TOGETHER WE CAN MAKE A DIFFERENCE...

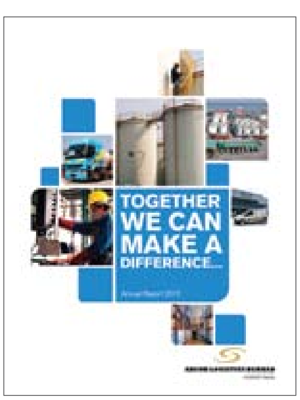
Annual Report 2012

ANCOM LOGISTICS BERHAD

(Company No. 6614-W)
Incorporated in Malaysia

> “When you consider our achievements and plans for the future, it’s our approach to doing business that sets us apart in our vision to create a diversified group.”

DATO’ ABDUL LATIF BIN ABDULLAH



Ancom Logistics Berhad has evolved through numerous forms and businesses.

What it is today is a Company which continuously deliver tremendous value for its shareholders.

A Company which prides itself in the quality of its service and the delivery of its process. All this has only been made possible because together we’ve made a difference.

Contents

by
LEADERSHIP

Our bulk liquid logistics services are a prime example of industry leadership. Taking a holistic approach we provide industry and environmentally compliant bulk terminals, through to reliable bulk liquid logistics and transportation. The process is as seamless as it be - assuring our customers are given the value and reliability they need.


m Logistics Berhad
rgy Trans-link Sdn Bhd
gkutan Cogent Sdn Bhd.
Moh Transportation Pte. Ltd.
-ChemQuest Terminals Sdn. Bhd.

Corporate Information

DIRECTORS

Dato' Abdul Latif bin Abdullah
(Non-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)

Lim Hock Heng
(Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

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
Safrizal bin Mohd Said

COMPANY SECRETARIES

Choo Se Eng
Stephen Geh Sim Whye

REGISTERED OFFICE

Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7805 1817 / 3817
Fax : (603) 7804 1316

BUSINESS ADDRESS

Lot 2A, Jalan 13/2,
46200 Petaling Jaya,
Selangor Darul Ehsan
Malaysia
Tel : (603) 7495 5000
Fax : (603) 7495 5088

SHARE REGISTRARS

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur,
Malaysia.
Tel : (603) 2264 3883
Fax : (603) 2282 1886

AUDITORS

Ernst & Young, Chartered Accountants

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
Listed on 6 July 2004

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

SOLICITORS

Shearn Delamore & Co

DOMICILE

Malaysia

Five-Year Highlights

	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
Revenue	62,069	61,888	58,893	66,094	63,685
Profit/(loss) before taxation	5,132	16,165	5,461	2,420	(9,503)
Profit/(loss) after taxation	3,415	14,950	3,100	(682)	(10,346)
Effective rate of taxation (%)	33.5	7.5	43.2	N/A	N/A
(Loss)/profit from discontinued operations	-	(4,309)	2,051	(25,498)	147,710
Net profit/(loss) attributable to shareholders of the Company	3,415	10,641	5,151	(26,055)	137,364
Assests Employed					
Property, plants, equipment	73,217	73,735	81,257	14,875	16,386
Investments	2,802	3,902	3,902	4,128	8,744
Other non-current assets	543	884	645	766	770
Current assets	23,285	28,646	55,042	41,379	209,570
Total assets	99,847	107,167	40,846	61,148	235,470
Financed by:					
Share capital	47,329	47,329	51,898	51,898	129,744
Reserves	17,660	17,367	45,362	(3,176)	(2,517)
Retained earnings/(accumulated losses)	(6,518)	585	(20,369)	(19,271)	6,784
Shareholders' funds	58,471	65,281	76,891	29,451	134,011
Non-controlling interest	12,777	12,705	11,569	-	125
Total equity	71,248	77,986	88,460	29,451	134,136
Non-current liabilities	10,882	12,039	8,798	150	772
Current liabilities	17,717	17,142	43,588	31,547	100,562
Total funds employed	99,847	107,167	140,846	61,148	235,470
Shareholders' Interests					
Earnings/(loss) per share (sen)	0.50	2.75	2.00	(10.1)	52.9
Dividend per share (sen)	2.0	2.0	-	-	61.3
Net assets per share (sen)	12.4	13.8	29.6	0.1	0.5
Depreciation and amortisation (RM'000)	6,925	6,091	5,809	1,330	11,830
Interest expense (RM'000)	598	1,143	1,129	1,235	7,973

List of Principal Offices

ANCOM LOGISTICS BERHAD

Lot 2A, Jalan 13/2,
46200 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia
Tel : (603) 7495 5000
Fax : (603) 7495 5088
www.ancomlogistics.com.my

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

ANCOM COMPONENTS SDN BHD

7, Jalan Empat,
Off Jalan Chan Sow Lin,
57100 Kuala Lumpur,
Malaysia
Tel : (603) 9223 0288 / 0289
Fax : (603) 9223 7388

PENGANGKUTAN COGENT SDN BHD

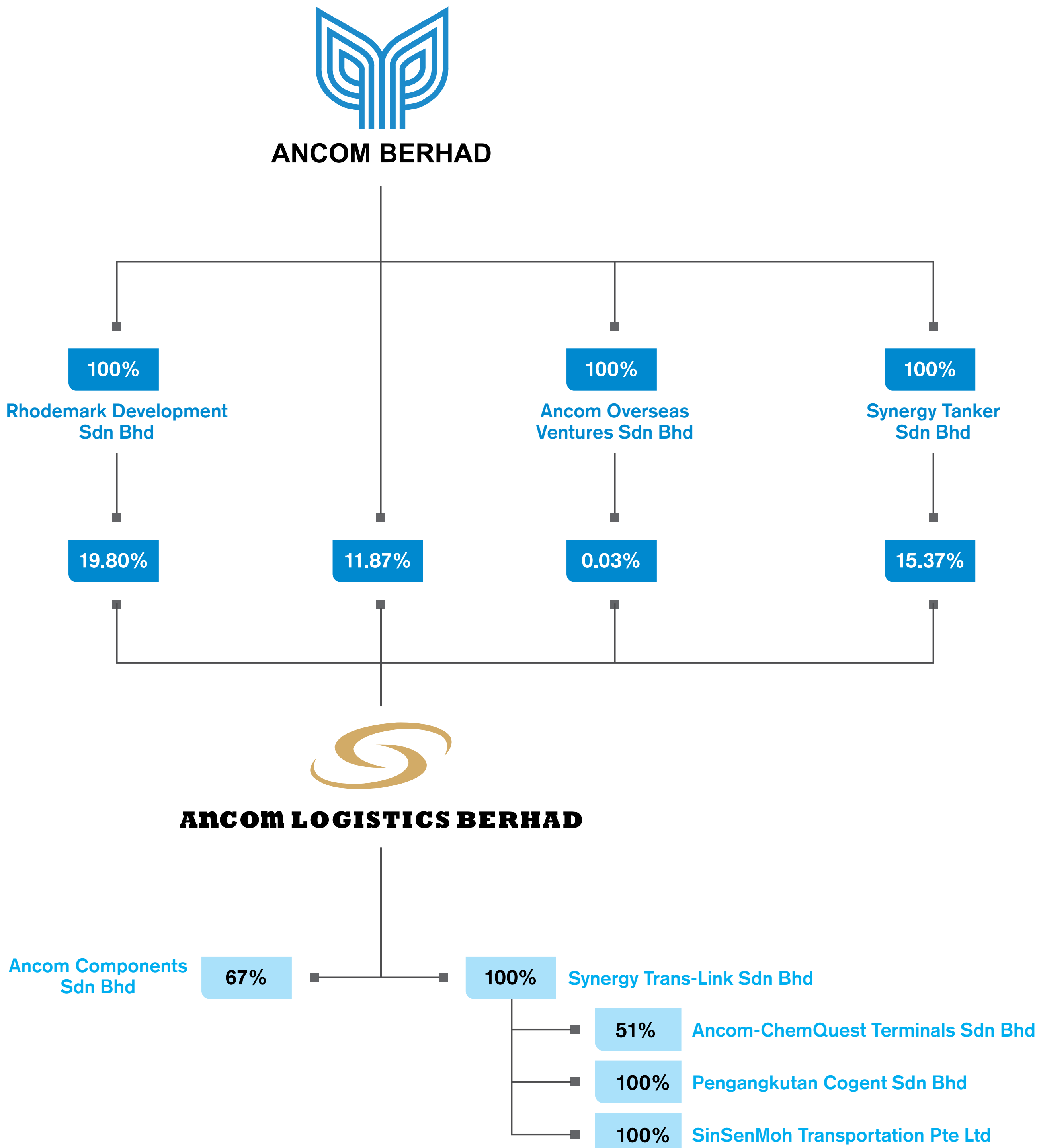
PTD 149227, Jalan Berjaya 7,
Taman Perindustrian Berjaya,
81200 Kempas Lama,
Johor,
Malaysia
Tel : (607) 558 3131
Fax : (607) 558 1313

SINSENMOH TRANSPORTATION PTE LTD

32 Tanjung Penjuru,
Jurong Town,
Singapore 609028
Tel : (65) 6264 8488
Fax : (65) 6898 1588

Corporate Structure

As at 31st May 2012



Note: Only active companies in the Group are shown in this Corporate Structure.

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by TEAMWORK

With a management team that is committed to quality and safety standards, and a team of experts with sector domain knowledge, we stand proud in knowing that we have the best team to deliver quality and safety assurance to our clients.

MICHELIN
MICHELIN
SCANIA
114 L
340
BJP 4408
BJP
4408
340

Board of Directors

LIM HOCK CHYE

LIM HOCK HENG

DATO' ABDUL LATIF BIN ABDULLAH

SAFRIZAL BIN MOHD SAID

ABDUL LATIF BIN MAHAMUD

DATO' SIEW KA WEI

EDMOND CHEAH SWEE LENG

Board of Directors

DATO' ABDUL LATIF BIN ABDULLAH

Aged 62, Malaysian
Non-Independent Non-executive Chairman

Dato' Abdul 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-executive Chairman on 1 June 2006. He is a currently a member of the Remuneration and Nomination Committee ("R&N Committee").

He obtained a Bachelor of Arts (Hons) degree in International Relations from University Malaya (1975), Master of Science (Marine Law & Policy) degree from University of Wales (1981), and has attended Senior Management Development Program at Harvard Business School (1992). He is a member of Chartered Institute of Logistic and Transport, United Kingdom.

Dato' Latif's career began with the Ministry of Foreign Affairs in 1975 as Attachment Officer of the West Asian Desk. He later joined Malaysian International Shipping Corporation Berhad as a Management Trainee and was subsequently promoted to Assistant Manager. 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 and heading of a number of subsidiaries and joint venture companies within the PNSL Group. In 1990, he became a founder Director of Mitsui OSK Lines (M) Sdn Bhd and he now remains as its Chairman since his retirement in 2005.

He was previously the Executive Chairman of Realmild (M) Sdn Bhd and Chairman of Radicare (M) Sdn Bhd. He was Chairman of Labuan Shipyard & Engineering Sdn Bhd from March 2006 to December 2009; Chairman of Penang Port Sdn Bhd from January 2004 to December 2009; Chairman of the International Shipowners' Association of Malaysia from 1998 to 2008; Chairman of Amanah Raya Asian Finance Islamic Marine Fund from 2008 to 2010 and Vice-Chairman of the Malaysian Shipowners' Association. He was also a public interest Director in Bursa Malaysia Berhad from April 2004 to April 2010.

Presently, Dato' Latif is the Chairman of Efficient E-Solutions Berhad and the Deputy Chairman of Ekowood International Berhad. He also sits on the Board of various other private limited companies namely TNB Fuel Services Sdn Bhd, Menlo Worldwide Forwarding Malaysia Sdn Bhd and MOL Logistics (M) Sdn Bhd.

DATO' SIEW KA WEI

Aged 56, 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 as the Executive Vice Chairman on 25 January 2011 respectively.

Dato' Siew graduated 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. He has extensive working experience of more than 30 years in the field of petrochemicals locally and internationally.

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

Dato Siew was the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 10,500 chief executive officers and leaders of major companies and organizations over the world. He became a director of the International Board of Directors of YPO in 2000 and served until 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. He is currently the President of the Imperial College Alumni Association of Malaysia and a Governor of the Board of Governors for the Marlborough College of Malaysia.

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

LIM HOCK HENG

Aged 54, Singaporean
Executive Director

Lim Hock Heng was appointed as Executive Director of the Company on 1 March 2011.

He completed his secondary school GCE 'O' level education in 1974. He has more than 30 years' experience in the logistics business, specialising in chemical transportation and warehousing, having been involved in the business since 1978. He is currently the managing director of the logistics companies of the Group, a post he held since 2003 when these companies were under the Ancom Berhad group.

He is a substantial shareholder of the Company. He does not hold directorship in other public listed companies.

ABDUL LATIF BIN MAHAMUD

Aged 55, 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 is a currently a member of the Audit Committee and R&N Committee.

Abdul Latif 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 Chief Operation Officer in charge of the EPE Group's power generation, transmission and distribution businesses. He became Managing Director of EPE in 2001. He was designated Chief Executive Officer and Executive Director of

Ranhill Power Berhad in 2004 following the acquisition of EPE by Ranhill Berhad.

Abdul Latif is currently the Managing Director of Ancom Berhad's Agricultural Chemicals business. He has no directorship in other public listed companies.

LIM HOCK CHYE

Aged 57, Malaysian
Independent Non-executive Director

Lim 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 respectively.

Mr Lim is a law graduate 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. Prior to that, he was a Deputy Editor with the Star Newspaper, where he wrote for the Business Section.

He was also a panel speaker for Rating Agency of Malaysia and is curently a panel speaker Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors. He continues to lecture on promotion of good corporate governance within Corporate Malaysia. He is currently the Group Director of Strategic Planning & Corporate Affairs of HELP University, a position he has held since April 2008.

Currently, Mr Lim is a director of Ancom Berhad and its subsidiary, Nylex (Malaysia) Berhad, both of which are companies listed on the Main Market of Bursa Malaysia Securities Berhad.

SAFRIZAL BIN MOHD SAID

Aged 46, 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.

He 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.

Safrizal 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 Four Accounting Firms, with his last position being a tax director. His experience in the field of taxation totals more than 20 years.

During his time as a tax consultant, Safrizal has 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.

Safrizal is currently a director of Nylex (Malaysia) Berhad, a subsidiary of Ancom Berhad which is listed on the Main Board of Bursa Malaysia Securities Berhad.

EDMOND CHEAH SWEE LENG

Aged 58, Malaysian
Independent and Non-executive Director

Mr. Cheah joined the Board on 30 August 2005. He is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Mr. Cheah is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England & Wales. He is also a Certified Financial Planner.

Mr. Cheah's started his career as an Audit Manager with a professional accounting firm in London. He was later the Manager in charge of portfolio investment in a merchant bank in Malaysia and subsequently in charge of the corporate and planning division of a public listed company in Malaysia. Mr. Cheah was formerly the Chief Executive Officer / Executive Director and a member of the Investment Committee of Public Mutual Berhad, the largest private unit trust management company in Malaysia. He was also a Council Member and Chairman of the Secretariat of the Federation of Malaysian Unit Trust Managers ("FMUTM"), a former Task Force Member on Islamic Finance for the Labuan Offshore Financial Services Authority ("LOFSA"), a former member on the Securities Market Consultation Panel in Bursa Malaysia Securities Berhad and a founder member and a past President of the Financial Planning Association of Malaysia ("FPAM").

