



ANCOM LOGISTICS BERHAD

(Company No. 6614-W)
Incorporated in Malaysia



16



TOGETHER
WE CAN MAKE A DIFFERENCE

ANNUAL REPORT 2018

52ND ANNUAL GENERAL MEETING

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

🕒 Thursday, 18 October 2018
11.30 a.m.



COVER RATIONALE

As a logistics professional, Ancom Logistics Berhad and group of companies ("Group") is committed to strengthen for business sustainable growth. The diamond elements on the cover showcasing the continued untiring effort of the Group going to the extra miles to deliver sustainable growth and create value for its shareholders, employees and other related stakeholders.

Together we can make a difference.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Abdul Latif bin Abdullah
(Independent Non-Executive
Chairman)

Dato' Siew Ka Wei
(Executive Vice Chairman)

Abdul Latif bin Mahamud
(Non-Independent
Non-Executive Director)

Safrizal bin Mohd Said
(Independent Non-Executive
Director)

Lim Hock Chye
(Independent Non-Executive
Director)

Edmond Cheah Swee Leng
(Independent Non-Executive
Director)
[Resigned on 21-8-2018]

AUDIT COMMITTEE

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

REMUNERATION & NOMINATION COMMITTEE

Lim Hock Chye *(Chairman)*
Dato' Abdul Latif bin Abdullah
Abdul Latif bin Mahamud
[Resigned on 21-8-2018]
Safrizal bin Mohd Said

COMPANY SECRETARIES

Choo Se Eng (MIA 5876)
[Appointed on 17-4-2018]
Stephen Geh Sim Whye (MICPA 1810)
Soo Shiow Fang (MAICSA 7044946)
[Resigned on 19-3-2018]

REGISTERED OFFICE

Unit C508, Block C, Kelana Square
Jalan SS 7/26, 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

AUDITORS

BDO
Chartered Accountants

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

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

SOLICITORS

Shearn Delamore & Co
Lee, Perara & Tan

DOMICILE

Malaysia

WEBSITE

www.ancomlogistics.com.my

FIVE-YEAR HIGHLIGHTS

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	28,980	28,333	32,366	32,253	49,729
Profit/(Loss) before taxation	1,369	(2,463)	(286)	758	14,939
Profit/(Loss) after taxation	221	(3,063)	(309)	(453)	13,923
Effective percentage rate of tax - %	84%	>100	>100	>100	6.8
(Loss)/Profit attributable to shareholders of the Company	(792)	(4,128)	(1,654)	(1,540)	13,596
ASSETS EMPLOYED					
Property, plant and equipment	27,040	29,805	29,988	34,003	37,715
Investments	1,802	1,802	1,802	1,802	1,802
Other non-current assets	-	-	-	30	162
Current assets	18,525	20,872	25,536	24,226	41,301
TOTAL ASSETS	47,367	52,479	57,326	60,061	80,980
FINANCED BY					
Share capital	23,664	23,664	23,664	23,664	47,329
Reserves	8,526	8,526	8,526	8,526	14,940
Accumulated losses	(8,131)	(7,339)	(3,211)	(1,557)	(11,164)
Shareholders' funds	24,059	24,851	28,979	30,633	51,105
Non-controlling interests	8,682	10,119	14,670	14,795	13,708
Total shareholders' fund and non-controlling interests	32,741	34,970	43,649	45,428	64,813
Non-current liabilities	7,295	6,225	5,768	6,511	7,099
Current liabilities	7,331	11,284	7,909	8,122	9,068
TOTAL FUNDS EMPLOYED	47,367	52,479	57,326	60,061	80,980
SHAREHOLDERS' INTERESTS					
(Loss)/Earnings per share - sen	(0.17)	(0.87)	(0.35)	(0.33)	2.87
Gross dividend per share - sen	-	-	-	-	4.00
Net assets attributable to shareholders per share - sen	5.08	5.25	6.12	6.47	10.80
OTHERS					
Depreciation	4,039	4,069	4,463	4,695	6,269
Interest expense	166	66	101	138	325

LIST OF PRINCIPAL OFFICES

ANCOM LOGISTICS BERHAD

No. 2A, Jalan 13/2, Seksyen13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : (603) 7495 5000

Fax : (603) 7495 5088

ANCOM-CHEMQUEST TERMINALS SDN. BHD.

Jeti Petrokimia, Pelabuhan Barat, 42920 Pulau Indah
Port Klang, Selangor Darul Ehsan, Malaysia

Tel : (603) 3101 1372

Fax : (603) 3101 1279

PENGANGKUTAN COGENT SDN. BHD.

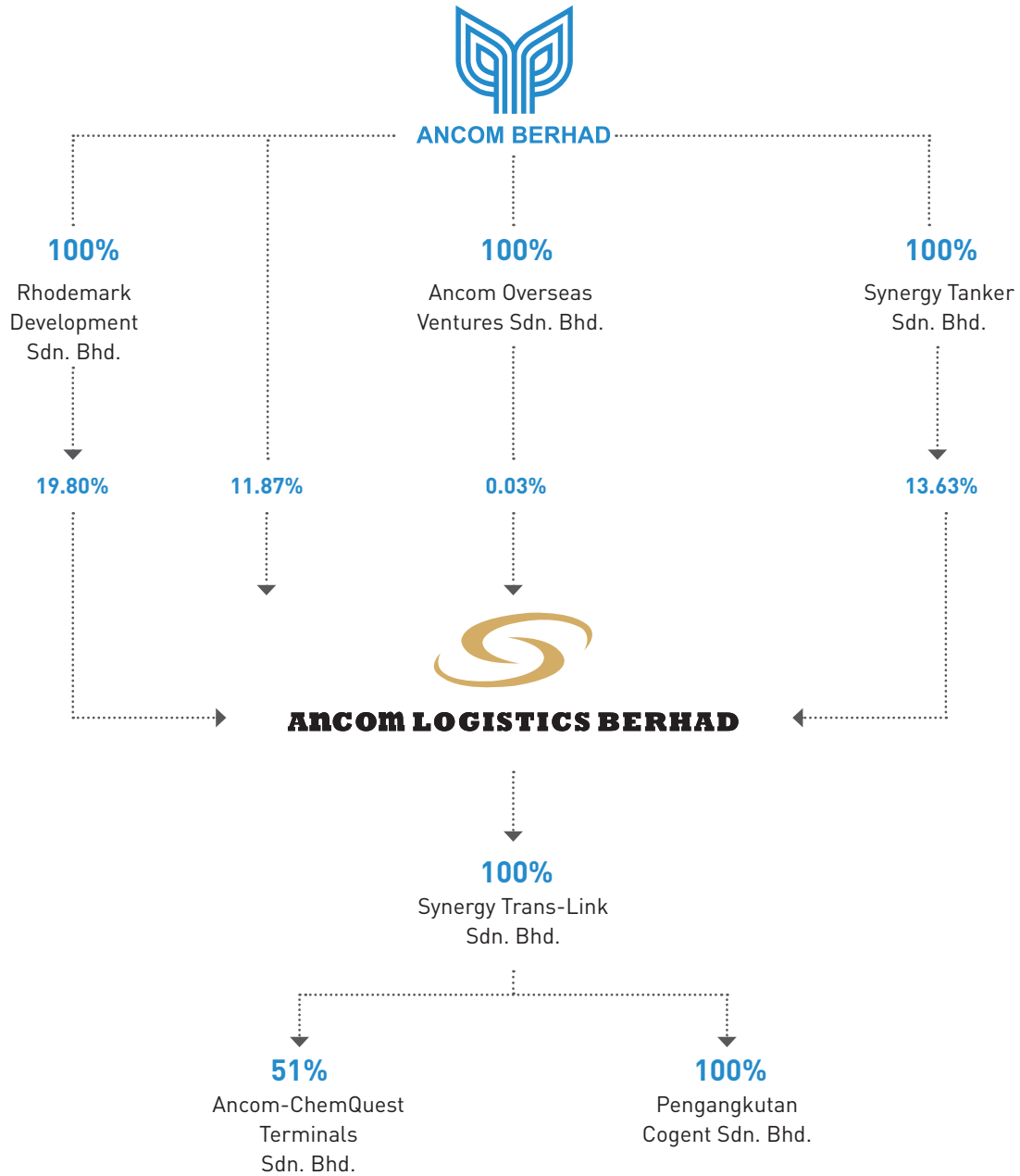
PTD 149227, Jalan Berjaya 7, Taman Perindustrian Berjaya
81200 Kempas Lama, Johor Darul Takzim, Malaysia

Tel : (607) 558 3131

Fax : (607) 558 1313

CORPORATE STRUCTURE

AS AT 31 MAY 2018



Note:

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

BOARD OF DIRECTORS



DATO' ABDUL LATIF BIN ABDULLAH

Age 68, Male, Malaysian
Independent Non-Executive Chairman

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

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

Dato' Latif started his career in 1975 with the Ministry of Foreign Affairs 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 62, Male, Malaysian
Executive Vice Chairman

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

Qualified with a Bachelor of Science (Hons) degree in Chemical Engineering and a Master of Science degree in Operational Research from the Imperial College of Science, Technology and Medicine, 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 the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 25,000 chief executive officers and leaders of major companies and organisations over 130 countries. He was a director of the International Board of Directors of YPO from 2000 to 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. In April 2013, Dato' Siew was conferred an honorary degree in Doctor of Business Administration honoris causa by HELP University, Malaysia.

