



ANCOM BERHAD

[Registration No. 196901000122 (8440-M)]
Incorporated in Malaysia

ANNUAL REPORT 2020



TOGETHER

WE CAN MAKE A DIFFERENCE

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Proxy Form



Go online to our website at:
www.ancom.com.my

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Siew Ka Wei
(Executive Chairman)

Dato' Johari Razak
(Executive Director)
(Resigned on 31.12.2019)

Tan Sri Dato' Dr Lin See Yan
(Independent Non-Executive Director)

Tan Sri Dato' Seri Abdull Hamid Bin Embong
(Independent Non-Executive Director)

Chan Thye Seng
(Non-Independent Non-Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

Lim Hock Chye
(Independent Non-Executive Director)

Datuk Dr Abd Hapiz Bin Abdullah
(Independent Non-Executive Director)
(Appointed on 08.05.2020)

Siew Ka Kheong
(Alternate Director to Dato' Siew Ka Wei)

AUDIT COMMITTEE

Edmond Cheah Swee Leng (Chairman)

Tan Sri Dato' Seri Abdull Hamid Bin Embong

Lim Hock Chye

REMUNERATION AND NOMINATION COMMITTEE

Tan Sri Dato' Dr Lin See Yan (Chairman)

Edmond Cheah Swee Leng

Lim Hock Chye

COMPANY SECRETARIES

Choo Se Eng (MIA 5876)
(SSM PC No. 201908002341)

Wong Wai Foong (MAICSA 7001358)
(SSM PC No. 202008001472)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel. : (603) 2783 9191
Fax : (603) 2783 9111

BUSINESS ADDRESS

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

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.

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

Customer Service Centre

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

AUDITORS

BDO PLT, Chartered Accountants

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
- Industrial Products Sector
- Stock code : 4758

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
CIMB Bank Berhad
AmBank (M) Berhad

SOLICITORS

Lee, Perara & Tan
Chong, Ng & Yap

DOMICILE

Malaysia

WEBSITE

www.ancom.com.my

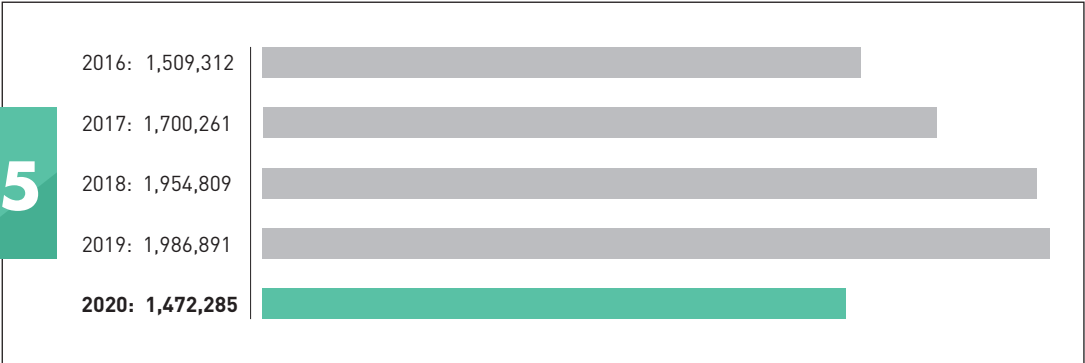
FIVE-YEAR HIGHLIGHTS

	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	1,472,285	1,986,891	1,954,809	1,700,261	1,509,312
(Loss)/Profit before taxation	(832)	21,479	47,028	51,442	17,222
(Loss)/Profit after taxation	(18,892)	(2,071)	25,661	29,277	2,342
Effective percentage rate of tax - %	>100%	>100%	45%	43%	86%
(Loss)/Profit attributable to owners of parents	(9,696)	15,132	17,581	17,466	(6,990)
ASSETS EMPLOYED					
Property, plant and equipment	200,660	280,355	286,399	292,559	235,551
Right-of-use assets	104,324	-	-	-	-
Investments	8,641	12,962	7,616	3,513	4,086
Other non-current assets	116,286	130,434	124,992	129,723	127,429
Current assets	529,395	660,468	795,368	717,946	545,716
TOTAL ASSETS	959,306	1,084,219	1,214,375	1,143,741	912,782
FINANCED BY					
Share capital	245,766	245,766	218,956	218,956	218,956
Reserves	75,629	75,262	100,755	86,827	65,906
Less: Treasury shares, at cost	(9,688)	(5,566)	(2,473)	(2,473)	(2,377)
Ancom shareholders' interest	311,707	315,462	317,238	303,310	282,485
Non-controlling interests	111,854	139,443	168,407	166,918	159,013
Total equity	423,561	454,905	485,645	470,228	441,498
Non-current liabilities	97,273	66,419	68,733	73,918	30,235
Current liabilities	438,472	562,895	659,997	599,595	441,049
TOTAL FUNDS EMPLOYED	959,306	1,084,219	1,214,375	1,143,741	912,782
SHAREHOLDERS' INTERESTS					
(Loss)/Earnings Per share - sen	(4.31)	6.44	7.42	7.37	(2.95)
Net assets per share attributable to Ancom shareholders - RM	1.40	1.37	1.34	1.28	1.19
OTHER INFORMATION					
Depreciation & amortisation	55,125	28,976	25,819	22,385	19,654
Interest expense	19,070	21,515	19,013	14,211	13,038

FIVE-YEAR HIGHLIGHTS

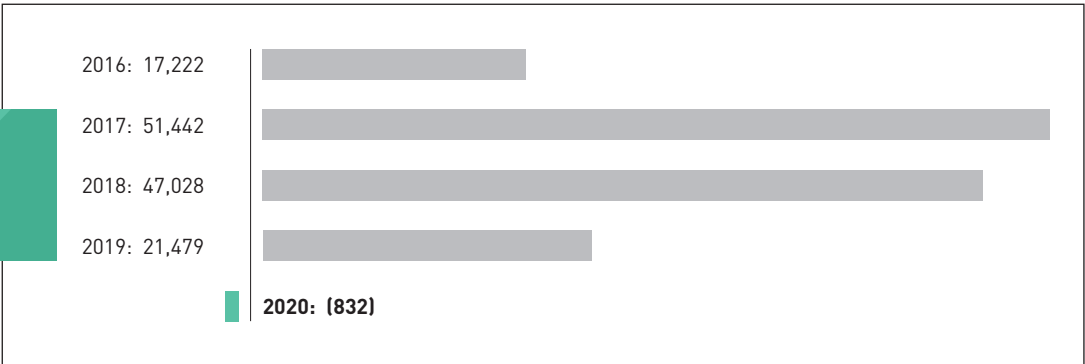
REVENUE
(in RM'000)

1,472,285



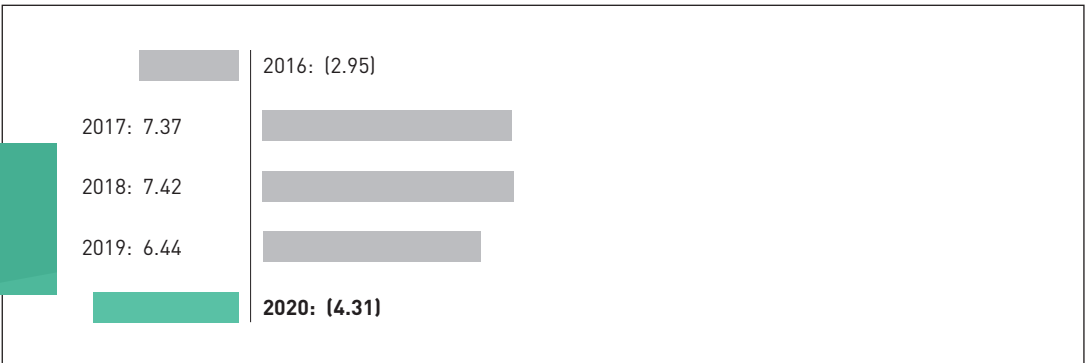
(LOSS)/PROFIT BEFORE TAXATION
(in RM'000)

(832)



(LOSS)/EARNINGS PER ORDINARY SHARE
(Sen)

(4.31)



NET ASSETS PER ORDINARY SHARE
(RM)

1.40



LIST OF PRINCIPAL OFFICES

ANCOM BERHAD – CORPORATE OFFICE / ANCOM MANAGEMENT SERVICES SDN. BHD.

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

ANCOM-CHEMQUEST TERMINALS SDN. BHD.

Jeti Petrokimia, Pelabuhan Barat
42920 Pulau Indah, Port Klang
Selangor Darul Ehsan, Malaysia
Tel : (603) 3101 1372
Fax : (603) 3101 1279

ANCOM COMPONENTS SDN. BHD. / ANCOM ENERGY & SERVICES SDN. BHD.

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

ANCOM CROP CARE SDN. BHD. / TIMBER PRESERVATIVES SDN. BHD.

No. 31 Jalan Tukul P15/P, Section 15
40200 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel : (603) 5519 4022
Fax : (603) 5510 3888

ANCOM KIMIA SDN. BHD.

3A02, Block A, Phileo Damansara I
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

ANCOM LOGISTICS BERHAD

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

CKG CHEMICALS PTE LTD

51 Goldhill Plaza #11-03
Singapore 308900
Tel : (65) 6319 4680
Fax : (65) 6319 4699

DYNAMIC CHEMICAL PTE LTD

3 International Business Park
#03-04, Nordic European Centre
Singapore 609927
Tel : (65) 6224 4142
Fax : (65) 6224 6460

ENTOPEST ENVIRONMENTAL SERVICES SDN. BHD.

No. 2A, Jalan 13/2, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7931 3232
Fax : (603) 7931 3230

FERMPRO SDN. BHD.

202, Block A, Phileo Damansara I
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

GENOVASI MALAYSIA SDN. BHD.

No. 2A, Jalan 13/2, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7495 0628
Fax : (603) 7495 0793

IENTERPRISE ONLINE SDN. BHD.

Unit 1003 & 1005, Blok B, Phileo Damansara II
No. 15 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7665 1988
Fax : (603) 7665 1638

LIST OF PRINCIPAL OFFICES

KUMPULAN KESUMA SDN. BHD. / WEDON SDN. BHD.

No. 6, Lorong SS13/6A
Subang Jaya Industrial Estate
47500 Subang Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 5633 6229
Fax : (603) 5634 9915

**NYLEX (MALAYSIA) BERHAD /
NYLEX POLYMER MARKETING SDN. BHD. /
ALB MARINE SDN. BHD.**

Lot 16, Persiaran Selangor, Section 15
40200 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel : (603) 5519 1706
Fax : (603) 5510 8291

**NYLEX SPECIALTY CHEMICALS SDN. BHD. /
SPECIALITY PHOSPHATES (MALAYSIA) SDN. BHD.**

Lot 593, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang, Selangor Darul Ehsan, Malaysia
Tel : (603) 3168 8282
Fax : (603) 3167 9115

PENGANGKUTAN COGENT SDN. BHD.

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

PERUSAHAAN KIMIA GEMILANG SDN. BHD.

302, Block A, Phileo Damansara I
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

**PERUSAHAAN KIMIA GEMILANG (VIETNAM)
COMPANY LTD.**

7 Floor, 205B Hoang Hoa Tham Street
Ward 06, Binh Thanh District
Ho Chi Minh City, Vietnam
Tel : (8428) 3516 3115
Fax : (8428) 3516 3098

PT NYLEX INDONESIA

Desa Sumengko Km 31
Wringinanom, Gresik
61176 Indonesia
Tel : (6231) 898 2626
Fax : (6231) 898 2623

PT PKG LAUTAN INDONESIA

Gedung Graha Indramas, Jl. AIPDA K.S. Tubun Raya No. 77
Jakarta, 11410 Indonesia
Tel : (6221) 5367 3269
Fax : (6221) 5367 3278

**REDBERRY SDN. BHD. / REDBERRY AMBIENT SDN. BHD. /
REDBERRY ADVERTISING SDN. BHD.**

No. 2A, Jalan 13/2, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : (603) 7495 1188
Fax : (603) 7495 1177

REDBERRY CONTACT CENTER SDN. BHD.

No. 2A, Jalan 13/2, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel : 012-338 9284

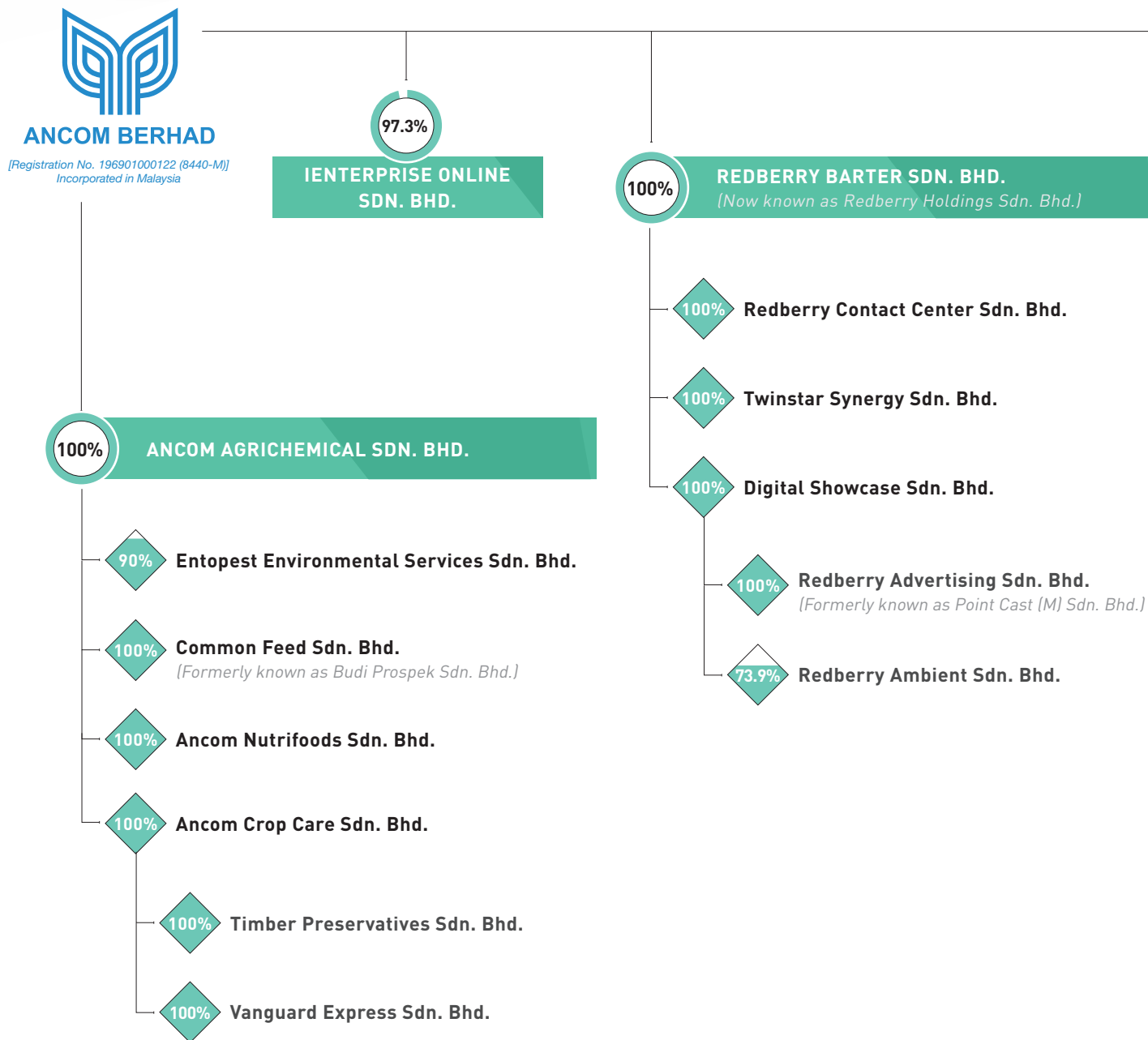
TWINSTAR SYNERGY SDN. BHD.

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



CORPORATE STRUCTURE

As at 31 May 2020

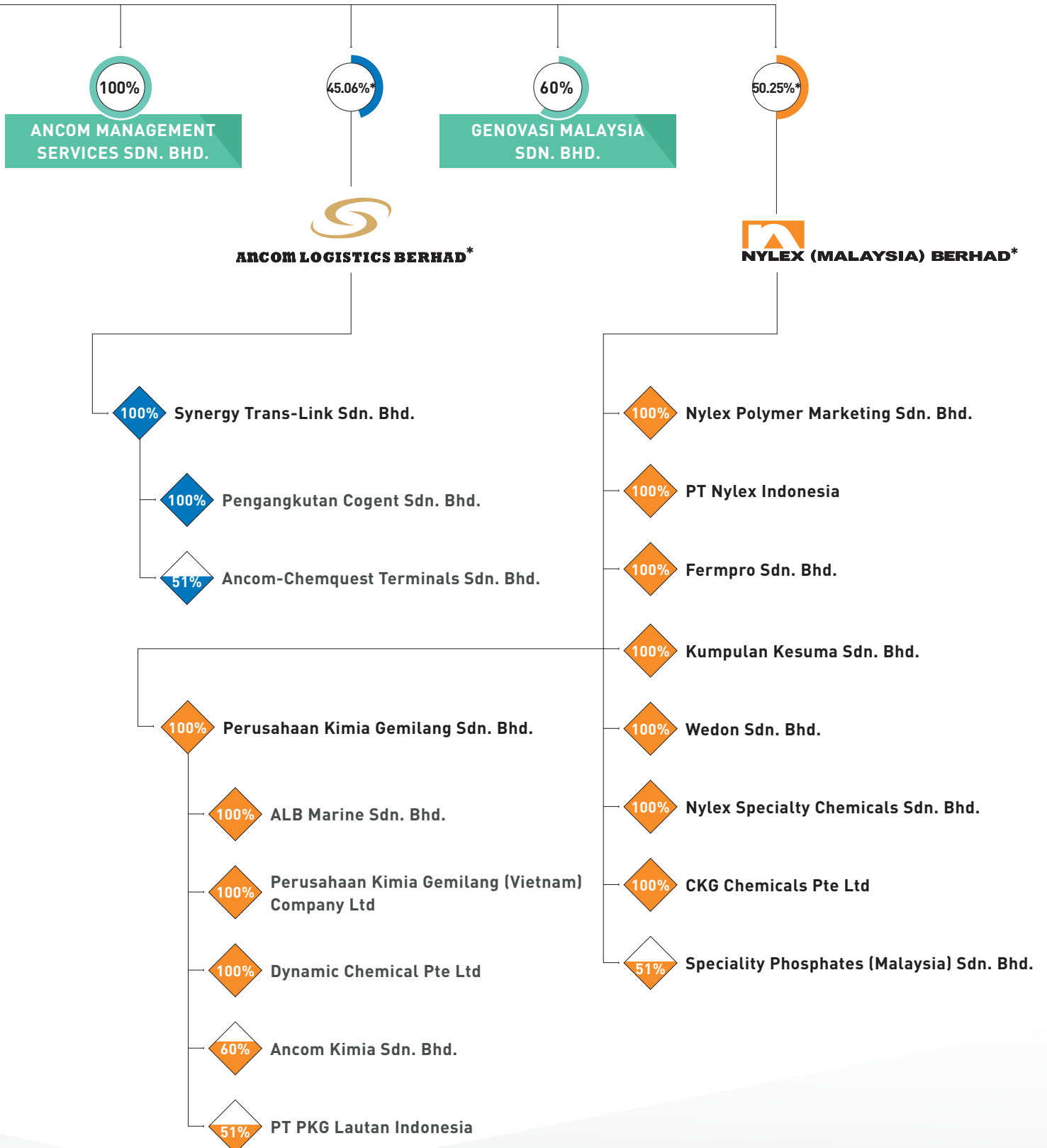


Note:
 Only major and active companies in the Group are shown in this Corporate Structure

* Direct and Indirect Interest

CORPORATE STRUCTURE

As at 31 May 2020



BOARD OF DIRECTORS



DATO' SIEW KA WEI

MALAYSIAN / MALE / AGED 64

Executive Chairman

Dato' Siew joined the Board on 23 October 1985. He is currently the Executive Chairman.

He was appointed as Deputy Group Managing Director on 17 October 1995, and promoted to the Group Managing Director on 30 July 2003. He assumed his current position on 2 January 2018.

Dato' Siew received his secondary and tertiary education in the United Kingdom, first studying in Marlborough College from the age of 13 years, then completing his tertiary education at Imperial College London. He received his Bachelor of Science (Hons) degree in Chemical Engineering and Master of Science ("MSc") degree in Operational Research at Imperial College London, graduating in 1978.

Dato' Siew has extensive experience in the field of petrochemicals accumulated for more than 30 years in the local and international sectors.

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

Currently, Dato' Siew is the Group Managing Director of Nylex (Malaysia) Berhad and the Executive Vice Chairman of Ancom Logistics Berhad, both subsidiaries of the Company and listed on Bursa Malaysia Securities Berhad.

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



TAN SRI DATO' DR LIN SEE YAN

MALAYSIAN / MALE / AGED 81

Independent Non-Executive Director

Tan Sri Lin was appointed to the Board on 30 October 2000. He is currently the Chairman of the Remuneration and Nomination Committee.

Tan Sri Lin is an independent strategic and financial consultant, a British Chartered Scientist, and a UK Chartered Statistician. He received three degrees from Harvard University, including a PhD in Economics. He is an Eisenhower Fellow and a Fellow of the IMF Institute in Washington DC; Royal Statistical Society, London; Asian Institute of Chartered Bankers; Malaysian Insurance Institute (Hon.); Malaysian Institute of Management and the Malaysian Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies and a Research Professor at Sunway University.