Mr. Cheah is currently an Investment Committee Member and Director of MAAKL Mutual Berhad and the Treasurer for the Society for the Prevention of Cruelty to Animals ("SPCA"). He is also the Chairman of Adventa Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad and a Director of Ancom Berhad and its subsidiary, Nylex (Malaysia) Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

Notes :

1. None of the Directors has any family relationship with any other Directors and/or substantial 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 Director has been convicted for any offence other than traffic offences (if any) within the past ten (10) years.
4. Please refer to page 22 – Statement on Corporate Governance of this Annual Report for the Directors' meeting attendance records.
5. Please refer to page 41 – Directors' Report of this Annual Report for the Directors' securities holdings in the Company and its related corporations.

Chairman's Statement

On behalf of the Board of Directors, I take great pleasure to present to you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 May 2012.

To Our Shareholders,

On behalf of the Board of Directors, I take great pleasure to present to you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 May 2012.

Review of Financial Results

The current financial year marks the first full year after the Group was restructured into a logistic player. It is our vision that the Group would continue to grow and become the preferred logistics partner in the chemical industry.

The operating revenue of the Group increased marginally to RM62.0 million from RM61.9 million a year ago. The higher revenue was primarily attributed to the growth of the bulk liquid terminal business, although the growth has been partially affected in transportation business. Overall, growth in the logistics business remained commendable. Nevertheless, revenue from electrical trading business declined following stiff competition in pricing and products offerings.

Profit before taxation ("PBT") declined to RM5.1 million from RM16.2 million last year. Included in the current year PBT is the RM1.1 million impairments made against investment in an associated company. The impairment was made following an assessment on the realizable value of assets in the associate. Further, the higher PBT last year was mainly attributed to the one-off gain on sale of property to Ancom Berhad amounting to RM11.0 million. Excluding these exceptional items, profits from operations in the current financial year would be RM6.2 million, higher than the RM5.2 million posted in the previous year. Lower corporate expenses incurred in the absence of any corporate restructuring have attributed to the improved results.

At Company level, revenue declined to RM3.0 million from RM12.8 million last year. Revenue of the Company comprises only dividend income received from subsidiaries. Higher dividend income received from subsidiaries in the last financial year was due to a special dividend received prior to the sale of subsidiaries involved in the trading and contracting of electrical engineering products ("Engineering Subsidiaries").

PBT of the Company also declined to RM0.1 million in the current financial year compared to RM26.4 million last year. The RM1.1 million impairment charges made against the investment in the associate, as discussed earlier, is the main cause for the lower PBT in current financial year. Furthermore, the results of the last financial year include RM11.0 million one-off gain on sale of property to Ancom Berhad and another RM6.5 million gain from sale of the Engineering Subsidiaries.

Operationally, the Group has performed satisfactorily for the current financial year. The management will continue to focus on the growth of the business for better shareholders' return. With our proven track records in terms of quality and service, we believe that the Group is well positioned to be a key player in the industry.

Prospects for next financial year

The global economic environment remained challenging with the persistent vulnerabilities in several key economies. Growth in the major advanced economies slowed in 2011/2012, weighed down by fiscal adjustments, tight credit conditions and poor labour markets. The overall economic climate was further dampened as growth momentum moderated in Asia. Nevertheless, domestic demand was sustained. With the favourable macroeconomic fundamentals and policy support, the Malaysian economy recorded a higher growth of 5.4% in the second quarter of 2012 (1Q 12: 4.9%), driven by a stronger expansion in domestic demand amid a further moderation in external demand. Both private and public sector spending recorded robust growth during the quarter.

The Board is always mindful of the continuous weak global economic environment, especially with uncertainties still affecting the European economy. The Board will continue to assess and take appropriate actions in dealing with these economic uncertainties.

Dividends

During the financial year, the Company paid a final dividend of 2 sen (single tier) to its shareholders on 22 December 2011 in respect of the financial year ended 31 May 2011.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank the management and staff for their dedicated services and commitment towards the Group in the past year. It is also my pleasure to thank our shareholders, valued customers, bankers and authorities and business associates for their confidence and unwavering support.

I would also like to thank my fellow colleagues on the Board for their counsel and invaluable dedication towards the Group.

DATO' ABDUL LATIF BIN ABDULLAH
Chairman
Petaling Jaya
12 October 2012

by ENTHUSIASM

Our vision is to be the preferred logistics partner and to this end, each of our business segments take great care in ensuring standards are kept and processes are followed. By ensuring efficiency of our services and products, fulfilling our visions are very well in sight.

Operational Review

OVERVIEW

Ancom Logistics Berhad ("ALB") Group ("ALB Group" or "the Group") comprises mainly of the Logistics Division. The remaining operations of the Group are made up of investment holding and a subsidiary involved in the Electrical Trading business.

LOGISTICS DIVISION

This division provides bulk liquid chemical related logistics services in Malaysia and Singapore. The bulk liquid terminal is strategically located within Port Klang, West Port Bulk Liquid Terminal and Free Trade Zone. It owns and operates a large fleet of prime movers, road tankers and lorries for the provision of cross border bulk chemicals land transportation between Malaysia and Singapore.

The key subsidiaries included in this division are:

- Ancom-ChemQuest Terminals Sdn Bhd ("ACT")
- Pengangkutan Cogent Sdn Bhd ("PCSB")
- SinSenMoh Transportation Pte Ltd, Singapore ("SSM")

Other divisions of the Group comprise of ALB and a main subsidiary Ancom Component Sdn Bhd.

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

The operating revenue of the Group increased marginally to RM62.0 million from RM61.9 million a year ago. PBT declined to RM5.1 million from RM16.2 million last year.

LOGISTICS DIVISION

Revenue of the Division increased marginally to RM59.2 million from RM58.2 million a year ago. The logistics business continues to experience commendable growth in line with the overall growth in the industry. However, segmental profit before taxation fell to RM7.8 million in FY2012 compared with RM8.9 million in FY2011, mainly attributed to the higher operational overheads incurred relating to the fleet maintenance. The results of the Logistics Division comprise of the operations from ACT, PCSB and SSM.

ACT operates a tank farm consisting of 48 tanks with capacities of 43,000 cubic meters in West Port in Klang, Selangor. ACT provides bulk storage facilities for liquid chemicals servicing MNC petrochemicals companies in the region. The demand for ACT's tank farm was strong in FY2012 owing to shortages of the facilities in Malaysia. As a result, revenue of ACT grew by 31.1% in FY2012 compared with FY2011. With proven track records and strong customer base, ACT is expected to benefit from the prevailing strong demand for its services. PBT grew by 9.9% in FY2012 on the stronger revenue.

SSM specialises in bulk liquid chemical transportation, container haulage and bulk cargo handling services and provision of warehousing services within Malaysia and Singapore. It owns a fleet of prime movers, road tankers and lorries catering to its customers within Singapore, while transportation services to Malaysia is complemented by PCSB. SSM revenue declined by 5.4% in FY2012 compared to FY2011 mainly due to loss of certain key customers. Efforts are being undertaken by the management to improve its revenue in the coming financial year. SSM PBT declined by 33.8% in FY2012 following lower revenue coupled with higher overheads incurred.

PCSB owns and operates a fleet of approximately 90 road tankers. It is one of the only two local companies providing cross border bulk chemicals land transportation between Malaysia and Singapore. The revenue of PCSB increased only marginally by 1.4% in FY2012 compared to FY2011. The loss of contracts in SSM has partially affected the revenue of PCSB. PBT fell by 11.9% in FY2012 on higher operating overheads for the company's maintenance of its fleet.

OTHER SEGMENT

Other segment includes the results of investment holding company and remaining trading business of the Group.

Revenue in this segment declined to RM2.9 million from RM3.7 million a year ago. The revenue is derived from Electrical Trading business following stiff competition in pricing and products offerings.

This segment reported significant decline in the results during the year. Included in the segmental profit for the current financial year is a RM1.1 million impairment made against investment in the associated company. The impairment was made following an assessment on the realisable value of assets in the associate. Further, higher PBT last year was mainly attributed to the one-off gain on sale of property to Ancom Berhad amounting to RM11.0 million.

OUTLOOK AND PROSPECTS

The economic uncertainties in Europe remain unresolved. The latest statistics showed that the Eurozone manufacturing activity shrank for the 14th straight month in September and unemployment hit a fresh record in August, suggesting prospects are worsening for a quick return to growth in the European economy.

The economic growth in China has also moderated and this may indicate that the regional economy may not be encouraging. The management views the business environment in this region for the next financial year ending 31 May 2013 to be challenging. The management and in consultation with the Board, will continue to assess and take appropriate actions in dealing with these economic uncertainties.

Statement on Corporate Governance

INTRODUCTION

The Board acknowledges the importance of adopting good corporate governance practices in discharging its duties and responsibilities to safeguard and enhance shareholders' value and financial performance of the Company and its subsidiary companies ("Group").

The Board has taken steps as diligent as practical to comply with the principles of The Code of Corporate Governance issued by the Finance Committee on Corporate Governance and the Malaysian Code on Corporate Governance (Revised 2007) (collectively the "Code") during the financial year ended 31 May 2012 to the extent as disclosed in this Statement.

1. BOARD OF DIRECTORS

1.1 Composition

During the financial year, the Board is made up of six (6) Directors comprising two (2) Executive Directors – an Executive Vice Chairman and an Executive Director, and four (4) Non-executive Directors, three (3) of whom are Independent Directors. The composition of the Board is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad For The ACE Market ("ACE Market Listing Requirements") to have at least two (2) Independent Directors.

The Board comprised of Directors who are persons with a wide range of experience, acumen, skill and functional knowledge in business and public services with a diverse academic, professional and business background in logistics, engineering, legal, accounting and marketing.

The presence of a majority of Non-executive Directors on the Board provided the necessary check and balances on the conduct on the Executive Vice Chairman and the Executive Director in managing the business of the Group. The Independent Non-executive Directors were all independent of management and were free from any business or other relationship which would materially interfere with the exercise of their independent judgment. They are people of caliber, credibility and have the necessary skill and experience to bring an independent judgment to bear on the issues of strategy, business performance, resources and standards of conduct. They provided independent and constructive views in the Board's discussion. They were involved actively in the Board Committees of the Company.

The Board is satisfied with the composition of the Board during the financial year. The Board is also of the view that the Board has the right mix of skill, experience and knowledge to deal with the strategic direction, investment and management of the Group.

The profile of the Directors are set out in pages 11 to 13 of this Annual Report.

1.2 Duties and Responsibilities

The Board is responsible for the Group's overall strategic direction, business and financial performance, risk management, internal control and management information systems and investors' relation.

The principal duties and responsibilities of the Board are as follows:

- Formulating the business direction and objectives of the Group;
- Reviewing, adopting and approving the Group's annual budgets, strategic plan, key operational initiatives, major investment and funding decisions;
- Overseeing the conduct of business of the Group by reviewing its performance against budgets; and
- Reviewing the risk management framework and 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.

The Board played an active role in formulating the Group's overall strategic direction and in reviewing the Group's business and financial performances. At the beginning of each financial year, Management would present the strategy for the new financial year together with the annual budget and financial performance forecasts to the Board for approval.

The Board would appraise the Group's actual business and financial performances against the budget and forecasts at the quarterly Board meetings.

The key matters reserved for the Board's approval include the Annual Business Plan, significant corporate proposals including acquisitions and disposal of companies within the Group, Group business restructuring, new issue of securities, acquisitions and disposal of significant assets and expenditure above a certain amount.

The roles of the Non-executive Chairman and Executive Vice Chairman are distinct and separated with clear division of responsibilities to ensure a balance of power and authority. The Chairman holds a Non-executive position and is primarily responsible for ensuring the Board's effectiveness and conduct in discharging its responsibilities. The Executive Vice Chairman has an overall responsibility for the day-to-day management of the Group's business and operations and for implementing the Board's policies and decisions. He is supported by the Executive Director and the management team. At the quarterly Board meetings, the Executive Vice Chairman provides the Board with an update on the Group's key strategic initiatives and key operational issues.

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 with authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, the Chairman of the respective Board Committees would report to the Board on the key matters discussed by the Board Committees at its respective meetings. Minutes of the Board Committee meetings are also enclosed together with the Board papers for the Directors' attention.

The activities of the Audit Committee and the Remuneration & Nomination Committee are further discussed in separate sections of this Statement.

The decisions of the Board are decided by a simple majority of votes of the Directors present at the Board meetings. In the event of an equality of votes, the Chairman shall have a second or casting vote except where two (2) Directors form a quorum and where only two (2) Directors are present or only two (2) Directors are competent to vote on the question at issue.

During the financial year, all the Board decisions were approved by the Board unanimously without any dissenting votes from any of the Directors.

In the intervals between Board meetings, Board decisions were also obtained via circular resolutions which are supported with Board papers to provide the necessary information for an informed decision by the Board.

1.3 Meetings and Supply of Information

During the financial year, the Board met four (4) times. The details of attendance of each Director at the Board meetings held during the financial year are as follows:

	Name of Directors	Number of meetings attended	% Attendance
1.	Dato' Abdul Latif bin Abdullah	4/4	100
2.	Dato' Siew Ka Wei	4/4	100
3.	Abdul Latif bin Mahamud	4/4	100
4.	Safrizal bin Mohd Said	4/4	100
5.	Lim Hock Chye	4/4	100
6.	Lim Hock Heng	4/4	100
7.	Edmond Cheah Swee Leng (appointed on 31 December 2011)	2/2	100

The Board received Notice of Meeting and the Agenda with the relevant documents on matters requiring its consideration prior to and in advance of each meeting and vide circular resolutions. The Board papers and papers accompanying the circular resolutions were comprehensive and encompassed both quantitative and qualitative factors of the matters at hand so that informed decisions could be made. All proceedings at the Board meetings were minuted and confirmed by the Board at the subsequent meeting.

Senior management staff, as well as advisers and professionals appointed to advise on corporate proposals, were invited to attend the Board meetings to provide the Board with their explanations on certain agenda items tabled to the Board, and to furnish clarification on issues that were raised by the Directors.

All Directors were vested with the rights and unlimited access to information with regard to the Group's activities. They have access to the advice and services of the Company Secretaries and may engage independent professional advice in the matters connected with the discharge of their responsibilities as they may deem necessary and appropriate at the Company's expense.

1.4 Training and Education

All the Directors have completed the Mandatory Accreditation Programme and would continue to attend the Continuing Education Programme as prescribed by the ACE Market Listing Requirements.

The Board believes that the Directors should receive continuous training from time to time, particularly in view of the changing laws, regulations and business environment in which the Group operates.

During the financial year, Lim Hock Chye attended the Seminar on Audit Committee Forum organized by the Institute of Internal Auditors on 12 July 2011. Safrizal Bin Mohd Said attended the National Tax Conference 2011 organised by the Inland Revenue Board on 19 & 20 July 2011; Budget Seminar 2012 organised by the Inland Revenue Officers' Union on 12 October 2011; Decoding the DNA of the EDP with Dato Idris Jala organized by Ernst & Young on 10 November 2011 and Roadshow on Enhancing Tax Compliance: Avoiding Common Mistakes and Improve Efficiency organized by the Chartered Tax Institute of Malaysia and Inland Revenue Board on 27 February 2012. Lim Hock Chye, who is a panel speaker for Bursatra Sdn Bhd on Continuing Education Programme for directors of public listed companies in Malaysia, continues to lecture on promoting good corporate governance within Corporate Malaysia. Safrizal Bin Mohd Said, 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.