Currently, Dato' Siew is the 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. He is currently the President of the Imperial College Alumni Association of Malaysia and a Governor of the Board of Governors for Malborough College of Malaysia.

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

BOARD OF DIRECTORS


ABDUL LATIF BIN MAHAMUD

Age 61, Male, Malaysian
Non-Independent Non-Executive
Director

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

Abdul Latif is currently a member of the Audit Committee of the Company.

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


SAFRIZAL BIN MOHD SAID

Age 52, 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 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

**EDMOND CHEAH SWEE LENG**

Age 64, Male, Malaysian
Independent Non-Executive Director
(Resigned on 21 August 2018)

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

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

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

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

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

**LIM HOCK CHYE**

Age 63, Male, Malaysian
Independent Non-executive Director

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

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

He was formerly a consultant with an 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 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 certain Related Party Transactions as disclosed in this Annual Report, the Directors do not have any business interest which conflict with their positions in the Company.
3. None of the Directors has been convicted of any offences other than traffic offences (if any) within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. Please refer to *Statement on Corporate Governance* of this Annual Report for the Directors' meeting attendance records.
5. Please refer to *Directors' Report* of this Annual Report for the Directors' securities holdings in the Company and its related corporations.

KEY SENIOR MANAGEMENT

DATO' SIEW KA WEI

Age 62, Male, Executive Vice Chairman

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

Lim Chang Meng

Chief Financial Officer
Age 46, Male, Malaysian

Chang Meng began his career as an Auditor with a Big 4 firms in 1992 until 2000. He was the 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") in 2010. In 2011, he was promoted as the Company's Group Chief Financial Officer, overseeing the financial matters in the Group. He was appointed the Chief Financial Officer of Ancom in July 2014.

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

He has no directorship in public listed companies and listed issuers.

Choo Se Eng

Company Secretary
Age 57, Male, Malaysian

Se Eng started his career as an Auditor in one of the Big 4 firms 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 in April 2018.

He was appointed the Joint Company Secretary of the Company when Ancom became its holding company in 1999. He resigned as a Company Secretary of the Company in August 2016. He was re-appointed a Joint Company Secretary in April 2018.

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 listed companies and listed issuers.

KEY SENIOR MANAGEMENT

Mohd Yusof Bin Muhamad Don

General Manager – Pengangkutan Cogent Sdn. Bhd. (“Cogent”)
Age 52, Male, Malaysian

Mohd Yusof was appointed as the General Manager of Cogent, a subsidiary of the Company, in February 2015. Prior to this position, he was a Senior Manager/Director of Hayara Sdn Bhd and Hayana Sdn Bhd, both based in Penang, from 2013 to 2015. Before that, he held various senior managerial positions 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 listed companies and listed issuers.

Serena Khoo Sook Lai

General Manager
– Ancom-ChemQuest Terminals Sdn. Bhd. (“ACQT”)
Age 53, Female, Malaysian

Serena was appointed as the General Manager of ACQT, a subsidiary of the Company, in 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 Senior Operations Manager.

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

She has no directorship in public listed 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. None of the Key Senior Management has any financial interest in any business arrangement involving the Group.
3. Other than traffic offences (if any), none of the Key Senior Management has been convicted of any offence within the past five (5) years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

Overview

Ancom Logistics Berhad (“ALB”) is an investment holding company with subsidiaries involving in the chemical transportation, warehousing and chemical tank farm businesses in Malaysia. It holds the entire equity interest in Synergy Trans-Link Sdn Bhd (“STL”), which in turn holds the entire equity interest in Pengangkutan Cogent Sdn Bhd (“PCSB”) and 51% equity interest in Ancom-ChemQuest Terminals Sdn Bhd (“ACT”).

PCSB owns and operates a fleet of chemical road tankers and provides cross border bulk chemicals land transportation services within Malaysia and across boarder to and from Singapore.

ACT owns and operates the leasing and managing of a chemical tank farm in West Port, Port Klang, Selangor Darul Ehsan, Malaysia.

Financial performance

The performance of the Group has improved in the current financial year ended 31 May 2018. Consolidated revenue of the Group increased to RM29.0 million in the current financial year ended 31 May 2018 compared to RM28.3 million in the previous financial year ended 31 May 2017. The Group reported profit before taxation of RM1.4 million in the current financial year ended 31 May 2018 compared to loss before taxation of RM2.5 million a year ago.

Logistics Division

The logistics division is the key business segment of the Group. The division posted a commendable improvement in its operating results for the financial year ended 31 May 2018 compared to its overall results in the previous financial year ended 31 May 2017. Segmental revenue improved to RM29.0 million in the current financial year ended 31 May 2018 compared to RM27.6 million in the previous financial year ended 31 May 2017. The higher segmental revenue coupled with the better efficiencies in its costs management have resulted in the improvement in its segmental profit before taxation of RM3.3 million posted for the current financial year ended 31 May 2018 compared to a segmental profit before taxation of RM1.3 million reported in the previous financial year ended 31 May 2017.

The management had embarked on the costs rationalisation for the chemical transportation business during the current financial year ended 31 May 2018. This include upgrading and replacing of trucks which have been long in service to newer ones. Such measures are aimed to reduce the high costs of maintaining old trucks and to improve operational efficiencies. The on-going efforts by the management to optimise its fleet has shown positive results during the financial year ended 31 May 2018 and the business has returned to profitability with such measures being taken.

The chemical tank farm industry continues to experience strong demand for such services. Our tank farm business remains stable during the financial year ended 31 May 2018. In the chemical tank farm business, safety and efficiency are critical in providing good services to our customers as this will ensure smooth loading and unloading of chemicals. The management will continue to invest and upgrade its the safety and preventive equipment in the tank farm so that we remain competitive in the market.

Other Segment

Other segment includes the results of the investment holding companies.

There is no inter-segment dividend income received in the current financial year ended 31 May 2018. Inter-segment dividend income received by the division was RM5.7 million in the previous financial year ended 31 May 2017. At ALB Group level, inter-segment dividend income is eliminated.

As a result, the division posted a segmental loss before taxation of RM1.7 million for the financial year ended 31 May 2018 compared to a segmental profit before taxation of RM2.1 million in the previous financial year ended 31 May 2017. Excluding inter-segment dividend income in the previous financial year, the division would have posted a segmental loss of RM3.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

The management is of the view that tank farm business should continue to remain stable as the demand for such facilities remain strong. While the performance of our chemical transportation business has improved, management expects competitions to remain stiff. There are needs to continue our fleet upgrading plans to remain competitive in the chemical transportation business.

Barring any unforeseen circumstances, the management is of the view that the financial performance and prospects of the Group for the next financial year should be satisfactory. Nevertheless, we will continue to exercise caution in managing the business.

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to Rule 15.25(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”)

INTRODUCTION

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

The Board is pleased to present this statement outlining the applications by the Group of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2017 (“Code”) with reference to the Corporate Governance Guide (“Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) for the financial year ended 31 May 2018.

PRINCIPLE A:

BOARD LEADERSHIP AND EFFECTIVENESS

Clear Functions of the Board and Management

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

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

Separation of the Positions of the Chairman and the EVC

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

The Chairman holds a non-executive position and is primarily responsible for ensuring the Board’s effectiveness and conduct in discharging its responsibilities. The EVC, who heads the Management, is responsible for implementing and executing the Board’s corporate decisions and strategies, in addition to the day-to-day operations of the Group to achieve the financial goals set by the Board.

Clear Roles and Responsibilities of the Board

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

- Formulating and charting the strategic direction and setting out the Group’s short-term and long-term plans and objectives. This will then be the basis for the EVC and Management team to formulate a detailed business plan;
- Reviewing and approving the Group’s key operational policies and initiatives and major investment and funding decisions of the Group, new business/projects and reviewing the same with the EVC;
- Overseeing and reviewing the Group’s business operations and financial performances to evaluate whether the business is being properly managed and sustained;
- Overseeing the development, implementation and review of the succession plan for the Directors and the key senior management;

STATEMENT ON CORPORATE GOVERNANCE

- Overseeing the development, implementation and reviewing/monitoring of the risk management framework and the adequacy and integrity of the Group's internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group; and
- Formulating and promoting ethical and good corporate governance within the Group.

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

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

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

Formalised Ethical Standard through Code of Conduct and Ethics

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

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

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

Strategically Promoting Sustainability

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

The Group continued to carry out activities which demonstrate its commitment towards creating a better environmental, social and governance and sustainability agenda during the financial year ended 31 May 2018 as reported in the *Sustainability Statement* in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

Access to Information and Advice

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

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain minutes of meetings, operational and financial performance reports, details of corporate proposals, the Quarterly Interim Financial Reports or the Annual Audited Financial Statements, reports of the Committees, Internal Audit Reports and other matters for the Directors' perusal before the Board/Committee meetings. The Company Secretaries will strive to provide these materials to the Directors at least five (5) business days prior to the Board/Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board/Committee meetings.

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

Qualified and Competent Company Secretaries

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

The Company Secretaries are responsible in advising the Board on its roles and responsibilities. They play an advisory role to the Board in formulating the Company's constitution and Board policies and procedures. The Company Secretaries have a key role to play in ensuring that the Board policies and procedures are both followed and regularly reviewed. The Company Secretaries are also responsible for monitoring corporate governance developments and assist the Board in applying governance practices to meet the Board's need and stakeholders' expectation. They are responsible for the efficient administration of the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's constitution, the Board policies and procedures, the statutory and regulatory requirements and for ensuring that decisions of the Board are implemented. They are also responsible for regularly updating and apprising the Board on new statutory and regulatory requirements as well as corporate governance practices.