He has a long and distinguished history of service in the government and private sectors. He was Chairman/President and Chief Executive Officer of the Pacific Bank Group and, for 14 years previously, Deputy Governor of Bank Negara Malaysia, having been a central banker for 34 years. Tan Sri Lin continues to serve the public as a member of key steering committees at the Ministry of Higher Education; a member of the Asian Shadow Financial Regulatory Committee; Governor of the Asian Institute of Management, Manila; Board member of Sunway University; Chairman Emeritus of the Harvard Graduate School Alumni Council at Harvard University in Cambridge, USA; President of the Harvard Club of Malaysia; and Economic Advisor of the Associated Chinese Chambers of Commerce and Industry of Malaysia.

Tan Sri Lin is currently a Director of Nylex (Malaysia) Berhad, a subsidiary of the Company listed on Bursa Malaysia Securities Berhad; Wah Seong Corporation Berhad and Sunway Berhad; and Chairman of IGB REIT Management Sdn. Bhd. (manager of the IGB Real Estate & Investment Trust). He also serves as a trustee of the Tun Ismail Ali Foundation (PNB), Malaysian Economic Association Foundation, Prime Minister's Exchange Fellowship Malaysia, Jeffrey Cheah Foundation and Harvard Club of Malaysia Foundation; and is a Mentor Counselor of the LIN Foundation.



TAN SRI DATO' SERI ABDULL HAMID BIN EMBONG

MALAYSIAN / MALE / AGED 71

Independent Non-Executive Director

Tan Sri Hamid was appointed to the Board on 1 March 2016. He is currently a member of the Audit Committee.

Upon finishing his secondary schooling at the Malay College Kuala Kangsar, Perak, he obtained a Barrister at Law degree from Lincolns Inn, London, and was admitted as an Utter Barrister in 1976.

Tan Sri Hamid served in the judicial and legal service of the Government of Malaysia in various posts including that of a Magistrate, Deputy Public Prosecutor, Legal Advisor and Senior Federal Counsel with the Customs and Excise Department, the Economic Planning Unit in the Prime Minister's Department, Ministry of Land and Regional Development, Treasury and Ministry of Home Affairs. He has also served as a Legal Advisor to the Negeri Sembilan and Pahang State Governments.

Tan Sri Hamid was appointed a Judicial Commissioner in 1994 and a High Court Judge in 1996. In 2006, he was elevated to the Court of Appeal and in 2009 to the Federal Court, Malaysia. He retired from the Bench in February 2016.

Currently, Tan Sri Hamid is the Chairman of 7-Eleven Malaysia Holdings Berhad.

CHAN THYE SENG

MALAYSIAN / MALE / AGED 63

Non-Independent Non-Executive Director

Thye Seng joined the Board on 19 October 1999.

He has 13 years of experience as a practising lawyer, after having been called to the Bar at Middle Temple in 1980 and the Malaysian Bar in 1982. He graduated from University College Cardiff, United Kingdom, with a Bachelor of Law (Hons).

Thye Seng was previously on the Boards of the Kuala Lumpur Commodities Exchange and Malaysian Futures Clearing Corporation Sdn. Bhd..

He is currently the Managing Director/Chief Executive Officer of Pacific & Orient Berhad ("P&O"), a substantial shareholder of the Company, and its subsidiary, Pacific & Orient Insurance Co. Berhad.

Thye Seng is a substantial shareholder of the Company through his shareholding in P&O.

BOARD OF DIRECTORS



EDMOND CHEAH SWEE LENG

MALAYSIAN / MALE / AGED 66

Independent Non-Executive Director

Edmond was appointed to the Board on 30 August 2005 and is currently Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

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

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

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

Edmond sits on the Board of Nylex (Malaysia) Berhad, a subsidiary of the Company which is listed on Bursa Malaysia Securities Berhad. He is also the Chairman of Adventa Berhad as well as an Investment Committee Member and Director of MAAKL Mutual Berhad.

LIM HOCK CHYE

MALAYSIAN / MALE / AGED 65

Independent Non-Executive Director

Hock Chye was appointed to the Board on 1 December 2011. He is a member of the Audit Committee and the Remuneration and Nomination Committee.

Hock Chye graduated with an LLB (Hons) from the University of London, United Kingdom, in 1999.

He was a Deputy Editor with The Star newspaper, where he wrote for the Business Section. He later became a consultant with an organisation promoting good corporate governance and practices in Malaysia. He was also a panel speaker for Bursatra Sdn. Bhd. on Continuing Education Programmes for public-listed company directors. He has been the Group Director of Strategic Planning & Corporate Affairs, HELP University Sdn. Bhd. (formerly known as Help International Corporation Berhad) since April 2008.

Hock Chye is also a Director of Ancom Logistics Berhad, a subsidiary of the Company which is listed on Bursa Malaysia Securities Berhad.

BOARD OF DIRECTORS

**DATUK DR ABD HAPIZ BIN ABDULLAH****MALAYSIAN / MALE / AGED 62****Independent Non-Executive Director**

Datuk Hapiz was appointed to the Board on 8 May 2020.

He graduated with a Doctor of Philosophy in Organic Chemistry from Utah State University and a Bachelor of Science in Chemistry from the University of Nevada, USA, in 1980 and 1984, respectively.

He began his career at Dow Chemical (Malaysia) Sdn. Bhd. in 1985 holding a regional role for several years. He was appointed as the Managing Director of Du Pont Malaysia Sdn. Bhd. in 1995 and then the President/CEO of Petronas Chemicals Group Berhad from 2011 until he retired in 2014.

Datuk Hapiz was appointed as Chairman of Ancom Crop Care Sdn. Bhd., a subsidiary of the Company, in March 2016. He is also an Independent Non-Executive Chairman of Perdana Petroleum Berhad and an Independent Non-Executive Director of MSM Malaysia Holdings Berhad, and a board member of several private chemical companies in Malaysia and the United States.

He is currently Chairman of the Chemical Industries Council of Malaysia and Chairman of the National Chemical Productivity Nexus. He is also a member of the National Productivity Council of Malaysia and the National Science Council of Malaysia.

SIEW KA KHEONG**MALAYSIAN / MALE / AGED 60****Alternate Director to Dato' Siew Ka Wei**

Ka Kheong was appointed as an Alternate Director to Dato' Siew Ka Wei on 26 April 2019.

He graduated with a Bachelor of Science in Chemical Engineering from University College London, United Kingdom, in 1982.

Ka Kheong is currently the Executive Director of iEnterprise Online Sdn. Bhd., a subsidiary of the Company, and heads the Group's IT Division. Prior to this, he was the Managing Director of a company he set up in 1982 which was involved in the IT industry.

He has more than 30 years of experience in the IT industry, specialising in systems development and integration, as well as applications implementation. His experience spans across the financial services, manufacturing, distribution and retail industries.

He is also the Chairman of a local company that provides professional IT certification from the Project Management Institute, USA, to IT professionals in Malaysia.

Notes:

1. Other than Dato' Siew Ka Wei and Siew Ka Kheong, who are brothers, there are no family relationships amongst the Directors and/or major shareholders of the Company.
2. Other than certain Related Party Transactions as disclosed in this Annual Report, the Directors do not have any business interest which conflict with their positions in the Company.
3. None of the Directors has been convicted of any offences other than traffic offences (if any) within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. Please refer to the Corporate Governance Overview Statement of this Annual Report for the Directors' meeting attendance records.
5. Please refer to the Directors' Report of this Annual Report for the Directors' securities holdings in the Company and its related corporations.

KEY SENIOR MANAGEMENT

DATO' SIEW KA WEI

MALAYSIAN / MALE / AGED 64

Executive Chairman

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

LEE CHEUN WEI

MALAYSIAN / MALE / AGED 46

**Group CEO,
Managing Director – Ancom Crop Care Sdn. Bhd. ("ACC")**

Cheun Wei has been the Group CEO since January 2018 and the Managing Director of ACC since July 2014.

He graduated with an BA (Hons) in Accounting and Finance from Lancaster University, United Kingdom, and holds an MSc in Finance (Distinction) from Cass Business School, London. For both degrees, he was awarded full scholarships from British Chevening/HSBC and the Renong/UEM Group respectively.

Cheun Wei started his career in 1997 as a Group Accountant at EPE Power Corporation Berhad ("EPE"), a Transmission and Distribution Engineering company, and was made the Chief Financial Officer of the EPE Group in 2003. He was the Director of Corporate Finance of Tamco Corporate Holding Berhad (now known as Ancom Logistics Berhad, a subsidiary of the Company) from 2005 to 2009. He joined the Company in 2009 as the Group Chief Financial Officer. In July 2014, he was appointed Managing Director of ACC, heading the Group's Agricultural Chemicals Division. In January 2018, Cheun Wei was promoted to his current position as the Group CEO.

Cheun Wei is a member of the Association of Chartered Certified Accountants ("ACCA") and the Malaysian Institute of Accountants ("MIA").

He has no directorship in any public company or listed issuer.

Cheun Wei currently holds 8,626,380 ordinary shares, representing 3.60% shareholding in the Company.

DATUK WONG SAI WAN

MALAYSIAN / MALE / AGED 58

Group Chief Media Officer

Datuk Wong joined Redberry Sdn. Bhd., a subsidiary of the Company, in July 2013 as a Director - Special Projects after a successful career in The Star media group for more than 29 years.

He was promoted to Chief Operating Officer in 2015 heading the Group's Media Division where he oversaw the operations and management of the Group's media business. In January 2018, he was redesignated as the Group Chief Media Officer, in charge of Corporate Affairs, Marketing, Communications and Public Relations for the Group.

Datuk Wong studied Law at Manchester City University, United Kingdom.

Datuk Wong started his career in journalism at The Star in 1984 and rose through the ranks from being a reporter to becoming a Bureau Chief (Seremban), Senior News Editor and Executive Editor before leaving the leading English language daily in 2013.

He has no directorship in any public company or listed issuer.

KEY SENIOR MANAGEMENT

ROBIN LING SENG CHIONG

MALAYSIAN / MALE / AGED 50

**Deputy CEO – Nylex (Malaysia) Berhad (“Nylex”)
Executive Director – Perusahaan Kimia Gemilang Sdn.
Bhd. (“PKG”)**

Robin joined the Nylex group in 2007 as an Executive Director of PKG, a subsidiary of Nylex, in charge of its industrial chemical trading business. In January 2018, he was promoted to Deputy CEO of Nylex, assisting the Group Managing Director in overseeing the Nylex group’s business operations. Prior to joining PKG, he worked as the Asia Pacific Regional Manager for a United States specialty chemicals company for 13 years.

Robin graduated with a Bachelor of Applied Science majoring in Analytical Chemistry from the University of Science Malaysia.

He is currently a member of the Industry Expert Advisory Panel (“IEAP”), Chemistry and Biology programme at Tunku Abdul Rahman University College (“TARUC”).

He has no directorship in any public company or listed issuer.

THO TUCK WOH

MALAYSIAN / MALE / AGED 60

CEO - Redberry Media Group

Tuck Woh joined the Redberry Media Group in 2008 as Managing Director of its Cinema and Digital Advertising Division. He was promoted to CEO of the Redberry Media Group in January 2018.

He started his career as an auditor with a Big Four audit firm in Malaysia in 1981 and stayed till 1990. He then joined advertising agency, Inter Pacific Communications Sdn. Bhd., as a General Manager in 1991, and subsequently took up the post of Finance Director/Deputy Chairman at Yaohan (M) Berhad from 1994 until 1997. He was the Executive Director of Jerasia Capital Berhad, a fashion textile company, from 1998 until 2003. He also held executive roles in large retail and garment companies such as CK Tangs, Hytex and Cheetah from 2004 to 2007.

Tuck Woh is a member of the Malaysian Institute of Accountants (“MIA”) and Malaysian Institute of Certified Public Accountants (“MICPA”).

He has no directorship in any public company or listed issuer.

DATUK HASNUL BIN HASSAN

MALAYSIAN / MALE / AGED 58

Deputy CEO - Ancom Logistics Berhad (“ALB”)

Datuk Hasnul joined Ancom Berhad in 2014 as its Executive Director (Business Development). In October 2019, he assumed his current position as Deputy CEO of ALB.

Datuk Hasnul obtained a Bachelor of Science in Business Administration in May 1984 from Southeast Missouri State University, USA. He then obtained a Master of Business Administration (“MBA”) from Governors State University, USA, in December 1985.

Datuk Hasnul has more than 23 years of experience in several reputable multi-national companies including Unilever,

Johnson & Johnson and British American Tobacco where he developed his marketing and management skills.

Following his time in the corporate sector, Datuk Hasnul joined BERNAMA as its General Manager/CEO in 2009. He was subsequently appointed as CEO of the Malay Mail in 2013, a position he held until 2014.

He has no directorship in any public company or listed issuer.

KEY SENIOR MANAGEMENT

LIM CHANG MENG

MALAYSIAN / MALE / AGED 48

Group Chief Financial Officer

Chang Meng is the Chief Financial Officer of the Company and ALB, a subsidiary of the Company.

He began his career as an auditor with a Big Four audit firm in Malaysia in 1992 and stayed until 2000, his last position as an Audit Manager. He subsequently joined a construction company and later a stockbroking company as a Finance Manager.

He joined Tamco Corporate Holdings Berhad (now known as ALB) in 2005 as its Corporate Accounting Manager. He also served as the Head of Corporate Finance of the Company in 2010. He was promoted to Chief Financial Officer of ALB in 2011 and Group Chief Financial Officer of the Company in 2014.

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

He has no directorship in any public company or listed issuer.

CHOO SE ENG

MALAYSIAN / MALE / AGED 59

Company Secretary

Se Eng is the Company Secretary of Ancom, Nylex, ALB and their subsidiaries.

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

He worked for two years in the Corporate Finance division of a merchant bank, and was with a public listed company as its Corporate Finance Manager for four years before joining the Company in 1995 as its Senior Manager of Corporate Planning. He assumed the role of Company Secretary in 1996, and maintained this position until his resignation in August 2016. He re-joined the Company in April 2018.

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

He has no directorship in any public company or listed issuer.

MICHELLE CHEN TAI NGOH

MALAYSIAN / FEMALE / AGED 53

Chief Financial Officer – Nylex

Michelle joined Nylex in 1995 as an Associate Accounts Manager and held various positions within its Corporate Office in the ensuing years. She was appointed to her current position as Chief Financial Officer in 2010. Before joining Nylex, she was attached to an international professional service firm.

Michelle is a Fellow member of the Association of Chartered Certified Accountants (“ACCA”) and a member of the Malaysian Institute of Accountants (“MIA”).

She has no directorship in any public company or listed issuer.

KEY SENIOR MANAGEMENT

PHILLIP KARUPPIAH

MALAYSIAN / MALE / AGED 62

Group Human Resource Director

Phillip has been the Group Human Resource Director of Ancom since April 2013.

Phillip has a Bachelor of Science (Agribusiness) from University Putra Malaysia and a Law degree from the University of Wolverhampton, United Kingdom.

He started his career as a journalist with the New Straits Times and has experience in communication consulting with Burson Marsteller as well as banking operations with Malayan Banking Berhad.

He was the Chief Executive Officer of Malay Mail Sdn. Bhd. ("Malay Mail"), publisher of the Malay Mail newspaper, from April 2011 until March 2013. Before taking the helm at Malay Mail, Phillip was with Lexis Nexis, an American multinational company, as Chief Executive Officer of its South East Asia operations. His other stints include Managing Director of Sun Media Sdn. Bhd., publisher of the Sun newspaper, and General Manager of Group Human Resources at Phileo Allied Group, a financial services organisation.

He has no directorship in any public company or listed issuer.

DATO' LEE YEW MENG

MALAYSIAN / MALE / AGED 65

CEO/Executive Director -
Genovasi Malaysia Sdn. Bhd. ("Genovasi")

Dato' Lee is the CEO/Executive Director of Genovasi, a subsidiary of the Company, a position he has held since January 2016. Genovasi manages a dedicated Design Thinking School and Genovasi University College.

Dato' Lee has an Advanced Diploma in Commercial Management from the Institute of Commercial Management ("ICM"), United Kingdom.

Dato' Lee's 40-year career is skewed towards sales & marketing and communication, having held positions as General Manager – Marketing in The Star, Chief Marketing Officer in the Sun, Chief Operating Officer in Limkokwing Integrated, and Strategic Communications Adviser with Agensi Inovasi Malaysia ("AIM").

He currently sits as a member of the National Visual Arts Development Board.

He has no directorship in any public company or listed issuer.

SIEW KA KHEONG

MALAYSIAN / MALE / AGED 60

Executive Director - iEnterprise Online Sdn. Bhd.

(The profile of Siew Ka Kheong, who is also an Alternate Director to Dato' Siew Ka Wei, is disclosed in the Board of Directors of this Annual Report.)

KEY SENIOR MANAGEMENT

WILLIAM TAN WEE LIAN

MALAYSIAN / MALE / AGED 53

Divisional Head – Nylex Polymer Division

William started his career as a Sales Executive in PKG in 1994. In 1997, he was transferred to Fermpro Sdn. Bhd., a subsidiary of Nylex, where he held various positions before being promoted to Deputy Managing Director in 2006. In 2005, he was given the additional responsibility of handling Nylex Specialty Chemicals Sdn. Bhd. (“NSC”) and was promoted to the position of Managing Director of NSC in 2007.

On 1 January 2020, William was re-designated as the Deputy Head of Nylex Polymer Division and on 1 June 2020, as the Division’s Head.

William is a graduate of the Institute of Chartered Secretaries and Administrators (“ICSA”).

He has no directorship in any public company or listed issuer.

KONG HWAI MING

SINGAPOREAN / MALE / AGED 60

Executive Director – CKG Chemicals Pte Ltd (“CKG”)

Hwai Ming started his career as a technician in the tankfarm and shipping operations of ESSO Refinery Pte Ltd in 1981. In 1989, he joined Petrochemical Corporation of Singapore Pte Ltd as an Operation and Shipping Executive. In 1992, he was appointed by CKG as an Operation Manager and was subsequently promoted to the position of Executive Director. In 2006, Nylex acquired 100% shareholding of CKG, and Hwai Ming was retained in the same position, which he holds until today.

Hwai Ming has a Diploma in Mechanical Engineering and a Post-Diploma in Industrial Management from Singapore Polytechnic.

He has no directorship in any public company or listed issuer.

DATUK ABDUL RASHID HASHIM

MALAYSIAN / MALE / AGED 56

Executive Chairman – Ancom Kimia Sdn. Bhd. (“AKSB”)

Datuk Rashid joined AKSB, a subsidiary of Nylex, as Chief Operating Officer in February 2011. He was re-designated as its Executive Chairman in July 2020. He is the Chief Executive Officer of MSTI Corporation Sdn. Bhd., an associate of the Company, which is involved in the provision of IT services.

Datuk Rashid graduated with a Diploma in Credit Management from Institute Teknologi MARA.

Datuk Rashid started his career as an assistant credit officer with a commercial bank in 1982. In 1990, he joined ESPI Industries Sdn. Bhd., a parts and accessories manufacturer for Proton, as General Manager. In 1994, he was appointed as the Personal Assistant to Managing Director of Ayer Molek Plantation Berhad. Subsequently, in 2000, he joined property developer HBA Development Bhd as its Chief Executive Officer. In 2008, he was appointed the Managing Director of Global Globe Sdn. Bhd., a property developer and engineering group.

He has no directorship in any public listed issuer.

KEY SENIOR MANAGEMENT

WONG SIUT YIN

MALAYSIAN / FEMALE / AGED 52

Director - Kumpulan Kesuma Sdn. Bhd. ("Kesuma")/Wedon Sdn. Bhd.

Siut Yin started her career as a Pharmaceutical Sales Executive in Ciba-Geigy (M) Sdn. Bhd. in July 1991. She joined Kesuma, a subsidiary of Nylex, as a Techno-Commercial Chemist in December 1991. She was promoted to her current position as a Director of Kesuma in 1999, handling the technical, manufacturing and sales aspects of sealants and adhesives for the automotive and construction industries.

Siut Yin holds a Bachelor of Science in Chemistry (Hons) from the National University of Malaysia.

She has no directorship in any public company or listed issuer.

MOHD YUSOF BIN MUHAMAD DON

MALAYSIAN / MALE / AGED 54

General Manager – Pengangkutan Cogent Sdn. Bhd. ("PCSB")

Mohd Yusof was appointed General Manager of PCSB, a subsidiary of ALB, in February 2015. Prior to joining PCSB, he was a Senior Manager/Director of Hayara Sdn. Bhd., a solid waste management contractor, and Hayana Sdn. Bhd., a construction materials company, from 2013 to 2015. Before that, he held various senior managerial positions at Soi Yong Berhad and Koperasi Usaha Bersatu (M) Berhad.

Mohd Yusof has a Bachelor's degree in Industrial Engineering from the University of Alabama, Tuscaloosa, Alabama, USA.

He has no directorship in any public company or listed issuer.

SERENA KHOO SOOK LAI

MALAYSIAN / FEMALE / AGED 55

General Manager – Ancom-Chemquest Terminals Sdn. Bhd. ("ACT")

Serena was appointed the General Manager of ACT, a subsidiary of ALB, in October 2017.

She has more than 25 years of experience in the bulk chemicals and logistics businesses. Prior to her current position, she held various positions in PKG, her last position being Senior Operations Manager.

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

She has no directorship in any public company or listed issuer.

Notes:

- 1) Other than Dato' Siew Ka Wei and Siew Ka Kheong, who are brothers, there are no family relationships between the Key Senior Management with any Director and/or major shareholder of the Company.
- 2) Other than certain Related Party Transactions as disclosed in this Annual Report, none of the Key Senior Management has any financial interest in any business arrangement involving the Group.
- 3) Other than traffic offences (if any), none of the Key Senior Management has been convicted of any offence within the past five (5) years, and no public sanction or penalty was imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

ANCOM BERHAD (“ANCOM” OR “THE COMPANY”) WAS ESTABLISHED IN 1969 UNDER THE NAME ANSUL (MALAYSIA) SDN. BHD., PIONEERING THE MANUFACTURE OF AGRICULTURAL CHEMICALS AND HERBICIDES. THE COMPANY ASSUMED ITS PRESENT NAME, ANCOM, ON 9 SEPTEMBER 1989 AFTER SEVERAL CHANGES IN MANAGEMENT AND SHAREHOLDERS. ON 29 MARCH 1990, IT BECAME A PUBLIC LISTED COMPANY.