The other Directors have not attended any seminars/courses during the financial year as there were no suitable seminars/courses. However, the Board will identify further training and seminars which it considers to be relevant and useful for the Directors in order to them to effectively discharge their duties as Directors.

1.5 Appointment & Re-election of Directors

In accordance with Article 90 of the Company's Articles of Association, a Director is subject to retire and be eligible for re-election at the first annual general meeting of the Company after his appointment.

Article 103 of the Company's Articles of Association also provides 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 Executive Vice Chairman and the Executive Director do not have a service contract which the notice period for termination is more than one year. The Executive Vice Chairman and Executive Director are also subject to retirement at least once every three (3) years and they shall be eligible for re-election at the annual general meeting.

In the forthcoming annual general meeting, Dato Abdul Latif Bin Abdullah and Lim Hock Heng will retire by rotation in accordance with Article 103 while Edmond Cheah Swee Leng will retire in accordance with Article 90 of the Company's Articles of Association. The Remuneration & Nomination Committee has recommended that they be re-elected by the Company's shareholders at the forthcoming annual general meeting.

The motions to re-elect Directors is voted on individually, unless a resolution for the re-election of two (2) or more Directors by a single resolution shall have been passed by the annual general meeting without any vote against it.

To assist shareholders in making their decision in the re-election of Directors, sufficient information such as personal profile, attendance at Board and Committee meetings and the shareholdings in the Company of the Directors standing for re-election are furnished in a separate statement accompanying the Notice of Annual General Meeting.

1.6 Board Committees

In accordance with the best practices of the code, the Board has established the following committees which operate within clearly defined terms of reference.

Audit Committee

The Audit Committee Report is set out separately on pages 28 to 32 of this Annual Report.

Remuneration and Nomination Committee

The Board has established the Remuneration and Nomination Committee ("R&N Committee"), whose members comprised the following:

Lim Hock Chye, Chairman
Dato' Abdul Latif bin Abdullah
Abdul Latif bin Mahamud
Safrizal bin Mohd Said

The R&N Committee is responsible for reviewing and assessing the effectiveness of the Board as a whole and the Board Committees and for assessing the performance of the Executive Directors. It is also responsible for reviewing the required mixed of skills and experience and core competencies which the Non-executive Directors should bring to the Board and for proposing and recommending to the Board candidates for all Directorships to be filled by the Board or the shareholders. In making its recommendation, the R&N Committee would consider the candidates' skill, knowledge, expertise and experience, professionalism, integrity and in the case of independent non-executive directors – the candidates' ability to discharge such responsibilities and functions expected from them.

The R&N Committee is responsible for making recommendation to the Board on the appointment of new director on the Board and on the re-election of Directors who are re-retiring pursuant to the Articles of Association of the Company. In accordance with this process, Edmond Cheah Swee Leng, an Independent Non- executive Director, was appointed on 31 December 2011. Lim Hock Chye, Lim Hock Heng and Safrizal Bin Mohd Said who retired by rotation in the last annual general meeting of the Company were recommended by the Board for re-election to the Board at the 45th Annual General Meeting of the Company on 23 November 2011.

The R&N Committee also assume the task of recommending to the Board the remuneration package for the Executive Directors in all its forms, drawing from outside advice as necessary at the Company's expense, taking into consideration the Executive Directors' responsibilities, contributions and performances, as well as the market-rate for similar positions in comparable companies. The R&N Committee is also responsible for recommending the remuneration of the Non-executive Directors, including Directors' fee, after taking into account comparison with payment by similar companies, to the Board for its endorsement.

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

During the financial year, the R&N Committee had one meeting which was attended by all members. During the meeting, the R&N Committee reviewed and assessed the composition of the Board and the Board Committees and was satisfied that the Board composition was appropriate and that there was a mix of Executive and Non-executive Directors on the Board. The R&N Committee was also satisfied with the caliber, credibility, skills and experiences of the Non-executive Directors to bring independent judgment to bear on issue of strategy, performance and resources. The Board composition was in compliant with the Code and that the Board and the Board Committees were effective in discharging their respective responsibilities.

2. DIRECTORS' REMUNERATION

The following are the remuneration of the Non-executive Directors of the Company:

2.1 Directors' fee

For the last financial year, the Chairman and the Non-executive Directors of the Company received RM60,000 and RM50,000 respectively as Directors' fee 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' fee of RM265,589 was approved by the shareholders at the 45th Annual General Meeting of the Company on 23 November 2011. In addition, the Non-executive Directors also received an attendance allowance of RM416.67 per Board/Committee meeting attended

For the current financial year, the R&N Committee had not engaged a consultant to do a comparative study on the Directors' remuneration. Based on the members' personal experience, the R&N Committee proposed that the Non-executive Directors on the Board and the Board Committees would be paid the same amount of Directors fee and attendance allowance as in the last financial year. The total Directors' fee payable by the Company for the current financial year amounts to RM290,822.

The Board has endorsed the R&N Committee's recommendation and will seek the approval of the Company's shareholders at the forthcoming 46th annual general meeting for the payment of Directors' fee.

The R&N Committee was also responsible for reviewing the remuneration of the Executive Vice Chairman and the Executive Director and made recommendation on the same for the Board approval. The Executive Vice Chairman's remuneration consists of bonuses, benefit-in-kind ("BIK") and other benefits which the Board will approve from time to time. The Executive Vice Chairman's remuneration is linked to the performance of the Group in the financial year.

The Executive Vice Chairman and the Executive Director did not participate in the Board deliberation on their respective remunerations at the Board meeting.

The Executive Vice Chairman and the Executive Director are not entitled to the Director's fee and attendance allowance for the Board/Committee meetings they attended.

Other than the Non-executive Chairman who was provided with a car, the Non-executive Directors are not entitled to any BIK.

The breakdown of the remuneration received and receivable by the Directors from the Company and its subsidiaries during the financial year is disclosed in Note 8 to the financial statement and on page 70 of this Annual Report.

In addition to the remuneration above, the Company has taken up a Directors' and Officers' Liability ("D&O") insurance for the benefit of the Directors of the Company and its subsidiaries. The D&O insurance covers the defense costs and legal representation expenses of the Directors for actions against them acting in their capacity as Directors of the Company and/or its subsidiaries. It does not indemnify a Director if he is proven to have acted fraudulently or dishonestly or for any intentional breach of the law.

3. SHAREHOLDERS

3.1 Investors' Relations and Shareholders' Communication

The Board recognises the importance of accountability to its shareholders, stakeholders and investors through proper, timely and adequate dissemination of information on the Group's performance and other development via an appropriate channel of communication. During the financial year ended 31 May 2012, the annual report, the interim financial reports and other announcements, the circulars to shareholders and press releases are the primary modes of communication to report the Group's business, results and other major developments to its shareholders, stakeholders and investors. The Company has established an Investors Relation ("IR") portal at www.ancomlogistics.com.my for the benefits of the shareholders and investors. Copies of the Company's Annual Reports, quarterly Interim Financial Reports, announcements, circulars and press releases, as well as Company's share prices performances are also posted on the IR portal and these are accessible by the shareholders and investors without any restriction.

The Board also encourages shareholders to communicate with the Company through other channels. The Board has decided not to appoint a Director to whom any queries or concerns may be conveyed as shareholders and investors are now able to convey their view and queries through the Company's IR portal at www.ancomlogistics.com.my. These questions and queries would be attended to the Company's senior management.

In addition, shareholders, stakeholders and investors who wish to convey their concerns or queries on the Company can also direct them to the Board, at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan or fax at 03-7804 1316.

3.2 General Meetings

The Company's general meetings are the principal forum for dialogue between the Company and its shareholders and investors.

At the general meetings, the Board encourages and welcomes shareholders to ask questions regarding the affairs of the Group, its financial performance and on the resolutions being proposed at the meetings. The Company holds its general meetings at venue that is easily accessible by the shareholders and at a time convenient to the shareholders to encourage them to attend the meetings.

The Company held its 45th Annual General Meeting ("AGM") at the Hilton Hotel, Petaling Jaya at No.2, Jalan Barat, 46200 Petaling Jaya, Selangor. The Notice of the AGM and the annual Audited Financial Statement and the related circulars were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice was advertised in a national English newspaper within the prescribed deadlines.

During the AGM, the Executive Vice Chairmen gave a briefing on the Group's performance during the financial year and his view and insights on the future prospects of the Group's businesses. There were active participation by the shareholders in the discussions. The Chairman, when presenting the agenda items for voting, also gave a brief background on the items to be voted and shareholders were invited to give their views and comments before voting commenced.

The shareholders approved all the resolutions put forth at the AGM and the results of the AGM were announced to the shareholders via the Bursa Link on the same day after the AGM.

Proceedings of the AGM were properly minuted and the shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

The Notice for the forthcoming 46th annual general meeting of the Company, which will be held on 21 November 2012, is on pages 105 to 107 of this Annual Report.

4. ACCOUNTS AND AUDIT

4.1 Financial Reporting

The Board aims to present a balanced and meaningful evaluation and assessment of the Group's 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 Group.

The Directors are responsible for keeping proper accounting records, which disclosed with reasonable accuracy at any time the financial position of the Company and the Group, to enable them to ensure that the financial statements comply with the Companies Act, 1965 and approved Financial Reporting Standards ("FRS").

A statement by the Board on its responsibilities for preparing the annual Audited Financial Statements is set out in page 38 of this Annual Report.

The Group's annual Audited Financial Statements are reviewed by the Audit Committee together with the external auditors and the management of the Company. For the quarterly Interim Financial Reports, these are reviewed by the Audit Committee and the management. Thereafter, the Audit Committee will recommend to the Board to approve same prior to releasing to Bursa Malaysia Securities Berhad within the stipulated time frame. The annual Audited Financial Statements and the quarterly Interim Financial reports are also posted on the Company's IR portal www.ancomlogistics.com.my for the benefit of the shareholders and investors.

4.2 Internal Control

The Directors acknowledge their responsibility to maintain a sound system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. 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 the regular assurance on the continuity and effectiveness of the internal control system through independent reviews by the internal auditor and the external auditors.

The report of the Audit Committee is separately set out in pages 28 to 32 of this Annual Report while the scope and results of the internal audit review by the Audit Committee are detailed in the Statement of Internal Control in pages 33 to 34 of this Annual Report.

4.3 Relationship with Auditors

The Board has established a formal, transparent and appropriate relationship with the Group's auditors, both external and internal, through the Audit Committee.

As per its Terms of Reference, the Audit Committee has been explicitly accorded the power to appoint, to decide on the remuneration and the resignation/dismissal of the external 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 all the authorities and resources to carry out its responsibilities. The Audit Committee also has the authority to appoint and accept the resignation/dismissal of the senior members of the internal audit function. It would also approve the Internal Audit plan and review and assess the performance of the internal audit function.

CONCLUSION

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

Audit Committee Report

In accordance with paragraph 15.15 of the Listing Requirements of Bursa Malaysia Securities Berhad for ACE Market ("ACE Market Listing Requirement"), the Board has pleasure in submitting the Audit Committee Report for the financial year ended 31 May 2012.

1. TERMS OF REFERENCE

COMPOSITION

The Audit Committee shall be appointed by the Board of Directors from amongst its members. The Audit Committee shall comprise of at least three (3) members, all of whom must be Non-executive Directors, with a majority of them being Independent Directors as defined in the ACE Market Listing Requirements.

All members of the Audit Committee shall be financially literate and at least one of them shall be a member of the Malaysian Institute of Accountants or a person who fulfill the requirements under Paragraph 15.09 (1) (c) (ii) and (iii) of the ACE Market Listing Requirements. No alternate Director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee shall be elected from amongst the members and he shall be an Independent Non-executive Director.

If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members less than the required number of three (3), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of members. All members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board of Directors or until they cease to be a Director of the Company.

The Company Secretaries shall be the Secretaries of the Audit Committee.

OBJECTIVES

The objectives of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("Group"), particularly in:

1. maintaining a good corporate governance standard as well as a sound system of internal control;
2. facilitating the effective discharge of its stewardship responsibilities in respect of strategic business operations and related controls;
3. identifying principal risks and ensuring the implementation of appropriate risk management framework; and
4. reviewing the adequacy and integrity of the system of internal control and management information system.

FUNCTIONS

1. The duty of the Audit Committee shall include the following:

   A. EXTERNAL AUDIT
      i. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
      ii. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
      iii. To review the quarterly and year-end financial statements of the Group, focusing particularly on –
         a. changes in accounting policies and practices;
         b. significant adjustments arising from the audit;
         c. the going concern assumption; and
         d. compliance with accounting standards and other legal requirements;

iv. To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
v. To review the external auditors' management letter and management's response;

B. INTERNAL AUDIT
i. To do the following, in relation to the internal audit function –
   a. determine the scope and ensure that the internal audit function is independent of the activities it audits;
   b. approve the annual internal audit programme;
   c. review the competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   d. review results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
   e. review any appraisal or assessment of the performance of members of the internal audit function;
   f. approve any appointment or termination of senior staff members of the internal audit function;
   g. take cognizance of resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning;
   h. ensure that the internal audit function reports directly to the Audit Committee. However, on a day to day basis, the Audit Committee may select a representative to liaise with the Head of Internal Audit.
ii. To consider any related party transactions that may arise within the Company and the Group;
iii. To consider the major findings of internal investigations and management's response; and
iv. To consider other topics as defined by the Board of Directors;

2. The Internal Auditor and representative of the External Auditors should normally attend the Audit Committee meeting. Invitees may attend the Audit Committee meetings upon the invitation of the Audit Committee. The Audit Committee shall convene meetings with the External Auditors, Internal Auditor(s) or both, excluding the attendance of other Directors and employees of the Company and the Group whenever it deems necessary;

3. The Chairman of the Audit Committee should engage on a continuous basis with senior management such as the Chairman, the Group Managing Director/Executive Vice Chairman, the Executive Directors and the Chief Financial Officer and other senior operating staff, the Internal Auditor and External Auditors in order to be kept informed of matters affecting the Company and the Group.

4. In discharging the functions as stated in (1) above, the Audit Committee shall have, at the cost of the Company:
   i. the explicit authority to investigate any matter within its Terms of Reference;
   ii. all the resources that are required to perform its duties;
   iii. full and unrestricted access to any information pertaining to the Company and the Group;
   iv. direct communication channels with the External Auditors and the Internal Auditors; and
   v. the authority to obtain independent professional and other advices and to secure the attendance of the advisers if it considers necessary.

MEETING

The Audit Committee shall meet every quarterly or at other frequencies as directed by the Board of Directors and at any time upon the request of any members of the Audit Committee, the External Auditors or the Internal Auditors and/or at the Chairman's discretion.

The quorum for each meeting shall be two (2) members, all of whom must be Independent Directors. Agenda shall be sent to all Audit Committee members and any other persons who may be required to attend the meeting at least seven (7) days prior to the meeting unless such requirement is waived by the Audit Committee members at the meeting.

Decision of the Audit Committee shall be by majority of vote. In the case of equality of vote, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the Audit Committee members attending the meeting, shall have a second and casting vote.

MINUTES

The minutes of each Audit Committee meeting, after the same have been affirmed by the subsequent Audit Committee meeting and signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat.

The minutes shall be kept by the Secretaries and are subject to inspection by the Audit Committee members and the Board of Directors upon request.

Copies of the minutes shall be distributed to the Audit Committee members and the Board of Directors for information.