One of the key responsibilities of the Company Secretaries is to prepare and organise Board and Committee meetings and the shareholders meetings. In consultation with the Chairman, the Company Secretaries will prepare the agenda and the relevant meeting papers for these meetings. To ensure the Directors are provided with sufficient information and time to prepare for Board/Committee meetings, the Secretaries will circulate the meeting materials at least five (5) business days in advance of the Board/Committee meetings. The Company Secretaries will also attend these meetings and take minutes which 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 will strive to prepare the minutes within twenty-one (21) days for the Board and Committee's review and comment.

The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the law. The other roles and responsibilities of Company Secretaries include but not limited to facilitate the orientation of new Directors and assist in Director training and development; monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

STATEMENT ON CORPORATE GOVERNANCE

The Company Secretaries work closely with the Chairman and the EVC to ensure that there are timely and appropriate information flows within the Board and to the Committees and Management. They are also the focal point for stakeholders' communication and engagement on corporate governance issues.

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 25 July 2018, is available on the Company's website at www.ancomlogistics.com.my.

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

The Board Charter focuses on the following areas:

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

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

Board Composition

During the financial year under review, the Board comprised one (1) Chairman, one (1) EVC, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors.

The composition of the Board complies with the requirements of the Listing Requirements where at least one-third (1/3) of the Board must comprises Independent Non-Executive Directors. It also complies with the Code in having at least half of the Board Composition, Independent Non-Executive Directors.

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

Remuneration and Nomination Committee

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

The Terms of Reference of the R&N Committee were last reviewed by the Board on 25 July 2018 and are available on the Company's website at www.ancomlogistics.com.my.

During the financial year, the membership of the R&N Committee, which comprises 3 Independent Non-Executive Directors, was as follows:

Lim Hock Chye	(Independent Non-Executive Director, Chairman)
Safrizal bin Mohd Said	(Independent Non-Executive Director, Member)
Abdul Latif bin Mahamud	(Non-Independent Non-Executive Director, Member)
Dato' Abdul Latif bin Abdullah	(Independent Non-Executive Director, Member)

STATEMENT ON CORPORATE GOVERNANCE

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

The R&N Committee did not utilise independent sources to identify suitably qualified candidates as the R&N Committee understands the specialised industry it operates in. Through its own network, the R&N Committee would be in the best position to look for potential candidates with background which fits the criteria requirements.

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

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

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

Annual Assessment

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

During the financial year ended 31 May 2018, the R&N Committee had one (1) meeting. The R&N Committee, after reviewing the current composition of the Board and the Committees, was satisfied that the Board and Committees comprised Directors who are persons of calibre and credibility with extensive expertise and a wealth of experience in legal, accounting, corporate finance, marketing, public services and business practice, as required under the Board Charter and the Terms of Reference of the Committees, to support the Group's continuous growth and prosperity. Accordingly, the R&N Committee recommended that the current composition of the Board and Committees be retained.

Re-election of Directors

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

Board Diversity Policy

The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the Group in 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 shareholders.

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

On 25 July 2018, the Board has formulated a formal Board Diversity Policy which is available on the Company website at www.ancomlogistics.com.my. The appointment of new Board 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 and ethnicity diversity will be taken into account in nominating and selecting new Directors to be appointed to the Board in future.

Remuneration of Directors

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

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

The R&N Committee also assumes the task of recommending to the Board the remuneration package for the EVC, drawing on outside advice as necessary at the Company's expense, and taking into consideration the EVC's responsibilities, contributions and performance, as well as the market rate for similar positions in comparable companies. During the financial year under review, the EVC has decided not to receive any remuneration from the Company. The EVC is also not entitled to the Director's fee and attendance allowance for the Board and Committee meetings that he attended.

For the last financial year, the Chairman of the Board and the Non-Executive Directors of the Board received RM60,000 and RM50,000 respectively as Directors' fees per annum. The members of the Audit Committee received RM15,000 each while the members of the R&N Committee received RM5,000 each per annum. These were as recommended by the R&N Committee and the total Directors' fees of RM325,000 was approved by the shareholders at the 51st annual general meeting of the Company.

In addition, the Non-Executive Directors also received attendance allowance amounting to RM416.67 for each Board and Committee meeting attended. The Chairman, who is not entitled to the meeting allowance, is provided with a car and a driver.

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

The aggregate amount of Directors' remuneration paid or payable to the Directors of the Company for the financial year ended 31 May 2018 is as follows:

Category	Group		Company	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Fees	-	325	-	325
Salaries	-	-	-	-
Other emoluments	-	16	-	16
Benefits-in-kind	-	11	-	11
Total	-	352	-	352

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

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

Assessment of Independence

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

Tenure of Independence

Practice 4.2 of the Code states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years. If the Board continues to retain the Independent Directors after the twelfth (12th) year, the Board should seek annual shareholders' approval through a 2-tier voting process.

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

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

Further, the Board had via the R&N Committee conducted an annual performance evaluation and assessment of Safrizal bin Mohd Said and Lim Hock Chye, who have served as the Independent Directors of the Company for a cumulative term of more than twelve (12) years and recommended that they continue to act as the Independent Directors of the Company based on the following justifications:

- (a) They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements;
- (b) 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 and contribute during the deliberations or discussions at the Board and Committee meetings;
- (c) They are knowledgeable and have applied their vast experience and due care to discharge their duties and responsibilities as Independent Directors of the Company by exercising independent judgement and bringing objectivity to the oversight function of the Board; and
- (d) They have given time commitment to attend the Company's meeting and performance of duties and have exercised due care during their tenure as Independent Directors of the Company; and have carried out their professional duties in the interest of the Company and the Group.

The Board will seek shareholders' approval at the Company's forthcoming annual general meeting to retain both Safrizal bin Mohd Said and Lim Hock Chye as Independent Directors of the Company based on the above justifications.

The Board has decided not to adopt the 2-tier voting process as the Board has received legal opinion that the 2-tier voting may not be compatible with the Company's Articles read together with the Companies Act 2016. As such, the Board has chosen not to adopt the 2-tier voting as a precautionary measure.

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 and, in these circumstances, any concerns need not be focused on a single Director as all members of the Board fulfil this role individually and collectively.

STATEMENT ON CORPORATE GOVERNANCE

Time Commitment

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

The Directors are required to inform the Board 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 appointment, should they wish to accept new board directorships in other public listed companies.

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

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

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

Name of Directors	Attendance
Board Meetings:	
Dato' Abdul Latif bin Abdullah	3/4
Dato' Siew Ka Wei	3/4
Abdul Latif bin Mahamud	3/4
Safrizal bin Mohd Said	3/4
Edmond Cheah Swee Leng	4/4
Lim Hock Chye	4/4
Audit Committee Meetings:	
Safrizal bin Mohd Said	5/5
Abdul Latif bin Mahamud	4/5
Lim Hock Chye	5/5
R&N Committee Meeting:	
Lim Hock Chye	1/1
Safrizal bin Mohd Said	0/1
Dato' Abdul Latif bin Abdullah	1/1
Abdul Latif bin Mahamud	1/1

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

All the Directors attended the 51st Annual General Meeting of the Company in October 2017.

STATEMENT ON CORPORATE GOVERNANCE

Continuing Education Programme and Training

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

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

In May 2018, Ancom Berhad, the holding company, organised a workshop on "Key Amendments to Listing Requirements Arising from Companies Act 2016," facilitated by a professional trainer for the Directors of the Company.

All the Directors of the Company have attended the above workshop except for Lim Hock Chye. Lim Hock Chye has undertaken that he will attend at least one suitable course/workshop/seminar in the next financial year.

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 of the Company and of the Group.

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

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

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

Sound Framework to Manage Risk

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

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

Internal Audit Function

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

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

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

Leverage on Information Technology

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

Shareholders' Participation at General Meetings

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

Minutes were kept to record the proceedings of the annual general meetings by the Company Secretaries and the summary of key matters discussed at the general meetings and the minutes are available for inspection by the shareholders at the Company's registered office at Unit C508, Block C, Kelana Square, Jalan SS17/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The summary of key matters discussed at the general meetings is also posted at the Company's website at www.ancomlogistics.com.my.

Poll Voting

All resolutions that put to the shareholders for decision will be carried out via poll voting.

Effective Communication and Proactive Engagement with Shareholders

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

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 cosec@ancom.com.my. The queries will be attended to by the Board, the Company Secretaries or the Senior Management, as the case may be.

CONCLUSION

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

AUDIT COMMITTEE REPORT

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

The Board is pleased to present its Audit Committee Report for the financial year ended 31 May 2018.

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference, which is available on the Company’s website at www.ancomlogistics.com.my. The Terms of Reference was last reviewed by the Board on 25 July 2018.

MEMBERS AND MEETINGS

The membership of the Audit Committee is as follows:

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

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 Listing Requirements.

The Chairman of the Audit Committee and Chairman of the Board have been assumed by different persons to prevent any impairment on objectivity of the Board’s review of the Audit Committee’s findings and recommendations.

The Chairman of the Audit Committee together with other members of the Audit Committee should ensure among others that:

- the Audit Committee is fully informed about significant matters related to the Company’s and the Group’s audit and its Financial Statements and addresses these matters;
- the Audit Committee appropriately communicates its insights, views and concerns about relevant transactions and events to the Internal and External Auditors;
- Audit Committee’s concerns on matters that may have an effect on the financial or audit of the Company and of the Group are communicated to the External Auditors; and
- there is co-ordination between the Internal and External Auditors.