Ancom is the holding company of Nylex (Malaysia) Berhad (“Nylex”) and Ancom Logistics Berhad (“ALB”), which are listed on Bursa Malaysia Securities Berhad’s Main Market and the ACE Market respectively.

Today, Ancom and its subsidiaries (“the Group” or “Ancom Group”) represent a diversified range of businesses which, however, remains focused on its core strengths in agricultural chemicals, industrial chemicals, polymers and chemical logistics. These businesses contribute to over 90% of the Group’s total revenue.

AGRICULTURAL CHEMICALS DIVISION

The Agricultural Chemicals Division is primarily involved in the manufacture, formulation and sale of agricultural chemicals focusing on crop protection and timber preservatives. Our product range includes Glyphosate Monoammonium, Brodifacoum, Carbosulfan, Clethodim, Cadusafos, Sulfentrazone and Tetraconazole. We have two plants in Malaysia servicing both the domestic and overseas markets such as North and Latin America, South Africa, New Zealand and Australia. In recent years, we have also expanded our presence in the downstream activities which include pest control, hygiene and fumigation business.

The Agricultural Chemicals Division is held via an intermediate holding company, Ancom Agrichemical Sdn. Bhd., a wholly-owned subsidiary of Ancom. Key subsidiaries in this division include:

- Ancom Crop Care Sdn. Bhd.
- Timber Preservatives Sdn. Bhd.
- Entopest Environmental Services Sdn. Bhd.
- Common Feed Sdn. Bhd. *(Formerly known as Budi Prospek Sdn. Bhd.)*
- Ancom Nutrifoods Sdn. Bhd.
- Vanguard Express Sdn. Bhd.

INDUSTRIAL CHEMICALS DIVISION

The Industrial Chemicals Division is the main revenue contributor of Nylex.

The division is involved in the manufacture of ethanol, phosphoric acid, adhesives and sealants; and the distribution of a wide range of petrochemicals and industrial chemicals into the Asia Pacific region.

The manufacturing business is carried out by the following companies:

- Fermpro Sdn. Bhd. (“Fermpro”)
- Nylex Specialty Chemicals Sdn. Bhd. (“NSC”)
- Speciality Phosphates (Malaysia) Sdn. Bhd.
- Kumpulan Kesuma Sdn. Bhd.
- Wedon Sdn. Bhd.

The companies involved in the distribution business are:

- Perusahaan Kimia Gemilang Sdn. Bhd. and its subsidiaries, namely:
 - Dynamic Chemical Pte Ltd
 - Perusahaan Kimia Gemilang (Vietnam) Company Ltd
 - PT PKG Lautan Indonesia
 - Ancom Kimia Sdn. Bhd.
- CKG Chemicals Pte Ltd

MANAGEMENT DISCUSSION AND ANALYSIS

POLYMER DIVISION

The Polymer Division comprises Nylex and the following companies:

- PT Nylex Indonesia
- Nylex Polymer Marketing Sdn. Bhd.

Under this division, we have two manufacturing plants, one located in Shah Alam, Selangor and the other in Surabaya, Indonesia. The division operates through four strategic business units comprising Films and Coated Fabrics ("FCF"), Geosynthetics, Rotomouldings and Trading.

The FCF business uses casting and calendaring technology to manufacture high quality, value-added synthetic leather, namely polyvinyl chloride ("PVC") and polyurethane ("PU") leathercloths, films and sheets. These products serve diverse industries including the furniture, automotive, building interiors, industrial laminates, medical equipments and stationery. The Geosynthetics business produces geosynthetic drainage products serving the construction and civil engineering industries. Our rotomould products, meanwhile, have a strong niche in customised intermediate bulk containers ("IBC"), chemical containers, road safety barriers and other custom moulds, serving the industrial chemicals, road safety and landscaping industries.

Under our Trading business, products are marketed through a network of distributors as well as directly to industrial customers. Our markets extend throughout ASEAN, Australia, India, Sri Lanka, China, Korea, the Middle East, Indian Ocean islands and Africa.

LOGISTICS DIVISION

The Logistics Division is principally involved in:

- owning, management and charter hire of a ship for the carriage of chemicals
- tank farm and terminal operations for the provision of bulk storage facilities for liquid chemicals
- bulk chemical land transportation services

The division, through ALB Marine Sdn. Bhd., is involved in ship owning, ship management and the charter hire of chemical tankers. ALB Marine Sdn. Bhd. owns a chemical tanker, MT Nylex 1, which has been rated with 6,800 deadweight tonnes and Tier II of the International Maritime Organization ("IMO") Standards.

Our terminals for the bulk storage of liquid chemicals is located in the West Port Bulk Liquid Terminal and Free Trade Zone in Port Klang. The facilities comprise 48 tanks with a combined capacity of 44,100 cubic metres, eight loading bays and five drumming stations. The division also owns and operates a fleet of prime movers, road tankers and lorries, and provides bulk chemicals land transportation within Malaysia as well as cross-border to and from Singapore.

Key subsidiaries in this division include:

- ALB Marine Sdn. Bhd.
- Ancom-Chemquest Terminals Sdn. Bhd.
- Pengangkutan Cogent Sdn. Bhd.

MEDIA DIVISION

The Media Division owns and operates a range of media platforms including outdoor billboards, indoor advertisement in cinemas, convenience shops and hypermarkets with a primary focus on the Klang Valley.

Through our associates, Puncak Berlian Sdn. Bhd., we continue to have a presence in the indoor advertising platforms such as airports, mass rail transit ("MRT") stations and digital screens in the Klang Valley. Our joint-venture company, TeaFM Radio Sdn. Bhd., operates a free-to-air radio channel in East Malaysia.

MANAGEMENT DISCUSSION AND ANALYSIS

Key subsidiaries under this division include:

- Redberry Sdn. Bhd.
- Digital Showcase Sdn. Bhd. and its subsidiaries:
 - Redberry Ambient Sdn. Bhd.
 - Redberry Advertising Sdn. Bhd.
- Twinstar Synergy Sdn. Bhd.

and its associates and joint venture:

- Puncak Berlian Sdn. Bhd. and its subsidiaries:
 - Meru Utama Sdn. Bhd.
 - Titanium Compass Sdn. Bhd.
- TeaFM Radio Sdn. Bhd.
- Actmedia Sdn. Bhd.

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

The global economy has been severely affected by lockdowns imposed by almost all major countries to contain the spread of COVID-19. These unprecedented measures have weakened demand for goods across the board, causing major disruption to supply chains, especially towards the end of the current financial year ended 31 May 2020. Ancom has not been spared, however the impact of the pandemic has varied according to the industry in which our respective businesses operate.

The Group achieved a revenue of RM1.47 billion for the year ended 31 May 2020 ("FY2020") compared with RM1.99 billion in the financial year ended 31 May 2019 ("FY2019"). The 26.1% decline in revenue was mainly caused by weaker sales in our Industrial Chemicals Division as a result of suppressed demand and dampened product prices. The Group also reported a loss before taxation ("LBT") of RM0.8 million as compared to a profit before taxation ("PBT") of RM21.5 million in FY2019.

In FY2020, the Group posted a loss attributable to owners of the parents of RM9.7 million compared to RM15.1 million in profit attributable to owners of the parents in FY2019. Consequently, the Group reported a loss per ordinary share of 4.31 sen compared to earnings per ordinary share of 6.44 sen in FY2019. As at 31 May 2020, net assets per share attributable to equity holders of the parent company increased to RM1.40 from RM1.37 as at 31 May 2019 due to a greater number of treasury shares held as at 31 May 2020.

Net trade working capital decreased by 6.9% year-on-year to RM90.9 million from RM97.6 million, while net debt (total borrowings and lease liabilities owing to financial institutions less cash and bank balances) reduced to RM231.3 million from RM284.6 million mainly due to lower financing requirements for the Group's trade working capital purposes. The Group's net debt to equity ratio as at 31 May 2020 decreased to 74.2% from 90.2% as at 31 May 2019.

AGRICULTURAL CHEMICALS DIVISION

The Agricultural Chemicals Division saw an 11.8% contraction of external sales from RM273.6 million in FY2019 to RM241.2 million. Consequently, the division posted a lower PBT of RM34.7 million compared to RM47.1 million in FY2019.

Our Agricultural Chemicals business faced two major adverse events in FY2020, i.e. extreme weather and the COVID-19 pandemic. Extreme weather conditions started with the severe Midwestern U.S. floods followed by the unusually intense bushfires throughout Australia during the 2019-2020 season. In addition, Europe experienced a severe heatwave while Africa was affected by extreme drought. The inclement weather caused crop failures in the affected regions, directly affecting demand from our customers in these markets.

Towards the end of FY2020, our business was again interrupted by the imposition of the Movement Control Order ("MCO") to control the spread of COVID-19 in Malaysia. Domestic sales were impacted immediately as local businesses shut down while exports faced logistics challenges as countries worldwide imposed similar lockdowns and movement restrictions.

MANAGEMENT DISCUSSION AND ANALYSIS

Moving forward, management will continue to explore new business opportunities. We are embarking on the construction of a new production plant to cater for our large export markets as well as domestic demand. The new production plant will be located on land belonging to us in Klang, next to an existing production plant. We expect construction to start in October 2020 with targeted full completion by the end of financial year ending 31 May 2021. Together with the new plant, the division will also be investing in three customised production lines with an estimated annual production capacity of 1,000 metric tonnes per line. The production facilities should expand our product range to include new herbicides.

INDUSTRIAL CHEMICALS DIVISION

The Industrial Chemicals Division remains the largest revenue contributor for the Group. In FY2020, the division's revenue dipped by 28.0% to RM1.03 billion from RM1.43 billion in FY2019, mainly due to dampened sales and lower average selling prices for most of our products. Consequently, the division recorded an LBT of RM6.0 million compared with a PBT of RM5.7 million in FY2019.

Lack of demand since January 2020 following China's economic shutdown and the continuing oil price war between Saudi Arabia and Russia triggered a sharp drop in oil prices. This adversely impacted the average selling prices of our products, eroding our profit margins. The average Brent crude oil trend for FY2020 hovered between USD64.22 and USD67.31 per barrel from June to December 2019. From then on, it spiralled downwards until bottoming out at USD18.38 per barrel in April 2020, with slight recovery of USD29.38 per barrel in May 2020.

Distribution Business

The Distribution Business recorded a 29.9% shortfall in revenue from RM1.34 billion in FY2019 to RM0.94 billion as a result of both lower sales volume and prices. The COVID-19 lockdown in ASEAN slashed demand across many industries and saw commodity markets go through a period of high volatility. Most of our overseas units suffered losses due to lower volumes and eroded profit margins.

The operating environment for the biodiesel industry in Malaysia and Indonesia remains challenging. Export volumes to Europe have declined due to price competitiveness while, in Malaysia, authorities have delayed the implementation of the B20 biodiesel programme to 2021. Consequently, demand for methanol, one of our main products, has plummeted.

In the current situation of high volatility in crude oil prices and weak demand brought about by COVID-19, inventory planning has become critical. We shall remain conservative in managing our inventories to minimise losses in the event of any sharp fall in prices.

Manufacturing Business

Revenue generated by our Manufacturing Business declined marginally by 0.2% to RM92.0 million from RM92.2 million in FY2019, primarily supported by higher revenue from Fermpro from sales of ethanol. Strong demand for ethanol contributed to an 18.1% increase in Fermpro's revenue year on year. Conversely, revenue from phosphoric acid at NSC dropped by 6.2% while that for adhesives and sealants fell by 18.4% due to decreased demand in the last quarter of FY2020. During the entire lockdown period, demand for adhesives and sealants fell following shutdown of the automotive manufacturing and assembly industry.

The manufacturing business recorded higher PBT of RM10.5 million as compared to RM7.1 million in FY2019, supported by increased earnings generated by ethanol, a key component of sanitisers and disinfectants. However, this was not sufficient to offset losses by the division's distribution segment.

The newly upgraded ethanol plant should continue to contribute positively to the Group in the near future as demand for ethanol is expected to remain buoyant. However, the phosphoric acid business continues to be affected as palm oil refineries are experiencing dampened global demand, particularly in India. The current unfavourable economic environment is expected to affect the local motor industry negatively, impacting demand for our adhesives and sealants products.

The manufacturing business will focus on yield enhancement and manufacturing efficiency in the next financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

POLYMER DIVISION

Revenue from the Polymer Division dropped by 22.6% from RM112.3 million in FY2019 to RM86.9 million due to lower volumes in both the Shah Alam and Surabaya plants. This division came under heavy pressure following the implementation of movement restrictions, which severely weighed down on demand, affecting the performance of both the plants in Shah Alam and Surabaya. In line with lower sales volume and profit margins, the division's PBT dropped from RM11.2 million in FY2019 to RM6.2 million.

On a positive note, ongoing cost reduction measures and better production planning in the Shah Alam plant should improve our profit margins and competitiveness. However, the current pandemic has dampened overall demand for PVC leathercloth, Geosynthetics and Rotomould which have eroded our efforts on productivity improvements in FY2020. In our Surabaya plant, capacity utilisation of our calender line remains low, but we expect improvement in the coming months as new products are being approved by buyers. To keep our competitive edge for environmental products, we will focus on product development for PU synthetic leather and reduce our dependency on PVC synthetic leather.

LOGISTICS DIVISION

The Logistics Division recorded an increased revenue of RM42.1 million in FY2020 compared to RM39.2 million in FY2019. This was due to higher chartered volume and rates for the vessel and marginally better sales by the land transportation and terminal businesses. In line with higher revenue, the segment achieved a PBT of RM1.6 million compared to an LBT of RM0.6 million in FY2019.

FY2020 saw increased utilisation of our chemical vessel due to better plant production by our major charterer while our tank farm and terminal business remained relatively stable. Only the land transportation business was affected by the MCO period as most of our customers had to shut down their operations imposed by the authorities.

Our Logistics Division will continue to complement the Industrial Chemicals Division by providing intragroup logistics support while servicing customers that need to move bulk cargoes within the Southeast Asian and South China regions.

MEDIA DIVISION

Results of the Media Division in FY2020 exclude that of Puncak Berlian Sdn. Bhd. ("PBSB") and its subsidiaries following the disposal of 40% equity interest in PBSB in FY2019.

Extremely sensitive to the operating landscape, our advertising business was severely impacted by the sudden implementation of the MCO. Consequently, the division posted a segmental LBT of RM7.7 million, inclusive of RM2.9 million in share of associate results from PBSB Group, compared to an LBT of RM11.9 million in FY2019. The disposal of PBSB at the end of FY2019 has minimised the impact of the pandemic on the division.

INVESTMENT HOLDING AND OTHERS DIVISIONS

This segment includes our investment holding, education, information technology and electrical businesses.

The Investment Holding and Others Divisions incurred a marginal decline in aggregated loss of RM30.2 million in FY2020 compared to RM30.7 million in FY2019. Included in the segmental loss was a one-off goodwill impairment amounting to RM5.5 million.

PROSPECTS AND OUTLOOK

The unprecedented shutdown in Malaysia and around the world to slow the spread of COVID-19 has brought the economy to a standstill and disrupted supply chains. This has caused a sizable slowdown in the economy, the full impact of which is still unknown. Prospects for FY2021 are still uncertain, and would depend on recovery of the global economy and demand for commodities.

The Board will continue to exercise caution in managing the Group's business. Following the implementation of austerity measures, management is exploring ways to sustain our business in the immediate term while continuing to build new capabilities and capacities for long-term growth. Our Agrichemical Division, for example, will be investing in three new customised production lines for offerings targeted mainly at the export markets.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS (“BOARD”) IS PLEASED TO PRESENT AN OVERVIEW OUTLINING THE EXTENT TO WHICH ANCOM BERHAD (“COMPANY”) AND ITS SUBSIDIARIES (“GROUP”) HAVE APPLIED AND COMPLIED WITH THE RELEVANT PRINCIPLES, PRACTICES AND RECOMMENDATIONS AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (“CG CODE”) ISSUED BY THE SECURITIES COMMISSION, AS WELL AS THE CORPORATE GOVERNANCE GUIDE (“GUIDE”) ISSUED BY BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

CLEAR FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board has overall responsibility for the proper conduct of the Group’s business as it strives to achieve its business objectives and goals by providing clear and effective entrepreneurial leadership to the Management. In addition to its stewardship, the Board ensures that Management has in place achievable strategic plans and objectives and the necessary resources to execute these plans as well as the appropriate processes for risk assessment, risk management and internal controls.

There is a distinct and clear demarcation of the functions and roles of the Board and Management.

The Board is responsible for formulating the Group’s strategic direction with the Management team. The Board does not involve itself in the day-to-day business operations of the Group, delegating such responsibility to the Executive Chairman (“EC”)/Group Chief Executive Officer (“GCEO”) and Management team, which consists of the Divisional Heads/Divisional Managing Directors and Chief Financial Officers.

In addition to his executive role, the EC is also primarily responsible for instilling leadership and ensuring ethical as well as effective conduct of the Board in discharging its responsibilities.

The GCEO, who heads the Management, has overall responsibility for the day-to-day management of the Group’s business and operations. He oversees the Management’s implementation of the Group’s business plans and strategies as agreed by the Board to achieve the financial goals set by the Board.

CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

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

- Formulate and chart the Group’s strategic direction, setting out the Group’s short-term and long-term plans and objectives;
- Review and approve the Group’s key operational policies, major investments in new businesses/projects and funding decisions;
- Oversee and review the Group’s business operations and financial performance;
- Ensure the Group’s strategic plan supports long-term value creation encompassing strategies on economic, environmental and social considerations;
- Oversee the development, implementation and review of the succession plan for the Directors and key senior management;
- Understand the principal risks of the Group’s business;
- Review/Monitor the risk management framework and the adequacy and integrity of the Group’s internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the Group’s business objectives;
- Ensure the Company has in place procedures to enable effective communication with stakeholders;
- Ensure the integrity of the Company’s and the Group’s financial and non-financial reporting; and
- Formulate good governance principles and promote ethical behaviour within the Group.

To assist the Board in carrying out its responsibilities more effectively, it has established an Audit Committee and a Remuneration and Nomination Committee (“R&N Committee”) to oversee specific areas in the Company’s affairs. These Committees are entrusted with the authority to act on behalf of the Board in accordance with their respective Terms of Reference.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SEPARATION OF THE POSITIONS OF THE EC AND GCEO

The positions of the EC and GCEO are held by two (2) persons with distinct and separate roles and responsibilities. This ensures a balance of power and authority such that no one individual has unfettered powers of decision-making. The GCEO is, further, not a Board member.

QUALIFIED AND COMPETENT COMPANY SECRETARIES

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

The key responsibilities of the Company Secretaries are as follows:

- Formulate the Company's Constitution and Board policies and procedures;
- Administrate the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's Constitution, Board policies and procedures, and statutory and regulatory requirements;
- Update and apprise the Board of new regulations issued by the relevant authorities including corporate governance practices;
- Prepare and organise Board, Committee and shareholder meetings;
- File the various documents/returns and maintain statutory records in accordance with requirements of the law;
- Facilitate the orientation of new Directors, and assist in Director training and development; and
- Monitoring and assisting in the application of governance practices to meet the Board's needs and stakeholders' expectations.

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

STRATEGICALLY PROMOTING SUSTAINABILITY

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

The Group continued to carry out activities which demonstrate its commitment to creating better environmental, social and governance outcomes in line with its sustainability agenda during the financial year ended 31 May 2020. These activities as reported in the Sustainability Statement in this Annual Report.

ACCESS TO INFORMATION AND ADVICE

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

Prior to Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain minutes of meetings, operational and financial performance reports, details of corporate proposals, the Quarterly Interim Financial Reports or the Annual Audited Financial Statements, reports of the Board/Committees, Internal Audit Reports and other matters.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD CHARTER

In discharging its duties, the Board is guided by the Board Charter. The Company's Board Charter, which was approved by the Board on 16 October 2013 and last reviewed by the Board on 29 July 2020, is available on the Company's website at www.ancom.com.my.

CODE OF CONDUCT AND ETHICS

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

The Code of Conduct and Ethics was last reviewed by the Board on 29 July 2020.

WHISTLE-BLOWING

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

On 25 July 2019, the Board established a Whistle-Blowing Policy, which is available on the Company's website at www.ancom.com.my. The Policy was last reviewed by the Board on 29 July 2020.

BOARD COMPOSITION

The Company's Board currently comprised one (1) EC, one (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors. The Executive Director resigned, and a new Independent Non-Executive Director was appointed during the financial year.

A GCEO, who is not a Board member, has also been appointed to support the EC and the Board.

The Board composition complies with Bursa Securities' Main Market Listing Requirements ("Listing Requirements") on at least one-third (1/3) of the Board comprising Independent Non-Executive Directors. It also complies with Practice 4.1 of the CG Code in having at least 50% representation by Independent Non-Executive Directors.

ASSESSMENT OF INDEPENDENCE

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

SENIOR INDEPENDENT DIRECTOR

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD DIVERSITY POLICY

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

The Board has taken note of the recommendation in the CG Code pertaining to the establishment of a policy on boardroom diversity including gender diversity. On 26 July 2018, the Board formulated a formal Board Diversity Policy which is available on the Company's website at www.ancom.com.my. The Board Diversity Policy was last reviewed by the Board on 29 July 2020.

The Board is supportive of Boardroom gender diversity as recommended by the CG Code, and will take gender into consideration in the nomination and selection of new Directors. However, the appointment of new Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than their gender or ethnicity alone.

