959	-	-	-	-	-	959
Deposits with a licensed bank	10	3.10% - 3.30%	139	-	-	-	-	-	139
Hire purchase and lease creditors	15	4.59% - 6.23%	1,240	1,053	209	-	-	-	2,502
Floating rates									
Term loan	14	5.93%	-	552	552	216	-	-	1,320

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

22. 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: (continued)

Company	Note	Effective annual interest rate %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
2019									
Fixed rates									
Amount owing by holding company	8	6.00%	1,340	-	-	-	-	-	1,340
2018									
Fixed rates									
Amount owing by holding company	8	6.00%	959	-	-	-	-	-	959
Hire purchase and lease creditors	15	2.80%	18	-	-	-	-	-	18

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

22. 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 of the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
2019			
Group			
Financial liabilities			
Trade and other payables	4,314	-	4,314
Borrowings	3,653	4,965	8,618
Total undiscounted financial liabilities	7,967	4,965	12,932
Company			
Financial liabilities			
Trade and other payables	5,591	-	5,591
Total undiscounted financial liabilities	5,591	-	5,591
2018			
Group			
Financial liabilities			
Trade and other payables	5,792	-	5,792
Borrowings	1,342	2,729	4,071
Total undiscounted financial liabilities	7,134	2,729	9,863
Company			
Financial liabilities			
Trade and other payables	6,055	-	6,055
Borrowings	18	-	18
Total undiscounted financial liabilities	6,073	-	6,073

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

22. 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.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each of the financial assets recognised in the statements of financial position.

The Group's primary exposure to credit risk arises through its trade receivables details of which are disclosed in Note 8 to the financial statements.

Credit risk concentration profile

At the end of the reporting period, the Group and the Company do not have any significant exposure to any individual customer or counter party nor do they have any major concentration of credit risk related to any financial instruments other than amount owing by holding company of RM1,340,000 (2018: RM959,000).

23. 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	
	2019 RM'000	2018 RM'000
Holding company:		
Interest received	179	324
Related companies:		
Rendering of services	9,835	8,146
Purchase of services	18	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

23. 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)

	Group	
	2019	2018
	RM'000	RM'000
Related parties:		
Rendering of services to a company which owned by a corporate shareholder of a subsidiary	77	84
Rental income received from a company in which a Director of the Company has substantial indirect shareholding	28	48
Purchase of services from a company in which a Director of the Company has substantial indirect shareholding	75	-
	Company	
	2019	2018
	RM'000	RM'000
Holding company:		
Interest received	179	324
Subsidiaries:		
Interest paid	23	268
Dividend received	2,000	-
Related party:		
Rental income received from a company in which a Director of the Company has substantial indirect shareholding	28	48
Purchase of services from a company in which a Director of the Company has substantial indirect shareholding	75	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

23. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees	348	365	282	325
Short-term employee benefits	754	160	-	-
Defined contribution plan	70	19	-	-
Other emoluments	15	17	15	16
	1,187	561	297	341

24. COMMITMENTS

(a) Capital commitments

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

	Group	
	2019 RM'000	2018 RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	149	938

(b) Operating lease commitments

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

	Group	
	2019 RM'000	2018 RM'000
Not later than one (1) year	854	854
Later than one (1) year and not later than five (5) years	3,415	3,415
Later than five (5) years	213	1,071
	4,482	5,340

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

25. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and wages	6,392	6,418	744	742
Defined contribution plan	646	617	62	69
Other benefits	559	597	3	3
	7,597	7,632	809	814

26. CONTINGENT LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Bank guarantees given by financial institutions for working capital	830	860

The bank guarantees of the Group are secured by means of corporate guarantee issued by the holding company and deposits with a licensed bank of the Group as disclosed in Note 10 to the financial statements.