A cooling-off 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 Audit Committee.

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

Members	Attendance
Safrizal bin Mohd Said	5/5
Abdul Latif bin Mahamud	4/5
Lim Hock Chye	5/5

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

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

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

Financial Results

The Audit Committee reviewed the Quarterly Interim Financial Reports (“Financial Reports”), which were presented by the Management, with the aim of ensuring that the Financial Reports, inter alia, complied with the disclosure requirements of the Listing Requirements, the approved Malaysian Financial Reporting Standards (“MFRSs”), the International Financial Reporting Standards (“IFRSs”), the Companies Act 2016, and other statutory and regulatory requirements, prior to recommending the Financial Reports to the Board for consideration and approval, and for subsequent release to Bursa Malaysia Securities Berhad.

The Audit Committee also reviewed the Annual Audited Financial Statements (“Financial Statements”), which were presented by Management, with the present of the External Auditors, with the aim of ensuring that the Financial Statements, inter alia, complied with the disclosure requirements of the approved MFRSs, 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 consideration and approval, and for subsequent release to Bursa Malaysia Securities Berhad.

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

Internal audits

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

External Audits

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

AUDIT COMMITTEE REPORT

INTERNAL AUDITS FUNCTION

The Audit Committee recognises the importance of the Internal Audit function and the need for it to be independent of Management in order to carry out its function effectively. During the financial year, the Group's Internal Audit function was outsourced to an independent firm of consultants. The Internal Audit function assists the Board in reviewing the adequacy and effectiveness of the Group's internal control system in identifying and managing principle risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of the management information system and consequently determining the future requirements for the internal control system.

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

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

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

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

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

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

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

The total cost incurred for the Group's Internal Audit function during the financial year was RM22,200 (2017: RM22,000).

ASSESSMENT OF INDEPENDENCE AND PERFORMANCE

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

RISK MANAGEMENT

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

RELATED PARTY TRANSACTIONS

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

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

EMPLOYEES’ SHARE OPTION SCHEME

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

CONCLUSION

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

INTRODUCTION

The Board is pleased to provide the Group’s Statement on Risk Management and Internal Control for the financial year ended 31 May 2018 made pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). This Statement has been prepared in accordance with the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers” issued by the Task Force with the support and endorsement of Bursa Securities.

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

RISK MANAGEMENT

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTIONS

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 firm of consultants to act as Internal Auditor to review the adequacy and integrity of its system of internal control and perform the role of internal audits. The Internal Auditor reports directly to the Audit Committee.

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

For the financial year ended 31 May 2018, two (2) Internal Audit Reviews and two (2) Follow-up Reviews had been carried out by the Internal Auditor:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1 st Quarter (Jun 2017 – Aug 2017)	Oct 2017	Pengangkutan Cogent Sdn Bhd (Johor Bahru)	<ul style="list-style-type: none"> Business Development, Sales and Marketing ISO Tanker and Road Tanker Management Transportation Services
2 nd Quarter (Sep 2017 – Nov 2017)	Jan 2018	Ancom-ChemQuest Terminals Sdn Bhd	Follow up status updates on previously reported findings on Ancom-ChemQuest Terminals Sdn Bhd.
3 rd Quarter (Dec 2017 – Feb 2018)	Apr 2018	Pengangkutan Cogent Sdn Bhd (Johor Bahru)	Follow up status updates on previously reported findings on Pengangkutan Cogent Sdn Bhd.
4 th Quarter (Mar 2018 – May 2018)	Jul 2018	Ancom-ChemQuest Terminals Sdn Bhd	<ul style="list-style-type: none"> Facilities / Equipment Management Plant Safety, Health and Environmental

THE KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM

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

- Organisational Structure and Responsibility Levels*

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- *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.

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 general managers of the operating units 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. On a periodical basis, the Audit Committee will review its own performance and Terms of References to ensure that it is operating at maximum effectiveness, recommending any changes it considers necessary to the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

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 Policies and Procedures*

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

REVIEW OF THIS STATEMENT

Pursuant to Rule 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the scope out in 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 2018, and reported to the Audit Committee that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the *Statement on Risk Management and Internal Control* factually inaccurate.

CONCLUSION

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

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

SUSTAINABILITY STATEMENT

Sustainability is an integral part of our corporate strategy. Using the various tools of our sustainability management, we carry out our company purpose. We provide value added services for a sustainable future and this is how we seize business opportunities and minimise risks along the value chain.

This Sustainability Statement was prepared in accordance with the Sustainability Reporting Guide issued by Bursa Securities.

GOVERNANCE STRUCTURE

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

The Board has outlined the applications as set out in the Malaysian Code on Corporate Governance 2017 (“Code”) with reference to the Corporate Governance Guide (“Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

SCOPE OF DISCLOSURE

The information provided in this Sustainability Statement covers the period from 1 June 2017 to 31 May 2018 and applies to the entire consolidated group as described in the Audited Financial Statements for the financial year ended 31 May 2018. As a result, all subsidiaries under the umbrella of the Ancom Logistics Berhad (“ALB”) Group 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.

MATERIALITY ASSESSMENT AND STRATEGY

Materiality is a critical input into our corporate sustainability strategy because it ensures we provide our stakeholders with the sustainability information most relevant to them and our business as well as our ability to create value in the short, medium and long-term period.

We have identified our material sustainability issues in accordance with the value chain and impact analysis relevant to our activities and categorised them into three main themes which are economic enhancement, environmental impact and social contribution.

ECONOMIC ENHANCEMENT

Supplier Management & Procurement Practices

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 and savings transparency.

In addition to the overarching procurement policy which applies to all operating locations, we specifically have green 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.

Community Engagement & Investment

We are aware of our role in society, especially in an international and 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 encourages its employees to volunteer for community projects. During the financial year, the Group has participated in various activities organised by its holding company or 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.

Indirect Economic Impact

Our business generates a wide range of indirect economic benefits, including continual investments in our regional logistics network 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

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 commitment towards ensuring our operating facilities comply with all regulatory requirements. We ensure our employees as 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.

Water Consumption

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.

We are committed to understanding and reducing operational water footprint, advocating an effective water consumption policy and encouraging our employees to be water stewards at work.

Energy Consumption

The Group is continuously looking ways to ensure energy efficient business operations. 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.

SUSTAINABILITY STATEMENT

SOCIAL CONTRIBUTION

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 begins with offering same opportunities and career perspectives to women and men regardless of races and nationality. However, 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. We strive to increase the number of women in all positions especially management role over the longer term. We encourage our people to perform the best of their abilities by motivating, connecting and valuing their contributions. 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.

Occupational Safety & Health

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 encouraging 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 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 & 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.

Management and Supervisory Development programs which highlighted career advancement opportunities were also organised by the Group for its 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 & Health and to ascertain they are effective, appropriate and could be continually used in the organisation.

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

Product and Services Responsibility

As a provider of logistics and transportation 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 the policies of the Group.

Compliance

An effective governance structure and risk management system forms the backbone of our business operations. Risk assessments are conducted half yearly 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 our 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.

Conclusion

With our core values of being passionate, responsible, resourceful, performance orientated and teamwork, we maintain our commitment to strengthen our risk management framework and enhance shareholder value by adopting and applying good corporate governance framework, environmentally responsible practices and sound social policies.

DIRECTORS' RESPONSIBILITIES STATEMENT

IN RELATION TO THE PREPARATION OF AUDITED FINANCIAL STATEMENTS

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

In accordance with the Companies Act 2016, the Directors of the Company are required to prepare Audited Financial Statements for a financial year which shall give a true and fair view of the 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 2018 and the financial performance and cash flows of the Company and of the Group for the financial year ended 31 May 2018. The Directors are also responsible for ensuring that the Audited Financial Statements comply with the Companies Act 2016, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Listing Requirements and other statutory and regulatory requirements.

In preparing the Audited Financial Statements, the Directors have:

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

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

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DIRECTORS' REPORT

The Directors 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 2018.

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	221	(1,654)
Attributable to:		
Owners of the parent	(792)	(1,654)
Non-controlling interests	1,013	-
	221	(1,654)

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

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

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	

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

Sabli Bin Sibil	
Lee Cheun Wei	
Surasak Suwannapasri	
Somsak Chatteerapat	(Alternate to Surasak Suwannapasri)
Chin Kok Wooi	
Tan Sri Mohamed Al Amin Abdul Majid	(Resigned on 3 August 2018)

In accordance with Article 103 of the Constitution of the Company, Lim Hock Chye and Edmond Cheah Swee Leng retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year and his beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 May 2018 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 31.5.2018
	Balance as at 1.6.2017	Bought	Sold	
Shares in the Company				
<u>Direct interest:</u>				
Dato' Siew Ka Wei	749,867	-	-	749,867
<u>Indirect interest:</u>				
Dato' Siew Ka Wei	215,473,196	-	-	215,473,196

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

	← Number of ordinary shares →			
	Balance as at 1.6.2017	Bought	Sold	
Shares in the holding company				
Ancom Berhad				
<u>Direct interest:</u>				
Dato' Siew Ka Wei	23,328,365	688,800	-	24,017,165
<u>Indirect interest:</u>				
Dato' Siew Ka Wei	20,471,748	-	-	20,471,748
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	-	-	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' REMUNERATION

Fees and other benefits of the Directors of the Company who held office during the financial year ended 31 May 2018 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-Executive Directors				
- fees	325	325	325	325
- other emoluments	16	14	16	14
- benefits-in-kind	11	18	11	18
	352	357	352	357
	352	357	352	357

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. The total amount of insurance premium effected for any Director and officer of the Group and of the Company was RM13,500.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**(II) 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' REPORT

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 render the amount written off for bad debts or 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.