APPOINTMENT OF NEW DIRECTORS

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

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

ANNUAL ASSESSMENT

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

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

REMUNERATION OF DIRECTORS

Details of the Directors' remuneration received and receivable by the Directors of the Company for the financial year ended 31 May 2020, including remuneration for services rendered to the Company and to the subsidiaries, are disclosed in the Remuneration and Nomination Committee Report in this Annual Report.

TIME COMMITMENT

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

To help the Directors plan their schedules and attend the Board and Committee meetings, at the end of every calendar year, the Company Secretaries draw up a proposed timetable for all Board and Committee meetings, as well as the annual general meeting to be held the following year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Five (5) Board meetings, four (4) Audit Committee meetings and one (1) R&N Committee meeting were held during the financial year. The attendance records below indicate the Directors' commitment in carrying out their duties:

Name of Directors	Attendance
Board Meetings:	
Dato' Siew Ka Wei	5/5
Dato' Johari Razak (Resigned on 31 December 2019)	3/3
Tan Sri Dato' Dr Lin See Yan	5/5
Tan Sri Dato' Seri Abdull Hamid Bin Embong	5/5
Chan Thye Seng	5/5
Edmond Cheah Swee Leng	5/5
Lim Hock Chye	4/5
Datuk Dr Abd Hapiz Bin Abdullah (Appointed on 8 May 2020)	1/1
Audit Committee Meetings:	
Edmond Cheah Swee Leng	4/4
Tan Sri Dato' Seri Abdull Hamid Bin Embong	4/4
Lim Hock Chye	4/4
R&N Committee Meetings:	
Tan Sri Dato' Dr Lin See Yan	1/1
Edmond Cheah Swee Leng	1/1
Lim Hock Chye	1/1

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

CONTINUING EDUCATION PROGRAMME AND TRAINING

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

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

In June 2020, the Company collaborated with a legal firm to organise a workshop on Section 17A of The Malaysian Anti-Corruption Commission Act 2009 for the Directors of the Company and its listed subsidiaries, Nylex (Malaysia) Berhad and Ancom Logistics Berhad. This workshop was originally scheduled for March 2020 but was deferred to June 2020 due to the Movement Control Order ("MCO").

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS**

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

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

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

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

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

SOUND FRAMEWORK TO MANAGE RISK

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

INTERNAL AUDIT FUNCTION

To assist the Board in maintaining a sound system of internal control hence eliminate the risk of failure to achieve the Group’s corporate objectives, as well as to safeguard the shareholders’ investments and Group’s assets, the Board outsources the Internal Audit function to an independent firm of consultants.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

CORPORATE DISCLOSURE POLICY

The Board acknowledges the importance of timely and thorough dissemination of material information about the Group's business to its shareholders and investors to enable informed investment decisions. The Board regards regular communication with the public via various announcements and the issuance of Annual Reports, circulars and press releases as key to building good relationships with its shareholders and investors.

The Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's website at www.ancom.com.my, and to ensure that such information is managed properly to avoid leakage or improper use. The Board takes reasonable steps to ensure all investors have equal access to material information.

SHAREHOLDERS' PARTICIPATION AT GENERAL MEETINGS

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

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

Minutes of the proceedings at the general meetings are recorded by the Company Secretaries, and made available for inspection by shareholders at the Company's registered office. A summary of key matters discussed at the general meetings is also posted on the Company's website at www.ancom.com.my.

LEVERAGING INFORMATION TECHNOLOGY

The Board leverages information technology to hold virtual shareholder meetings in order to facilitate the participation of remote shareholders and voting in absentia.

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

POLL VOTING

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

EFFECTIVE COMMUNICATION AND PROACTIVE ENGAGEMENT WITH STAKEHOLDERS

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

CORPORATE GOVERNANCE REPORT

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

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present its Audit Committee Report for the financial year ended 31 May 2020.

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference, which are available on the Company's website at www.ancom.com.my. The Terms of Reference was last reviewed by the Board on 29 July 2020.

MEMBERS AND MEETINGS

Membership of the Audit Committee is as follows:

Edmond Cheah Swee Leng - Chairman

(Independent Non-Executive Director)

Tan Sri Dato' Seri Abdull Hamid Bin Embong – Member

(Independent Non-Executive Director)

Lim Hock Chye - Member

(Independent Non-Executive Director)

Edmond Cheah Swee Leng is a member of the Malaysian Institute of Accountants ("MIA") and Association of Chartered Accountants, England & Wales ("ICAEW"). The composition of the Audit Committee during the financial year complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

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

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

The Audit Committee held a total of four (4) meetings during the financial year, all of which recorded full attendance of the members.

The Internal Auditors attended three (3) Audit Committee meetings while the External Auditors attended two (2) Audit Committee meetings and one (1) Board meeting during the financial year.

SUMMARY OF ACTIVITIES

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

FINANCIAL RESULTS

The Audit Committee reviewed the Quarterly Interim Financial Reports ("Financial Reports") presented by the Management to ensure compliance with the disclosure requirements of the approved Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs"), the Companies Act 2016, the Listing Requirements and other statutory and regulatory requirements, prior to being recommended to the Board for its consideration and approval, and for subsequent announcement to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Audit Committee also sought explanations from Management on the Group's performance from time to time.

AUDIT COMMITTEE REPORT

In addition, the Audit Committee reviewed the Annual Audited Financial Statements (“Financial Statements”) presented by Management, in the presence of the External Auditors, to ensure these complied with the disclosure requirements of the MFRSs and IFRSs, the Companies Act 2016, the Listing Requirements and other statutory and regulatory requirements. The Audit Committee also sought to resolve contentious issues, if any, prior to recommending the Financial Statements to the Board for its consideration and approval, and for subsequent announcement to Bursa Securities.

In both the above reviews, the Chief Financial Officer assured the Audit Committee that the Financial Reports and Financial Statements had been prepared based on the consistent application of generally acceptable accounting policies and standards, that there were no material misstatements, and that the Financial Reports and Financial Statements gave a true and fair view of the financial positions of the Company and of the Group as at the respective reporting dates and of the financial performance and cash flows of the Company and the Group for the reporting financial year.

INTERNAL AUDIT

The Audit Committee undertook the following tasks in relation to the Internal Audit:

- Reviewed and approved the Internal Audit Plan, including the scope of audit, and ensured that all major and/or high-risk activities were covered;
- Reviewed the Risk Assessment Reports and ensured the effective implementation of a risk management system across the Group;
- Reviewed the quarterly Internal Audit Reports, which detailed the observations and recommendations of the Internal Auditors, and the Management’s response to these recommendations;
- Reviewed weaknesses noted in the Internal Audit Reports and incidences of non-compliance of the internal control system to assess their possible impact on the effectiveness of the internal control system, the Group’s financial results as well as going concern assumptions;
- Reviewed Management’s remedial actions to be undertaken in relation to any weakness and/or non-compliance and the follow-up actions undertaken by the Management;
- Reviewed the suitability of the Internal Auditors for re-appointment, taking into consideration their independence, performance, competence and experience; and
- Received from the Internal Auditors written assurance confirming their professional independence to the audit engagement.

EXTERNAL AUDIT

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

- Reviewed and approved the External Audit Plan, scope and nature of the statutory audit of the Company’s and of the Group’s Financial Statements prior to the audit;
- Reviewed the External Audit Reports and results of the External Auditors’ examination of the Company’s and of the Group’s Financial Statements;
- Reviewed the External Auditors’ recommendations on internal control weaknesses noted and Management’s response to these recommendations;
- Reviewed and discussed with the External Auditors the impact of new and proposed changes in the financial reporting standards and other new developments in financial reporting;
- Reviewed the suitability of the External Auditors for re-appointment, taking into consideration their independence, performance, competence and experience, provision of non-audit services and audit fees; and
- Received from the External Auditors written assurance confirming their professional independence to the audit engagement.

RISK MANAGEMENT

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

ANTI-BRIBERY AND ANTI-CORRUPTION MANAGEMENT/WHISTLE-BLOWING

During the financial year, the Company initiated Anti-Bribery and Anti-Corruption Management within the Group. The Company engaged a law firm to draft an Anti-Bribery and Anti-Corruption Policy ("Policy") which sets out the Group's commitments and requirements regarding ethical business practices and personal conduct. It also sets out the behaviour the Group expects of its employees as well as what the Group's employees and business partners can expect from the Group. The Group shall conduct its business with integrity, respecting the laws, cultures, dignity and rights of individuals in all of the countries where it operates. All the Group's employees and persons associated with the Group are expected to act in accordance with corporate values and ethics as set out in the Policy.

Briefings to the Board and employees have been conducted to emphasise the importance of the Policy and the dire consequences of any breach in relation to it.

A Whistle-Blowing Policy has also been formulated along with a Whistle-Blowing channel on the Company's website www.ancom.com.my for employees and any stakeholders to raise genuine concerns of wrongdoing or improper conduct involving the Group and its Directors, managers or employees in accordance with the Company's Whistle-Blowing Policy.

RELATED PARTY TRANSACTIONS

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

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

EMPLOYEES' SHARE OPTION SCHEME

In the last financial year, the Company established an Employees' Share Option Scheme for the benefit of eligible Executive Directors and employees of the Group.

However, no option has been granted as at to date.

INTERNAL AUDIT FUNCTION

The Audit Committee recognises the importance of the Internal Audit function and the need for it to be independent of Management in order to carry out its functions effectively. During the financial year, the Group's Internal Audit function was outsourced to an independent firm of consultants.

The Internal Audit function assists the Board to review the adequacy and effectiveness of the Group's internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of its assets and the integrity of its information management, thus determining future requirements for the internal control system.

The Internal Audit Review concentrated on areas of concern where the Audit Committee needed assurance that the Group Internal Control system was adequate and effective, and was in line with the Internal Audit Plan approved by the Audit Committee. The review covered key functional areas and business activities of major subsidiaries of the Group, placing emphasis on best practices and management assurance encompassing all business risks, particularly:

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

The Internal Audit approach broadly involved inquiry, analysis and review of the internal audit areas.

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

In all the Internal Audit Reviews during the financial year, the Internal Auditors reported that the internal control systems and processes of the companies audited were generally in place with minimum control issues.

The Audit Committee is satisfied with the results of the Internal Audit Review during the financial year. None of the weaknesses noted have resulted in any material loss that would require separate disclosure in this Report, as reported by the Audit Committee.

The total cost incurred for the Group's Internal Audit function during the financial year was RM55,000 (2019: RM65,000).

ASSESSMENT OF INDEPENDENCE AND PERFORMANCE

EXTERNAL AUDITORS

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

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

During the financial year, the Audit Committee carried out an assessment of BDO PLT, the External Auditors, based on the above criteria and was satisfied with the External Auditors' competency, independence and quality of audit work. The External Auditors have given written assurance to the Audit Committee on their compliance with all relevant ethical requirements regarding their professional independence.

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

The Board concurred with the Audit Committee's recommendation and will recommend that the shareholders approve Messrs BDO PLT's re-appointment at the forthcoming 51st Annual General Meeting of the Company.

INTERNAL AUDITORS

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

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

The Audit Committee was satisfied with the Internal Auditors' competency, independence and quality of Internal Audit Reports. The Internal Auditors have given written assurance to the Audit Committee that they have complied with all relevant ethical requirements regarding their professional independence.

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

The Board concurred with the Audit Committee's recommendation.

CONCLUSION

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

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

REMUNERATION AND NOMINATION COMMITTEE REPORT

On 24 September 2001, the Board of Directors ("Board") resolved to establish a Remuneration and Nomination Committee ("R&N Committee").

The Board is pleased to present its Remuneration and Nomination Committee Report for the financial year ended 31 May 2020.

TERMS OF REFERENCE

The R&N Committee is governed by its Terms of Reference, which are available on the Company's website at www.ancom.com.my. The Terms of Reference was last reviewed by the Board on 29 July 2020.

MEMBERS AND MEETINGS

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

Tan Sri Dato' Dr Lin See Yan - Chairman

(Independent Non-Executive Director)

Edmond Cheah Swee Leng - Member

(Independent Non-Executive Director)

Lim Hock Chye - Member

(Independent Non-Executive Director)

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

SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2020, the R&N Committee carried out its duties as set out in its Terms of Reference, and undertook the following activities:

ASSESSMENT OF DIRECTORS

The R&N Committee conducted the following Board assessments:

- Board Performance Evaluation;
- Board Members Skill Evaluation; and
- Individual Directors Peer Evaluation.

The Board Performance Evaluation was performed on the Board structure, operations and dynamics; the Chairman's roles and responsibilities; strategy and planning; risk management and internal control; measuring and monitoring performance; management evaluation, compensation and succession planning; and shareholder communication and investor relations.

The Board Member Skills Evaluation assessed the Directors' skills and understanding of: strategy and entrepreneurship; legal and regulatory requirements; corporate governance, risk management and internal control; audit, accounting, financial reporting and taxation; human capital; sales and marketing; strategy and planning; government relations; marketing and communication; and information technologies and digital skills.

Under the Individual Directors Peer Evaluation, individual Directors were assessed by fellow Directors on the same topics.

REMUNERATION AND NOMINATION COMMITTEE REPORT

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

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

During the financial year, Dato' Johari Razak resigned as an Executive Director. To augment the strength of the Board, the Executive Chairman nominated, and with the R&N Committee's recommendation, the Board appointed Datuk Dr Abdul Hapiz Bin Abdullah as a Non-Independent Non-Executive Director. Datuk Dr Abdul Hapiz's profile is available in the Board of Directors section of this Annual Report.

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

RE-ELECTION OF DIRECTORS

Based on the results of the assessment, the R&N Committee has recommended to the Board the re-election of the following Directors who are retiring at the Company's forthcoming 51st Annual General Meeting ("AGM") pursuant to the Constitution of the Company:

Pursuant to Clause 125 of the Constitution

- i. Tan Sri Dato Dr Lin See Yan;
- ii. Edmond Cheah Swee Leng; and
- iii. Lim Hock Chye

Pursuant to Clause 130 of the Constitution

Datuk Dr Abd Hapiz Bin Abdullah

INDEPENDENCE ASSESSMENT OF THE INDEPENDENT DIRECTORS

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

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

From the results of the Individual Directors Peer Evaluation performed by the Directors, the Directors are also satisfied that the Independent Directors have conducted themselves in a manner that indicates independence, providing the necessary checks and balances in the best interest of the Company and its shareholders.

REMUNERATION AND NOMINATION COMMITTEE REPORT

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

In conjunction with the above assessment, the R&N Committee also considered the continued appointments of Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng who have each served as Independent Directors for a continued period of more than twelve (12) years.

The R&N Committee is of the view that the length of service of an Independent Director does not affect his ability to remain independent or to discharge his duties with integrity and competency. More importantly, the Independent Director must maintain his independence and freedom from any business or other relationship which could interfere with the exercise of independent judgement or the ability to provide the necessary checks and balances in the best interests of the Company and its shareholders. The R&N Committee also believes that valuable contributions can be obtained from Directors who have developed valuable insight into the Group and its business due to long directorship tenures in the Company.

The Board concurred with the view of the R&N Committee and will seek shareholders' approval at the forthcoming 51st AGM to retain both Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng as Independent Directors of the Company based on the above justifications.

REVIEW OF THE AUDIT COMMITTEE

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

REMUNERATION OF DIRECTORS

The R&N Committee is responsible for recommending the remuneration of the Non-Executive Directors, including the Directors' fees and benefits as per the Board Remuneration Policy which links the Directors' remuneration with their performance, value and contributions to the sustainability of the Company as well as the skills and experience required of them. The Board Remuneration Policy is available on the Company's website at www.ancom.com.my.

For the current financial year, due to increased responsibilities as a result of numerous amendments to the legislation as well as rules and regulations governing public listed companies, the R&N Committee was of the opinion that the fees for the Non-Executive Directors, as indicated below, are reflective of current market rates:

	Annual fee per Director (RM)
Non-Executive Director on the Board	70,000*
Member of Audit Committee	30,000**
Member of R&N Committee	20,000**

* increase of RM20,000 from the financial year 2019

** same as in financial year 2019

The Non-Executive Directors also received attendance allowance of RM416.67 for each Board and Committee meeting attended during the financial year.

REMUNERATION AND NOMINATION COMMITTEE REPORT

The Board has endorsed the R&N Committee's recommendation and will propose that the Directors' fees of the Company and of the Group for the Board and Committees for the current financial year, amounting to RM478,222 and RM831,361 respectively, be paid to the Non-Executive Directors subject to shareholders' approval at the forthcoming 51st AGM of the Company.

The R&N Committee also assumes the task of recommending to the Board the remuneration package for the Executive Chairman ("EC") and the Executive Director. The remuneration of the EC and Executive Director comprise a monthly salary, bonuses, benefits-in-kind ("BIK") and other benefits that the Board approves from time to time. The EC and Executive Director are not entitled to the Director's fee and attendance allowance for Board and Committee meetings attended.

Due to the COVID-19 pandemic, the Board has instituted a range of austerity/cost-control measures, including salary cuts, designed to place the Group in good stead to face the economic uncertainty and a brutal market environment in the coming months. In this respect, the Non-Executive Directors have agreed to take a 30% reduction in their Director's fee from April 2020, subject to a review at the end of September 2020. The EC has also agreed to a 30% cut in his total remuneration from the Group in the financial year.

Subject to shareholders' approval at the 51st AGM of the Company on the payment of Directors' fees, details of remuneration received and receivable by the Directors of the Company for the financial year ended 31 May 2020, including remuneration for services rendered to the Company and to the subsidiaries, are as follows:

	Director's fee (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Other emoluments (RM'000)	Meeting allowance (RM'000)	BIK (RM'000)	Total (RM'000)
Company							
Executive Directors							
Dato' Siew Ka Wei	-	374.1	-	-	-	62.7	436.8
Dato' Johari Razak – (Resigned on 31 December 2019)	-	582.6	-	408.0	-	17.6	1,008.2
Non-Executive Directors							
Tan Sri Dato' Dr Lin See Yan	85.5	-	-	-	2.9	-	88.4
Tan Sri Dato' Seri Abdull Hamid Bin Embong	95.0	-	-	-	4.2	18.3	117.5
Chan Thye Seng	66.5	-	-	-	2.5	-	69.0
Edmond Cheah Swee Leng	114.0	-	-	-	4.6	-	118.6
Lim Hock Chye	114.0	-	-	-	4.1	-	118.1
Datuk Dr Abdul Hapiz Bin Abdullah	3.2	-	-	-	0.4	-	3.6
Total	478.2	956.7	-	408.0	18.7	98.6	1,960.2

REMUNERATION AND NOMINATION COMMITTEE REPORT

	Director's fee (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Other emoluments (RM'000)	Meeting allowance (RM'000)	BIK (RM'000)	Total (RM'000)
Group							
Executive Directors							
Dato' Siew Ka Wei	-	1,152.9	2,240.1	-	-	90.7	3,483.7
Dato' Johari Razak – (Resigned on 31 December 2019)	-	582.6	-	408.0	-	17.6	1,008.2
Non-Executive Directors							
Tan Sri Dato' Dr Lin See Yan	118.4	-	-	-	3.7	-	122.1
Tan Sri Dato' Seri Abdull Hamid Bin Embong	95.0	-	-	-	4.2	18.3	117.5
Chan Thye Seng	66.5	-	-	-	2.5	-	69.0
Edmond Cheah Swee Leng	231.0	-	-	-	9.2	-	240.2
Lim Hock Chye	180.5	-	-	-	8.3	-	188.8
Datuk Dr Abdul Hapiz Bin Abdullah	140.0	-	-	256.1	0.4	-	396.5
Total	831.4	1,735.5	2,240.1	664.1	28.3	126.6	5,626.0

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

CONCLUSION

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE BOARD OF DIRECTORS (“BOARD”) IS PLEASED TO PRESENT THE GROUP’S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 MADE PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”). THIS STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH THE “STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL – GUIDELINES FOR DIRECTORS OF LISTED ISSUERS” ENDORSED BY BURSA SECURITIES.

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

BOARD RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment and maintenance of a sound risk management and internal control system in the Group. The Board is also responsible for reviewing the adequacy, effectiveness and integrity of the Group’s risk management and internal control system through ongoing and independent reviews carried out by the Internal Audit function of the Group.

The Internal Audit reviews are focused on achieving the following objectives:

- Effective and efficient operations;
- Reliability of reporting;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets.

It is important to note that the Group’s risk management and internal control system is designed to identify, manage and mitigate, rather than to eliminate, risks that may impede the achievement of the Group’s business objectives due to the inherent limitations of any system of internal control. As such, the Group’s risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement of financial information, financial losses or fraud.

RISK MANAGEMENT

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

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

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

Management is empowered with the responsibility to manage the risks and internal controls associated with the Group’s operations and to ensure compliance with the applicable laws and regulations. A Risk Manager is appointed to review, update and report on key risk factors of the main operating subsidiaries at the Audit Committee’s quarterly meetings.

In addition, significant issues and controls implemented are discussed at Management meetings and the quarterly Audit Committee meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

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

The Internal Audit addresses critical business processes, identifies risks and internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control of the Group and recommends possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group. Quarterly Internal Audit Reports and Status Reports on follow-up actions are tabled to the Audit Committee during its quarterly meetings.

For the financial year ended 31 May 2020, the following subsidiaries of the Group were audited by the Internal Auditors in accordance with the Internal Audit Plan approved by the Audit Committee:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (June – August 2019)	October 2019	Ancom Crop Care Sdn. Bhd.	<ul style="list-style-type: none"> • Production Planning • Production and Packing • Inventory Management • Safety and Health
2nd Quarter (September – November 2019)	January 2020	Redberry Contact Center Sdn. Bhd.	<ul style="list-style-type: none"> • Outbound/Inbound Operations • Training and Development • Quality Assurance • Manpower Scheduling and Management
3rd Quarter (December 2019 – February 2020)	April 2020*	iEnterprise Online Sdn. Bhd.*	<ul style="list-style-type: none"> • Sales and Marketing • Project Management • Customer Service
4th Quarter (March – May 2020)	July 2020	Ancom Berhad	<ul style="list-style-type: none"> • Human Resources Operations

* Due to the Movement Control Order (“MCO”), the Audit Committee meeting scheduled for April 2020 was not convened. A Board meeting in May 2020 assumed the responsibilities of the Audit Committee in approving the quarterly Financial Results Announcement and the Statutory Audit Plan for the financial year ended 31 May 2020. In order to reduce the extent of human interaction and contact during the Board of Directors meeting in May 2020, discussion on this Internal Audit Report was postponed till the Audit Committee meeting scheduled for July 2020.