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

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

27. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs**27.1 New MFRSs adopted during the financial year**

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

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycles</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

27. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**27.1 New MFRSs adopted during the financial year (continued)**

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

MFRS 9 *Financial Instruments*

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

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

(i) Classification of financial assets and financial liabilities

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

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

The following summarises the key changes:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

27. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**27.1 New MFRSs adopted during the financial year (continued)***MFRS 9 Financial Instruments* (continued)**(ii) Impairment of financial assets**

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

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

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

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

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

(iii) Classification and measurement

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

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM'000	New under MFRS 9 RM'000
Group				
Financial assets				
Other investments	FVTPL	FVTPL	1,671	1,671
Trade and other receivables, net of prepayments	L&R	AC	7,869	7,589
Cash and bank balances	L&R	AC	7,705	7,705

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

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

27.1 New MFRSs adopted during the financial year (continued)

MFRS 9 Financial Instruments (continued)

(iii) Classification and measurement (continued)

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

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM'000	New under MFRS 9 RM'000
Group				
Financial liabilities				
Borrowings	OFL*	AC	3,822	3,822
Trade and other payables	OFL*	AC	5,792	5,792
Company				
Financial assets				
Trade and other receivables, net of prepayments	L&R	AC	1,237	1,201
Cash and bank balances	L&R	AC	1,522	1,522
Financial liabilities				
Borrowings	OFL*	AC	18	18
Trade and other payables	OFL*	AC	6,055	6,055

* Other financial liabilities measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

27. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**27.1 New MFRSs adopted during the financial year (continued)***MFRS 9 Financial Instruments* (continued)**(iii) Classification and measurement (continued)**

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

	Existing under MFRS 139			New under MFRS 9
	Carrying amount as at 31 May 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Carrying amount as at 1 June 2018 RM'000
Group				
Trade and other receivables:				
Opening balance	9,145	-	-	9,145
Increase in impairment loss	-	-	(280)	(280)
Total trade and other receivables	9,145	-	(280)	8,865
Accumulated losses:				
Opening balance	(8,131)	-	-	(8,131)
Increase in impairment loss for trade and other receivables	-	-	(267)	(267)
Total accumulated losses	(8,131)	-	(267)	(8,398)
Non-controlling interests:				
Opening balance	8,682	-	-	8,682
Increase in impairment loss for trade and other receivables	-	-	(13)	(13)
Total non-controlling interests	8,682	-	(13)	8,669
Company				
Trade and other receivables:				
Opening balance	1,248	-	-	1,248
Increase in impairment loss	-	-	(36)	(36)
Total trade and other receivables	1,248	-	(36)	1,212
Accumulated losses:				
Opening balance	(2,376)	-	-	(2,376)
Increase in impairment loss for trade and other receivables	-	-	(36)	(36)
Total accumulated losses	(2,376)	-	(36)	(2,412)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MAY 2019

27. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**27.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019**

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

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

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 of the Company is in Page 43 to the financial statements.

Material Contracts Involving Directors' / Major Shareholders' Interests

There was no material contract (other than contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries which involves the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 May 2019 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions ("RRPT")

The aggregate value of RRPT made during the financial year, pursuant to the shareholders' mandate obtained at last annual general meeting of the Company, is as follows:

Transacting parties		Nature of transaction	Value of RRPT (RM'000)	Interested directors, major shareholders and connected persons
ALB Group	Related Parties			
ACT (Seller)	PKG, CKG and Fermpro (Buyer)	Charges for storage rental for liquid chemicals	4,340	Ancom Berhad, Dato' Siew Ka Wei and Siew Nim Chee & Sons Sdn. Bhd.
		Charges for handling of liquid chemicals for storage	429	
PCSB (Seller)	PKG, NSC, CKG and Fermpro (Buyer)	Charges for transportation of liquid chemicals	5,066	

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 2019

Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2019 (RM'000)	Date of Acquisition / Revaluation
Ancom-ChemQuest Terminals Sdn. Bhd.					
Jeti Petrokimia, Pelabuhan Barat Pelabuhan Klang Selangor	Unexpired lease period of 5 years <i>(Expiring on 31 August 2024)</i>	9.8 acres	Tank farm, office and warehouse Age of building: approximately 22 years	15,821	N/A
Pengangkutan Cogent Sdn. Bhd.					
PTD 149227 Jalan Berjaya 7, Taman Perindustrian Berjaya Johor Bahru, Johor	Freehold	6,070.3 sq.m.	Office building Age of building: approximately 10 years	3,114	2010