COMPOSITION

During the financial year, the Audit Committee comprised the following:

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

During the financial year, the composition of the Audit Committee complied with paragraph 15.09 of the ACE Market Listing Requirements.

2. MEETING AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year. The Internal Auditor and the External Auditors attended one (1) and three (3) Audit Committee meetings respectively. The attendance of the Audit Committee members at the meetings held during the financial year was as follows:

	Members	Number of meetings attended	% attendance
1.	Safrizal bin Mohd Said	5/5	100
2.	Lim Hock Chye	5/5	100
3.	Abdul Latif bin Mahamud	4/5	80

3. SUMMARY OF ACTIVITIES

The Audit Committee carried out its duties in accordance with its Terms of Reference during the financial year ended 31 May 2012. These included, inter-alia, the review of the following:

Financial Results

(a) The quarterly interim financial reports with management to ensure that they adhered to regulatory reporting requirements. The Audit Committee also took appropriate actions to resolve all accounting matters requiring significant judgment and made recommendations to the Board of Directors to adopt the quarterly interim financial reports;

(b) The annual audited financial statements with the External Auditors prior to submission for approval of the Board of Directors. The review was, inter-alia, to ensure that the annual audited financial statements complied with the provisions of the Companies Act, 1965, the ACE Market Listing Requirements, the approved accounting standards of the Malaysian Accounting Standard Board ("MASB") and other statutory and regulatory requirements;

External / Internal Audits

(a) The External Audit plan with the External Auditors taking into cognizance the emerging financial reporting issues pursuant to the introduction of new MASB standards and additional statutory / regulatory disclosure requirements;

(b) Significant financial matters that came to the attention of the External Auditors in their course of work and took appropriate action to resolve same;

(c) Significant internal control issues highlighted by the External Auditors, the management's responses in relation thereto and the measures taken by management to rectify the weaknesses and to strengthen the existing risk management process;

(d) The External Auditors' fees and made recommendation for their reappointment to the Board of Directors.

Related Party Transactions

Reviewed and approved the related party transactions entered into by the Company and the Group and the circular to shareholders in respect of proposed new shareholders mandate and the renewal of shareholders' mandate for the recurrent related party transactions of a revenue or trading nature.

Employees Share Option Scheme

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

During the respective Board of Directors' Meeting, the Chairman of the Audit Committee briefed the Board on issues raised in respect of the internal audit and internal control, the Quarterly Interim Financial Reports, Annual Audited Financial Statements and the recommendations of the Audit Committee thereon.

4. INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent and adequately resourced Internal Audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the internal control system.

As per the Terms of References for the Audit Committee, the Audit Committee has been explicitly accorded the power 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 to carry out its responsibilities. The Audit Committee also has the authority to appoint and accept the resignation/dismissal of the senior members of the Internal Audit function.

From 1 June 2011 until 18 January 2012, the Group did not have an internal audit function as its operation has been scaled down considerably subsequent to the disposal of its manufacturing business in April 2007. The Group's operation was revived in January 2011 upon the completion of the restructuring scheme which encompassed the acquisition by the Company of the logistics business from its holding company.

During this period, the Audit Committee relied on the Group's management in managing the Group's internal control and was satisfied that that there were continuous effort by management to address and resolve areas with control weaknesses and that the control procedures were in place and were being followed.

On 19 January 2012, the Audit Committee appointed Sterling Business Alignment Consulting Sdn Bhd ("SBAC"), a business and risk management consulting firm, as the Group's Internal Auditor. The Internal Auditor carried out its responsibilities according to the Internal Audit plan approved by the Audit Committee. Amongst the responsibilities of the Internal Auditor were:

a. to assist the Board in reviewing the adequacy and effectiveness of the Group's internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of management information system and consequently to determine the future requirements for internal control system and to co-develop a prioritized action plan;

b. to perform a risk assessment of the Group's business operation and to identify the business processes within the Group that internal audit should focus on; and

c. to allocate audit resources to areas within the Group that provide the Audit Committee and the management with efficient and effective level of audit coverage.

At the Audit Committee meeting, the Internal Auditor presented the quarterly Internal Audit Reports for the Audit Committee for review and discussion. The quarterly Internal Audit Reports, which highlighted internal control weaknesses in the business operations and the Internal Auditor's assessment of the magnitude of the financial effects arising from the weaknesses noted, also contained the Internal Auditor's recommendations on the corrective actions to overcome the internal control weaknesses and the management's response to the findings and the recommendations thereof. Target was set for the appropriate corrective actions to be effected and the Internal Auditor would report his findings from the follow-up reviews in the subsequent Audit Committee meeting.

5. CONCLUSION

Based on the above, the Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established above.

Please refer pages 33 to 34 of this Annual Report for the Statement on Internal Control.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that a listed company should maintain a sound internal control system to safeguard its shareholders' investment and its assets.

The Group's Statement on Internal Control for the financial year ended 31 May 2012 is made pursuant to Paragraph 15.26(b) of the Listing Requirements of the Bursa Malaysia Securities Berhad for the ACE Market, and has been prepared in accordance with the "Standard of Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors and with the support and endorsement by Bursa Malaysia Securities Berhad.

For the purpose of this Statement, the Group means the Company and its subsidiary companies, excluding the associate companies. This Statement does not cover the associate companies as the Company does not have control over the operations, management and internal control system of these companies.

RESPONSIBILITY FOR INTERNAL CONTROL

The Board is committed to the maintenance of a sound internal control system which includes the establishment of an appropriate control environment and framework, and the subsequent periodic review of the effectiveness, adequacy and integrity of the system.

Due to its inherent limitations, the Group's internal control system is designed to manage and mitigate, rather than to eliminate, the risk that may impede the achievement of the Group's business objectives. Further, the cost of control procedures should not exceed the benefits to be gained from such control procedures. As such, the internal control system can only provide reasonable and not absolute assurance against material mis-statement of management or financial information or against financial losses or frauds.

KEY ELEMENTS OF INTERNAL CONTROL

The principal features of the Group's internal control system during the financial year ended 31 May 2012 are as follows:

- **Organisation structure and responsibility levels**

  The Group has established an organization structure with clearly defined level of authorities and lines of responsibility from operating units up to the Board level to ensure accountabilities for risk management and control activities.

  The Board entrusted the daily running of the business to the Executive Vice Chairman and his management team. The Executive Vice Chairman was assisted by the Executive Director and senior management who were "hands-on" in running the operating divisions. Experienced and competent employees were placed in positions of responsibility to ensure that the objectives of the Group's internal control system are achieved.

  The Board of Directors received timely information pertaining to the operation, performance and profitability of the Group and was alerted of any significant matters that required its immediate attention by the Executive Vice Chairman.

- **Audit Committee and internal audit**

  The Audit Committee was entrusted by the Board to ensure that an effective and adequate internal control system is in place at all times.

  From the period 1 June 2011 to 18 January 2012, the Group did not have an internal audit function as its operation has been scaled down considerably subsequent to the disposal of its manufacturing business in April 2007. The Group's operation was revived in January 2011 upon the completion of the restructuring scheme which encompassed the acquisition by the Company of the logistics business from its holding company.

During this period, the Audit Committee relied on the Group's management in managing the Group's internal control.

On 19 January 2012, the Audit Committee appointed Sterling Business Alignment Consulting Sdn Bhd ("SBAC"), a business and risk management consulting firm, as the Group's Internal Auditor, to assist the Audit Committee in discharging its duties and responsibilities.

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 to carry out its responsibilities. The Audit Committee also has the authority to appoint and accept the resignation/dismissal of the senior members of the Internal Audit function. It would also approve the Internal Audit plan and review and assess 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.

The Internal Audit function reports its findings on the Group's internal control system quarterly to the Audit Committee. The Internal Audit function would report any incidence of non-compliance of the internal control system and any other matters that would have a material effect on the Group's financial results and its going-concern assumptions. The Internal Audit function would also ensure that all weaknesses and non-compliance of internal control system are rectified without delay.

During the financial year under review, the Board was satisfied that there were continuous effort by management to address and resolve areas with control weaknesses and that the control procedures were in place and were being followed.

- **Risk management**

  The Board has, through the Audit Committee, established a process for identifying, evaluating, monitoring and managing risk affecting the achievement of the Group's business objectives.

- **Reporting and review**

  The Executive Vice Chairman met with the Executive Director and other senior management regularly to discuss and resolve operational, corporate, financial and key management issues. A detailed performance review would be presented to the Board during the Board meetings.

  Detailed budgets were also prepared by the operating divisions and reviewed by the management. Actual results were monitored against the budget periodically.

  The Group's quarterly Interim Financial Report and annual Audited Accounts would only be announced to Bursa Malaysia Securities Berhad 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 to the management and employees of the Group in carrying out their day-to-day duties. The Group's Policies and Procedures cover the following core areas:- authority limits and authorization mandates, protection and maintenance of assets, human resources management, sales, financial, procurement and operations. The Limits of Authority in the Group's Policies and Procedures will delegate authority limits to the appropriate persons to ensure accountability and segregation of duties.

CONCLUSION

The Board is satisfied that the Group's internal control system during the financial year under review was sound, effective and sufficient to safeguard the shareholders' investment and its assets.

Corporate Social Responsibility Statement

The Board understands the need for business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders.

In that respect, the Group has adopted the following broad principals in carrying out its activities:

- the Group shall conduct its business ethically and with integrity, honesty and fairness and with the utmost level of corporate governance;
- the Group shall not breach the regulations and laws, and shall respect the culture of the countries in which it operates;
- the Group will build relationship with its shareholders, suppliers, customers, employees, partners and authorities that are based on trust; and
- the Group shall manage its activities according to the principles of sustainable development for the needs of future generations.

During the financial year, the Group has conducted its business activities in accordance with the above broad principles.

The Board understands the need for business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders.

In that respect, the Group has adopted the following broad principals in carrying out its activities:

- the Group shall conduct its business ethically and with integrity, honesty and fairness and with the utmost level of corporate governance;
- the Group shall not breach the regulations and laws, and shall respect the culture of the countries in which it operates;
- the Group will build relationship with its shareholders, suppliers, customers, employees, partners and authorities that are based on trust; and
- the Group shall manage its activities according to the principles of sustainable development for the needs of future generations.

The Company and its subsidiaries ("Group") have carried out certain activities during the financial year ended 31 May 2012 which focuses on four main focal areas as disclosed below:

Environment

As a responsible corporation, the Group has initiated various sustainable environmental conservation efforts. The Group encourages the re-use or re-cycle of materials such as papers and plastics. Other wastes or materials are sent to recycling centres.

Workplace

The Group values its employees and emphasises on the development of human resources. Various activities focusing on safety and health were organised by the Group to promote a healthy and positive work environment for its employees:

- Scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on site drills to ensure that employees are well trained to handle emergency situations;
- Regular training on workplace safety, product handling, inspection of fire fighting equipment and fire and chemical handling drills are carried out on a regular basis;
- Regular first aid training to employees at the Group's Bulk Liquid Terminal; and
- A fire drill was 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 programmes which provide career advancement opportunities were also organised by the Group for potential employees.

Community

Consistent with one of the important focal area of Corporate Social Responsibility which is to be responsible to the community in which the Group operates, the Group encourages its employees to volunteer in community projects such as tree planting and blood donation campaigns. During the financial year, the Group organised various fund raising activities for old folks home and orphanages; donated computers to less financially privileged students from the rural areas; make donation to schools, charity organisations and community projects regularly.

by QUALITY

Our Quality Policy provides total customer satisfaction by ensuring problem-free cargo handling from collection to delivery. It's our way of making sure that the client is always satisfied. This, together with our quality assurances, exemplifies Ancom Logistics Berhad's determined vision of a holistic logistics provider.

Directors' Responsibilities Statement on Audited Financial Statements

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare financial statements for each financial year which shall give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

Pursuant to paragraph 15.26 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ("ACE Market Listing Requirements"), the Directors are required to issue a Statement explaining their responsibilities in the preparation of the financial statements.

The Directors hereby state that they are responsible to ensure 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 2012 and the profit and loss of the Company and the Group for the financial year ended 31 May 2012. The Directors are also responsible to ensure that the financial statements comply with the Companies Act, 1965 and the relevant accounting standards, the ACE Market Listing Requirements and other statutory and regulatory requirements.

In preparing the financial statements for the financial year ended 31 May 2012 ("Financial Statements"), the Directors have:

- adopted the appropriate accounting policies, which are consistently applied;
- made judgments and estimates that are reasonable and prudent;
- adopted all applicable accounting standards. Material departures, if any, will be disclosed and explained in the Financial Statements; and
- prepared the Financial Statements on the assumption that the Company and the Group will operate as a going concern.

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

Financial Statements

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) from continuing operations, net of tax	3,415	(68)
Attributable to:		
Equity holders of the Company	2,656	(68)
Non-controlling interest	1,052	-
	3,708	(68)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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 except for any effect that may arise from the impairment made on investment in an associate amounting to RM1,069,000 as disclosed in Note 6 to the financial statements.

DIVIDENDS

On 22 December 2011, the Company paid a single tier final dividend of 2 sen per ordinary share of RM9,465,726 in respect of the financial year ended 31 May 2011.

The Directors do not recommend any payment of dividend in respect of the current financial year ended 31 May 2012.

DIRECTORS

The Directors who served on the Board of the Company since the date of the last report and at the date of this 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
Lim Hock Heng
Edmond Cheah Swee Leng *(Appointed on 31 December 2011)*

In accordance with Article 103 of the Company's Articles of Association, Dato' Abdul Latif bin Abdullah and Mr. Lim Hock Heng retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 90 of the Company's Articles of Association, Mr. Edmond Cheah Swee Leng shall retire and, being eligible, offer himself for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 27 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

	Number of Shares			
	Balance at 1.6.2011	**Acquired**	**Sold**	**Balance at 31.5.2012**
Ordinary Shares of RM0.10 each in the Company				
Direct				
Safrizal bin Mohd Said	5,000	-	-	5,000
Dato' Siew Ka Wei	725,867	-	-	725,867
Lim Hock Heng	80,573,516	-	-	80,573,516
Deemed interest				
Dato' Siew Ka Wei	223,712,349	-	-	223,712,349
Ordinary Shares of RM1.00 each in Holding Company, Ancom Berhad				
Direct				
Dato' Siew Ka Wei	14,903,765	-	-	14,903,765
Deemed interest				
Dato' Siew Ka Wei	19,398,848	218,000	-	19,616,848
Ordinary Shares of RM1.00 each in a related company, Rhodemark Development Sdn Bhd				
Deemed interest				
Dato' Siew Ka Wei	107,292,858	-	-	107,292,858

By virtue of his interest in the shares of the holding company, Ancom Berhad, Dato' Siew Ka Wei is also deemed to have an interest in the shares in all the subsidiaries of Ancom Berhad to the extent Ancom Berhad has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and statements of financial position of the Group and of the Company were made out, 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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in respect of these financial statements; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances 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) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Messrs. Ernst & Young, have expressed their willingness to continue in office.

Signed for and on behalf of the Board in accordance with a resolution of the Directors dated 20 September 2012.

Dato' Abdul Latif bin Abdullah
Director

Dato' Siew Ka Wei
Director

Statement by Directors

Pursuant to Section 169(15) of The Companies Act, 1965

We, Dato' Abdul Latif bin Abdullah and Dato' Siew Ka Wei, being two of the Directors of Ancom Logistics Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 46 to 99 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 35, on page 99 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed for and on behalf of the Board in accordance with a resolution of the Directors dated 20 Septmeber 2012.