KEY ELEMENTS OF THE GROUP’S INTERNAL CONTROL SYSTEM

The main features of the Group’s risk management process and internal control system are summarised as follows:

- *Organisational Structure and Responsibility Levels*

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board entrusted the daily running of the business to the Executive Chairman ("EC"), the Group Chief Executive Officer ("GCEO") and his Management team. The GCEO is assisted by Divisional Heads/Divisional Managing Directors who are "hands on" in running the operating divisions. Experienced and competent employees have been placed in positions of responsibility to ensure the objectives of the Group's risk management and internal control system are achieved.

- *Risk Management Process*

The risk management process in the Group is embedded within its business operations and guided by the Group's operational manuals, policies and procedures. The Group's risk management framework encompasses an ongoing process for identifying and assessing key risks affecting the Group's operations and results. Mitigation efforts are then identified and their effectiveness evaluated following which risk owners are assigned to monitor the occurrence of the risks.

The following are the types of risk affecting the Group's operations:

- Hazard risks, which include fire and other sources of property damage such as windstorms, theft and other crimes, personal injury, business interruption, disease and disability, and liability claims;
- External/Market risks due to changes in the external economic environment;
- Operational risks due to changes in the internal environment arising from daily tactical business activities;
- Strategic risks due to long-term policies or strategic objectives taken to maintain operational competitiveness;
- Financial risks which are associated with the effective management and control of the Group's finances and effects of external factors such as availability of credit, foreign exchange rate fluctuations, interest rate movements and other market exposures; and
- Compliance risks such as occupational, health & safety, environment, trade regulations, consumer protection, data and intellectual property protection, employment practices and regulatory requirements.

- *Audit Committee, Risk Management and Internal Audit*

The Audit Committee has been entrusted by the Board to ensure that an effective and adequate risk management and internal control system is in place at all times. A Risk Management Working Group ("RMWG") comprising the GCEO, Chief Financial Officer and Risk Manager has been set up to report on matters relating to risk management to the Audit Committee.

The RMWG shall consider any matters relating to the identification, assessment, monitoring and management of risks associated with the Group that it deems to be appropriate. With respect to risk management, the duties of the RMWG include:

- Assessment and monitoring of risks associated with the Group's operations;
- Development and implementation of internal compliance and control systems and procedures to manage risks;
- Assessment and monitoring of the effectiveness of controls instituted;
- Reviews and recommendations to the Audit Committee in relation to risk management;
- Making recommendations to the Audit Committee on compliance by the Group with its risk management strategy;
- Reporting any material changes to the risk profile of the Group to the Audit Committee;
- Monitoring and referring to the Audit Committee any instances involving material breaches or potential breaches of the Group's risk management strategy;
- Reporting to the Audit Committee on the Group's annual reporting responsibilities in relation to matters pertaining to the Group's risk management strategy; and
- Undertaking annual review in accordance with the Group's risk management framework, and making recommendations to the Audit Committee in connection with changes required to be made to the Group's risk management strategy.

The Audit Committee has the authority to seek any information it requires from any officer or employee of the Company or its subsidiaries and such officers or employees are required to respond to the enquiries.

The Audit Committee is authorised to seek independent professional advice if necessary. The Audit Committee will review its own performance and Terms of References yearly to ensure maximum effectiveness, recommending any changes it considers necessary to the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

The Audit Committee is empowered to ensure that the Internal Audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has the authority and resources necessary to carry out its responsibilities.

It approves the Internal Audit Plan and reviews and assesses the performance of the Internal Audit function on a yearly basis.

The Internal Audit function conducts independent reviews of the key activities within the Group's operating units based on a detailed Internal Audit Plan approved by the Audit Committee.

- *Reporting and Review*

The GCEO holds meetings whenever applicable with the Divisional Heads/Divisional Managing Directors and senior management to discuss and resolve operational, corporate, financial and key management issues. A performance review comparing actual results with the previous year's results and the explanations on significant variances is presented to the Board during the Board meetings.

The Group's Quarterly Interim Financial Reports and Annual Audited Financial Statements are released to Bursa Securities only after being reviewed by the Audit Committee and approved by the Board.

- *Group's Policies and Procedures*

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

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 May 2020. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor are the matters set out in this statement factually incorrect.

CONCLUSION

The Board has received assurance from the EC, GCEO and Chief Financial Officer that the Group's risk management and internal control system operated adequately and effectively during the financial year under review and up to the date of issuance of this Annual Report.

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

SUSTAINABILITY STATEMENT

THE BOARD OF DIRECTORS (“BOARD”) IS PLEASED TO PRESENT ITS SUSTAINABILITY STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (“FY 2020”).

SCOPE OF DISCLOSURE

The information provided in this Sustainability Statement covers the period from 1 June 2019 to 31 May 2020 and applies to Ancom Berhad (“Ancom” or “Company”) and its subsidiaries (“Group”). The reporting scope covers Malaysia, Singapore, Indonesia and Vietnam, based on the geographical location of the Group’s operations and external customers.

CUSTOMER MANAGEMENT

Ancom prides itself on providing quality, reliable, cost-effective and innovative solutions in manufacturing, marketing and trading of industrial and agricultural chemical products; transportation and storage; as well as IT solutions, media and advertising. Ensuring these tasks are executed in a timely and secured manner, the Group strives to go beyond meeting customer needs to delivering a positive customer experience.

The Group ensures that products in transit have clear product signage and labels, accompanied by the relevant Material Safety Data Sheets to ensure safe handling and, eventually, use.

SUPPLIER MANAGEMENT & PROCUREMENT PRACTICES

The Group’s procurement function adopts an all-encompassing approach to maximise value creation by reducing supply chain costs, improving transactional processes and efficiency, maintaining long-term relationships with suppliers, and complying with the applicable laws and regulations.

In addition to an overarching Procurement Policy which applies to all operating locations, the Group has green procurement guidelines which recognise its responsibility and commitment to continuously improving its environmental credentials. This is achieved through responsible supplier sourcing, waste management, pollution prevention, use of renewable energy, energy efficiency and supply chain efficiency.

Playing its part to support the local economy, the Group makes a conscious effort to optimise procurement from local suppliers.

Suppliers’ performance is monitored through evaluation, which generally focuses on areas such as price and payment terms, product and service quality, scale of operations, reliability and credibility. Any identified issues are communicated with the suppliers for necessary rectification and improvement.

COMMUNITY ENGAGEMENT & INVESTMENT

The Group is aware of its role in society, especially in an international and multicultural setting. As part of its social engagement, Ancom is actively involved in knowledge-sharing and the development of professional skills through programmes such as internships and work placements through which students are exposed to the Group’s range of businesses.

In addition, the Group participates in various community projects, and contributes financially to charitable organisations. Ancom also organises activities to reach out to local communities such as visiting the disenfranchised, distributing food and medical supplies, and making meaningful donations.

These activities generally involve the Group’s employees, who are encouraged to volunteer for community projects.

INDIRECT ECONOMIC IMPACT

The Group’s business generates a wide range of indirect economic benefits. For example, investment into its production facilities and regional logistics network benefits local communities by facilitating commerce and providing jobs.

ENVIRONMENTAL IMPACT

CARBON AND OTHER GREENHOUSE GAS EMISSIONS

The Group recognises that its operations necessarily have a carbon footprint, and is committed to minimise its emissions. Regular and scheduled maintenance are performed on the Group's fleet of vehicles and all its plants to ensure optimal performance and efficiency. Additionally, the Group's drivers are trained to not leave engines running when vehicles are idle to minimise emissions.

Certain subsidiaries employ Alam Sekitar Malaysia Sdn. Bhd. to carry out quarterly stack gas emission tests thus ensure compliance with the Environmental Quality Act, 1974 ("EQA").

As per the Department of Environment ("DOE")'s requirements, certain subsidiaries monitor their air emissions on a regular basis. Measurement and reporting of nitrogen oxides ("NOx"), sulphur dioxides ("SOx") and particulate matter (dust) emissions are also performed annually by an independent laboratory registered with the DOE.

WASTE AND EFFLUENT MANAGEMENT

As a responsible corporation, the Group has initiated various sustainable environmental conservation efforts. In order to comply with all the relevant regulatory requirements, it ensures its employees are sufficiently trained to be able to manage its industrial effluents and scheduled waste properly. Used materials such as paper, cartons and cardboard boxes are re-used where possible, or sent to recycling centres.

The Group also manages the hazardous by-products of its manufacturing operations responsibly, minimising the risk of unintended contact. It quantifies and inventorises its hazardous waste, which is properly packaged, labelled and kept in designated areas away from the manufacturing lines pending further treatment or disposal. Chemical waste is sent to Kualiti Alam Waste Management Centre in Negeri Sembilan for proper disposal. Monthly scheduled waste reports are submitted to the DOE and the respective authorities.

The Group's other business activities do not produce significant amounts of scheduled waste.

WATER CONSUMPTION

Water is used in a myriad ways at the Group. Besides generating steam and cooling in production processes, it is also used for drinking, cleaning and in washrooms.

The Group implements various initiatives to reduce water waste as part of its environmental management system. This includes initiatives to instil responsible practices and habits among its employees.

ENERGY CONSUMPTION

The Group continuously looks for ways to enhance the energy efficiency of its business operations, both to lower its operational costs and reduce its carbon footprint.

Energy-saving lightbulbs are used whenever possible, while traditional air-conditioners have been replaced by the more energy-efficient inverted models. Employees, meanwhile, are encouraged to switch off lights and air-conditioners when the different work spaces are not in use.

SUSTAINABILITY STATEMENT

SOCIAL CONTRIBUTION

WORKPLACE DIVERSITY & INCLUSION

The Group recognises that a diverse workforce brings numerous benefits such as a broader perspective and enriched understanding of the different markets. It therefore strives to attract a diverse mix of employees in terms of race and age while striking a good balance of the genders. Career opportunities are offered based on individual merit, irrespective of race or gender.

In FY 2020, majority of the Group's employees in its Malaysian operations were local and comprised a fair representation of the country's major ethnic groups. In terms of gender equity, the biggest challenge lies in the nature of Ancom's business, and especially its logistics and chemical operations, which are still male dominated industries.

Despite this challenge, the Group strives to increase the number of women in all positions, and especially in management roles over the longer term.

The Group also encourages its people to perform to the best of their ability by motivating them and valuing their contributions. Recognising the importance of teamwork, regular teambuilding activities are held to strengthen a sense of camaraderie.

OCCUPATIONAL SAFETY & HEALTH, WORKFORCE TRAINING AND DEVELOPMENT

The Group is fully committed to the health and safety of its people, firm in the belief this is its first and primary responsibility. Safety represents a core value for the Group, and is an unequivocal expectation from its employees, their families and communities. To honour its commitment, the Group seeks to establish a "Safety First" culture through training, coaching and recognition of safe behaviours and practices.

Various safety programmes have been introduced to address major risks. During the year, the following initiatives were organised:

- Scheduled safety drills were held for all drivers and operating personnel at the Bulk Liquid Terminal to ensure they are equipped to handle emergencies. These included fire and evacuation, chemical leakage, storage tank leakage and falling ill on-site drills. One of the drills was conducted with Bomba Malaysia/West Port Bomba.
- Health briefings; safety, product handling, first aid, fire-fighting and inspection of fire-fighting equipment training; as well as fire and chemical handling drills were carried out at the Group's manufacturing plants. These included a talk by the Public Fire Safety and Prevention Education Centre.

Further protecting the safety of its people, the Group ensures that employees use only Personal Protective Equipment ("PPE") that is registered with the Department of Occupational Safety and Health. Additionally, proactive measures are taken to reduce employees' exposure to noise in high noise level areas, such as providing ear plugs and soundproofing of the affected areas. Annual Employee Audiometric Hearing tests are also conducted.

The Group constantly reviews its Occupational Safety and Health ("OSH") policies and management systems to ascertain they are appropriate and effective.

In terms of training, Management and Supervisory Development programmes are organised to provide employees with career advancement opportunities.

EMPLOYEE BENEFITS

The Group does its best to be an exemplary corporate citizen. It believes in providing for its employees in order to make their work life more comfortable.

Employees are provided with medical coverage and insurance benefits. For senior employees, they are provided with life insurance as well as coverage against personal accidents, hospitalisation and surgery. In addition, employees also receive transport and medical allowances based on their job scope and area of work.

Due to the COVID-19 pandemic, the Board has instituted a range of austerity/cost-control measures, including salary cuts, to strengthen the Group's financial position in the coming months. Accordingly, staff, senior management as well as Directors of the Group have agreed to 10%-30% reduction in their pay and remuneration from April 2020, subject to a review at the end of September 2020. The Executive Chairman has also agreed to a 30% cut in his total remuneration from the Group.

The Group has not dismissed any of its employees despite the crisis.

ANTI-BRIBERY AND ANTI-CORRUPTION MANAGEMENT/WHISTLE-BLOWING

Sound corporate governance and ethical business conduct are fundamental to the achievement of the Group's objectives to enhance stakeholder value as well as grow its business sustainably. It is the Group's policy to conduct its business in a fair, honest and transparent manner. The Group strongly opposes corrupt practices or acts of bribery to obtain an unfair advantage over others.

The Board has established an Anti-Bribery and Anti-Corruption Management/Whistle-Blowing Policy within the Group as reported in the Audit Committee Report in this Annual Report. Any incidents of bribery, corruption, unethical behaviour, malpractice, unlawful or improper conduct can be reported by the Group's employees and business partners through the whistle-blowing channel at www.ancom.com.my.

In FY 2020, there were no confirmed incidents of corruption nor any significant fine or non-monetary sanction for non-compliance with laws and/or regulations.

PRODUCT AND SERVICES RESPONSIBILITY

As a manufacturer and marketer of chemical products and polymers; provider of transportation and storage services as well as IT solutions, media and advertising, the Group is an important component of its customers' supply chains. To ensure the highest level of service, the Group records every complaint as well as feedback from customers in order to continuously enhance its service delivery.

The Group's customers also entrust it with sensitive information, and the Group upholds this trust through privacy and information security programmes. The Group protects its customers' privacy by securing their data in accordance with established policies.

COMPLIANCE

An effective governance structure and risk management system forms the backbone of the Group's business operations. Risk assessments are conducted periodically to identify and mitigate significant risks that affect the Group's business operations. Annually, the Group reviews the adequacy of insurance coverage of all its business operations to safeguard against potential threats.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Directors hereby state that they are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and the Group as at 31 May 2020 and of the financial performance and cash flows of the Company and the Group for the financial year ended 31 May 2020. The Directors are also responsible for ensuring that the Audited Financial Statements comply with the provisions of the Companies Act 2016, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other statutory and regulatory requirements.

In preparing the Audited Financial Statements, the Directors have:

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

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



FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2020

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DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities and the details of the subsidiaries are disclosed in Note 40 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(18,892)	(14,361)
Attributable to:		
Owners of the parent	(9,696)	(14,361)
Non-controlling interests	(9,196)	-
	(18,892)	(14,361)

DIVIDEND

No dividend has been paid, proposed or declared by the Company since the end of the previous financial year.

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

At the Extraordinary General Meeting held on 18 October 2018, the shareholders of the Company approved the establishment of an Employee Share Option Scheme ('ESOS' or 'Scheme') of up to ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the eligible Executive Directors and employees of the Group.

The salient features of the Scheme are as follows:

- i. The Scheme shall be in force for a duration of five (5) years from 6 March 2019 and may be extended for up to another five (5) years immediately from the expiry of the first five (5) years, but will not in aggregate exceed ten (10) years from 6 March 2019 ('Duration of the Scheme');
- ii. The maximum number of new ordinary shares in the Company which may be available under the Scheme shall not be more than ten per centum (10%) of the issued and fully paid-up share capital (excluding treasury shares) of the Company at any point in time during the Duration of the Scheme;
- iii. Eligible Executive Directors and employees of the Group (excluding Nylex (Malaysia) Berhad ('Nylex'), Ancom Logistics Berhad ('ALB') and dormant subsidiaries) are those who have been confirmed in service on the date of the offer and has attained eighteen (18) years of age or above; and are employed on a continuous full time basis (either permanent or on contract);
- iv. The option price shall be determined by the ESOS Committee of the Company at a discount of not more than ten per centum (10%) from the volume weighted average market price of the Company's shares as quoted on Bursa Malaysia Securities Berhad ('Bursa Securities') for the five (5) market days immediately preceding the date of the offer; and
- v. The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the ordinary shares issued shall rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, no ESOS options were granted by the Company.

REPURCHASE OF SHARES

At the 50th Annual General Meeting held on 17 October 2019, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to ten per centum (10%) of its own ordinary shares.

During the financial year, the Company repurchased 8,595,400 of its issued ordinary shares from the open market of Bursa Securities at an average price of RM 0.48 per share. The total consideration paid for the repurchases including transaction costs was RM4,122,000.

As at 31 May 2020, a total of 18,483,359 (2019: 9,887,959) treasury shares at a total cost of RM9,688,000 (2019: RM5,566,000) are held by the Company. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016 and the Main Market Listing Requirements and applicable guideline of Bursa Securities.

The number of ordinary shares as at 31 May 2020 net of treasury shares is 222,365,925 (2019: 230,961,325). Further details are disclosed in Note 22(c) to the financial statements.

DIRECTORS

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

Dato' Siew Ka Wei	(Executive Chairman)
Siew Ka Kheong	(Alternate to Dato' Siew Ka Wei)
Tan Sri Dato' Dr Lin See Yan	
Tan Sri Dato' Seri Abdull Hamid Bin Embong	
Dato' Johari Razak	(Resigned on 31 December 2019)
Datuk Dr Abd Hapiz Bin Abdullah	(Appointed on 8 May 2020)
Chan Thye Seng	
Edmond Cheah Swee Leng	
Lim Hock Chye	

Subsidiaries of Ancom Berhad (excluding those Directors listed above)

Abdul Latif Bin Mahamud	
Anthony Tan Swee Hock	
Chai Hann Lin	
Cheah Yoke Yin	
Chen Tai Ngoh	
Chin Kok Wooi	
Dato' Abdul Latif Bin Abdullah	
Dato' Lee Yeow Chor	
Dato' Lim Wee Sern	
Dato' Ng How Hon	
Dato' Sri Tong Seech Wi	
Datuk Abdul Rashid Bin Hashim	
Datuk Anuar Bin Ahmad	
Datuk Hasnul Bin Hassan	
Datuk Mohd Anis Hisham Bin Abd Aziz	(Resigned on 31 July 2020)
Datuk Serin Bin Sudah @ Masree	
Datuk Wong Sai Wan	
Eric Chan Hean Chin	(Resigned on 1 June 2020)
Francis Quah Chuan Hoe @ Quah Chuan Hoe	(Alternate to Chin Kok Wooi) (Appointed on 14 July 2020)
Hasdi Bin Husain	
Idris Bin Pilus	
Indrawan Masrin	
Jimmy Masrin	
Khamis Bin Awal	
Kong Hwai Ming	
Lee Chee Keong	(Resigned on 3 October 2019)
Lee Cheun Wei	
Lee Nan Phin	
Liew Tet Seng	
Lim Beng Teck	(Resigned on 21 February 2020)
Lim Chang Meng	
Lim Lay Chin	
Lim Liang Tan	
Lim Wee Beng	
Low Huoi Seong	

DIRECTORS (CONTINUED)

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

Subsidiaries of Ancom Berhad (excluding those Directors listed above) (continued)

Masahiko Otomo	
Mohamad Abdul Naser Bin Md. Jaafar @ Yunus	
Mohamad Ruslan Bin Ali	
Mohd Azlan Bin Mohammed	
Norzain Bin Abdul Wahab	
Rama Krishnan A/L Ayam Pillai	(Appointed on 14 February 2020)
Robin Ling Seng Chiong	
Sabli Bin Sibil	
Safrizal Bin Mohd Said	
Shamsudin Bin Basri	
Shigeo Fuji	
Siew Yuen Tuck	
Somsak Chatteerapat	(Alternate to Surasak Suwannapasri)
Surasak Suwannapasri	
Suzuki Masayuki	
Tan Sri Abd Ghafar Bin Mahmud	
Tan Sri Datuk Dr. Ampikaipakan A/L S.Kandiah	(Appointed on 24 July 2020)
Tan Wee Lian	
Tho Tuck Woh	
Toh Puan Norella Binti Talib	
Wong Kah Pun	
Wong Siut Yin	
Yim Yoke Koon	(Deceased on 31 July 2020)
YM Datin Paduka Raja Nor Mazli Binti Raja Mohar	
YM Dato' Paduka Tengku Shaharin Abu Bakar Tengku Suleiman	
YM Tengku Mahamad Bin Tengku Mahamut	
Yuhei Sogabe	

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 May 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	← Number of ordinary shares →			Balance as at 31.5.2020
	Balance as at 1.6.2019	Bought	Sold	
Shares in the Company				
<u>Direct interests:</u>				
Dato' Siew Ka Wei	26,873,420	890,400	-	27,763,820
Tan Sri Dato' Dr. Lin See Yan	181,912	-	-	181,912
<u>Indirect interests:</u>				
Dato' Siew Ka Wei	22,518,921	77,300	-	22,596,221
Chan Thye Seng	47,077,140	-	-	47,077,140
Siew Ka Kheong	16,839,885	77,300	-	16,917,185
Subsidiary, Nylex				
<u>Direct interests:</u>				
Dato' Siew Ka Wei	2,096,460	1,635,500	-	3,731,960
Tan Sri Dato' Dr. Lin See Yan	17,337	-	-	17,337
<u>Indirect interests:</u>				
Dato' Siew Ka Wei	93,608,359	371,900	-	93,980,259
Chan Thye Seng	87,967,041	-	-	87,967,041
Siew Ka Kheong	5,131,492	371,900	-	5,503,392
Subsidiary, ALB				
<u>Direct interests:</u>				
Dato' Siew Ka Wei	369,867	-	-	369,867
Tan Sri Dato' Dr. Lin See Yan	8,268	-	-	8,268
<u>Indirect interests:</u>				
Dato' Siew Ka Wei	214,194,996	-	-	214,194,996
Chan Thye Seng	213,284,557	-	-	213,284,557
Siew Ka Kheong	667,302	-	-	667,302

By virtue of their interests in the ordinary shares of the Company, Dato' Siew Ka Wei and Chan Thye Seng are deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received and receivable by the Directors) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the following:

- (a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- (b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 36 to the financial statements.