ANALYSIS OF SHAREHOLDINGS

AS AT 30 AUGUST 2019

NO. OF HOLDERS OF EACH CLASS OF EQUITY SECURITIES

Class of securities : Ordinary shares ("Shares")
 Total no. issued : 473,286,313
 No. of holders : 11,633
 Voting rights : One vote per Share on a poll

DISTRIBUTION SCHEDULE

Holdings	No. of holders	Total Holdings	%
Less than 100	3,453	166,125	0.035
100 to 1,000	4,941	2,053,486	0.434
1,001 to 10,000	2,264	8,331,010	1.760
10,001 to 100,000	773	30,247,663	6.391
100,001 to less than 5% of issued Shares	197	141,271,456	29.849
5% and above of issued Shares	5	291,216,573	61.531
	11,633	473,286,313	100.000

SUBSTANTIAL HOLDERS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Rhodemark Development Sdn. Bhd.	93,725,580	19.80	-	-
Lim Hock Heng	78,073,516	16.50	-	-
Synergy Tanker Sdn. Bhd.	64,504,192	13.63	-	-
Ancom Berhad	54,913,285	11.60	158,356,272 ^(a)	33.46
Dato' Siew Ka Wei	369,867	0.08	214,194,996 ^(b)	45.26
Chan Thye Seng	-	-	213,284,557 ^(c)	45.06
Pacific & Orient Berhad	-	-	213,269,557 ^(d)	45.06
Mah Wing Investments Limited	-	-	213,269,557 ^(e)	45.06
Mah Wing Holdings Sdn. Bhd.	-	-	213,269,557 ^(e)	45.06

Note:

- (a) Deemed interested by virtue of its direct interest in Synergy Tanker Sdn. Bhd., Ancom Properties Sdn. Bhd. (formerly known as Ancom Chemicals Sdn. Bhd. and 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 his indirect interest in Ancom Berhad and Tan Soo Leng.
 (d) Deemed interested by virtue of its direct and indirect interest in Ancom Berhad.
 (e) Deemed interested by virtue of its direct and indirect interest in Pacific & Orient Berhad.

DIRECTORS' HOLDINGS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Siew Ka Wei	369,867	0.08	214,194,996 ^(f)	45.26

Note:

- (f) 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 (CONT'D)

AS AT 30 AUGUST 2019

THIRTY LARGEST SHAREHOLDERS

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

Name	No. of Shares	%
1. Lim Hock Heng	78,073,516	16.496
2. Synergy Tanker Sdn. Bhd.	64,504,192	13.629
3. Ancom Berhad	54,913,285	11.603
4. Kenanga Nominees (Tempatan) Sdn. Bhd. - Rhodemark Development Sdn. Bhd.	49,000,000	10.353
5. Rhodemark Development Sdn. Bhd.	44,725,580	9.450
6. Deepak Jaikishan A/L Jaikishan Rewachand	19,899,700	4.205
7. Tina Jennifer Pereira A/P Sebastian Ellarian Pereira	11,515,700	2.433
8. Kenneth William Khoo Boo Hor	9,458,100	1.998
9. Ling Yoke Tek	6,001,000	1.267
10. RHB Nominees (Tempatan) Sdn. Bhd. - Amara Investment Management Sdn. Bhd. for Tan Jit Liang	5,096,000	1.077
11. Public Invest Nominees (Tempatan) Sdn. Bhd. - Exempt An for Phillip Securities Pte Ltd (Clients)	3,639,800	0.769
12. Public Nominees (Tempatan) Sdn. Bhd. - Wong Fook Yew (E-SS2)	3,243,800	0.685
13. Wong Sick Kiew	3,045,000	0.643
14. Lim Kim Yew	3,011,900	0.636
15. Lim Kim Loy	3,000,000	0.634
16. Lim Keng Chuan	2,562,000	0.541
17. HSBC Nominees (Asing) Sdn. Bhd. - Six Sis for Bank Sarasin CIE	2,466,900	0.521
18. Loh Kah Guan	2,167,300	0.458
19. Quek Tuan Soon	2,022,100	0.427
20. HSBC Nominees (Asing) Sdn. Bhd. - Exempt An for The HongKong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	1,750,000	0.370
21. RHB Capital Nominees (Tempatan) Sdn. Bhd. - Rossana Annizah Binti Ahmad Rashid @ Mohd Rashidi (CEB)	1,400,000	0.296
22. Terengganu Incorporated Sdn. Bhd.	1,370,800	0.290
23. Loh Boon Hong	1,355,000	0.286
24. Loh Boon Hong	1,200,000	0.254
25. Loh Kah Peng	1,200,000	0.254
26. Law Say Huat	1,156,100	0.244
27. Tan Jit Liang	1,100,000	0.233
28. Teh Yeng Song	1,100,000	0.233
29. Ee Teck Ming	1,000,000	0.211
30. Glorified Power Sdn. Bhd.	1,000,000	0.211
Total	381,977,773	80.707