Dato' Abdul Latif bin Abdullah **Dato' Siew Ka Wei**

Statutory Declaration

Pursuant to Section 169(16)of The Companies Act, 1965

I, Lim Chang Meng, being the Officer primarily responsible for the financial management of Ancom Logistics Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 46 to 99 are in my opinion, 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 Lim Chang Meng
at Petaling Jaya on 20 September 2012

Lim Chang Meng

Before me,
Neo Hong Sin
BPC, PJK
No. B295
Pesuruhjaya Sumpah
Malaysia

Independent Auditors' Report

To the members of Ancom Logistics Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ancom Logistics Berhad, which comprise the statements of financial position as at 31 May 2012 of the Group and of the Company, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 99.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 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 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 on page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF:0039
Chartered Accountants
Kuala Lumpur, Malaysia
20 September 2012

Low Khung Leong
No. 2697/01/13 (J)
Chartered Accountant

Income Statements

For the financial year ended 31 May 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Continuing operations					
Revenue	4	62,069	61,888	3,000	12,794
Cost of sales	4	(44,321)	(44,890)	-	-
Gross profit		17,748	16,998	3,000	12,794
Other income		326	12,095	9	17,524
Selling and marketing expenses		(204)	(304)	-	-
Administrative and other expenses		(12,109)	(11,481)	(2,894)	(3,386)
Finance costs	5	(598)	(1,143)	-	(563)
Share of results of associate		(31)	-	-	-
Profit before tax from continuing operations	6	5,132	16,165	115	26,369
Income tax expense	9	(1,717)	(1,215)	(183)	(1,380)
Profit/(loss) from continuing operations, net of tax		3,415	14,950	(68)	24,989
Discontinued operations					
Loss from discontinued operations, net of tax	10	-	(4,309)	-	-
Profit/(loss) net of tax		3,415	10,641	(68)	24,989
Profit/(loss) attributable to:					
Owners of the parent		2,363	9,672	(68)	24,989
Non-controlling interest		1,052	969	-	-
		3,415	10,641	(68)	24,989
Earnings/(loss) per share attributable to owners of the parent					
- Basic, for continuing operations (sen)	11	0.50	3.98		
- Basic, for discontinued operations (sen)	11	-	(1.23)		
		0.50	2.75		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the financial year ended 31 May 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other comprehensive income				
Profit/(loss) net of tax	3,415	10,641	(68)	24,989
Revaluation of leasehold land	-	2,646	-	-
Deferred tax on revaluation of land and buildings	-	(293)	-	-
Foreign currency translation	293	526	-	-
Foreign exchange reserve attributable to discontinued operations, transferred to profit or loss upon disposals of subsidiaries	-	4,948	-	-
Other comprehensive income for the year, net of tax	293	7,827	-	-
Total comprehensive income/(loss) for the year	3,708	18,468	(68)	24,989
Total comprehensive income/(loss) attributable to:				
Owners of the parent	2,656	17,499	(68)	24,989
Non-controlling interest	1,052	969	-	-
	3,708	18,468	(68)	24,989

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 May 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	73,217	73,735	252	388
Intangible assets	13	428	263	-	-
Investments in subsidiaries	14	-	-	42,236	42,236
Investment in an associate	15	2,802	3,902	2,833	3,902
Deferred tax assets	16	115	621	-	-
		76,562	78,521	45,321	46,526
Current assets					
Inventories	17	696	809	-	-
Trade and other receivables	18	14,258	16,935	11	3,164
Other current assets	19	1,385	2,099	13	23
Tax recoverable		652	834	646	828
Other investments	20	1,549	1,806	-	-
Cash and bank balances	21	4,745	6,163	107	2,991
		23,285	28,646	777	7,006
Total assets		99,847	107,167	46,098	53,532
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	25	8,748	9,599	3,349	1,249
Loan and borrowings	24	8,516	6,515	-	-
Provision for taxation		453	1,028	-	-
		17,717	17,142	3,349	1,249
Net current assets/(liabilities)		5,568	11,504	(2,572)	5,757
Non-current liabilities					
Deferred tax liabilities	16	8,280	7,985	-	-
Loan and borrowings	24	2,602	4,054	-	-
		10,882	12,039	-	-
Total liabilities		28,599	29,181	3,349	1,249
Net assets		71,248	77,986	42,749	52,283
Equity attributable to equity holders of the Company					
Share capital	22	47,329	47,329	47,329	47,329
Share premium	22	6,414	6,414	6,414	6,414
(Accumulated losses)/retained earnings	23	(6,518)	585	(10,994)	(1,460)
Merger reserve	23	8,526	8,526	-	-
Other reserves	23	2,720	2,427	-	-
		58,471	65,281	42,749	52,283
Non-controlling interest		12,777	12,705	-	-
Total equity		71,248	77,986	42,749	52,283
Total equity and liabilties		99,847	107,167	46,098	53,532

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 May 2012

Group	Note	Total equity RM'000	Share capital RM'000	Share premium RM'000	(Accumulated losses)/ Retained earnings RM'000	Merger reserve RM'000	Total other reserves RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Non-controlling interest RM'000
			Attributable to equity holders of the Company							
			Non-distributable		Distributable	Non-distributable				
Balance as at 1 June 2010		88,460	51,898	-	(20,369)	50,762	(5,400)	-	(5,400)	11,569
Total comprehensive income		18,468	-	-	9,672	-	7,827	2,353	5,474	969
Transaction with owners										
Capital reduction		-	(25,949)	-	25,949	-	-	-	-	-
Additional capital contribution		167	-	-	-	-	-	-	-	167
Share issuance for working capital purposes		558	429	129	-	-	-	-	-	-
Share issuance for acquisiton of a subsidiary		-	20,951	6,285	-	(27,236)	-	-	-	-
Merger reserve arising from acquisition of subsidiaries via cash		(15,000)	-	-	-	(15,000)	-	-	-	-
Dividends on ordinary shares to previous shareholder of Synergy Trans-Link Sdn Bhd prior to completion of acquisition		(5,201)	-	-	(5,201)	-	-	-	-	-
Dividends on ordinary shares	26	(9,466)	-	-	(9,466)	-	-	-	-	-
Balance as at 31 May 2011		77,986	47,329	6,414	585	8,526	2,427	2,353	74	12,705
Balance as at 1 June 2011		77,986	47,329	6,414	585	8,526	2,427	2,353	74	12,705
Total comprehensive income		3,708	-	-	2,363	-	293	-	293	1,052
Transaction with owners										
Dividends paid to non-controlling interest of subsidiary		(980)	-	-	-	-	-	-	-	(980)
Dividends on ordinary shares	26	(9,466)	-	-	(9,466)	-	-	-	-	-
Balance as at 31 May 2012		71,248	47,329	6,414	(6,518)	8,526	2,720	2,353	367	12,777

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity

For the financial year ended 31 May 2012

	←Non-distributable→		Distributable	
	Share Capital RM'000	Share Premium RM'000	(Accumulated Losses)/ Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 June 2010	51,898	-	(42,932)	8,966
Total comprehensive income	-	-	24,989	24,989
Transaction with owners				
Capital reduction	(25,949)	-	25,949	-
Share issuance for acquisiton of a subsidiary	20,951	6,285	-	27,236
Share issuance	429	129	-	558
Dividends on ordinary shares	-	-	(9,466)	(9,466)
Balance as at 31 May 2011	47,329	6,414	(1,460)	52,283
Balance as at 1 June 2011	47,329	6,414	(1,460)	52,283
Total comprehensive income	-	-	(68)	(68)
Transaction with owners				
Dividends on ordinary shares	-	-	(9,466)	(9,466)
Balance as at 31 May 2012	47,329	6,414	(10,994)	42,749

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 May 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit/(loss) before taxation from:				
Continuing operations	5,132	16,165	115	26,369
Discontinued operations	-	(3,584)	-	-
Adjustments for:				
Depreciation of property, plant and equipment				
- Continuing operations	6,860	5,893	136	456
- Discontinued operations	-	115	-	-
Amortisation of development expenditure	65	83	-	-
Allowance for doubtful debts	-	1,028	-	-
Impairment of investments in subsidiaries	-	-	-	333
Impairment of investment in an associate	1,069	-	1,069	-
Interest expense	598	1,143	-	563
Interest income	(12)	(72)	(9)	(33)
Fair value gain in other investments	(43)	-	-	-
Gain on disposal of property, plant and equipment	(26)	(11,127)	-	(10,977)
Dividend income	-	-	(3,000)	(12,794)
Loss/(gain) on disposal of investments in subsidiaries	-	4,886	-	(6,514)
Unrealised gain on foreign exchange	(2)	(381)	-	-
Share of results of associate	31	-	-	-
Operating cash flows before changes in working capital carried forward	13,672	14,149	(1,689)	(2,597)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 May 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating cash flows before changes in working capital brought forward	13,672	14,149	(1,689)	(2,597)
Changes in working capital				
Inventories	113	(255)	-	-
Receivables	1,273	9,167	3,162	5
Payables	(3,340)	(7,919)	2,100	(283)
Related companies	4,371	(26,468)	-	(28,851)
Cash flows from operations	16,089	(11,326)	3,573	(31,726)
Income taxes paid	(1,365)	(1,246)	-	-
Net cash generated from/(used in) operating activities	14,724	(12,572)	3,573	(31,726)
Cash flows from investing activities				
Interest received	12	72	9	33
Dividend received	-	-	3,000	10,586
Additional investment in a subsidiary	-	-	-	(333)
Additional investments in other investments	(1,800)	-	-	-
Proceeds from other investments	2,100	-	-	-
Proceeds from disposal of subsidiaries (Note 10)	-	1,480	-	8,000
Proceeds from disposal of property, plant and equipment	43	25,412	-	25,000
Purchase of intangible assets	(230)	-	-	-
Purchase of property, plant and equipment	(4,018)	(9,439)	-	(1,106)
Net cash (used in)/generated from investing activities	(3,893)	17,525	3,009	42,180

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows
For the financial year ended 31 May 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Interest paid	(598)	(1,328)	-	(563)
Dividend paid to previous shareholder of Synergy Trans-Link Sdn. Bhd.	-	(5,201)	-	-
Dividend paid to non-controlling interest	(980)	-	-	-
Dividend paid	(9,466)	(9,466)	(9,466)	(9,466)
Proceeds from issuance of ordinary shares	-	558	-	558
Drawdown of term loans	725	4,688	-	-
Repayment of loans and borrowings	(2,667)	(3,066)	-	(96)
Repayment of hire purchase payables	(1,086)	(802)	-	-
Net cash used in financing activities	(14,072)	(14,617)	(9,466)	(9,567)
Net (decrease)/increase in cash and cash equivalents	(3,241)	(9,664)	(2,884)	887
Effect of exchange rate changes in cash and cash equivalents	293	10	-	-
Cash and cash equivalents at 1 June	4,857	14,511	2,991	2,104
Cash and cash equivalents at 31 May	1,909	4,857	107	2,991
Cash and cash equivalents:				
Cash at banks and on hand (Note 21)	4,644	5,527	107	2,450
Short term deposits with licensed banks	101	636	-	541
	4,745	6,163	107	2,991
Less: Bank overdrafts (Note 24)	(2,836)	(1,306)	-	-
	1,909	4,857	107	2,991

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is 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 while the principal place of business is located at Lot 2A, Jalan 13/2, 46200 Petaling Jaya, Selangor.

The Company is a subsidiary of Ancom Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Securities.

The Company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 14. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 September 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 June 2011 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs

The accounting policies adopted are consistent with those of the previous financial year except as follow:

On 1 June 2012, the Group and the Company adopted the following new and amended FRS, amendments to FRSs and IC Interpretations which are mandatory for financial periods beginning on or after 1 June 2011.

FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

Interpretations

IC Interpretation 4	Determining Whether An Arrangement contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 18	Transfers of Assets from Customers

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs *(continued)*

Amendments to

FRS 1	First-time Adoption of Financial Reporting Standards: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters, Additional Exemptions for First-time Adopters
FRS 2	Share-based Payment
FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions
FRS 5	Non-current Assets Held For Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
FRS 138	Intangible Assets
IC Interpretation 9	Reassessment of Embedded Derivatives

Improvement to FRSs (2010)

FRS1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments: Recognition and Measurement

Adoption of the above standards did not have any effect on the financial performance or position of the Group and of the Company except as discussed below:

FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised FRS 3 introduces a number of changes in accounting for business combinations occuring on or after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

The revised FRS 3 continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acqusition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acqusition-related costs are expensed.

The amendments to FRS 127 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

Amendments to FRS 7 Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 30. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 31(b).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 May 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 May 2012 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 May 2013.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Basis of consolidation *(continued)*

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

2.5 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency *(continued)*

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Leasehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same assets carried in the revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land are amortised over the lease period of 99 years. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	8 - 48 years
Plant and machinery	5 - 20%
Furniture, fittings and office equipment	10%
Motor vehicles	5%
Renovation	10%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(b) Other intangible assets *(continued)*

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project (ranging from 4 to 8 years) on a straight line basis.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company unless it is impracticable to do so. When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Company.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.12 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Financial assets *(continued)*

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

All financial liabilities of the Group are classified as other financial liabilities which include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Employee benefits

Defined contribution plans

The Group and the Company make contribution to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. The Group's foreign subsidiary makes contribution to its respective country's statutory pension scheme. Contributions to respective country's statutory pension scheme are recognised as an expense in the period in which the related service is performed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Leases - as lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Discontinued operations

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from the sale of services are mainly from the rental of warehouses and tanks and transportation services. These are recognised as revenue when the services are rendered.

(c) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(d) Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Income taxes *(continued)*

(b) Deferred tax *(continued)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgement made in aplying accounting policies

In the process of applying the Group's accounting policies, management has not made any significant judgement during the financial year.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives.

Management estimates the useful lives of these plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the building materials manufacturing industry. Changes in the expected level of infrastructure maintenance usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. However, management believes that no reasonable probable change in the above key assumptions would cause a material impact to the future depreciation charges.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

3.2 Key sources of estimation uncertainty *(continued)*

(a) Useful lives of plant and equipment *(continued)*

The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 12. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 8.73% (2011: 2.38%) variance in the Group's profit for the year.

(b) Impairment of the investment in an associate

The Group assesses at each reporting date whether there is any objective evidence that the investment in an associate is impaired.

The associate is currently under voluntary liquidation and is in the process of disposing its property and other assets for realisation in cash. After all its property and other assets are realised in cash, it will be distributed to its shareholders in accordance to the liquidation process.

During the current financial year, based on the estimated recoverable amount of the investment in an associate, which include valuation of the remaining property revalued by independent professional valuers, the accumulated impairment for the investment in the said associate as at 31 May 2012 was RM1,069,000 (2011: RM Nil).

4. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of goods	2,883	3,659	-	-
Rendering of services	59,186	58,229	-	-
Dividend income	-	-	3,000	12,794
	62,069	61,888	3,000	12,794

Cost of sales represents the cost of product sold and cost of rendering services.