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

DIRECTORS' REMUNERATION

Fees and other benefits of the Directors who held office during the financial year ended 31 May 2020 were as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors				
- salaries, bonus and allowances	3,861	6,190	919	1,338
- defined contribution plan	115	287	38	70
- other emoluments	408	-	408	-
	4,384	6,477	1,365	1,408
Non-Executive Directors				
- fees	831	612	478	409
- salaries, bonus and allowances*	-	276	-	-
- defined contribution plan	-	17	-	-
- other emoluments	284	31	19	20
	1,115	936	497	429
Total remuneration of Directors	5,499	7,413	1,862	1,837

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM127,000 (2019: RM153,000) and RM99,000 (2019: RM120,000) respectively.

* This is payable to a Non-Executive Director of the Company who is an Executive Director of certain subsidiaries.

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Group and the Company effected Directors' and officers' liability insurance during the financial year to protect the Directors and officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. The total amount of insurance premium effected for any Director and officer of the Group and of the Company was RM14,000.

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

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

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)**(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events during the financial year and subsequent events between the end of the reporting period and the date when the financial statements are authorised for issue are disclosed in Note 42 to the financial statements.

AUDITORS

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

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2020 were as follows:

	Group RM'000	Company RM'000
Statutory audit	864	105
Other services	24	10
	888	115

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

Dato' Siew Ka Wei
Director

Kuala Lumpur
26 August 2020

Edmond Cheah Swee Leng
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 66 to 153 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Siew Ka Wei

Director

Kuala Lumpur
26 August 2020

Edmond Cheah Swee Leng

Director

STATUTORY DECLARATION

I, Lim Chang Meng [CA 15594], being the officer primarily responsible for the financial management of Ancom Berhad, do solemnly and sincerely declare that the financial statements set out on pages 66 to 153 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed
at Kuala Lumpur this
26 August 2020

Lim Chang Meng

Before me:

Baloo A/L T.Pichai

Commissioner for Oaths (No. W663)

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

To the Members of Ancom Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ancom Berhad, which comprise the statements of financial position as at 31 May 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters of the Group

1. Impairment assessment of the carrying amount of goodwill

The carrying amount of goodwill arising on consolidation as at 31 May 2020 amounted to RM68,330,000, as disclosed in Note 13 to the financial statements.

We determined this to be a key audit matter because it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGU") in determining the recoverable amount. These key assumptions include projected growth in future revenues and profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

INDEPENDENT AUDITORS' REPORT

To the Members of Ancom Berhad

Key Audit Matters (continued)Key Audit Matters of the Group (continued)**1. Impairment assessment of the carrying amount of goodwill (continued)****Audit response**

Our audit procedures performed include:

- a. Compared cash flow projections against recent performance and historical accuracy of budget/forecasts and assessed assumptions used in projections to available sources of data, where applicable;
- b. Evaluated the reasonableness of projected profit margins and growth rates incorporating the impact of the COVID-19 pandemic by assessing evidence available to support these assumptions;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing to market data as well as weighted average cost of capital of the Group and relevant risk factors; and
- d. Performed sensitivity analysis to stress test the key assumptions used in the projections to evaluate the impact on the impairment assessment.

2. Recoverability of trade receivables

The carrying amount of trade receivables of RM199,220,000 has been disclosed in Note 16 to the financial statements.

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

Audit response

Our audit procedures included the following:

- a. Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- b. Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- c. Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

Key Audit Matters (continued)Key Audit Matters of the Company**1. Impairment assessment of carrying amounts of investments in subsidiaries**

The carrying amount of investments in subsidiaries of RM304,897,000 has been disclosed in Note 8 to the financial statements.

Management performed impairment assessments of certain investments in subsidiaries which had impairment indicators. The recoverable amount of the investments in subsidiaries are determined based on discounted future cash flows projections, which require judgement on the part of management estimation of the future financial performance and key assumptions used, in particular profit margins, growth rates and pre-discount rate.

Audit response

Our audit procedures included the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and assessed the key assumptions used in projections;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing the market data, weighted average cost of capital of the Company and relevant risk factors; and
- d. Performed sensitivity analysis to stress test the key assumptions used in the projections to evaluate the impact on the impairment assessment.

2. Recoverability of amounts owing by subsidiaries

The carrying amounts of amounts owing by subsidiaries of RM20,861,000 has been disclosed in Note 17 to the financial statements.

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

Audit response

Our audit procedures included the following:

- a. Assessed the probability of default using historical data and forward looking adjustments applied by the Company;
- b. Assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;
- c. Evaluated management's basis in determining cash flows recoverable, where applicable; and
- d. Assessed actual lost event subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

INDEPENDENT AUDITORS' REPORT

To the Members of Ancom Berhad

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of Ancom Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 40 to the financial statements.

Other Matters

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
26 August 2020

Lum Chiew Mun
03039/04/2021 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	200,660	280,355	7,194	29,738
Right-of-use assets	6	104,324	-	21,538	-
Investment properties	7	326	337	-	-
Investments in subsidiaries	8	-	-	304,897	206,711
Investments in associates	9	7,867	12,008	-	2,847
Investments in joint ventures	10	-	-	-	-
Other investments	11	448	617	243	243
Intangible assets	12	21,968	26,055	-	2
Goodwill on consolidation	13	68,330	77,926	-	-
Deferred tax assets	14	25,988	26,453	-	-
		429,911	423,751	333,872	239,541
Current assets					
Inventories	15	128,873	170,868	-	-
Trade and other receivables	16	287,279	381,932	5,280	4,975
Amounts owing by subsidiaries	17	-	-	20,861	125,139
Amounts owing by associates	18	8,565	18,444	4,254	4,067
Amounts owing by joint ventures	19	-	5	-	-
Current tax assets		4,275	1,976	115	596
Other investments	11	3,288	3,042	-	-
Cash and bank balances	21	97,115	84,201	36	35
		529,395	660,468	30,546	134,812
TOTAL ASSETS		959,306	1,084,219	364,418	374,353

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital	22	245,766	245,766	245,766	245,766
Less: Treasury shares, at cost	22(c)	(9,688)	(5,566)	(9,688)	(5,566)
Reserves	23	75,629	75,262	3,668	18,029
		311,707	315,462	239,746	258,229
Non-controlling interests	8(e)	111,854	139,443	-	-
TOTAL EQUITY		423,561	454,905	239,746	258,229
LIABILITIES					
Non-current liabilities					
Borrowings	24	70,847	50,770	29,000	1,796
Lease liabilities	6	10,988	-	-	-
Deferred tax liabilities	14	10,877	10,983	268	248
Provision for retirement benefits	27	4,561	4,666	-	-
		97,273	66,419	29,268	2,044
Current liabilities					
Borrowings	24	251,221	318,038	37,813	69,886
Lease liabilities	6	24,126	-	116	-
Trade and other payables	28	154,072	215,920	1,474	1,497
Amounts owing to subsidiaries	29	-	-	56,001	42,103
Amounts owing to associates	18	62	8,399	-	-
Contract liabilities	20	3,970	16,790	-	-
Current tax liabilities		5,021	3,748	-	594
		438,472	562,895	95,404	114,080
TOTAL LIABILITIES		535,745	629,314	124,672	116,124
TOTAL EQUITY AND LIABILITIES		959,306	1,084,219	364,418	374,353

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

STATEMENTS OF PROFIT OR LOSS

For the Financial Year Ended 31 May 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	30	1,472,285	1,986,891	15,630	19,611
Cost of sales		(1,263,804)	(1,756,383)	-	-
Gross profit		208,481	230,508	15,630	19,611
Other operating income		21,535	38,118	5,966	82,206
Distribution costs		(90,618)	(105,920)	-	-
Administrative expenses		(104,094)	(111,170)	(4,673)	(6,227)
Other operating expenses		(14,278)	(8,298)	(23,913)	(93,784)
Finance costs	31	(19,070)	(21,515)	(7,117)	(7,028)
Share of results of associates, net of tax	9(j)	(2,788)	(244)	-	-
(Loss)/Profit before taxation		(832)	21,479	(14,107)	(5,222)
Taxation	32	(18,060)	(23,550)	(254)	(416)
Loss for the financial year		(18,892)	(2,071)	(14,361)	(5,638)
(Loss)/Profit attributable to:					
Owners of the parent		(9,696)	15,132	(14,361)	(5,638)
Non-controlling interests	8(e)	(9,196)	(17,203)	-	-
		(18,892)	(2,071)	(14,361)	(5,638)
				Group	
				2020	2019
				Sen	Sen
Basic and diluted:					
(Loss)/Earnings per ordinary share			33	(4.31)	6.44

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

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 May 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss for the financial year		(18,892)	(2,071)	(14,361)	(5,638)
Other comprehensive (loss)/income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		(2,788)	6,791	-	-
Item not to be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability	27	(58)	56	-	-
Other comprehensive (loss)/income, net of tax		(2,846)	6,847	-	-
Total comprehensive (loss)/income		(21,738)	4,776	(14,361)	(5,638)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(10,818)	18,063	(14,361)	(5,638)
Non-controlling interests	8(e)	(10,920)	(13,287)	-	-
		(21,738)	4,776	(14,361)	(5,638)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 May 2020

Group	Share capital RM'000	Capital reserve RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 June 2019	245,766	273	10,706	(5,566)	64,283	315,462	139,443	454,905
Loss for the financial year	-	-	-	-	(9,696)	(9,696)	(9,196)	(18,892)
Other comprehensive loss, net of tax	-	-	(1,064)	-	(58)	(1,122)	(1,724)	(2,846)
Total comprehensive loss	-	-	(1,064)	-	(9,754)	(10,818)	(10,920)	(21,738)
Transactions with owners								
Repurchase of treasury shares of the Company	-	-	-	(4,122)	-	(4,122)	-	(4,122)
Accretion of equity interest of a subsidiary	-	-	1,110	-	10,435	11,545	(11,545)	-
Acquisition of a subsidiary	-	-	-	-	-	-	1,149	1,149
Repurchase of treasury shares of a subsidiary	-	-	-	-	-	-	(2,854)	(2,854)
Additional interest in subsidiaries	-	-	-	-	467	467	(1,767)	(1,300)
Disposal of equity interests in subsidiaries	-	-	-	-	(827)	(827)	982	155
Dividends paid to non-controlling interests	-	-	-	-	-	-	(870)	(870)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(1,764)	(1,764)
Total transactions with owners	-	-	1,110	(4,122)	10,075	7,063	(16,669)	(9,606)
As at 31 May 2020	245,766	273	10,752	(9,688)	64,604	311,707	111,854	423,561

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 May 2020

Group	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 June 2018	218,956	4,332	203	4,987	7,696	(2,473)	66,636	300,337	163,602	463,939
Profit/(Loss) for the financial year	-	-	-	-	-	-	15,132	15,132	(17,203)	(2,071)
Other comprehensive income, net of tax	-	-	-	-	2,875	-	56	2,931	3,916	6,847
Total comprehensive income/(loss)	-	-	-	-	2,875	-	15,188	18,063	(13,287)	4,776
Transactions with owners										
Bonus shares issue	21,893	(4,332)	-	-	-	(382)	(17,179)	-	-	-
Repurchase of treasury shares of the Company	-	-	-	-	-	(2,711)	-	(2,711)	-	(2,711)
Transfer pursuant to Section 618(2) of the Companies Act 2016	4,917	-	70	(4,987)	-	-	-	-	-	-
Disposal/Derecognition of subsidiaries	-	-	-	-	-	-	-	-	(3,459)	(3,459)
Repurchase of treasury shares of a subsidiary	-	-	-	-	-	-	-	-	(5,179)	(5,179)
Additional interest in subsidiaries	-	-	-	-	135	-	(74)	61	(592)	(531)
Disposal of equity interests in subsidiaries	-	-	-	-	-	-	(288)	(288)	3,065	2,777
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,943)	(2,943)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(1,764)	(1,764)
Total transactions with owners	26,810	(4,332)	70	(4,987)	135	(3,093)	(17,541)	(2,938)	(10,872)	(13,810)
As at 31 May 2019	245,766	-	273	-	10,706	(5,566)	64,283	315,462	139,443	454,905

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

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 May 2020

Company	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 June 2019	245,766	(5,566)	18,029	258,229
Loss for the financial year	-	-	(14,361)	(14,361)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss	-	-	(14,361)	(14,361)
Transaction with owners				
Repurchase of treasury shares of the Company	-	(4,122)	-	(4,122)
Total transaction with owners	-	(4,122)	-	(4,122)
As at 31 May 2020	245,766	(9,688)	3,668	239,746

Company	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 June 2018	218,956	4,332	4,917	(2,473)	40,846	266,578
Loss for the financial year	-	-	-	-	(5,638)	(5,638)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(5,638)	(5,638)
Transactions with owners						
Bonus shares issue	21,893	(4,332)	-	(382)	(17,179)	-
Repurchase of treasury shares of the Company	-	-	-	(2,711)	-	(2,711)
Transfer pursuant to Section 618(2) of the Companies Act 2016	4,917	-	(4,917)	-	-	-
Total transactions with owners	26,810	(4,332)	(4,917)	(3,093)	(17,179)	(2,711)
As at 31 May 2019	245,766	-	-	(5,566)	18,029	258,229

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 May 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(832)	21,479	(14,107)	(5,222)
Adjustments for:					
Amortisation of intangible assets	12	4,263	2,790	2	5
Bad debts written off - third parties		60	974	-	-
Deposits written off		34	35	-	35
Depreciation of investment properties	7	11	11	-	-
Depreciation of property, plant and equipment	5	23,254	26,175	648	1,057
Depreciation of right-of-use assets	6	27,597	-	381	-
Dividend income	30	-	-	(13,125)	(16,148)
Fair value gain on derivatives		(8)	-	-	-
Fair value loss on other investments		103	126	-	-
Loss on disposal of other investments		3,000	-	-	-
Loss/(Gain) on disposal of property, plant and equipment		176	27	-	(90)
Gain on disposal of equity interest in subsidiaries		-	-	-	(15)
Gain on disposal/derecognition of subsidiaries		(2,769)	(23,625)	-	(79,900)
Gain on remeasurement of previously retained interest		(259)	-	-	-
Impairment loss on amounts owing by associates	18(e)	2,084	-	33	-
Impairment loss on amounts owing by joint ventures	19(d)	5	-	-	-
Impairment loss on amounts owing by subsidiaries	17(d)	-	-	1,679	5,441
Impairment loss on goodwill on consolidation	13	5,500	-	-	-
Impairment loss on investments in associates	9(l)	612	1,573	2,847	-
Impairment loss on investments in subsidiaries	8(b)	-	-	18,314	87,059
Impairment loss on trade and other receivables		2,910	4,506	206	87
Intangible assets written off	12	41	-	-	-
Interest expense	31	19,070	21,515	7,117	7,028
Interest income		(1,212)	(1,578)	(554)	(1,521)
Inventories written down	15	562	422	-	-
Inventories written off		10	-	-	-
Property, plant and equipment written off	5	1,121	65	-	-
Reversal of impairment loss on trade and other receivables		(3,947)	(3,794)	-	-
Reversal of impairment loss on amount owing by subsidiaries	17(d)	-	-	(5,907)	(2,101)
Reversal of long outstanding payables		(674)	-	(58)	-
Share of results of associates	9(j)	2,788	244	-	-
Net unrealised gain on foreign exchange		(3,820)	(290)	-	-
Provision for retirement benefits	27	513	545	-	-
Operating profit/(loss) before working capital changes		80,193	51,200	(2,524)	(4,285)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 May 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Working capital changes:					
Inventories		41,423	(41,709)	-	-
Trade and other receivables		100,966	44,966	(512)	604
Trade and other payables		(64,280)	(11,900)	44	(617)
Contract liabilities		(12,820)	16,790	-	-
Amounts owing by associates		7,795	(8,636)	(219)	286
Amounts owing by joint ventures		-	(5)	-	-
Amounts owing to associates		(8,337)	8,372	-	-
Cash generated from/(used in) operations		144,940	59,078	(3,211)	(4,012)
Dividend received		-	-	13,124	16,148
Retirement benefits paid	27	(775)	(471)	-	-
Tax paid		(18,066)	(24,222)	(347)	(551)
Net cash from operating activities		126,099	34,385	9,566	11,585
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries		-	-	-	(2,570)
Acquisition of additional interests in subsidiaries		(1,300)	(531)	-	-
Acquisition of associates		-	(3,250)	-	-
Proceeds from disposal of equity interests in subsidiaries		155	2,777	-	130
Proceeds from disposal/derecognition of subsidiaries		-	8,247	-	-
Interest received		1,212	1,578	554	1,521
Proceeds from disposal of property, plant and equipment		1,034	1,385	-	290
Purchase of intangible assets	12	(725)	(1,006)	-	-
Purchase of other investments		(14)	(4,666)	-	-
Purchase of property, plant and equipment	5(c)	(14,313)	(30,459)	(23)	(121)
Purchase of right-of-use assets		(279)	-	-	-
Net cash inflow on acquisition of a subsidiary	8.2(a)	152	-	-	-
Net cash outflow on disposal of a subsidiary	8.3(a)	(115)	-	-	-
Net payments from subsidiaries		-	-	3,336	7,782
Repurchase of treasury shares of a subsidiary		(2,854)	(5,179)	-	-
(Placement)/Withdrawal of short-term deposits:					
- pledged with licensed banks		(5)	11,023	-	-
- with maturity period more than three (3) months		(1,432)	930	-	-
Net cash (used in)/from investing activities		(18,484)	(19,151)	3,867	7,032

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 May 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests		(870)	(2,943)	-	-
Dividends paid to non-controlling interests of subsidiaries		(1,764)	(1,764)	-	-
Interest paid		(16,916)	(21,515)	(4,547)	(4,458)
Repurchase of treasury shares of the Company		(4,122)	(2,711)	(4,122)	(2,711)
Payment of lease liabilities	6	(30,886)	-	(130)	-
Repayments of hire purchase and lease creditors		-	(2,845)	-	(116)
Net repayments of borrowings		(42,956)	(18,294)	(2,392)	(12,144)
Net cash used in financing activities		(97,514)	(50,072)	(11,191)	(19,429)
Net increase/(decrease) in cash and cash equivalents		10,101	(34,838)	2,242	(812)
Cash and cash equivalents at beginning of financial year		62,913	98,048	(12,089)	(11,277)
Effects of exchange rate changes on cash and cash equivalents		35	(297)	-	-
		62,948	97,751	(12,089)	(11,277)
Cash and cash equivalents at end of financial year	21(c)	73,049	62,913	(9,847)	(12,089)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 May 2020

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Borrowings					
As at 1 June 2019/2018		368,808	390,662	71,682	83,119
Effects of adoption of MFRS 16	41.1	(7,993)	-	(236)	-
Cash flows		(41,615)	(31,517)	(4,633)	(11,437)
Non-cash flows:					
- Purchase of property, plant and equipment	5(c)	-	5,439	-	-
- Disposal/Derecognition of subsidiaries		-	2,654	-	-
- Unrealised gain on foreign exchange		(198)	-	-	-
- Effect of foreign exchange		3,066	1,570	-	-
As at 31 May 2020/2019		322,068	368,808	66,813	71,682
Lease liabilities					
As at 1 June 2019/2018		-	-	-	-
Effects of adoption of MFRS 16	41.1	58,590	-	236	-
Cash flows		(30,886)	-	(130)	-
Non-cash flows:					
- Additions		4,691	-	-	-
- Unwinding of interest		2,154	-	10	-
- Effect of foreign exchange		565	-	-	-
As at 31 May 2020/2019		35,114	-	116	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

1. CORPORATE INFORMATION

Ancom Berhad ('Ancom' or 'the Company') is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements for the financial year ended 31 May 2020 comprise the Company and its subsidiaries and the interests of the Group in associates and joint ventures. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 26 August 2020.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities and the details of the subsidiaries are disclosed in Note 40 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 41.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* and IC Interpretation 23 *Uncertainty Over Income Tax* for the first time during the current financial year, using the cumulative effect method as at 1 June 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

4. OPERATING SEGMENTS

The Group's operations comprise the following main operating segments:

Investment holding : Investment holding

Agricultural chemicals : Manufacture, trading and sale of agricultural chemical products

Industrial chemicals : Manufacture, trading and sale of industrial chemical products

Logistics : Ship-owning, ship-operating, land transportation, container haulage, bulk cargo handling, chemicals warehousing and related services

Media : Provision of out-of-home and digital advertising media space

Polymer : Manufacturing and marketing of polymer products

Others mainly comprise education, information technology, manufacturing and sales of electrical component products.