AUDITORS

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

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2018 were as follows:

	Group RM'000	Company RM'000
Statutory audit	110	60
Other services	4	4
	114	64

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

Dato' Abdul Latif bin Abdullah
Director

Kuala Lumpur
20 August 2018

Dato' Siew Ka Wei
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 50 to 88 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 2018 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
20 August 2018

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 50 to 88 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)
20 August 2018)

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 2018 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 50 to 88.

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 2018 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.

1. Recoverability of trade receivables

As at 31 May 2018, the Group has trade receivables of RM5,612,000 which include debts that are past due but not impaired of RM3,340,000. The details of trade receivables and its credit risk have been disclosed in Note 8 and 22 to the financial statements.

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

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

Audit response

Our audit procedures performed include:

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ANCOM LOGISTICS BERHAD

Key Audit Matters (continued)

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.

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
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
AF: 0206
Chartered Accountants

Koo Swee Lin
03281/08/2018 J
Chartered Accountant

Kuala Lumpur
20 August 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	27,040	29,805	280	352
Investments in subsidiaries	6	-	-	22,474	22,474
Investment in an associate	7	1,802	1,802	1,833	1,833
		28,842	31,607	24,587	24,659
Current assets					
Trade and other receivables	8	9,145	9,904	1,248	1,872
Current tax assets		4	818	4	4
Other investments	9	1,671	830	-	-
Cash and bank balances	10	7,705	9,320	1,522	5,396
		18,525	20,872	2,774	7,272
TOTAL ASSETS		47,367	52,479	27,361	31,931
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	11	23,664	23,664	23,664	23,664
Accumulated losses		(8,131)	(7,339)	(2,376)	(722)
Merger reserve	12	8,526	8,526	-	-
		24,059	24,851	21,288	22,942
Non-controlling interests	6(d)	8,682	10,119	-	-
TOTAL EQUITY		32,741	34,970	21,288	22,942
LIABILITIES					
Non-current liabilities					
Borrowings	13	2,582	1,398	-	18
Deferred tax liabilities	16	4,713	4,827	-	-
		7,295	6,225	-	18
Current liabilities					
Trade and other payables	17	5,792	10,320	6,055	8,930
Borrowings	13	1,240	631	18	41
Current tax liabilities		299	333	-	-
		7,331	11,284	6,073	8,971
TOTAL LIABILITIES		14,626	17,509	6,073	8,989
TOTAL EQUITY AND LIABILITIES		47,367	52,479	27,361	31,931

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	18	28,980	28,333	-	5,712
Cost of sales		(23,921)	(24,651)	-	-
Gross profit		5,059	3,682	-	5,712
Other operating income		1,256	1,787	372	540
Administrative and other operating expenses		(4,780)	(7,866)	(1,756)	(3,674)
Finance costs	19	(166)	(66)	(270)	(446)
Profit/(Loss) before taxation		1,369	(2,463)	(1,654)	2,132
Taxation	20	(1,148)	(600)	-	12
Profit/(Loss) for the financial year		221	(3,063)	(1,654)	2,144
(Loss)/Profit attributable to:					
Owners of the parent		(792)	(4,128)	(1,654)	2,144
Non-controlling interests	6(d)	1,013	1,065	-	-
		221	(3,063)	(1,654)	2,144

	Note	Group	
		2018 Sen	2017 Sen
Basic and diluted:			
Loss per ordinary share	21	(0.17)	(0.87)

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) for the financial year	221	(3,063)	(1,654)	2,144
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income/(loss)	221	(3,063)	(1,654)	2,144
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(792)	(4,128)	(1,654)	2,144
Non-controlling interests	1,013	1,065	-	-
	221	(3,063)	(1,654)	2,144

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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 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(e)	-	-	-	-	(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
As at 1 June 2016		23,664	8,526	(3,211)	28,979	14,670	43,649
(Loss)/Profit for the financial year		-	-	(4,128)	(4,128)	1,065	(3,063)
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive (loss)/income		-	-	(4,128)	(4,128)	1,065	(3,063)
Transactions with owners							
Disposal of a subsidiary	26	-	-	-	-	(128)	(128)
Dividend paid to non-controlling interests of a subsidiary	6(e)	-	-	-	-	(5,488)	(5,488)
Total transactions with owners		-	-	-	-	(5,616)	(5,616)
As at 31 May 2017		23,664	8,526	(7,339)	24,851	10,119	34,970

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
As at 1 June 2016	23,664	(2,866)	20,798
Profit for the financial year	-	2,144	2,144
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	2,144	2,144
As at 31 May 2017/1 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	23,664	(2,376)	21,288

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation:		1,369	(2,463)	(1,654)	2,132
Adjustments for:					
Bad debts written off		7	-	-	-
Depreciation of property, plant and equipment	5	4,039	4,069	75	48
Dividend income from a subsidiary		-	-	-	(5,712)
Gain on disposal of property, plant and equipment		(263)	(37)	-	-
Gain on disposal of non-current asset held for sale		-	(37)	-	-
Loss on disposal of a subsidiary	26	-	162	-	-
Impairment loss on:					
- trade receivables	8(g)	68	-	-	-
- other receivables	8(g)	-	1,810	-	-
Reversal of impairment loss on:					
- other receivables	8(g)	-	-	-	(16)
Interest expense	19	166	66	270	446
Interest income		(331)	(483)	(324)	(419)
Fair value gain in other investments		(41)	(21)	-	-
Property, plant and equipment written off	5	20	474	-	-
Unrealised loss/(gain) on foreign exchange		65	(5)	-	-
Operating profit/(loss) before changes in working capital		5,099	3,535	(1,633)	(3,521)
Increase in inventories		-	(27)	-	-
Decrease in trade and other receivables		684	2,140	859	4,989
(Decrease)/Increase in trade and other payables		(4,528)	4,301	(867)	849
Cash generated from/(used in) operations		1,255	9,949	(1,641)	2,317
Tax paid		(482)	(1,223)	-	(9)
Net cash from/(used in) operating activities		773	8,726	(1,641)	2,308

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income from a subsidiary		-	-	-	5,712
Interest income		331	483	324	419
Placement of deposits pledged to a licensed bank		(4)	(3)	-	-
Purchase of other investments		(800)	(301)	-	-
Proceeds from disposal of property, plant and equipment		263	37	-	-
Proceeds from disposal of non-current asset held for sale		-	88	-	-
Purchase of property, plant and equipment	5(a)	(319)	(2,302)	(3)	(255)
Advances from a related party		-	-	-	41
Advances from related companies		-	-	213	651
Repayments to subsidiaries		-	-	(2,456)	(4,775)
Net cash outflow on disposal of a subsidiary	26	-	781	-	-
Net cash (used in)/from investing activities		(529)	(1,217)	(1,922)	1,793
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of hire purchase and lease creditors		(502)	(330)	(41)	(39)
Dividend paid to non-controlling interests of a subsidiary	6(e)	(2,450)	(5,488)	-	-
Interest paid		(166)	(66)	(270)	(446)
Net drawdown/(repayments) of borrowings		1,320	(225)	-	-
Net cash used in financing activities		(1,798)	(6,109)	(311)	(485)
Net (decrease)/increase in cash and cash equivalents		(1,554)	1,400	(3,874)	3,616
Effect of exchange rate changes on cash and cash equivalents		(65)	28	-	-
Cash and cash equivalents at beginning of financial year		9,185	7,757	5,396	1,780
Cash and cash equivalents at end of financial year	10(c)	7,566	9,185	1,522	5,396

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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		1,320	-	2,502	18

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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 2018 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 20 August 2018.

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 set out on pages 50 to 88 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENTS (CONTINUED)

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.

(i) Operating segments

	Logistics		Others		Adjustments and eliminations		Note	Total	
	2018	2017	2018	2017	2018	2017		2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue									
External customers	28,980	27,553	-	780	-	-		28,980	28,333
Inter-segment	32	12	-	5,712	(32)	(5,724)	(a)	-	-
Total revenue	29,012	27,565	-	6,492	(32)	(5,724)		28,980	28,333
Segment profit/(loss) before taxation	3,266	1,270	(1,663)	2,140	(234)	(5,873)		1,369	(2,463)
Interest income	275	449	324	476	(268)	(442)		331	483
Depreciation	(3,964)	(4,017)	(75)	(52)	-	-		(4,039)	(4,069)
Interest expense	(164)	(56)	(270)	(452)	268	442		(166)	(66)
Other material non-cash items:									
- property, plant and equipment written off	(20)	(474)	-	-	-	-		(20)	(474)
- impairment loss on trade and other receivables	(68)	-	-	(1,810)	-	-		(68)	(1,810)
- gain on disposal of property, plant and equipment	263	37	-	-	-	-		263	37
- gain on disposal of non- current asset held for sale	-	37	-	-	-	-		-	37
- (loss)/gain on unrealised foreign exchange (net)	(65)	5	-	-	-	-		(65)	5
Segment assets	46,894	48,883	27,363	34,098	(26,890)	(30,502)	(b)	47,367	52,479
Investment in an associate	-	-	1,833	1,833	(31)	(31)		1,802	1,802
Additions to non-current assets	1,291	4,183	3	255	-	-	(c)	1,294	4,438
Segment liabilities	12,403	14,060	6,848	13,568	(4,625)	(10,119)	(d)	14,626	17,509