5. FINANCE COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense:				
Bank overdrafts	114	133	-	-
Lease and hire purchases	63	135	-	6
Term loans and banker's acceptance	421	318	-	-
Loan from holding company	-	557	-	557
	598	1,143	-	563

6. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Amortisation of development expenditure (Note 13)	65	83	-	-
Auditors' remuneration				
- continuing operations	132	129	50	50
- discontinued operations	-	71	-	-
	132	200	50	50
Bad debts recovered from a subsidiary	-	-	-	(343)
Depreciation of property, plant and equipment				
- continuing operations (Note 12)	6,860	5,893	136	456
- discontinued operations	-	115	-	-
	6,860	6,008	136	456
Allowance for doubtful debts				
- discontinued operations	-	1,028	-	-
Operating lease rental	2,820	2,332	-	-
Rental of premises				
- continuing operations	177	64	-	-
- discontinued operations	-	560	-	26
	177	624	-	26
Realised gain/(loss) on foreign exchange	(79)	(103)	-	-
Unrealised gain/(loss) on foreign exchange	(3)	(381)	-	-
Impairment of investments in subsidiaries (Note 14)	-	-	-	333
Impairment of investment in an associate (Note 15)	1,069	-	1,069	-
Loss/(gain) on disposal of subsidiaries	-	4,886	-	(6,514)
Gain on disposal of property plant and equipment	(26)	(11,127)	-	(10,977)
Interest income	(12)	(32)	(9)	(33)
Fair value gain on investment	(43)	(40)	-	-
Employee benefits expense (Note 7)	7,910	5,725	648	1,187

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages and salaries	6,509	4,505	329	503
Defined contribution plan	732	534	39	119
Others	669	686	280	565
	7,910	5,725	648	1,187

Included in staff costs of the Group are Executive Directors' remuneration of RM1,953,000 (2011: RM1,122,000) as disclosed in Note 8.

8. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group during the year are as follows:

	Group	
	2012 RM'000	2011 RM'000
Executive Directors		
Salaries	1,426	490
Benefit-in-kind	-	72
Other emoluments	527	560
	1,953	1,122
Non-Executive Directors		
Fees	291	265
Benefit-in-kind	28	28
Other emoluments	-	16
	319	309
Total directors' remuneration	2,272	1,431

The number of Directors of the Group whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2012	2011
Executive Directors		
RM100,000 to RM200,000	1	-
More than RM 200,000	1	2
Non-Executive Directors		
RM1 to RM50,000	1	1
RM50,001 to RM100,000	4	3
RM100,001 to RM1,000,000	-	1
	5	5

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2012 and 2011 are:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Statement of comprehensive income:				
Current income tax - continuing operations				
- Malaysian income tax	1,185	230	-	1,710
- Foreign tax	-	553	-	-
- Under/(over) provision in respect of prior years	34	(330)	183	(330)
	1,219	453	183	1,380
Deferred tax - continuing operations (Note 16):				
Relating to originating and reversal of temporary differences	400	726	(13)	-
Under provision in prior years	98	36	13	-
	498	762	-	-
Attributable to continuing operation	1,717	1,215	183	1,380
Current income tax - discontinued operations (Note 10)	-	725	-	-
Income tax expense recognised in profit or loss	1,717	1,940	183	1,380

	Group	
	2012 RM'000	2011 RM'000
Deferred income tax related to other comprehensive income:		
- Net surplus on revaluation of freehold land and building	-	(293)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year. The corporate tax rate applicable to the subsidiary domiciled in Singapore was 17%.

9. INCOME TAX EXPENSE *(continued)*

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 May 2012 and 2011 are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(loss) before tax:				
- Continuing operation	5,132	16,165	115	26,369
- Discontinued operations (Note 10)	-	(3,584)	-	-
	5,132	12,581	115	26,369
Taxation at Malaysian statutory tax rate of 25%	1,283	3,145	29	6,592
Effect of different tax rates in foreign countries	(173)	(261)	-	-
Income not subject to tax	(243)	(2,915)	(750)	(5,487)
Non deductible expenses	550	2,300	434	590
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(89)	(50)	-	-
Deferred tax asset not recognised during the financial year	276	15	274	15
Under provision of deferred tax in prior years	98	36	13	-
Under/(over) provision of tax expenses in prior years	34	(330)	183	(330)
Others	(19)	-	-	-
Tax expense for the financial year	1,717	1,940	183	1,380

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Tax savings during the financial year arising from:

	Group	
	2012 RM'000	2011 RM'000
Utilisation of previously unrecognised tax losses	-	4
Utilisation of unabsorbed capital allowances	-	196

10. DISCONTINUED OPERATIONS

In previous financial year, the Company completed the disposals of Ancom Electrical (Malaysia) Sdn Bhd and Ancom Systems (Singapore) Pte Ltd together with its wholly-owned subsidiaries, Ancom Electrical & Environmental (Singapore) Pte Ltd, Ancom Electrical (Hong Kong) Limited and Ancom Electrical (Guangzhou) Limited for a cash consideration of RM8,000,000. The results of the discontinued operations (including loss on disposal) are as follows:

	Group 2011 RM'000
Revenue	31,276
Cost of sales	(23,354)
Gross profit	7,922
Other income	-
Selling and distribution expenses	(4,429)
Administrative expenses	(2,911)
Other expenses	(4,162)
Loss from operations	(3,580)
Finance cost	(4)
Loss before taxation	(3,584)
Taxation	(725)
Net loss for the year from discontinued operations	(4,309)

The disposals had the following effects on the financial performance of the Group at the end of the year:

	2011 RM'000
Property, plant and equipment	481
Deferred tax asset	299
Inventories	8,007
Debtors	3,927
Cash and cash equivalents	6,520
Creditors	(11,296)
Net assets disposed	7,938
Transfer from exchange reserve	4,948
	12,886
Total proceeds	8,000
Loss on disposal	(4,886)
Cash inflow arising from disposal:	
Cash consideration	8,000
Less: Cash and cash equivalents of subsidiaries disposed	(6,520)
Net cash inflow	1,480

11. EARNINGS/(LOSS) PER SHARE

Basic earnings per ordinary share amounts are calculated by dividing the profit of the year, net of tax attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following reflect the profit and share data used in the computation of earnings per share for the years ended 31 May:

	Group	
	2012 RM'000	2011 RM'000
Profit net of tax attributable to the owners of the parent	2,363	9,672
Add: Loss from discontinued operations	-	4,309
Profit net of tax from continuing operations attributable to the owners of the parent	2,363	13,981

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for basic earnings per share computation *	473,286	351,031

* The weighted average number of shares takes into account the weighted average effect of changes in ordinary shares transactions during the year.

	Group	
	2012 RM'000	2011 RM'000
Earnings/(loss) per share attributable to owners of the parent:		
- Basic, for continuing operations (sen)	0.50	3.98
- Basic, for discontinued operations (sen)	-	(1.23)
	0.50	2.75

(a) Continuing operations

Basic earnings per share amounts are calculated by dividing profit for the year from continuing operations, net of tax, attributable to owners of the parent by the number of ordinary shares as at the financial year end.

(b) Discontinued operations

The basic loss and loss per share from discontinued operations are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the parent by the number of ordinary shares as at the financial year end.

The Group has no potential ordinary shares in issue as at financial year end and therefore, diluted earnings per ordinary share has not been presented.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and building RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovations RM'000	Capital work in progress RM'000	Total RM'000
Cost or valuation:								
At 1 June 2011	1,016	26,145	51,679	33,506	3,505	110	24	115,985
Additions	-	1,722	711	3,192	375	50	-	6,050
Disposals	-	-	(37)	(312)	(6)	-	-	(355)
Write off	-	-	-	(424)	(1,394)	-	-	(1,818)
Reclassification	-	(209)	-	-	234	-	(25)	-
Exchange differences	-	256	7	74	5	-	1	343
At 31 May 2012	1,016	27,914	52,360	36,036	2,719	160	-	120,205
Accumulated Depreciation								
At 1 June 2011	-	1,973	19,489	18,974	2,310	(496)	-	42,250
Charge for the financial year (Note 6)	-	897	2,644	3,058	250	11	-	6,860
Disposals	-	-	(23)	(312)	(3)	-	-	(338)
Write off	-	-	-	(424)	(1,394)	-	-	(1,818)
Reclassification	-	(1,130)	-	-	521	609	-	-
Exchange differences	-	4	3	24	3	-	-	34
At 31 May 2012	-	1,744	22,113	21,320	1,687	124	-	46,988
Net Book Value								
At 31 May 2012	1,016	26,170	30,247	14,716	1,032	36	-	73,217

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group	Freehold land RM'000	Leasehold land and building RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovations RM'000	Capital work in progress RM'000	Total RM'000
Cost or valuation:								
At 1 June 2010	1,016	41,467	38,202	32,088	6,690	1,053	9,167	129,683
Additions	-	296	4,588	3,070	202	1,283	-	9,439
Disposals	-	(19,166)	-	(1,341)	(2,139)	(1,330)	-	(23,976)
Disposals of subsidiaries	-	-	(95)	(579)	(1,475)	(964)	-	(3,113)
Revaluation	-	2,646	-	-	-	-	-	2,646
Reclassification	-	-	8,957	-	187	-	(9,144)	-
Exchange differences	-	902	27	268	40	68	1	1,306
At 31 May 2011	1,016	26,145	51,679	33,506	3,505	110	24	115,985
Accumulated Depreciation								
At 1 June 2010	-	7,913	17,989	17,407	4,883	234	-	48,426
Charge for the financial year (Note 6)	-	831	1,654	2,929	336	143	-	5,893
Disposals	-	(6,817)	-	(1,081)	(1,754)	(39)	-	(9,691)
Disposals of subsidiaries	-	-	(88)	(347)	(1,330)	(867)	-	(2,632)
Exchange differences	-	46	(66)	66	175	33	-	254
At 31 May 2011	-	1,973	19,489	18,974	2,310	(496)	-	42,250
Net Book Value								
At 31 May 2011	1,016	24,172	32,190	14,532	1,195	606	24	73,735

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Leasehold land RM'000	Buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost						
At 1 June 2011	-	-	11	1,167	-	1,178
Write off	-	-	-	(424)	-	(424)
At 31 May 2012	-	-	11	743	-	754
Accumulated Depreciation						
At 1 June 2011	-	-	5	785	-	790
Charge for the financial year (Note 6)	-	-	2	134	-	136
Write off	-	-	-	(424)	-	(424)
At 31 May 2012	-	-	7	495	-	502
Net Book Value						
At 31 May 2012	-	-	4	248	-	252
Cost						
At 1 June 2010	12,261	6,906	2,037	1,167	187	22,558
Additions	-	-	1	-	1,105	1,106
Disposals	(12,261)	(6,906)	(2,027)	-	(1,292)	(22,486)
At 31 May 2011	-	-	11	1,167	-	1,178
Accumulated Depreciation						
At 1 June 2010	2,706	3,912	1,567	612	-	8,797
Charge for the financial year (Note 6)	99	101	83	173	-	456
Disposals	(2,805)	(4,013)	(1,645)	-	-	(8,463)
At 31 May 2011	-	-	5	785	-	790
Net Book Value						
At 31 May 2011	-	-	6	382	-	388

(a) Assets held under hire purchase and finance lease

During the financial year, the Group acquired property, plant and equipment at aggregate cost of RM6,050,000 (2011: RM9,439,000) of which RM2,032,000 (2011: RM1,447,000) were acquired by means of hire purchase and finance lease arrangements.

Net book values of property, plant and equipment held under hire purchase and finance lease arrangements as at the reporting date are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Motor vehicles	5,899	4,493

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Revaluation of leasehold building

On 18 May 2011, the leasehold land and buildings were revalued by independent professional valuers, CH Williams Talhar & Wong by reference to market evidence of recent transactions for similar properties.

As at 31 May 2012, had the leasehold land and building been carried at historical cost less accumulated depreciation, its carrying amount would have been RM 17,827,222 (2011: RM18,125,770).

13. INTANGIBLE ASSETS

	Group 2012 RM'000	Group 2011 RM'000
Development expenditure		
Balance at beginning of financial year	263	346
Addition during the financial year	230	-
Amortisation during the financial year	(65)	(83)
Balance at end of financial year	428	263

14. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares		
Cost		
At beginning of financial year	42,569	9,098
Acquisition of a subsidiary	-	42,236
Additional investment in a subsidiary	-	333
Disposals of subsidiaries	-	(9,098)
At end of financial year	42,569	42,569
Accumulated impairment losses		
At beginning of financial year	333	7,612
Impairment losses charged during the year (Note 6)	-	333
Disposals of subsidiaries	-	(7,612)
At end of financial year	333	333
	42,236	42,236

14. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Acquisition of subsidiary

In previous financial year, the Company acquired the entire equity interest in Synergy Trans-Link Sdn. Bhd. ("STL") for a consideration of RM42,236,000 which is satisfied by way of issuance of 209,508,593 ordinary shares of the Company at RM0.13 per share and a cash payment of RM15,000,000. STL, an unlisted company incorporated in Malaysia, is an investing holding company.

(b) Disposal of subsidiaries

In previous financial year, the Company had disposed its subsidiaries of electronics business namely Ancom Electrical (Malaysia) Sdn. Bhd. and Ancom Systems (Singapore) Pte. Ltd. together with its wholly-owned subsidiaries, Ancom Electrical & Environmental (Singapore) Pte. Ltd., Ancom Electrical (Hong Kong) Limited and Ancom Electrical (Guangzhou) Limited. Details on the disposals are disclosed in Note 10.

Details of subsidiaries are as follows:

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest 2012 %	2011 %
Held by the Company:				
Ancom Components Sdn. Bhd.*	Malaysia	Manufacturing and marketing of low voltage switchgear	67	67
Ancom Systems Technology (Malaysia) Sdn. Bhd.*	Malaysia	Dormant	100	100
Synergy Trans-Link Sdn. Bhd.*	Malaysia	Investment holding	100	100
Hikmat Ikhlas Sdn. Bhd.@	Malaysia	Trading and contracting in electrical engineering products	35	35
Held through Synergy Trans-Link Sdn. Bhd. :				
Ancom-ChemQuest Terminals Sdn. Bhd.*	Malaysia	Build, own, operate, lease and manage chemical tank farm and warehouse	51	51
Sinsenmoh Transportation Pte. Ltd.	Singapore	Freight forwarding, packing and crafting services	100	100
Synergy Concepts Sdn. Bhd.	Malaysia	In liquidation	100	100
Synergy Point Sdn. Bhd.	Malaysia	In liquidation	100	100
Pengangkutan Cogent Sdn. Bhd.*	Malaysia	Providing transportation and related services	100	100

* Audited by Ernst & Young

@ Although the Company does not own more than 50% of the equity shares of Hikmat Ikhlas Sdn Bhd and consequently it does not control more than half of the voting power of those shares, it has the power to appoint majority members, including the chairman of the Board of Directors and control the financial and operation activities of the Company. Consequntly, Hikmat Ikhlas is controlled by the Company and is consolidated in these financial statements

15. INVESTMENT IN AN ASSOCIATE

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares, at costs	3,902	3,902	3,902	3,902
Share of post-acquisition results	(31)	-	-	-
	3,871	3,902	3,902	3,902
Less: Accumulated impairment losses (Note 6)	(1,069)	-	(1,069)	-
	2,802	3,902	2,833	3,902

Details of associate are as follows:

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest 2012 %	Proportion of ownership interest 2011 %
Tamco Chongqing Switchgear Company Limited	China	In liquidation	49	49

The summarised financial information of the associate based on management accounts as at the reporting date and not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Assets and liabilities		
Current assets	3,885	2,903
Non-current assets	2,521	5,789
Total assets	6,406	8,692
Current liabilities/total liabilities	396	729
Results		
Loss for the year	(63)	-