The accounting policies of operating segments are the same as those described in the respective notes to the financial statements. The Group evaluates performance on the basis of profit or loss from operations before taxation. These policies have been applied consistently throughout the current and previous financial years.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

4. OPERATING SEGMENTS (CONTINUED)

(a) Operating segment

2020	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments RM'000	Total RM'000
Revenue									
External sales	903	241,241	1,028,684	42,149	51,798	86,919	20,591	-	1,472,285
Inter-segment sales	18,256	73,629	215	9,252	31	16	3,656	(105,055)	-
Total revenue	19,159	314,870	1,028,899	51,401	51,829	86,935	24,247	(105,055)	1,472,285
Segment (loss)/profit before taxation	(26,348)	34,675	(6,017)	1,569	(7,663)	6,183	(3,853)	622	(832)
Interest income	2,836	239	550	4	-	397	639	(3,453)	1,212
Depreciation and amortisation	(1,681)	(7,668)	(18,223)	(9,804)	(15,894)	(4,910)	(985)	4,040	(55,125)
Share of results of associates	136	-	-	-	(2,924)	-	-	-	(2,788)
Interest expense	(8,960)	(1,089)	(6,837)	(4,750)	(1,141)	(18)	(164)	3,889	(19,070)
Other material non-cash items:									
Gain on disposal/derecognition of subsidiaries	-	-	-	-	2,769	-	-	-	2,769
Loss on disposal of other investments	-	-	-	-	(3,000)	-	-	-	(3,000)
Property, plant and equipment written off	-	(163)	-	-	(935)	-	(23)	-	(1,121)
Unrealised gain/(loss) on foreign exchange	788	1,520	1,897	(1,254)	-	236	-	633	3,820
Impairment loss on:									
- goodwill on consolidation	(5,500)	-	-	-	-	-	-	-	(5,500)
- trade and other receivables	(621)	(1,074)	-	(63)	(761)	-	(391)	-	(2,910)
- amounts owing by associates	(863)	-	-	-	(1,221)	-	-	-	(2,084)
Reversal of impairment loss on trade and other receivables	1,030	8	76	-	2,769	52	12	-	3,947
Segment assets	116,957	188,500	400,273	106,487	91,000	94,566	11,363	(49,840)	959,306
Investments in associates	2,362	507	-	1,802	3,196	-	17	(17)	7,867
Goodwill on consolidation	-	-	85,527	-	5,424	97	-	(22,718)	68,330
Additions to property, plant and equipment and intangible assets	5,906	8,278	5,661	1,817	731	616	191	(1,462)	21,738
Segment liabilities	87,150	83,415	216,304	102,854	39,490	12,926	3,597	(9,991)	535,745

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

8 4. OPERATING SEGMENTS (CONTINUED)

(a) Operating segment (continued)

2019	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments		Total RM'000
								RM'000	RM'000	
Revenue										
External sales	531	273,641	1,428,246	39,157	105,181	112,264	27,871	-	-	1,986,891
Inter-segment sales	21,378	78,258	491	9,833	490	60	2,986	(113,496)	-	-
Total revenue	21,909	351,899	1,428,737	48,990	105,671	112,324	30,857	(113,496)	1,986,891	1,986,891
Segment (loss)/profit before taxation	(23,783)	47,053	5,685	(637)	(11,895)	11,175	(6,958)	839	21,479	21,479
Interest income	3,490	1	581	8	173	648	766	(4,089)	1,578	1,578
Depreciation and amortisation	(1,459)	(5,510)	(1,701)	(8,351)	(7,004)	(4,605)	(961)	615	(28,976)	(28,976)
Share of results of associates	(244)	-	-	-	-	-	-	-	(244)	(244)
Interest expense	(9,394)	(1,281)	(7,049)	(4,450)	(3,121)	(11)	(215)	4,006	(21,515)	(21,515)
Other material non-cash items:										
Gain on disposal/derecognition of subsidiaries	237	-	-	-	23,388	-	-	-	-	23,625
Impairment loss on:										
- investments in associates	-	(493)	-	-	(1,080)	-	-	-	-	(1,573)
- trade and other receivables	(89)	(1,134)	-	-	(2,700)	-	(583)	-	-	(4,506)
Reversal of impairment loss on trade and other receivables	1,118	1,272	207	66	846	215	70	-	-	3,794
Bad debts written off	-	-	(7)	-	(963)	6	(10)	-	-	(974)
Segment assets	107,637	185,321	478,111	106,817	119,171	110,121	27,691	(50,650)	1,084,219	1,084,219
Investments in associates	6,426	507	-	1,802	6,120	-	17	(2,864)	12,008	12,008
Goodwill on consolidation	-	-	100,565	-	5,425	96	-	(28,160)	77,926	77,926
Additions to property, plant and equipment and intangible assets	1,132	11,337	8,007	8,536	2,766	3,722	1,404	-	-	36,904
Segment liabilities	93,177	83,683	266,478	97,391	62,445	21,014	5,285	(159)	629,314	629,314

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENTS (CONTINUED)

(b) Geographical segment

In determining the geographical segment of the Group, revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Segment assets	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	849,868	1,083,543	786,291	885,880
Singapore	88,239	216,270	72,622	78,369
Indonesia	147,307	224,196	78,192	97,120
Other Southeast Asian countries	68,264	107,187	15,338	20,684
Other Asian countries	94,824	115,212	6,863	2,166
Australia and New Zealand	37,021	54,559	-	-
North and South America	83,053	86,101	-	-
Africa	27,240	41,787	-	-
Europe	76,469	58,036	-	-
	1,472,285	1,986,891	959,306	1,084,219

(c) Major customers

There are no major customers with revenue equal or more than ten per centum (10%) of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

Group 2020	Balance as at 1.6.2019	Reclass- ification	Effects of adoption of MFRS 16 (Note 4.1.1)		Disposals	Depreciation charge for the financial year adjustments		Written off	Acquisition of a subsidiary (Note 8.2(a))	Disposal of a subsidiary (Note 8.3(a))	Reclass- ification from right- of-use assets	Balance as at 31.5.2020
			RM'000	RM'000		RM'000	RM'000					
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	1,016	-	-	-	-	-	-	-	-	-	-	1,016
Buildings	28,022	-	-	6,714	-	(1,641)	85	-	-	-	-	33,180
Leasehold land	68,308	-	(68,308)	-	-	-	-	-	-	-	-	-
Plant and machinery	73,148	5,965	(2,707)	9,586	(1,711)	(11,695)	176	(904)	-	-	2,652	76,050
Vessel and equipment	68,717	-	-	876	-	(4,035)	-	-	-	-	-	65,558
Motor vehicles	16,889	-	(8,451)	1,275	(1,017)	(2,753)	7	-	174	-	1,311	7,435
Furniture, fittings and office equipment	11,597	-	(94)	1,459	(22)	(2,448)	17	-	1	(58)	72	10,524
Renovation	6,423	-	-	249	-	(682)	-	-	-	-	-	5,990
Assets under construction	6,235	(5,965)	-	854	-	-	-	(217)	-	-	-	907
	280,355	-	(79,560)	21,013	(1,210)	(23,254)	285	(1,121)	175	(58)	4,035	200,660

At 31.5.2020		
Cost	Accumulated depreciation and impairment	Carrying amount
RM'000	RM'000	RM'000
1,016	-	1,016
49,298	(16,118)	33,180
285,843	(209,793)	76,050
78,696	(13,138)	65,558
30,036	(22,601)	7,435
36,320	(25,796)	10,524
11,323	(5,333)	5,990
907	-	907
493,439	(292,779)	200,660

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company		Effects of adoption of MFRS 16 (Note 41.1)		Depreciation charge for the financial year	
2020	Balance as at 1.6.2019	RM'000	Additions	RM'000	Balance as at 31.5.2020
Carrying amount	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	21,652	(21,652)	-	-	-
Building	5,352	-	-	(127)	5,225
Motor vehicles	527	(267)	-	(130)	130
Furniture, fittings and office equipment	177	-	23	(49)	151
Renovation	2,030	-	-	(342)	1,688
	29,738	(21,919)	23	(648)	7,194

	At 31.5.2020		
	Cost	Accumulated depreciation and impairment	Carrying amount
	RM'000	RM'000	RM'000
Building	6,327	(1,102)	5,225
Plant and machinery	2,403	(2,403)	-
Motor vehicles	1,106	(976)	130
Furniture, fittings and office equipment	1,284	(1,133)	151
Renovation	5,167	(3,479)	1,688
	16,287	(9,093)	7,194

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

2019 Carrying amount	Balance as at 1.6.2018 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Disposal RM'000	Balance as at 31.5.2019 RM'000
Leasehold land	21,893	-	(241)	-	21,652
Building	5,479	-	(127)	-	5,352
Motor vehicles	831	-	(304)	-	527
Furniture, fittings and office equipment	112	114	(49)	-	177
Renovation	2,559	7	(336)	(200)	2,030
	30,874	121	(1,057)	(200)	29,738

	At 31.5.2019		
	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Leasehold land	23,580	(1,928)	21,652
Building	6,327	(975)	5,352
Plant and machinery	2,403	(2,403)	-
Motor vehicles	1,802	(1,275)	527
Furniture, fittings and office equipment	1,262	(1,085)	177
Renovation	5,167	(3,137)	2,030
	40,541	(10,803)	29,738

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Each class of property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses, if any.
- (b) Freehold land has unlimited useful life and is not depreciated. Assets under construction are not depreciated until such time when the asset is available for use.

Depreciation on other property, plant and equipment is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2% - 12.5%
Leasehold land	1% - 5%
Plant and machinery	5% - 33.3%
Vessel and equipment	5% - 20%
Motor vehicles	5% - 25%
Furniture, fittings and office equipment	5% - 33.3%
Renovation	2% - 10%

- (c) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of property, plant and equipment	21,013	35,898	23	121
Settlement from other receivables	(6,700)	-	-	-
Financed by hire purchase and lease arrangements	-	(5,439)	-	-
Cash payments on purchase of property, plant and equipment	14,313	30,459	23	121

- (d) In the previous financial year, included in property, plant and equipment of the Group were assets acquired under hire purchase arrangements with a carrying amount of RM11,332,000.
- (e) As at 31 May 2020, certain land and buildings of the Group and of the Company with a total carrying amount of RM9,375,000 (2019: RM40,658,000) and RM5,225,000 (2019: RM27,004,000) respectively have been charged to banks for banking facilities granted to the Group as disclosed in Note 24 to the financial statements.
- (f) As at 31 May 2020, vessel and equipment of the Group with carrying amount of RM64,722,000 (2019: RM68,605,000) have been charged to licensed banks for banking facilities granted to certain subsidiaries as disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

6. LEASES

The Group as lessee

Group	Balance as at 1.6.2019 RM'000	Effects of adoption of MFRS 16 (Note 41.1) RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassification* RM'000	Balance as at 31.5.2020 RM'000
Carrying amount							
Leasehold land	-	72,154	314	(1,800)	57	-	70,725
Buildings	-	20,977	1,629	(12,714)	33	-	9,925
Storage tanks	-	24,561	53	(10,795)	510	-	14,329
Motor vehicles	-	9,177	2,578	(1,767)	4	(1,311)	8,681
Plant and machinery	-	3,021	213	(185)	-	(2,652)	397
Computer software	-	585	-	(225)	-	(360)	-
Office equipment	-	267	183	(111)	-	(72)	267
	-	130,742	4,970	(27,597)	604	(4,395)	104,324

Company	Balance as at 1.6.2019 RM'000	Effects of adoption of MFRS 16 (Note 41.1) RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2020 RM'000
Carrying amount				
Leasehold land	-	21,652	(241)	21,411
Motor vehicles	-	267	(140)	127
	-	21,919	(381)	21,538

* The assets previously acquired under hire purchase arrangements were reclassified to property, plant and equipment and intangible assets as the lease liabilities for those assets have been fully settled during the financial year.

Lease liabilities

	Note	Group RM'000	Company RM'000
As at 1 June 2019		-	-
Effects of adoption of MFRS 16	41.1	58,590	236
Additions		4,691	-
Exchange differences		565	-
Lease payments		(30,886)	(130)
Interest expenses		2,154	10
As at 31 May 2020		35,114	116

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

6. LEASES (CONTINUED)

Lease liabilities (continued)

31 May 2020	Group RM'000	Company RM'000
Represented by:		
Current liabilities	24,126	116
Non-current liabilities	10,988	-
	35,114	116
Lease liabilities owing to financial institutions	6,353	116
Lease liabilities owing to non-financial institutions	28,761	-
	35,114	116

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

- (b) The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	5 to 99 years
Buildings	2 to 5 years
Storage tanks	2 to 8 years
Motor vehicles	2 to 5 years
Plant and machinery	2 to 5 years
Computer software	1 year
Office equipment	2 to 5 years

- (c) As at 31 May 2020, certain land of the Group and of the Company with a total carrying amount of RM27,006,000 and RM21,411,000 respectively have been charged to banks for banking facilities granted to the Group as disclosed in Note 24 to the financial statements.

- (d) The Group has certain leases of assets with lease term of 12 months or less and low value leases of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

- (e) The following are the amounts recognised in profit or loss:

31 May 2020	Group RM'000	Company RM'000
Represented by:		
Depreciation charge of right-of-use assets (included in cost of sales, distribution costs and administrative expenses)	27,597	381
Interest expense on lease liabilities (included in finance costs)	2,154	9
Expense relating to short-term leases and leases of low-value assets (included in administrative expenses)	1,220	-
	30,971	390

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

7. INVESTMENT PROPERTIES

Group

2020	Balance as at 1.6.2019 RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2020 RM'000
Carrying amount			
Freehold land at cost	20	-	20
Buildings at cost	317	(11)	306
	337	(11)	326

2019	Balance as at 1.6.2018 RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2019 RM'000
Carrying amount			
Freehold land at cost	20	-	20
Buildings at cost	328	(11)	317
	348	(11)	337

	Group	
	2020 RM'000	2019 RM'000
Fair value	940	940

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investments properties are fifty (50) years.
- (c) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM15,000 (2019: RM18,000).
- (d) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM10,000 (2019: RM10,000).
- (e) The fair value of investment properties for disclosure purposes, which are at Level 3 fair value, was recommended by the Directors as at the end of reporting period based on indicative market value of similar properties in the vicinity on a price per square foot basis.
- (f) The investment properties of the Group are mainly used to generate rental income. However, the fair value of the investment properties reflects the highest and best use of the said properties should the investment properties be disposed. Currently, management does not intend to dispose off the investment properties and the existing use of the investment properties remains for rental purposes.

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Quoted shares in Malaysia, at cost	35,217	35,217
Unquoted shares, at cost	264,256	167,756
Equity loans	120,000	100,000
	419,473	302,973
Less: Impairment losses of investments in unquoted shares	(114,576)	(96,262)
	304,897	206,711

- (a) Investments in subsidiaries are measured 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.

All components of non-controlling interests shall be initially measured at fair value on the acquisition date, unless another measurement basis is required by MFRS. The choice of the measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) Management reviews the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amounts of the investments in subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or the value-in-use of the respective subsidiaries. The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate pre-tax discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to support their income and cash flows. Significant judgements and estimates had also been used to determine the key assumptions applied to the cash flow projections, which includes the profit margins, growth rates, and the appropriate pre-tax discount rates used for each of the subsidiary. Impairment losses are made when the carrying amount of the investment in subsidiaries exceed its recoverable amount.

Impairment loss of RM18,314,000 (2019: RM87,059,000) was recognised to bring the carrying amount to their recoverable amount due to decline in operations of certain subsidiaries of the Company.

- (c) The details of the subsidiaries are disclosed in Note 40(a) to the financial statements.
- (d) Quoted investments in subsidiaries with a carrying amount of RM34,178,000 (2019: RM28,288,000) and quoted investments held by a subsidiary with a carrying amount of RM71,764,000 (2019: RM64,973,000) have been charged to licensed banks for credit facilities granted to the Company as disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000	Puncak Berlian Sdn. Bhd.# RM'000	Others* RM'000	Total RM'000
2020					
NCI percentage of ownership interest and voting interest (%)	49.7%	54.9%			
Carrying amount of NCI	95,870	9,940	-	6,044	111,854
(Loss)/Profit allocated to NCI	(8,598)	793	-	(1,391)	(9,196)
Other comprehensive loss allocated to NCI	(1,724)	-	-	-	(1,724)
Total comprehensive (loss)/income allocated to NCI	(10,322)	793	-	(1,391)	(10,920)
2019					
NCI percentage of ownership interest and voting interest (%)	51.0%	54.9%			
Carrying amount of NCI	120,312	10,911	-	8,220	139,443
(Loss)/Profit allocated to NCI	(2,993)	925	(13,820)	(1,315)	(17,203)
Other comprehensive income allocated to NCI	3,916	-	-	-	3,916
Total comprehensive income/(loss) allocated to NCI	923	925	(13,820)	(1,315)	(13,287)

Puncak Berlian Sdn. Bhd. ceased to be a subsidiary and became an associate of the Group on 31 May 2019. Further details are disclosed in Note 8.7(b) to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000
2020		
Assets and liabilities		
Non-current assets	286,231	33,501
Current assets	344,686	15,813
Non-current liabilities	(49,140)	(10,082)
Current liabilities	(273,872)	(8,899)
Net assets	307,905	30,333
Results		
Revenue	1,136,305	30,930
(Loss)/Profit for the financial year	(25,705)	631
Total comprehensive (loss)/income	(29,496)	631
Cash flows from operating activities	92,740	7,741
Cash flows used in investing activities	(4,683)	(1,739)
Cash flows used in financing activities	(75,112)	(6,944)
Net increase/(decrease) in cash and cash equivalents	12,945	(942)
Dividend paid to NCI	-	1,764
2019		
Assets and liabilities		
Non-current assets	277,350	32,375
Current assets	443,327	16,053
Non-current liabilities	(45,604)	(9,053)
Current liabilities	(334,218)	(7,909)
Net assets	340,855	31,466
Results		
Revenue	1,560,354	29,697
(Loss)/Profit for the financial year	(4,520)	769
Total comprehensive income	2,125	769
Cash flows (used in)/from operating activities	(1,648)	4,461
Cash flows used in investing activities	(3,384)	(4,740)
Cash flows used in financing activities	(31,264)	(2,727)
Net decrease in cash and cash equivalents	(36,296)	(3,006)
Dividend paid to NCI	-	1,764

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.1 Acquisition of additional interest in subsidiaries

- (a) On 19 July 2019, Redberry Sdn. Bhd. ('RBSB') has entered into a share sale agreement with Puncak Berlian Sdn. Bhd. ('PBSB') for the acquisition of the following companies ('Acquired Companies'):
- Redberry Ambient Sdn. Bhd. ('RBA') comprising 3,760,000 ordinary shares, representing 83.9% equity interest in RBA for cash consideration of RM1,300,000.
 - Redberry Outdoors Sdn. Bhd. ('RBO') comprising 4,499,000 ordinary shares, representing 90% equity interest in RBO for cash consideration of RM1.
 - Ten Plus Resources Sdn. Bhd. ('TPSB') comprising 90,000 ordinary shares, representing 90% equity interest in TPSB for cash consideration of RM1.
 - Redberry Media Sdn. Bhd. ('RBM') comprising 49,000 ordinary shares, representing 49% equity interest in RBM for cash consideration of RM1.
 - Redberry Advertising Sdn. Bhd. (formerly known as Point Cast (M) Sdn. Bhd.), ('RASB') comprising 2,500,000 ordinary shares, representing 100% equity interest in RASB for cash consideration of RM1.

Upon completion of the acquisition above on 6 August 2019, the Acquired Companies shall remain subsidiaries of the Group.

(b) In the previous financial year:

- (i) On 13 July 2018, the Group via Perusahaan Kimia Gemilang Sdn. Bhd. ('PKG'), a subsidiary of the Group held through Nylex (Malaysia) Berhad ('Nylex'), has acquired remaining 100,000 shares in Dynamic Chemical Pte. Ltd. ('DYM'), representing 10% equity interest in DYM, for a cash consideration of USD 170,000 (equivalent to RM686,000). As a result, DYM became a wholly-owned subsidiary of PKG on the same date.
- (ii) On 4 July 2012, the Company acquired one (1) ordinary share of RM1 each, representing 33.3% of the share capital of Advanced Technology Studies Centre Sdn. Bhd. ('ATSC') from Lee Nan Phin ('LNP'), a Director of a subsidiary of the Company, iEnterprise Online Sdn. Bhd. ('IEOL') by way of disposal of 594,000 ordinary shares of RM1 each or 33% equity interest held by the Company in IEOL to LNP ('Share Exchange').

On 31 May 2019, both the Company and LNP reversed the above said transaction whereby the Company will transfer its one (1) ordinary share in ATSC back to LNP and LNP will transfer his 594,000 ordinary shares in IEOL to the Company ('Transaction').

Upon completion of the Transaction, Ancom's shareholding in IEOL will be increased from 64.3% to 97.3% and its shareholding in ATSC is reduced to 32.4% indirectly via IEOL and hence, ATSC ceased to be a subsidiary of the Group and became an associate of the Group on the same date.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.2 Acquisition of subsidiaries

(a) During the financial year:

- (i) The Group via its subsidiary, PKG, had on 14 June 2019 entered into a share sale agreement with Retromark Solutions Sdn. Bhd. ('RMSB') for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in Ancom Kimia Sdn. Bhd. ('AKM') for a total consideration of RM1,000,000. Upon completion of the acquisition on 8 July 2019, AKM became a 60% owned subsidiary of PKG on the same date.