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2018 RM'000	2017 RM'000
Malaysia	26,122	26,072
Singapore	2,858	2,261
	28,980	28,333

5. PROPERTY, PLANT AND EQUIPMENT

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
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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	← At 31.5.2018 →		
	Cost	Accumulated depreciation	Carrying amount
	RM'000	RM'000	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

Group	Balance as at 1.6.2016	Additions	Depreciation charge for the financial year	Disposal of a subsidiary (Note 26)	Written off	Balance as at 31.5.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amount						
Freehold land	1,016	-	-	-	-	1,016
Buildings	2,844	40	(47)	-	-	2,837
Plant and machinery	20,970	1,696	(2,570)	(37)	-	20,059
Motor vehicles	4,603	2,618	(1,342)	-	(474)	5,405
Furniture, fittings and office equipment	555	43	(110)	(40)	-	448
Renovations	-	41	-	(1)	-	40
	29,988	4,438	(4,069)	(78)	(474)	29,805

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	1,294	4,438	3	255
Financed by hire purchase and finance lease arrangements	(975)	(2,136)	-	-
Cash payments on purchase of property, plant and equipment	319	2,302	3	255

- (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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	2,839	2,196	72	107

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.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	22,752	22,752
Less: Accumulated impairment losses	(278)	(278)
	22,474	22,474

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

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

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018 %	2017 %	
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.	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) In the previous financial year, the Company entered into a transaction with its holding company, Ancom, to dispose 466,900 ordinary shares representing 67% equity interest in a subsidiary, Ancom Components Sdn. Bhd. ("ACM") and the entire 1,164,000 redeemable convertible preference shares of ACM for a total cash consideration of RM1.00. Effects of the disposal of ACM is disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	Ancom- ChemQuest Terminals Sdn. Bhd. RM'000	Others* RM'000	Total RM'000
2018			
NCI percentage of ownership interest and voting interest (%)	49%		
Carrying amount of NCI	8,983	(301)	8,682
Profit allocated to NCI	1,019	(6)	1,013
2017			
NCI percentage of ownership interest and voting interest (%)	49%		
Carrying amount of NCI	10,414	(295)	10,119
Profit allocated to NCI	1,066	(1)	1,065

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

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

	Ancom- ChemQuest Terminals Sdn. Bhd. RM'000
2018	
Assets and liabilities	
Non-current assets	18,167
Current assets	6,198
Non-current liabilities	(5,177)
Current liabilities	(856)
Net assets	18,332

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

2018	Ancom-ChemQuest Terminals Sdn. Bhd. RM'000
Results	
Revenue	10,214
Profit for the financial year	2,079
Total comprehensive income	2,079
Cash flows from operating activities	3,149
Cash flows from investing activities	509
Cash flows used in financing activity	(3,696)
Net decrease in cash and cash equivalents	(38)
Dividend paid to NCI	2,450
2017	
Ancom-ChemQuest Terminals Sdn. Bhd. RM'000	
Assets and liabilities	
Non-current assets	20,874
Current assets	9,062
Non-current liabilities	(4,345)
Current liabilities	(4,339)
Net assets	21,252
Results	
Revenue	9,639
Profit for the financial year	2,175
Total comprehensive income	2,175
Cash flows from operating activities	2,930
Cash flows from investing activities	8,193
Cash flows used in financing activity	(11,200)
Net decrease in cash and cash equivalents	(77)
Dividend paid to NCI	5,488

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	3,902	3,902	3,902	3,902
Group's share of post acquisition results	(31)	(31)	-	-
	3,871	3,871	3,902	3,902
Less: Impairment loss	(2,069)	(2,069)	(2,069)	(2,069)
	1,802	1,802	1,833	1,833

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

The details of the associate are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2018	2017	
		%	%	
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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	4,430	4,827	-	-
Amounts owing by related companies	1,166	1,022	-	-
Amount owing by a related party	16	15	-	-
	5,612	5,864	-	-
Less: Impairment loss	(68)	(12)	-	-
	5,544	5,852	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other receivables				
Amount owing by holding company	959	1,821	959	1,821
Amounts owing by subsidiaries	-	-	461	226
Amounts owing by related companies	-	2,355	-	1,810
Other receivables	288	320	14	11
Deposits	1,078	156	11	11
	2,325	4,652	1,445	3,879
Less: Impairment loss	-	(1,810)	(208)	(2,018)
	2,325	2,842	1,237	1,861
Loans and receivables	7,869	8,694	1,237	1,861
Prepayments	1,276	1,210	11	11
	9,145	9,904	1,248	1,872

- (a) Trade and other receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 60 days (2017: 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% (2017: 6%) per annum and is repayable on 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 on demand in cash and cash equivalents.
- (e) The currency exposure profile of loans and receivables is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	401	280	-	-
Ringgit Malaysia	7,468	8,414	1,237	1,861
	7,869	8,694	1,237	1,861

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group	
	2018	2017
	RM'000	RM'000
Neither past due nor impaired	2,204	1,304
Past due not impaired		
1 to 30 days	1,989	1,224
31 to 60 days	1,110	1,779
61 to 90 days	90	1,110
91 to 120 days	22	435
More than 120 days	129	-
	3,340	4,548
Past due and impaired	68	12
	5,612	5,864

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

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

Receivable that are past due and impaired

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

	Individually impaired	
	Group	
	2018	2017
	RM'000	RM'000
Trade receivables	526	12
Less: Impairment loss	(68)	(12)
	458	-

NOTES TO THE FINANCIAL STATEMENTS

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8. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables				
At 1 June 2017/2016	12	711	-	-
Charge for the financial year	68	-	-	-
Written off	(12)	-	-	-
Disposal of subsidiary	-	(699)	-	-
At 31 May 2018/2017	68	12	-	-
Other receivables				
At 1 June 2017/2016	1,810	-	2,018	2,034
Charge for the financial year	-	1,810	-	-
Written off	(1,810)	-	(1,810)	-
Reversal of impairment loss	-	-	-	(16)
At 31 May 2018/2017	-	1,810	208	2,018
	68	1,822	208	2,018

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

- (h) The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.
- (i) Information on financial risks of trade and other receivables is disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

9. OTHER INVESTMENTS

	Group	
	2018 RM'000	2017 RM'000
Current		
Unit trusts	1,671	830

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.

10. CASH AND BANK BALANCES

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	7,566	9,185	1,522	5,396
Deposits with a licensed bank	139	135	-	-
	7,705	9,320	1,522	5,396

- (a) Deposits with a licensed bank of the Group amounting to RM139,000 (2017: RM135,000) 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Singapore Dollar	2,423	1,036	-	-
Ringgit Malaysia	5,282	8,284	1,522	5,396
	7,705	9,320	1,522	5,396

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

10. CASH AND BANK BALANCES (CONTINUED)

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	7,705	9,320	1,522	5,396
Less: Deposits pledged with a licensed bank	(139)	(135)	-	-
	7,566	9,185	1,522	5,396

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

11. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM'000	Number of shares	RM'000
	'000		'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	
	2018	2017
	RM'000	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.

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13. BORROWINGS

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current liabilities					
Secured					
Term loan	14	1,320	-	-	-
Hire purchase and lease creditors	15	1,262	1,398	-	18
		2,582	1,398	-	18
Current liabilities					
Secured					
Hire purchase and lease creditors	15	1,240	631	18	41
		3,822	2,029	18	59
Total borrowings					
Term loan	14	1,320	-	-	-
Hire purchase and lease creditors	15	2,502	2,029	18	59
		3,822	2,029	18	59

- (a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (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		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current liabilities				
- later than one (1) year and not later than (5) five years	1,320	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum lease payables:				
Not later than one (1) year	1,342	841	18	43
Later than one (1) year and not later than five (5) years	1,303	1,346	-	18
Total minimum lease payments	2,645	2,187	18	61
Less: Future interest charges	(143)	(158)	-	(2)
Present value of minimum lease payments	2,502	2,029	18	59
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	1,240	631	18	41
Non-current liabilities:				
- later than one (1) year and not later than five (5) years	1,262	1,398	-	18
	2,502	2,029	18	59

- (a) Information of financial risks of hire purchase and lease creditors is disclosed in Note 22 of the financial statements.
- (b) The carrying amounts of hire purchase and lease creditors approximate their fair values and are categorised as Level 2 in their fair value hierarchy.