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2012 RM'000	Group 2011 RM'000
At 1 June	(7,364)	(6,107)
Recognised in profit or loss (Note 9)	(498)	(762)
Recognised in other comprehensive income	-	(293)
Attributable to subsidiaries disposed	-	(299)
Exchange differences	(303)	97
At 31 May	(8,165)	(7,364)
Presented after appropriate offsetting as follows:		
Deferred tax assets	115	621
Deferred tax liabilities	(8,280)	(7,985)
	(8,165)	(7,364)

The components and movements of deferred tax liabilities and deferred tax assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 31 May 2010	(6,725)	(94)	(6,819)
Recognised in profit or loss	(464)	(207)	(671)
Recognised in other comprehensive income	(293)	-	(293)
Attribute to subsidiaries disposed	(299)	-	(299)
Exchange differences	97	-	97
At 31 May 2011	(7,684)	(301)	(7,985)
At 1 June 2011	(7,684)	(301)	(7,985)
Recognised in profit or loss	8	-	8
Recognised in other comprehensive income	-	-	-
Attribute to subsidiaries disposed	-	-	-
Exchange differences	-	(303)	(303)
At 31 May 2012	(7,676)	(604)	(8,280)

16. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

Deferred tax assets of the Group:

	Provisions RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2010	712	-	712
Recognised in profit or loss	(615)	524	(91)
At 31 May 2011	97	524	621
At 1 June 2011	97	524	621
Recognised in profit or loss	18	(524)	(506)
At 31 May 2012	115	-	115

Deferred tax assets have not been recognised in respect of the following:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unused tax losses	3,185	2,729	1,097	60

At the reporting date, the Group has tax losses of approximately RM3,185,000 (2011:RM2,729,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

17. INVENTORIES

	Group	
	2012 RM'000	2011 RM'000
At costs		
Finished goods	650	660
Raw materials and consumable stores	46	149
	696	809
Cost of inventories recognised in profit or loss	1,237	1,954

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade receivables				
Third parties	12,324	12,124	-	-
Other receivables				
Refundable deposits	294	346	11	11
Other receivables	467	918	-	-
Amounts due from related companies	1,173	533	-	13
Amount due from holding company	-	3,014	-	3,140
	1,934	4,811	11	3,164
	14,258	16,935	11	3,164
Total trade and other receivables	14,258	16,935	11	3,164
Add: Cash and bank balances (Note 21)	4,745	6,163	107	2,991
Total loans and receivables	19,003	23,098	118	6,155

(a) Trade receivables

Trade receivables are generally on 30 to 120 days (2011: 30 to 90 days) terms. Other credit terms are assessed and approved on case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012 RM'000	2011 RM'000
Neither past due nor impaired	4,579	6,287
1 to 30 days past due not impaired	3,058	2,963
31 to 60 days past due not impaired	2,609	1,287
61 to 90 days past due not impaired	1,057	945
91 to 120 days past due not impaired	319	218
More than 121 days past due not impaired	702	424
Past due but not impaired	7,745	5,837
	12,324	12,124

18. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are credit worthy debtors with good payment record with the Group. The Group's trade receivables arise from customers with long term relationship with the Group and losses have occured infrequently.

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

(b) Related party balances

Amounts due from subsidiaries, related and holding companies

Related companies refer to subsidiaries of Ancom Berhad, the holding company.

Amounts due from holding company are loans that are unsecured, interest free and repayable on demand.

The balances with the subsidiaries and related companies arose mainly from expenses paid on behalf and intercompany charges which are negotiated on a basis determined within the Group. These amounts are unsecured, interest free and repayable on demand.

19. OTHER CURRENT ASSETS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Prepayments	1,385	2,099	13	23

20. OTHER INVESTMENTS

	Group	
	2012 RM'000	2011 RM'000
Quoted investment designated as fair value through profit or loss	1,549	1,806
Market value	1,549	1,806

21. CASH AND BANK BALANCES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash at banks and on hand	4,644	5,527	107	2,450
Short term deposits with licensed banks	101	636	-	541
	4,745	6,163	107	2,991

Cash at banks earns interest at floating rates based on daily bank deposit rates. The weighted average interest rate and maturity days of the short term deposits with licensed banks of the Group and of the Company are 3.15% (2011: 2.62%) per annum and the maturity days range from 30 days to 120 days (2011: 30 days to 120 days).

22. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company		
	Number of ordinary shares RM0.10 each	Amount	
	Share capital (issued and fully paid) '000	Share capital (issued and fully paid) RM'000	Share premium RM'000
At 1 June 2011/ 31 May 2012	473,286	47,329	6,414

	Number of ordinary shares of RM0.10 each		Amount	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Authorised share capital				
At 1 June/31 May	2,500,000	2,500,000	250,000	250,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

23. MERGER RESERVE AND OTHER RESERVES

	Merger reserve RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
Group				
At 1 June 2010	50,762	-	(5,400)	45,362
Total comprehensive income	-	2,353	5,474	7,827
Share issuance for acquisiton of a subsidiary	(27,236)	-	-	(27,236)
Merger reserve arising from acquisition of subsidiaries via cash	(15,000)	-	-	(15,000)
At 31 May 2011	8,526	2,353	74	10,953
At 1 June 2011	8,526	2,353	74	10,953
Total comprehensive income	-	-	293	293
At 31 May 2012	8,526	2,353	367	11,246

(a) Merger reserve

Merger reserve arose from the acquisition of certain subsidiaries in previous financial years and was accounted for under the pooling of interest method.

(b) Revaluation reserve

Revaluation reserve represents the increase in fair value of leasehold building, net of tax in previous financial year.

(c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

24. LOAN AND BORROWINGS

	Maturity	Group 2012 RM'000	Group 2011 RM'000
Current:			
Secured:			
Hire purchase and finance lease payables (Note 28(b))	2012	1,478	1,033
Term loan	2012	2,580	2,624
		4,058	3,657
Unsecured:			
Bank overdrafts	On demand	2,836	1,306
Bankers acceptances	2012	1,622	1,552
		4,458	2,858
		8,516	6,515
Non-current			
Secured:			
Hire purchase and finance lease payables (Note 28(b))	2013-2015	1,772	1,299
Term loan	2013-2014	830	2,755
		2,602	4,054
Total loan and borrowings		11,118	10,569

Bank overdrafts

The unsecured borrowings bear interest at rates ranging from 1.75% to 8.6% per annum (2011: 1.75% to 6.6% per annum) during the financial year.

Bankers acceptances

The unsecured banker acceptances bear interest at rates ranging from 3% to 4% per annum (2011: 3% to 3.5% per annum) during the financial year.

Obligations under hire purchase and finance lease payables

The interest rates and maturity profile of hire purchase and finance lease payables are disclosed in Note 28(b).

Term loan

The term loan is secured by corporate guarantee provided by the holding company, Ancom Berhad.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade payables				
Third parties	3,937	4,766	-	-
Other payables				
Accruals	1,325	2,678	-	-
Other payables	1,489	2,155	593	1,249
Amount due to holding company	1,757	-	1,750	-
Amounts due to related companies	240	-	1,006	-
	4,811	4,833	3,349	1,249
Total trade and other payables	8,748	9,599	3,349	1,249
Trade and other payables	8,748	9,599	3,349	1,249
Add: Loans and borrowings (Note 24)	11,118	10,569	-	-
Total financial liabilities carried at amortised cost	19,866	20,168	3,349	1,249

(a) Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2011: 30 to 90 days). These are non-interest bearing.

(b) Other payables

Other payables are normally settled on an average term of six months (2011: six months). These are non-interest bearing.

(c) Amount due to holding company

These amounts are unsecured, non-interest bearing (2011: bore interest of 8% per annum) and repayable on demand.

(d) Amounts due to related companies

These amounts are unsecured, interest free and repayable on demand.

26. DIVIDENDS

	Dividends in respect of Year		Dividends recognised in Year	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interim dividend for 2011: 2 sen per share single tier interim dividend on 473,286,313 ordinary shares paid on 31 May 2011	-	9,466	-	9,466
Final dividend for 2011: 2 sen per share single tier final dividend on 473,286,313 ordinary shares paid on 22 December 2011	-	9,466	9,466	-
	-	18,932	9,466	9,466

The final dividend in respect of the financial year ended 31 May 2011 was approved by the shareholders of the Company at an Annual General Meeting held on 23 November 2011. The dividend was paid out of profit earned during the financial year ended 31 May 2011.

27. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

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		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of property, plant and equipment to holding company	-	25,000	-	25,000
Sale of services to related companies	4,278	4,506	-	-
Dividends income from subsidiaries	-	-	3,000	12,794
Interest expense paid to holding company	-	557	-	557

Related companies refer to subsidiaries and associates of Ancom Berhad.

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company and its subsidiaries.

The remuneration of key management personnel of the Group and of the Company during the year is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries	1,945	1,592	212	990
Defined contribution plan	41	135	25	72
Other emoluments	424	300	242	60
	2,410	2,027	479	1,122

Remunerations of executive director included in the total key management personnel are disclosed in Note 8.

28. COMMITMENTS

(a) Operating lease commitment

Future minimum rentals payable under non-cancellable operating lease at the reporting date are as follows:

	Group	
	2012 RM'000	2011 RM'000
Not later than 1 year	2,061	2,341
Later than 1 year but not later than 5 years	4,699	5,133
Later than 5 years	19,528	19,927
	26,288	27,401

(b) Finance lease commitment

The Group has finance leases for certain items of plant and equipment and furniture and fixtures (Note 12). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

	Group	
	2012 RM'000	2011 RM'000
Minimum lease payments:		
Not later than 1 year	1,619	1,139
Later than 1 year but not later than 2 years	1,080	1,150
More than 2 years but not later than 5 years	781	220
Total minimum lease payments	3,480	2,509
Less: Amounts representing finance charges	(230)	(177)
Present value of minimum lease payments	3,250	2,332
Present value of payments		
Not later than 1 year	1,478	1,033
Later than 1 year but not later than two years than 2 years	1,015	1,087
More than 2 years but not later than 5 years	757	212
	3,250	2,332

The hire purchase and lease liabilities bore interest rates during the financial year of between 1.88% and 3.25% (2011: 1.35% and 2.21%) per annum.

29. CONTINGENT LIABILITIES

	Company 2012 RM'000	Company 2011 RM'000
Unsecured:		
Guarantee given to financial institution for facilities granted to a subsidiary	2,182	2,245

As at the reporting date, no values are ascribed on corporate guarantee provided by the Company to financial institution for facilities granted to a subsidiary and where the directors regard the value of the credit enhancement provided by the corporate gurantee as minimal.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

A The carrying amounts of the financial instruments of the Company are reasonable approximation of their fair value except for the following:

	Group		Company	
	Amount RM'000	Fair value RM'000	Amount RM'000	Fair value RM'000
At 31 May 2012				
Hire-purchase and finance lease payables	1,772	1,817	-	-
Term loans	830	885	-	-
At 31 May 2011				
Hire-purchase and finance lease payables	1,299	1,322	-	-
Term loans	2,755	2,937	-	-

(a) Determination of fair value

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(ii) Hire-purchase, finance lease payables and term loans

The carrying amounts of term loans is approximated to the fair values based on current lending rates for similar types of lending and borrowing arrangements.

(iii) Unquoted equity instruments

These investments are valued using valuation models which uses both observable and non-observable data. The non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding theindustry and geographical jurisdiction in which the investee operates.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

A The carrying amounts of the financial instruments of the Company are reasonable approximation of their fair value except for the following: *(continued)*

(b) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirect (ie. Derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at 31 May 2012, the Group helds the following financial instruments carried at fair value in the statement of financial position:

	2012 RM	Level 1 RM	Level 2 RM	Level 3 RM
Assets measured at fair value				
Financial asset at fair value through profit of loss:				
Quoted shared in Malaysia	1,549	1,549	-	-

	2011 RM	Level 1 RM	Level 2 RM	Level 3 RM
Assets measured at fair value				
Financial asset at fair value through profit of loss:				
Quoted shared in Malaysia	1,806	1,806	-	-

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

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

Credit risk concentration profile

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

Financial asset that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with banks and other financial institutions and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial asset that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bankers acceptance.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

	2012			
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities:				
Trade and other payables	8,748	-	-	8,748
Loans and borrowings	8,516	2,602	-	11,118
	17,264	2,602	-	19,866
Company				
Financial liabilities:				
Trade and other payables	3,349	-	-	3,349

	2011			
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities:				
Trade and other payables	9,599	-	-	9,599
Loans and borrowings	6,515	4,054	-	10,569
	16,114	4,054	-	20,168
Company				
Financial liabilities:				
Trade and other payables	1,249	-	-	1,249

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Interest rate risk

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

As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in Note 24.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been 2012: RM21,000 (2011: RM20,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate loans to related parties. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales that are denominated in a currency other than the functional currency, RM. The foreign currency in which these transactions are denominated are Singapore Dollars ("SGD").

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and acceptable capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting dividend payment policies.

The Group monitors capital using a gearing ratio, which is net debt (borrowings net of cash and cash equivalents) divided by total equity attributable to owners of the parent.

32. CAPITAL MANAGEMENT *(continued)*

The Group's gearing ratio is computed as follows:

	Group	
	2012 RM'000	2011 RM'000
Borrowings	11,118	10,569
Trade and other payables	8,748	9,599
Less: Cash and cash equivalents	(4,745)	(6,163)
Net debt	15,121	14,005
Total equity attributable to owners of the parent	58,471	65,281
Gearing ratio	25.9%	21.5%

33. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products, and has three 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 manufacturing and marketing of low voltage switchgear and investment holding activities.

III. The electronic segment is involved in trading and contracting in electrical engineering products. This segment has been classified as discontinued operations.

33. SEGMENTAL INFORMATION *(continued)*

	Logistics		Others		Electronics (discontinued)		Adjustments and eliminations		Note	Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000		2012 RM'000	2011 RM'000
Revenue:											
External customers	59,186	58,229	2,883	3,659	-	30,926	-	(30,926)	(a)	62,069	61,888
Inter-segment	177	194	-	-	-	350	(177)	(544)	(b)	-	-
Total revenue	59,363	58,423	2,883	3,659	-	31,276	(177)	(31,470)		62,069	61,888
Results:											
Dividend income	-	-	3,000	13,796	-	1,680	(3,000)	(15,476)	(c)	-	-
Depreciation and amortisation	6,653	5,351	272	625	-	115	-	-		6,925	6,091
Impairment of non-financial assets	-	-	1,069	-	-	-	-	-		1,069	-
Other non-cash expenses	918	(6,765)	-	1,028	-	-	-	-	(d)	918	(5,737)
Segment profit/(loss)	6,177	6,910	30	26,083	-	(4,309)	(2,792)	(18,043)		3,415	10,641
Assets:											
Investment in associates	-	-	2,802	3,902	-	-	-	-		2,802	3,902
Additions to non-current assets	5,990	3,089	290	23,054	-	-	-		(e)	6,280	26,143
Segment assets	96,005	92,675	100,529	107,523	-	-	(96,802)	(93,652)	(f)	99,732	106,546
Segment liabilities	35,984	36,811	7,608	6,465	-	11,378	(15,108)	(26,094)	(g)	28,484	28,560

33. SEGMENTAL INFORMATION *(continued)*

Note:

(a) The amounts relating to the electronics segment have been excluded to arrive at amounts shown in the consolidated statement of comprehensive income as they are presented seperately in the statement of comprehensive income within on line item, "loss from discontinued operations, net of tax).

(b) Inter-segment revenue are eliminated on consolidation.

(c) Inter-segment dividends are eliminated on consolidation.