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 53rd Annual General Meeting of the Company will be held at 11.30 a.m., on Thursday, 17 October 2019 at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 May 2019 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To re-elect Directors who retire pursuant to Clause 125 of the Company's Constitution:
 - (i) Dato' Siew Ka Wei **[Ordinary Resolution 1]**
 - (ii) Abdul Latif Bin Mahamud **[Ordinary Resolution 2]**
3. To approve the payment of Directors' fees of RM282,205/- for the financial year ended 31 May 2019. **[Ordinary Resolution 3]**
4. To approve the payment of Directors' benefits (excluding Directors' fees) for the Non-Executive Directors of up to RM90,000/- from the date of the forthcoming annual general meeting until the next annual general meeting of the Company. **[Ordinary Resolution 4]**
5. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **[Ordinary Resolution 5]**

AS SPECIAL BUSINESS

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

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

"THAT subject always to the 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 25 September 2019, provided that such transactions are necessary for day-to-day operations and carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

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 (CONT'D)

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

7. PROPOSED AUTHORITY TO ISSUE AND ALLOT SHARES**[Ordinary Resolution 7]**

"THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad 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 DIRECTORS

(i) "THAT approval be and is hereby given to Lim Hock Chye, who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as an Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

[Ordinary Resolution 8]

(ii) "THAT approval be and is hereby given to Safrizal Bin Mohd Said, who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as an Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

[Ordinary Resolution 9]**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,

CHOO SE ENG (MIA 5876)
STEPHEN GEH SIM WHYE (MICPA 1810)
Secretaries

Petaling Jaya
25 September 2019

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES:

- a. A member, including an authorised nominee, entitled to attend, speak and vote at the Meeting may appoint not more than two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- c. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.
- d. In respect of deposited securities, only members whose names appear in the Record of Depositors on 10 October 2019 (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.
- e. The Proxy Form must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting, otherwise, the Proxy Form shall not be treated as valid. If you are an individual shareholder, you can also lodge the Proxy Form electronically via TIIH Online at website: <https://tiih.online> before the proxy appointment cut off time as mentioned above. For further information on the electronic lodgement of Proxy Form, please refer the Annexure to the Company's Notice for 2019 Annual General Meeting dated 25 September 2019.
- f. A member may give the Company notice of termination of a person's authority to act as proxy not less than twenty-four (24) hours before the time appointed for holding the Meeting. The notice of termination must be in writing and be deposited at the Share Registrar's office as indicated above.
- g. Pursuant to Rule 8.31A(1) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

EXPLANATORY NOTES:

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

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 3 – Directors' fees

The Directors' fees for the Non-Executive Directors ("NED") had not been increased for the financial year ended ("FYE") 2019 as compared with the Directors' fees for the FYE2018, following an independent Board remuneration review conducted by an external consultant in 2016. The Board of Directors ("Board") approved the Remuneration & Nomination Committee's recommendation for the Directors' fees to remain unchanged in respect of FYE2019 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 53rd Annual General Meeting on the Directors' benefits (excluding Directors' fees) payable to the NED for the period from 17 October 2019, the date of this Annual General Meeting, until the next annual general meeting.