16. DEFERRED TAX LIABILITIES

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

	Group	
	2018 RM'000	2017 RM'000
Balance as at 1 June 2017/2016	4,827	5,642
Recognised in profit or loss (Note 20)	(114)	(815)
Balance as at 31 May 2018/2017	4,713	4,827

NOTES TO THE FINANCIAL STATEMENTS

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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
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
2017			
Balance as at 1 June 2016	5,850	51	5,901
Recognised in profit or loss	(458)	(50)	(508)
Balance as at 31 May 2017	5,392	1	5,393

Deferred tax assets of the Group

	Others RM'000	Total RM'000
2018		
Balance as at 1 June 2017	(566)	(566)
Recognised in profit or loss	428	428
Balance as at 31 May 2018	(138)	(138)
2017		
Balance as at 1 June 2016	(259)	(259)
Recognised in profit or loss	(307)	(307)
Balance as at 31 May 2017	(566)	(566)

- (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	
	2018 RM'000	2017 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	1,608	1,744	-	-
Amounts owing to related companies	-	3,529	-	-
	1,608	5,273	-	-
Other payables				
Other payables	679	698	3	88
Accruals	1,364	2,209	401	1,272
Deposits	10	10	-	-
Amount owing to holding company	71	67	-	-
Amounts owing to related companies	1,929	2,021	1,356	1,143
Amount owing to a related party	131	42	131	42
Amounts owing to subsidiaries	-	-	4,164	6,385
	4,184	5,047	6,055	8,930
	5,792	10,320	6,055	8,930

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2017: 30 to 90 days) respectively from date of invoice.
- (c) Amount owing to holding company, amounts owing to related companies, amount owing to a related party and amounts owing to subsidiaries in other payables represent advances and expenses paid on behalf, which are unsecured, interest-free and repayable on demand other than an amount owing to a subsidiary of RM NIL (2017: RM4,632,000), which bears interest of 6% (2017: 6%) per annum.
- (d) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	27	31	-	-
Ringgit Malaysia	5,765	10,289	6,055	8,930
	5,792	10,320	6,055	8,930

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

18. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Sale of goods	-	780	-	-
Services rendered	28,980	27,553	-	-
Dividend income	-	-	-	5,712
	28,980	28,333	-	5,712

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

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

(a) Sale of goods

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

(b) Services rendered

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

(c) Dividend income

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

19. FINANCE COST

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
- term loan	15	-	-	-
- bank overdrafts	-	5	-	-
- hire purchases and lease creditors	151	61	2	4
- amount owing to a subsidiary	-	-	268	442
	166	66	270	446

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

20. TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current taxation based on profit for the financial year	1,427	1,507	-	-
Over-provision in prior years	(165)	(92)	-	(12)
	1,262	1,415	-	(12)
Deferred tax (Note 16)				
Relating to origination and reversal of temporary differences	(514)	(664)	-	-
Under/(Over)-provision in prior years	400	(151)	-	-
	(114)	(815)	-	-
	1,148	600	-	(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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	1,369	(2,463)	(1,654)	2,132
Taxation at statutory tax rate of 24% (2017: 24%)	329	(591)	(397)	512
Tax effects in respect of:				
Expenses not deductible for tax purposes	594	1,461	397	863
Income not subject to tax	(10)	(27)	-	(1,371)
Utilisation of unrecognised tax losses	-	-	-	(4)
(Over)/Under-provision in prior years:				
- income tax	(165)	(92)	-	(12)
- deferred tax	400	(151)	-	-
	1,148	600	-	(12)

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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 year attributable to owners of the parent of RM792,000 (2017: RM4,128,000) and the weighted average number of 473,286,000 (2017: 473,286,000) ordinary shares in issue during the financial year.

	Group	
	2018	2017
Loss attributable to equity holders of the parent (RM'000)	(792)	(4,128)
Weighted average number of ordinary shares in issue ('000)	473,286	473,286
Basic loss per ordinary share for the financial year (sen)	(0.17)	(0.87)

(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 2018 and 31 May 2017.

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	
	2018 RM'000	2017 RM'000
Total debts	3,822	2,029
Total equity attributable to owners of the parent	24,059	24,851
Gearing ratio	0.16	0.08

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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

(a) Capital management (continued)

Pursuant to the requirements of Guidance Note No.3/2006 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital of the Company. The Company has complied with this requirement during the financial year ended 31 May 2018.

(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 SGD exchange rate against the functional currency of the Group, with all other variables held constant.

Profit/(Loss) after taxation	Group	
	2018 RM'000	2017 RM'000
SGD/RM - strengthen by 3% (2017: 3%)	64	30
- weaken by 3% (2017: 3%)	(64)	(30)

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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

(b) Financial risk management (continued)

(ii) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

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
2018									
Fixed rates									
Deposits with a licensed bank	10	3.10% - 3.30%	139	-	-	-	-	-	139
Hire purchase and lease creditors	15	2.42% - 3.30%	1,240	1,053	209	-	-	-	2,502
Floating rates									
Term loan	14	5.93%	-	552	552	216	-	-	1,320
2017									
Fixed rates									
Deposits with a licensed bank	10	3.10% - 3.30%	135	-	-	-	-	-	135
Hire purchase and lease creditors	15	2.42% - 3.60%	631	709	611	78	-	-	2,029

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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
2018									
Fixed rates									
Hire purchase and lease creditors	15	2.80%	18	-	-	-	-	-	18
2017									
Fixed rates									
Hire purchase and lease creditors	15	2.80%	41	18	-	-	-	-	59

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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 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
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
2017			
Group			
Financial liabilities			
Trade and other payables	10,320	-	10,320
Borrowings	841	1,346	2,187
Total undiscounted financial liabilities	11,161	1,346	12,507
Company			
Financial liabilities			
Trade and other payables	8,930	-	8,930
Borrowings	43	18	61
Total undiscounted financial liabilities	8,973	18	8,991

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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.

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 RM959,000 (2017: RM1,821,000).

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	
	2018 RM'000	2017 RM'000
Holding company:		
Interest received	324	476
Related companies:		
Rendering of services	8,146	8,559
Related parties:		
Rendering of services to a company which owned by a corporate shareholder of a subsidiary	84	109
Rental income received from a company which a Director of the Company has substantial indirect shareholding	48	48

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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)

	Company	
	2018 RM'000	2017 RM'000
Holding company:		
Interest received	324	476
Subsidiaries:		
Interest paid	268	442
Dividends received	-	5,712
Related party:		
Rental income received from a company which a Director of the Company has substantial indirect shareholding	48	48

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

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remuneration of Directors and other key management personnel of the Group and of the Company during the financial year was as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fees	365	329	325	325
Short-term employee benefits	160	426	-	-
Defined contribution plan	19	50	-	-
Other emoluments	17	14	16	14
	561	819	341	339

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

24. COMMITMENTS

(a) Capital commitments

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

	Group	
	2018	2017
	RM'000	RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	938	-

(b) Operating lease commitments

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

	Group	
	2018	2017
	RM'000	RM'000
Not later than one (1) year	854	951
Later than one (1) year and not later than five (5) years	3,415	4,300
Later than five (5) years	1,071	1,067
	5,340	6,318

25. EMPLOYEE BENEFITS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	6,418	7,240	742	450
Defined contribution plan	617	661	69	25
Other benefits	597	435	3	2
	7,632	8,336	814	477

Included in the employee benefits of the Group are Directors' remuneration and other emoluments which relates to Executive Directors of the Group amounting to RM NIL (2017: RM29,000).

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

26. DISPOSAL OF A SUBSIDIARY

In the previous financial year, the effects on the financial statements upon the disposal of ACM were as follows:

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

Cash inflow arising from disposal

Cash consideration*	-
Cash and bank balances of subsidiary disposed	(4)
Bank overdraft of subsidiary disposed	785
Net cash inflow to the Group	781

* Represents RM1.00

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 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2018

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 2018

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
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 See MFRS 4
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
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
Amendments to <i>References to the Conceptual Framework in MFRS Standards</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 Associates or Joint Venture</i>	Deferred

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

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 set out in Page 45 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 subsidiary companies which involves the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 May 2018 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, are as follows :

Transacting Parties		Nature of Transaction	Value of RRPT (RM'000)	Interested Directors, Major Shareholders and Connected Persons
ALB Group	Related Party			
ACT (Seller)	PKG, CKG and Fermpro (Buyer)	Charges for storage rental for liquid chemicals	4,531	Ancom Berhad, Dato' Siew Ka Wei and Siew Nim Chee Sons Sdn. Bhd.
		Charges for handling of liquid chemicals for storage	408	
PCSB (Seller)	PKG, NSC, CKG and Fermpro (Buyer)	Charges for transportation of liquid chemicals	3,207	

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 2018

Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2018 (RM'000)	Date of Acquisition / Revaluation
Ancom-ChemQuest Terminals Sdn. Bhd.					
1. Jeti Petrokimia, Pelabuhan Barat Pelabuhan Klang Selangor	Unexpired lease period of 6 years (Expiring on 31 August 2024)	9.8 acres	Tank farm, office and warehouse Age of building : approximately 21 years	17,852	N/A
Pengangkutan Cogent Sdn. Bhd.					
2. PTD 149227 Jalan Berjaya 7 Taman Perindustrian Berjaya Johor Bahru , Johor	Freehold	6,070.3 sq.m.	Office building, Age of building : approximately 9 years	3,215	2010

ANALYSIS OF SHAREHOLDINGS

AS AT 27 AUGUST 2018

NO. OF HOLDERS OF EACH CLASS OF EQUITY SECURITIES

Class of securities	: Ordinary shares ("Shares")
Total no. issued	: 473,286,313
No. of holders	: 11,862
Voting rights	: One vote per Share on a poll One vote per shareholder on a show of hands

DISTRIBUTION SCHEDULE

Holdings	No. of holders	Total Holdings	%
Less than 100	3,458	166,594	0.035
100 to 1,000	4,972	2,076,227	0.439
1,001 to 10,000	2,343	8,703,368	1.839
10,001 to 100,000	878	34,913,760	7.377
100,001 to less than 5% of issued Shares	207	134,931,591	28.509
5% and above of issued Shares	4	292,494,773	61.801
	11,862	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	56,191,485	11.87	158,356,272 ^(a)	33.46
Dato' Siew Ka Wei	749,867	0.16	215,473,196 ^(b)	45.53
Chan Thye Seng	-	-	214,562,757 ^(c)	45.34
Pacific & Orient Berhad	-	-	214,547,757 ^(d)	45.33
Mah Wing Investments Limited	-	-	214,547,757 ^(e)	45.33
Mah Wing Holdings Sdn. Bhd.	-	-	214,547,757 ^(e)	45.33