(d) Other material non-cash expense consist of the following items as presented in the respective notes to the financial statements.

	Note	2012 RM'000	2011 RM'000
Gain on foreign exchange (net)	6	(82)	(484)
Allowance for doubtful debts	6	-	1,028
Fair value gain on investment	6	(43)	(40)
Gain on disposal of assets	6	(26)	(6,241)
Impairment of investment in an associate	6	1,069	-
		918	(5,737)

(e) Additions to non-current assets mainly consists of property, plant and equipment.

(f) The inter-segment assets are added to the segment assets to arrive at total assets reported in the consolidated statement of financial position.

(g) The inter-segment liability are added to the segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

Geographical Information

Revenue and segment assets information based on the geographical location if customers and assets respectively are as follows:

	Revenues		Segment assets	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysia	34,757	25,210	65,106	67,075
Other Southeast Asian countries	27,312	36,678	34,626	39,471
Consolidated	62,069	61,888	99,732	106,546

34. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

(a) During the financial year, the Company's wholly-owned subsidiary, Sinsenmoh Tranportation Pte Ltd incurred leasehold improvements on its leasehold land and building for SGD669,000 (approximately RM1,653,000).

35. SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFIT/(LOSSES)

The breakdown of the retained earnings of the Group and of the Company as at 31 May 2012, into realised and unrealised profits, is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(Accumulated losses)/retained earnings				
Realised	(1,739)	(1,980)	(10,994)	(1,460)
Unrealised	(8,165)	(7,364)	-	-
	(9,904)	(9,344)	(10,994)	(1,460)
Less: Consolidated adjustments	3,386	9,929	-	-
Total (accumulated losses)/retained earnings	(6,518)	585	(10,994)	(1,460)

The determination of realised and unrealised profit is based on the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accounts on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purpose of complying with the disclosure requirements stipulated in the directives issued by Bursa Securities on 25 March 2010 and on 20 December 2010 and should not be applied for any other purposes.

Additional Information

Compliance Information pursuant to Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

SHARE BUY BACK

The Company did not have any mandate to purchase its own shares during the financial year.

DISCLOSURE ON THE REMUNERATION OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 MAY 2012

The disclosure on the Remuneration of the Directors for the financial year ended 31 May 2012 is set out in Note 8 to the financial statements.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options warrants and convertible securities during the financial year.

IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.

NON-AUDIT FEES

The Company did not engage the external auditors of the Company for non-audit engagements during the financial year.

COST OF INTERNAL AUDIT FUNCTION

During the financial year, the internal audit function of the Company was carried out by an external party with a cost of RM 9,633.00.

VARIATION IN RESULTS

There were no significant variance between the results for the financial year ended 31 May 2012 and the unaudited results previously announced. The Company did not release any profit estimate, forecast and projections for the financial year.

PROFIT GUARANTEES

During the financial year, there were no profit guarantees given to the Company and its subsidiary companies.

RELATED PARTY TRANSACTIONS

The disclosure on the Significant Related Party Transactions for the financial year ended 31 May 2012 is set out in Note 27 to the financial statements.

MATERIAL CONTRACTS

There was no material contract (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiary companies which involves the Directors and major shareholders, either still subsisting at the end of the financial year ended 31 May 2012 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 the last annual general meeting of the Company, are as follow:

<table>
<tr><th colspan="2">Transacting parties</th><th rowspan="2">Nature of transaction</th><th rowspan="2">Value of RRPT (RM'000)</th><th rowspan="2">Interested directors, major shareholders and connected persons</th></tr>
<tr><th>ALB Group</th><th>Related Party</th></tr>
<tr><td>Ancom Chem-Quest Terminal Sdn Bhd</td><td>PKG</td><td>Storage services</td><td>1,620</td><td rowspan="5">Dato' Siew Ka Wei and Lim Hock Heng, Siew Nim Chee & Sons Sdn Bhd</td></tr>
<tr><td>Ancom Chem-Quest Terminal Sdn Bhd</td><td>PKG</td><td>Handling and pipeline services</td><td>311</td></tr>
<tr><td>Pengangkutan Cogent Sdn Bhd</td><td>PKG, Fermpro and Nylex</td><td>Transportation services</td><td>1,897</td></tr>
<tr><td>SinSenmoh Transportation Pte. Ltd.</td><td>Dynamic</td><td>Storage services</td><td>309</td></tr>
<tr><td>SinSenmoh Transportation Pte. Ltd.</td><td>Dynamic</td><td>Handling and transporation services</td><td>500</td></tr>
</table>

Note :

PKG - Perusahaan Kimia Gemilang Sdn Bhd
Fermpro - Fermpro Sdn Bhd
Nylex - Nylex (Malaysia) Berhad
Dynamic - Dynamic Chemical Trading Pte. Ltd.

List of Properties

As at 31 May 2012

Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2012	Date of Acquisition/ Revaluation (RM'000)
Ancom-ChemQuest Terminals Sdn Bhd					
1. Jeti Petrokimia, Pelabuhan Barat Pelabuhan Klang Selangor	Unexpired lease period of 13 years (Expiring on 31 August 2024)	9.8 acres	Tank farm, office and warehouse Age of building : approximately 14 years	30,387	N/A
SinSenMoh Transportation Pte Ltd					
2. 32 Tanjong Penjuru Singapore 609028	Unexpired lease period of 36 years (Expiring on 30 June 2047)	12,311.3 sq.m.	Office and warehouse Age of building : approximately 24 years	21,624 (Value for building only)	May 2011
Pengangkutan Cogent Sdn Bhd					
3. PTD 149227, Jln Berjaya 7, Taman Perindustrian Berjaya, Daerah Johor, Bahru , Johor	Freehold	6,070.3 sq.m.	Office building, Age of building : approximately 2 years	3,784	2010

Analysis of Shareholdings

As at 8 October 2012

No. of holders of each class of equity securities

Class of securities	:	Ordinary shares of RM0.10 each
Voting Rights	:	One vote per ordinary share
Total no. issued	:	473,286,313
No. of holders	:	12,698

Distribution Schedule

Holdings	No. of holders	Total holdings	%
Less than 100	3,219	164,210	0.1%
101 to 1,000	5,501	2,463,989	0.5%
1,001 to 10,000	2,938	10,904,868	2.3%
10,001 to 100,000	821	30,906,668	6.5%
100,001 to less than 5% of issued shares	215	125,612,405	26.5%
5% and above of issued shares	4	303,234,173	64.1%
	12,698	473,286,313	100.0%

Substantial Holders

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Rhodemark Development Sdn Bhd	93,725,580	19.80%	-	-
Lim Hock Heng	80,573,516	17.02%	-	-
Synergy Tanker Sdn Bhd	72,743,592	15.37%	-	0.00%
Ancom Bhd	56,191,485	11.87%	166,595,425 (1)	35.20%
Dato' Siew Ka Wei	725,867	0.15%	223,712,349 (2)	47.27%

Note :
1. Held through Synergy Tanker Sdn Bhd, Ancom Overseas Ventures Sdn Bhd and Rhodemark Development Sdn Bhd,.
2 Deemed interest 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.

Directors' Holdings

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Siew Ka Wei	725,867	0.15%	223,712,349 (1)	47.27%
Lim Hock Heng	80,573,516	17.02%	-	0.00%

Note :
1. Deemed interest 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

As at 8 October 2012

THIRTY LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS
(Without aggregating securities from different securities accounts belonging to the same person)

	Name	No. of shares	%
1	Rhodemark Development Sdn Bhd	93,725,580	19.80%
2	Lim Hock Heng	53,715,678	11.35%
3	Synergy Tanker Sdn Bhd	48,495,728	10.25%
4	Ancom Berhad	37,460,990	7.92%
5	Lim Hock Heng	26,857,838	5.67%
6	Synergy Tanker Sdn Bhd	24,247,864	5.12%
7	Ancom Berhad	18,730,495	3.96%
8	Lim Ah Choo	5,100,700	1.08%
9	Affin Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Lee Cheng Chuan	4,800,000	1.01%
10	Abdul Radzim Bin Abdul Rahman	4,000,000	0.85%
11	RHB Capital Nominees (Tempatan) Sdn Bhd		
	Ang Hing Tay	3,700,000	0.78%
12	Public Invest Nominees (Tempatan) Sdn Bhd		
	Exempt AN For Philip Securities Pte Ltd (Clients)	3,641,700	0.77%
13	AMSEC Nominees (Tempatan) Sdn Bhd		
	Sun Kee Beng	3,000,000	0.63%
14	Loh Boon Hong	2,800,000	0.59%
15	Public Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Wong Fook Yew	2,578,000	0.54%
16	Maybank Securities Nominees (Asing) Sdn Bhd		
	Maybank Kim Eng Securities Pte Ltd For Khoo Tony	2,500,000	0.53%
17	RHB Nominees (Tempatan) Sdn Bhd		
	Amara Investment Management Sdn Bhd For Tan Jit Liang	2,392,600	0.51%
18	Chang Siew Kuen	2,152,000	0.45%
19	Lim Hoo Seng	2,120,000	0.45%
20	Chew Jin Chew	2,023,400	0.43%
21	HLB Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Lee Mooy Keaw	2,000,000	0.42%
22	Hong Peng Cheng	1,887,100	0.40%
23	Law Say Huat	1,802,500	0.38%
24	Loh Kah Guan		
25	HSBC Nominees (Asing) Sdn Bhd	1,751,900	0.37%
	Exempt AN For HSBC Private Bank (Suisse) S.A.		
	(Hong Kong AC CL)	1,750,000	0.37%
26	Citigroup Nominees (Asing) Sdn Bhd		
	Exempt AN For OCBC Securities Private Limited (Client A/C-NR)		
27	HLB Nominees (Tempatan) Sdn Bhd	1,719,772	0.36%
	Pledged Securities Account for Lee Kai Meng	1,608,900	0.34%
28	Tan Jit Liang	1,560,700	0.33%
29	Loh Lai Kim	1,494,600	0.32%
30	HDM Nominees (Asing) Sdn Bhd		
	Philip Securities Pte Ltd For Kong Hwai Ming	1,400,000	0.30%
	Total	361,018,045	76.28%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 21 November 2012 at 10.00 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company and of the Group and the Reports of the Directors and the Auditors thereon for the financial year ended 31 May 2012 ; **(Please refer Explanatory Note 1)**

2. To approve Directors' fees for the financial year ended 31 May 2012 ; **[Resolution 1]**

3. To re-elect the following Directors who retire pursuant to the Company's Articles of Association :
   3.1 Edmond Cheah Swee Leng (Article 90) **[Resolution 2]**
   3.2 Dato Abdul Latif Bin Abdullah (Article 103) **[Resolution 3]**
   3.3 Lim Hock Heng (Article 103) **[Resolution 4]**

4. To re-appoint Ernst & Young as Auditors of the Company and to authorise the Board of Directors to fix their remuneration **[Resolution 5]**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions :

Ordinary Resolutions

5. <u>Retention of Independent Director</u>

   "THAT the following Directors, who fulfilled the definition of Independent Director in the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market, be retained as Independent Non-executive Directors of the Company and that the restrictions as recommended by the Malaysian Code of Corporate Governance 2012 shall not be applicable to them:
   5.1 Safrizal Bin Mohd Said **[Resolution 6]**
   5.2 Lim Hock Chye **[Resolution 7]**

6. <u>Proposed Issuance Of New Ordinary Shares Of RM0.10 Each Pursuant To Section 132D Of The Companies Act, 1965</u> **[Resolution 8]**

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares of RM0.10 each 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 new ordinary shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company and that such authority shall unless revoked or varied by an ordinary resolution by the shareholders of the Company in general meeting commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

OTHER ORDINARY BUSINESS

To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By order of the Board,

CHOO SE ENG
STEPHEN GEH SIM WHYE
Secretaries

Petaling Jaya
30 October 2012

NOTES

1. A member entitled to attend and vote at the Meeting may appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Act shall not apply to the Company.

2. 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.

3. If the appointor is a corporation, this form must be executed under its common seal or under the hand of its attorney.

4. 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 authorized nominee may appoint in respect of each omnibus account it holds.

5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 November 2012 ("General Meeting Records of Depositories") shall be eligible to attend, speak and vote or appoint proxy to attend and vote on his behalf.

6. The instrument appointing a proxy must be deposited at the registered office of the Company at Unit C508, Block C, Kelana Square, Jalan SS27/26, 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

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 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. Item 5 of the Agenda

Resolution 6 proposed under item 5 of the agenda, if passed, will enable Safrizal Bin Mohd Said who has served as an Independent Non-executive Director of the Company for more than 9 years as at the date of this Notice, to continue to serve in this capacity as he has complied with the definitions of Independent Director in the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

Resolution 7 proposed under item 5 of the agenda, if passed, will enable Lim Hock Chye who has served as an Independent Non-executive Director of the Company for more than 9 years as at the date of this Notice, to continue to serve in this capacity as he has complied with the definitions of Independent Director in the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

3. **Item 6 of the Agenda**

   Resolution 8 proposed under item 6 of the Agenda is for the purpose of granting a renewal of a general mandate and if passed, will give the Directors authority to issue and allot new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors would consider to be in the best interest of the Company. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a subsequent general meeting, expire at the next annual general meeting.

   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. The purpose of this general mandate is for 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 and/or acquisitions.

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

FORM OF PROXY

CDS A/C No.	No. of shares held

I/We ____
(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 %
Full Address		
Full Name in Block Letters		Proportion of Shareholdings %
Full Address		
		100%

failing *him / her, the Chairman of the Meeting as *my / our proxy to attend and to vote for *me / us on *my / our behalf at the 46th Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No.2, Jalan Barat, 46200 Petaling Jaya, Selangor, Malaysia on 21 November 2012 at 10.00 a.m or any adjournment thereof and to vote as indicated below -

Item	Agenda			
1.	To receive the Audited Financial Statements, Reports of the Directors and the Auditors there on for the financial year ended 31 May 2012;			
		Resolution	**For**	**Against**
2.	To approve the payment of Directors' fees for the financial year ended 31 May 2012;	1		
3.	To re-elect the following Directors who retire by rotation pursuant to the Company's Articles of Association:			
	3.1 Edmond Cheah Swee Leng (Article 90)	2		
	3.2 Dato Abdul Latif Bin Abdullah (Article 103)	3		
	3.3 Lim Hock Heng (Article 103)	4		
4.	To re-appoint Ernst & Young as Auditors of the Company and to authorise the Board of Directors to fix their remuneration;	5		
5.	To retain the following Directors as Independent Non-executive Directors:			
	5.1 Safrizal Bin Mohd Said;	6		
	5.2 Lim Hock Chye	7		
6.	To approve the proposed issuance of new ordinary shares of RM0.10 each pursuant to Section 132D of the Companies Act, 1965	8		

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

Dated this ________________day of________________2012

____
[Signature / Common Seal of shareholder(s)]
[*Delete if not applicable]

Telephone no.
during office hours :________________________

Notes:

1. A member entitled to attend and vote at the Meeting may appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. 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.
3. If the appointor is a corporation, this form must be executed under its common seal or under the hand of its attorney.
4. 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 authorized nominee may appoint in respect of each omnibus account it holds.
5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 November 2012 ("General Meeting Records of Depositories") shall be eligible to attend, speak and vote or appoint proxy to attend and vote on his behalf.
6. The instrument appointing a proxy must be deposited at the registered office of the Company at Unit C508, Block C, Kelana Square, Jalan SS27/26, 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
Selangor Darul Ehsan
Malaysia

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www.ancomlogistics.com.my