

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.