Note:

- (a) Deemed interested by virtue of its direct interest in Synergy Tanker Sdn. Bhd., Ancom Overseas Ventures Sdn. Bhd. and Rhodemark Development Sdn. Bhd.
- (b) Deemed interested by virtue of his direct and indirect interest in Ancom Berhad, Siew Nim Chee & Sons Sdn. Bhd., Silver Dollars Sdn. Bhd. and Datin Young Ka Mun.
- (c) Deemed interested by virtue of 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	749,867	0.16	215,473,196 ^(f)	45.53

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

THIRTY LARGEST SHAREHOLDERS

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

	Name	No. of Shares	%
1.	CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Rhodemark Development Sdn. Bhd. (PB)	93,725,580	19.803
2.	Lim Hock Heng	78,073,516	16.496
3.	CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Synergy Tanker Sdn. Bhd. (PB)	64,504,192	13.629
4.	CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Ancom Berhad (PB)	56,191,485	11.872
5.	Tina Jennifer Pereira A/P Sebastian Ellarian Pereira	11,515,700	2.433
6.	Kenneth William Khoo Boo Hor	9,458,100	1.998
7.	Ling Yoke Tek	6,211,000	1.312
8.	RHB Nominees (Tempatan) Sdn. Bhd. - Amara Investment Management Sdn. Bhd. for Tan Jit Liang	5,216,000	1.102
9.	Tan Jit Liang	4,493,200	0.949
10.	Public Invest Nominees (Tempatan) Sdn. Bhd. - Exempt An for Phillip Securities Pte Ltd (Clients)	3,639,800	0.769
11.	Lim Kim Yew	3,276,900	0.692
12.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Fook Yew (E-SS2)	3,243,800	0.685
13.	Wong Sick Kiew	3,045,000	0.643
14.	Lim Kim Loy	3,000,000	0.633
15.	HSBC Nominees (Asing) Sdn. Bhd. - Six Sis for Bank Sarasin CIE	2,792,000	0.589
16.	Lim Keng Chuan	2,562,000	0.541
17.	Loh Kah Guan	2,167,300	0.457
18.	Quek Tuan Soon	2,022,100	0.427
19.	RHB Nominees (Tempatan) Sdn. Bhd. - Amara Investment Management Sdn. Bhd. for Toh Chin Woon	1,900,000	0.401
20.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt An for The HongKong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	1,750,000	0.369
21.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ong Yoong Nyock (8039533)	1,420,000	0.300
22.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Rossana Annizah Binti Ahmad Rashid @ Mohd Rashidi (CEB)	1,400,000	0.295
23.	Terengganu Incorporated Sdn. Bhd.	1,370,800	0.289
24.	Loh Boon Hong	1,241,900	0.262
25.	Loh Boon Hong	1,200,000	0.253
26.	Loh Kah Peng	1,200,000	0.253
27.	Law Say Huat	1,156,100	0.244
28.	Teh Yeng Song	1,100,000	0.232
29.	Lim Keng Chuan	1,029,900	0.217
30.	Ee Teck Ming	1,000,000	0.211
	Total	370,906,373	78.356

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting of the Company will be held at 11.30 a.m., on Thursday, 18 October 2018 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 2018 together with the Reports of the Directors and the Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To re-elect the following Directors who retire pursuant to Article 103 of the Articles of Association of the Company: | |
| | (i) Lim Hock Chye; and | [Ordinary Resolution 1] |
| | (ii) Dato' Abdul Latif bin Abdullah. | [Ordinary Resolution 2] |
| 3. | To approve the payment of Directors' fees for the financial year ended 31 May 2018. | [Ordinary Resolution 3] |
| 4. | To approve the payment of Directors' benefits (excluding Directors' fees) 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 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 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 26 September 2018, 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.

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

whichever is the earlier.

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

NOTICE OF ANNUAL GENERAL MEETING

7. AUTHORITY TO ISSUE AND ALLOT SHARES

[Ordinary Resolution 7]

“THAT subject always to the Companies Act 2016 (“Act”), the Memorandum and Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), and the approvals of the relevant governmental regulatory authorities, where such approval is required, 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 to be 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 to be 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 be authorised to do all such things as they 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 Securities for the listing of and quotation for the additional shares so issued on Bursa Securities pursuant to this resolution.”

8. CONTINUING IN OFFICE AS INDEPENDENT DIRECTORS

(i) “THAT subject to the passing of Ordinary Resolution 1, authority 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.”

[Ordinary Resolution 8]

(ii) “THAT authority be and is hereby given to Safrizal bin Mohd Said, who has served as an 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.”

[Ordinary Resolution 9]

9. PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY (“Proposed Adoption of New Constitution”)

[Special Resolution]

“THAT the Company’s existing Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in the Circular to Shareholders dated 26 September 2018 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption of New Constitution.”

10. OTHER ORDINARY BUSINESS

To transact any other business which due notice shall have been given in accordance with the Articles of Association of the Company and the Companies Act 2016.

By Order of the Board,

CHOO SE ENG (MIA 5876)

STEPHEN GEH SIM WHYE (MICPA 1810)

Company Secretaries

Petaling Jaya

26 September 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- a. A member entitled to attend, speak and vote at the Meeting may appoint up to two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- b. Where a member of the Company is an authorised nominee, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- c. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- d. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
- e. If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
- f. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2018 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- g. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

EXPLANATORY NOTES :

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 May 2018

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

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, shareholders' approval shall be sought at the 52nd Annual General Meeting on the Directors' fee payable by the Company and by the Group of RM 325,000 for the financial year ended 31 May 2018.

In 2016, an independent Board remuneration review was conducted by an external consultant to ascertain the competitiveness and risk alignment of the existing remuneration structure. Based on the Remuneration & Nomination Committee's recommendation, the Board agreed that the Directors' fees of the Non-Executive Directors ("NEDs") of the Company and of the Group remain unchanged for the financial year ended 31 May 2018.

3. Ordinary Resolution 4 – Directors' benefits

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 NEDs.

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. Committees as well as the number of Directors involved.

4. Ordinary Resolution 6 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed 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 parties in accordance with the ACE Market Listing Requirements of Bursa Securities without the necessity to convene separate general meetings to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company and is subject to renewal on an annual basis.

Further details relating to this proposed resolution are set out in the Company's Circular to Shareholders dated 26 September 2018, which was circulated together with the Company's 2018 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

The proposed Ordinary Resolutions 8 and 9, if passed, will enable Lim Hock Chye and Safrizal bin Mohd Said to continue serving as the Independent Directors of the Company as recommended under the Malaysian Code on Corporate Governance 2017.

The Board via the Remuneration & Nomination Committee had assessed the independence of Lim Hock Chye and Safrizal bin Mohd Said, who had served as the Independent Directors of the Company for a cumulative term of more than twelve (12) years, and recommended them to continue to act as the Independent Directors of the Company on the ground that:

- (i) They fulfill the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Securities;
- (ii) They have been with the Company for more than twelve (12) years and therefore understand Group’s business operations which enable them to participate actively and contribute during deliberations of discussions of the Board and Committee Meetings;
- (iii) They are knowledgeable and have applied their vast experience and due care to discharge their duties and responsibilities as Independent Directors of the Company by 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 exercised due care during their tenure as Independent Directors of the Company and have carried out their professional duties in the interest of the Company.

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. The Board has received legal opinion that the 2-tier voting may not be compatible with the Company’s Articles of Association read together with the Companies Act 2016. As such, the Board has chosen not to adopt the 2-tier voting as a precautionary measure.

7. Special Resolution – Proposed Adoption of New Constitution

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the prevailing laws, guidelines or requirements of the relevant authorities, to render greater clarity and consistency throughout as well as to enhance administrative efficiency.

Further details relating to this proposed resolution are set out in the Company’s Circular to Shareholders dated 26 September 2018, which was circulated together with the Company’s 2018 Annual Report.



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

FORM OF PROXY

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

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

of
(Full Address)

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

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

or failing *him / her, the Chairman of the Meeting as *my / our *proxy/proxies to attend and to vote for *me / us on *my / our behalf at the 52nd Annual General Meeting of the Company to held at 11.30 a.m., on Thursday 18 October 2018 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:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	To re-elect Lim Hock Chye as a Director of the Company.		
Ordinary Resolution 2	To re-elect Dato' Abdul Latif bin Abdullah as a Director of the Company.		
Ordinary Resolution 3	To approve the payment of Directors' fees.		
Ordinary Resolution 4	To approve the payment of Directors' benefits.		
Ordinary Resolution 5	To re-appoint Messrs BDO as Auditors of the Company.		
Ordinary Resolution 6	Proposed Renewal of RRPT Mandate.		
Ordinary Resolution 7	Authority to Issue and Allot Shares.		
Ordinary Resolution 8	Continuing in office as an Independent Director – Lim Hock Chye.		
Ordinary Resolution 9	Continuing in office as an Independent Director – Safrizal bin Mohd Said.		
Special Resolution	Proposed Adoption of New Constitution.		

(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 2018

Telephone no. during office hours:

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

NOTES:

- a. A member entitled to attend, speak and vote at the Meeting may appoint up to two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- b. Where a member of the Company is an authorised nominee, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- c. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- d. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
- e. If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
- f. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2018 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- g. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting

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Affix
Stamp

ANCOM LOGISTICS BERHAD

(Company No. 6614-W)

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

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