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)**4. Ordinary Resolution 6 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of RRPT Mandate")**

This proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related 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 25 September 2019.

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

This proposed resolution, if passed, will authorise the Directors to issue and allot up to a maximum of ten per centum (10%) of the total number of issued shares of 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 Directors

The Remuneration & Nomination Committee and the Board had assessed the independence of Lim Hock Chye and Safrizal Bin Mohd Said and recommended them to continue to act as the Independent Directors of the Company on the ground that:

- (i) they fulfill the criteria as Independent Director as per the definitions stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and based on the peer-assessment by the Directors, the Directors are also satisfied with them appearing to demonstrate conduct and behaviour that are essential indicators of independence, and they have acted in a manner that provide the necessary check and balance in the best interest of the Company;
- (ii) they have been with the Company for more than twelve (12) years and therefore understand the Group's business operations which enable them to participate actively during deliberations or discussions at the Board and Committee meetings;
- (iii) they are knowledgeable and have applied their vast experience and due care in exercising independent judgement and bringing objectivity to the oversight function of the Board; and
- (iv) they have given time commitment to attend the Company's meetings and performance of duties and have carried out their professional duties in the interest of the Company.

The profile of Lim Hock Chye and Safrizal Bin Mohd Said are in the Board of Directors in the Company's 2019 Annual Report. The Board has decided not to adopt the 2-tier voting process for the approval to retain Lim Hock Chye and Safrizal Bin Mohd Said as Independent Directors of the Company.

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

PROXY FORM

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

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

of _____
 (Full Address)

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

Full Name in Block Letters		Proportion of shareholdings to be represented %
NRIC No.		
Full Address		
Full Name in Block Letters		Proportion of shareholdings to be represented %
NRIC No.		
Full Address		
		100 %

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the 53rd Annual General Meeting of the Company to be held at 11.30 a.m., on Thursday, 17 October 2019 at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia and at any adjournment thereof and to vote as indicated below:

ORDINARY RESOLUTION		FOR	AGAINST
1	To re-elect Dato' Siew Ka Wei as a Director of the Company.		
2	To re-elect Abdul Latif Bin Mahamud as a Director of the Company.		
3	To approve the payment of Directors' fees.		
4	To approve the payment of Directors' benefits.		
5	To re-appoint Messrs BDO PLT as Auditors of the Company.		
6	Proposed Renewal of RPPT Mandate.		
7	Proposed Authority to Issue and Allot Shares.		
8	Continuing in office as an Independent Director – Lim Hock Chye.		
9	Continuing in office as an Independent Director – Safrizal Bin Mohd Said.		

(Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

[*Delete if not applicable]

Dated this _____ day of _____ 2019

 [Signature / Common Seal of shareholder(s)]

Telephone no. during office hours:

--

NOTES:

- a. A member, including an authorised nominee, entitled to attend, speak and vote at the Meeting may appoint not more than two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- c. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.
- d. In respect of deposited securities, only members whose names appear in the Record of Depositors on 10 October 2019 (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.
- e. The Proxy Form must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting, otherwise, the Proxy Form shall not be treated as valid. If you are an individual shareholder, you can also lodge the Proxy Form electronically via TIIH Online at website: <https://tiih.online> before the proxy appointment cut off time as mentioned above. For further information on the electronic lodgement of Proxy Form, please refer the Annexure to the Company's Notice for 2019 Annual General Meeting dated 25 September 2019.
- f. A member may give the Company notice of termination of a person's authority to act as proxy not less than twenty-four (24) hours before the time appointed for holding the Meeting. The notice of termination must be in writing and be deposited at the Share Registrar's office as indicated above.
- g. Pursuant to Rule 8.31A(1) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

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Stamp

ANCOM LOGISTICS BERHAD (Company No. 6614-W)

The Share Registrar:
Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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www.ancomlogistics.com.my