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	RM'000
Property, plant and equipment (Note 5)	175
Trade and other receivables	11,524
Other investments	166
Current tax assets	550
Cash and bank balances	152
Deferred tax liabilities (Note 14)	(7)
Trade and other payables	(9,688)
Net assets	2,872
NCI at the date of acquisition	(1,149)
Goodwill (Note 13)	277
Total deemed purchase consideration	2,000
Less: Fair value of interests retained	(1,000)
Cost of acquisition	1,000
Cash inflow on acquisition:	
Cash and bank balances of a subsidiary acquired	152
Net cash inflow on acquisition	152

- (ii) On 16 July 2019, the Group via its subsidiary, Genovasi Malaysia Sdn. Bhd. ('GMSB') acquired one (1) ordinary share, representing 100% equity interest in Genovasi Malaysia DT Sdn. Bhd. for a cash consideration of RM1. The acquisition did not have any material impact to the Group.
- (iii) On 4 November 2019, GMSB acquired one hundred (100) ordinary shares, representing 100% equity interest in Genovasi University College Sdn. Bhd. for a cash consideration of RM100. The acquisition did not have any material impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.2 Acquisition of subsidiaries (continued)

(b) In the previous financial year:

- (i) On 7 December 2018, the Group via its wholly-owned subsidiary, Ancom Crop Care Sdn. Bhd. ('ACC'), acquired the following:
- one (1) ordinary share, representing 100% equity interest in Common Feed Sdn. Bhd. (formerly known as Budi Prospek Sdn. Bhd.) ('CFSB') for a cash consideration of RM1; and
 - one (1) ordinary share, representing 100% equity interest in Vanguard Express Sdn. Bhd. for a cash consideration of RM1.

The acquisition did not have any material impact to the Group.

- (ii) On 1 March 2019, the Company acquired one (1) ordinary share, representing 100% equity interest in Media Works Sdn. Bhd. ('MWSB') for a cash consideration of RM1. The acquisition did not have any material impact to the Group.

8.3 Disposal of subsidiaries

- (a) During the financial year, the Company disposed its entire equity interest in MWSB for a cash consideration of RM1. Upon completion of the disposal, MWSB ceased to be a subsidiary of the Group on the same date.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the disposal were as follows:

	RM'000
Property, plant and equipment (Note 5)	58
Intangible assets (Note 12)	283
Trade and other receivables	3,354
Cash and bank balances	115
Trade and other payables	(6,579)
Net liabilities disposed	(2,769)
Proceeds from disposal	*
Gain on disposal of a subsidiary	(2,769)
Cash outflow on disposal of a subsidiary	
Sale proceeds from disposal	*
Cash and bank balances of a subsidiary disposed	(115)
Net cash outflow on disposal	(115)

* Representing RM1.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.3 Disposal of subsidiaries (continued)

- (b) The Group via its subsidiary, Nylex, had on 30 March 2018 entered into a Share Sales Agreement with Bon Kok Meng and Astachem Holdings Sdn. Bhd. ('ASCH') for disposal of the total 2,200,000 ordinary shares, representing 100% of the issued and paid-up share capital in NYL Logistics Sdn. Bhd. ('NYL'), a 60% owned subsidiary of Nylex, to ASCH for a total consideration of RM14,400,000. Upon completion of the disposal on 28 June 2018, NYL ceased to be a subsidiary of the Group on the same date.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the disposal were as follows:

	RM'000
Property, plant and equipment	824
Trade and other receivables	1,874
Cash and bank balances	2,453
Trade and other payables	(1,060)
Net assets disposed	4,091
NCI derecognised	(1,636)
Goodwill	4,762
	7,217
Proceeds from disposal	(8,640)
Gain on disposal of a subsidiary	(1,423)
Cash inflow on disposal of a subsidiary	
Sale proceeds from disposal	8,640
Cash and bank balances of a subsidiary disposed	(2,453)
Fixed deposits with maturity of more than three months	496
Net cash inflow on disposal	6,683

8.4 Dilution of equity interests in subsidiaries

- (a) During the financial year:

- (i) RBSB disposed of 180,000 ordinary shares, representing 30% equity interest in Redberry Retail Sdn. Bhd. ('RRSB') to OMG Live Limited ('OMG') for a cash consideration of RM1. Upon completion of the disposal, RRSB became a 70% owned subsidiary of the Group on the same date.
- (ii) RBSB disposed of 448,380 ordinary shares, representing 10% equity interest in RBA for cash consideration of RM155,000. Upon completion of the disposal, RBA became a 73.9% owned subsidiary of the Group on the same date.

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.4 Dilution of equity interests in subsidiaries (continued)

(b) In the previous financial year:

- (i) RBSB had on 18 July 2018, entered into a Share Sale Agreement with OMG for the disposal of 856,255 ordinary shares, representing 5% equity interest in PBSB to OMG for a cash consideration of RM2,631,000. Upon completion of the disposal on 7 September 2018, PBSB became a 70% owned subsidiary of the Group.
- (ii) the Company disposed of 1,278,200 ordinary shares in Ancom Logistics Berhad ('ALB') for a total cash consideration of RM130,000. The disposal resulted in a reduction of equity interest in ALB from 45.3% to 45.1%. The disposal did not have any material financial impact to the Group.
- (iii) the Company disposed of its entire equity interest in Ancom Energy & Services Sdn. Bhd. ('AES') to Ancom Components Sdn. Bhd. for cash consideration of RM1. The disposal resulted in a reduction of effective equity interest in AES from 100.0% to 66.7%. The disposal did not have any material financial impact to the Group.
- (iv) the Group's equity interest in Entopest Environmental Services Sdn. Bhd. ('EES') decreased from 99.9% to 90.0% following the issuance of new ordinary shares to NCI. The dilution of equity interest did not have any material financial impact to the Group.

8.5 Equity loan

Equity loans to subsidiaries, which are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future, and are considered to be part of the investments of the Company in providing the subsidiaries with a long term source of additional capital.

During the financial year, the Directors of the Company have reassessed the nature of the amounts owing by subsidiaries and determined that a portion of the outstanding balance amounting to RM20,000,000 shall constitute as equity loans to a subsidiary, which are unsecured, interest-free and settlement was neither planned nor likely to occur in the foreseeable future, and were considered to be part of the Company's net investment in providing the subsidiary with a long term source of additional capital.

Impairment for equity loans to subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

No expected credit loss is recognised arising from equity loans to subsidiaries of the Company as it is negligible.

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8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.6 Common control transactions

- (a) During the financial year, RBSB disposed of its entire equity interest in the following subsidiaries to Redberry Holdings Sdn. Bhd. (formerly known as Redberry Barter Sdn. Bhd.):
- (i) Redberry Contact Center Sdn. Bhd. comprising 5,335,000 ordinary shares for cash consideration of RM4,531,000;
 - (ii) Twinstar Synergy Sdn. Bhd. comprising 1,000,000 ordinary shares for cash consideration of RM1;
 - (iii) Redberry Screens Sdn. Bhd. comprising 2 ordinary shares for cash consideration of RM2;
 - (iv) Digital Showcase Sdn. Bhd. comprising 1 ordinary share for cash consideration of RM1;
 - (v) Wheel Sport Management Sdn. Bhd. comprising 335,000 ordinary shares for cash consideration of RM1;
 - (vi) Redberry Animation Sdn. Bhd. comprising 51,000 ordinary shares for cash consideration of RM1;
 - (vii) RRSB comprising 420,001 ordinary shares for cash consideration of RM1;
 - (viii) KHK Media Sdn. Bhd. comprising 1 ordinary share for cash consideration of RM1;
 - (ix) ActMedia (M) Sdn. Bhd. comprising 750,000 ordinary shares for cash consideration of RM1; and
 - (x) PBSB comprising 5,137,530 ordinary shares for cash consideration of RM1.

The above transactions did not have any material impact to the Group.

- (b) During the financial year, RBSB disposed of its entire equity interest in the Acquired Companies to Digital Showcase Sdn. Bhd. for cash consideration of RM1,145,000.
- (c) In the previous financial year:
- (i) the Company acquired 4,000,000 ordinary shares of average price of RM0.60 each in Nylex from Rhodemark Development Sdn. Bhd. ('RDSB') for a consideration of RM2,570,000. The acquisition did not have any material financial impact to the Group.
 - (ii) the Group completed an internal restructuring whereby the Company transferred its entire equity interest in ACC to Ancom Agrichemical Sdn. Bhd. ('AASB'), for a consideration of RM96,500,000 and recognised a gain on disposal of RM80,000,000. The consideration was satisfied by way of issuing and allotting 150,000 ordinary shares in AASB to the Company at RM643.33 per ordinary share. ACC has earlier disposed the entire equity interests in five (5) subsidiaries, namely Ancom Bioscience Sdn. Bhd., Ancom Nutrifooods Sdn. Bhd., Polytenesides Sdn. Bhd., EES and BPSB to AASB for a total consideration of RM5,200,000.

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.7 Derecognition of subsidiaries

(a) AKM

On 25 October 2018, PKG entered into a Share Sale Agreement with RSSB for the disposal of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM, a 60% owned subsidiary of PKG, to RSSB for a total consideration of RM1,000,000. Upon completion of the above disposal on 30 November 2018, AKM ceased to be a subsidiary and became an associate of PKG on the same date.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the derecognition were as follows:

	RM'000
Property, plant and equipment	1
Trade and other receivables	12,719
Other investments	184
Current tax assets	197
Cash and bank balances	5,779
Deferred tax liabilities	(3)
Trade and other payables	(15,341)
Net assets disposed	3,536
NCI derecognised	(1,865)
Goodwill	1,276
	2,947
Fair value of interest retained	(1,000)
Total disposal proceeds	(1,000)
Loss on derecognition of a subsidiary	947

Cashflow from derecognition of a subsidiary

Sale proceeds from derecognition	1,000
Cash and bank balances of a subsidiary derecognised	(5,779)
Net cash outflow on derecognition	(4,779)

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.7 Derecognition of subsidiaries (continued)

(b) PBSB

RBSB had on 19 April 2019, entered into a Share Sale Agreement ('SSA') with VGI Global Media (Malaysia) Sdn. Bhd. ('VGI Malaysia') for the disposal of 6,850,042 ordinary shares, representing 40% of the issued and paid-up share capital in PBSB held by RBSB to VGI Malaysia for a consideration of RM9,600,000, subject to the terms and conditions stipulated in the SSA ('Proposal of PBSB') and the fulfilment of the conditions precedent.

Upon completion of the Proposal of PBSB on 31 May 2019, PBSB ceased to be a subsidiary of RBSB and became an associate of RBSB on the same date.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the derecognition were as follows:

	RM'000
Property, plant and equipment	10,123
Intangible assets (Note 12)	10
Deferred tax assets	582
Trade and other receivables	29,772
Other investments	8,327
Current tax assets	1,011
Cash and bank balances	5,459
Borrowings	(2,780)
Trade and other payables	(74,199)
Net liabilities disposed	(21,695)
NCI derecognised	195
Goodwill	14,912
	(6,588)
Fair value of interest retained	(7,200)
Total disposal proceeds	(9,600)
Gain on derecognition of a subsidiary	(23,388)
Cashflow from derecognition of a subsidiary	
Sale proceeds from derecognition	9,600
Bank overdrafts	2,717
Cash and bank balances of a subsidiary derecognised	(5,459)
Net cash inflow on derecognition	6,858

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	25,128	26,128	9,149	9,149
Share of post-acquisition reserves	(7,799)	(5,270)	-	-
	17,329	20,858	9,149	9,149
Less: Impairment losses	(9,462)	(8,850)	(9,149)	(6,302)
	7,867	12,008	-	2,847

- (a) Investments in associates are measured at cost less impairment losses in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.
- (b) On 14 June 2019, PKG has entered into a share sale agreement with RSSB for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM for a total consideration of RM1,000,000 ('Proposed Acquisition of AKM'). Upon completion of the Proposed Acquisition of AKM on 8 July 2019, AKM ceased to be the associate of PKG and became a 60% owned subsidiary of PKG.
- (c) RBSB had on 19 April 2019, entered into a Share Sale Agreement with VGI Malaysia for the disposal of 6,850,042 ordinary shares, representing 40% of the issued and paid-up share capital in PBSB held by RBSB to VGI Malaysia for a consideration of RM9,600,000. Upon completion of the above disposal on 31 May 2019, PBSB ceased to be a subsidiary of RBSB and became an associate of RBSB on the same date.
- (d) On 25 October 2018, PKG entered into a Share Sale Agreement with RSSB for the disposal of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM, a 60% owned subsidiary of PKG, to RSSB for a total consideration of RM1,000,000. Upon completion of the above disposal on 30 November 2018, AKM ceased to be a subsidiary of PKG and became an associate of PKG on the same date.
- (e) On 24 October 2018, a wholly-owned subsidiary of Nylex, Nycon Manufacturing Sdn. Bhd. ('Nycon') has acquired thirty (30) shares in RSSB, representing 30% equity interest in RSSB, for a cash consideration of RM1,250,000. As a result, RSSB became an associate of Nycon on the same date.
- (f) In the previous financial year, the Group via PKG and ACC have acquired 1,000,000 shares in DJ Money Matters Sdn. Bhd. ('DJ Money'), representing 50% equity interest in DJ Money for a total consideration of RM2,000,000. As a result, DJ Money became an associate of the Group.
- (g) One Chem Terminal Sdn. Bhd. ('OCT') and PBSB has a financial year end of 31 December and 31 March respectively. Therefore, the financial statements of OCT and PBSB are not coterminous with the Group. In applying the equity method of accounting, the unaudited financial statements of OCT and PBSB for financial period ended 31 May 2020 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.
- (h) The details of the associates are disclosed in Note 40(b) to the financial statements.
- (i) Summarised financial information of the associates are not disclosed as it is immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN ASSOCIATES (CONTINUED)

(j) The aggregate amount of the associates results shared by the Group during the financial year are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Share of losses	(2,788)	(244)
Share of other comprehensive income	-	-
Share of total comprehensive loss	(2,788)	(244)

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

(l) Impairment loss on investments in associates of the Group amounted to RM612,000 were recognised during the financial year as RSSB became dormant during the financial year.

(m) During the financial year, investments in associates of the Company amounted to RM2,847,000 has been fully impaired .

10. INVESTMENTS IN JOINT VENTURES

	Group	
	2020	2019
	RM'000	RM'000
Unquoted shares, at cost	540	540
Share of post-acquisition reserves	(540)	(540)
	-	-

(a) Investments in joint ventures is stated at cost in the separate financial statements. The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) The details of the joint ventures are disclosed in Note 40(c) to the financial statements.

(c) Senandung Sonik Sdn. Bhd. ('SSSB') and TeaFM Radio Sdn. Bhd. ('TeaFM') are unlisted separate entities whose quoted market prices are not available. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to assets and obligation for liabilities of the joint arrangement resting primarily with SSSB and TeaFM.

(d) The joint ventures are not allowed to distribute their profits prior to the consent of the venture partners.

(e) Summarised financial information of joint ventures are not disclosed as it is immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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11. OTHER INVESTMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	148	147	-	-
Unquoted shares in Malaysia	-	170	-	-
Club memberships	300	300	243	243
	448	617	243	243
Current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	638	662	-	-
Unit trusts	2,650	2,380	-	-
	3,288	3,042	-	-

- (a) Unit trusts of the Group are categorised as Level 2 in the fair value hierarchy. Fair values of unit trusts is determined by reference to closing price at the end of the reporting period.
- (b) Club memberships are categorised as Level 3 in the fair value hierarchy. Fair values of club memberships is determined by reference to club memberships price.
- (c) Sensitivity analysis for other investments is not disclosed as it is immaterial to the Group.
- (d) There is no transfer between levels in the hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS

Group

	Balance as at 1.6.2019 RM'000	Effects of adoption of MFRS 16 (Note 41.1) RM'000	Disposal of a subsidiary (Note 8.3(a)) RM'000	Additions RM'000	Written off RM'000	Reclassification from right-of-use assets RM'000	Amortisation during the financial year RM'000	Balance as at 31.5.2020 RM'000
2020								
Carrying amount								
Rights	20,516	-	(283)	-	-	-	(2,581)	17,652
Computer software	4,979	(585)	-	724	-	360	(1,675)	3,803
Development expenditure	560	-	-	1	(41)	-	(7)	513
	26,055	(585)	(283)	725	(41)	360	(4,263)	21,968

	Balance as at 1.6.2018 RM'000	Disposal of a subsidiary (Note 8.7(b)) RM'000	Additions RM'000	Reclassification from property, plant and equipment (Note 5) RM'000	Reclassification from other receivables RM'000	Amortisation during the financial year RM'000	Balance as at 31.5.2019 RM'000
2019							
Carrying amount							
Rights	2,430	-	-	-	20,000	(1,914)	20,516
Computer software	970	(10)	837	4,058	-	(876)	4,979
Development expenditure	391	-	169	-	-	-	560
	3,791	(10)	1,006	4,058	20,000	(2,790)	26,055

NOTES TO THE FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS (CONTINUED)

	Company	
	2020 RM'000	2019 RM'000
Computer software		
Balance as at 1 June 2019/2018	2	7
Amortisation during the financial year	(2)	(5)
Balance as at 31 May 2020/2019	-	2

- (a) Rights represent audio and visual advertising network distributions secured by the Group for media sales. These are recognised as assets at the acquisition date and initially measured at cost. After initial recognition, the rights are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.
- (b) Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
- (c) Development expenditure comprise salaries of personnel involved in the development and design of products prior to commencement of commercial production.
- (d) Amortisation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal amortisation periods are as follows:

Rights	5 to 10 years
Computer software	3 to 5 years
Development expenditure	5 years

- (e) The following describes the key assumptions used on which the Group has based its cash flow projections for the purposes of the impairment test on individual cash generating units ('CGU') held as Rights:

Media Segment

- i. Cash flows were projected based on financial budgets approved by the CGU. The budgets covered a period of four (4) years, in accordance with the remaining years of utilisation of the Rights.
- ii. The revenue to be derived from the Rights is anticipated to be at least RM400,000 per year from financial year 2021 to financial year 2024.
- iii. Discount rates used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU. The average discount rate applied on the cash flow projections is 4% (2019: 5%).

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

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13. GOODWILL ON CONSOLIDATION

	Note	Group	
		2020 RM'000	2019 RM'000
Balance as at 1 June 2019/2018		77,926	94,975
Acquisition of a subsidiary	8.2(a)(i)	277	-
Disposal/Derecognition of subsidiaries		-	(20,950)
Impairment loss on goodwill on consolidation		(5,500)	-
Foreign exchange differences		(4,373)	3,901
Balance as at 31 May 2020/2019		68,330	77,926

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy for foreign currencies.

Impairment loss on goodwill on consolidation amounting to RM5,500,000 was recognised during the financial year due to adverse adjustments made to the forecasted operating cash flows included in the value in use due to the Covid-19 pandemic.

(a) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs which has been identified according to business segments as follows:

	Group	
	2020 RM'000	2019 RM'000
Industrial chemicals	61,593	71,190
Polymer	97	96
Media	4,155	4,155
Others	2,485	2,485
	68,330	77,926

(b) Recognition and measurement of impairment loss

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

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the Directors are of the opinion that all the CGUs are held on a long-term basis, the value-in-use would best reflect their recoverable amount. The value-in-use is determined by discounting future cash flows over a relevant period. The future cash flows are based on management's business plans, which is the best estimate of future performance. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each CGU.

There remains a risk that the ability to achieve management's business plans may be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions.

13. GOODWILL ON CONSOLIDATION (CONTINUED)

- (b) Recognition and measurement of impairment loss (continued)

Industrial chemicals and Polymer CGUs

The key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:

- (i) Discount rates used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU. The average discount rate applied on the cash flow projections is 4% (2019: 5%).
- (ii) Growth rate used is based on historical trends of each CGU taking into account the industry outlook. The average growth rate is 3.3% (2019: 3.5%) per annum.
- (iii) The profit margin applied to the projections are the average gross margins achieved in the year immediately before the budgeted year adjusted for expected efficiency improvements or deficiency.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use of the polymer CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

For the industrial chemicals CGU, the estimated recoverable amount is higher than its carrying amount. The implication of the key assumptions for the recoverable amount is discussed below:

I. Discount rate assumptions

The discount rate calculation is based on the specific circumstances of the Group and its operating segments which takes into account both debt and equity of the Company. The management has considered the possibility of greater than forecasted discount rate.

Based on the sensitivity analysis performed by the management, increase of 100 basis point in the discount rate used would not result in any impairment.

II. Growth rate assumptions

Management has considered that a possibility of a weaker than the anticipated growth rate which may occur if the industrial chemicals CGU does not perform as per expected results. The effect of bearish future growth performance is not expected to have an adverse impact on forecasts included in the budget, where a reduction in 100 basis point of the growth rate used would not result in any impairment of the balance.

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13. GOODWILL ON CONSOLIDATION (CONTINUED)

- (b) Recognition and measurement of impairment loss (continued)

Media CGU

The key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:

- (i) Growth rate used is based on the historical trends of the CGU. The average growth rate is 1.0% (2019: 1.0%) per annum.
- (ii) Discount rates used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU. The average discount rate applied on the cash flow projections is 4% (2019: 5%).

Management is not aware of any reasonable possible changes in the key assumptions, which would cause the carrying amount of the media CGU to materially exceed its recoverable amount.

Other CGUs

The management is not aware of any reasonable possible changes which would cause the carrying amount of the CGUs to materially exceed its recoverable amount.

14. DEFERRED TAX (ASSETS)/LIABILITIES

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Balance as at 1 June 2019/2018	(15,470)	(16,300)	248	255
Recognised in profit or loss (Note 32)	470	309	20	(7)
Disposal/Derecognition of subsidiaries	-	579	-	-
Acquisition of a subsidiary (Note 8.2 (a)(i))	7	-	-	-
Foreign exchange differences	(118)	(58)	-	-
	359	830	20	(7)
Balance as at 31 May 2020/2019	(15,111)	(15,470)	268	248
Presented after appropriate offsetting as follows:				
Deferred tax assets, net*	(25,988)	(26,453)	-	-
Deferred tax liabilities, net*	10,877	10,983	268	248
	(15,111)	(15,470)	268	248

* The amount of set-off between deferred tax assets and deferred tax liabilities was RM2,096,000 (2019: RM423,000) for the Group.

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14. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

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

Deferred tax liabilities of the Group	Property, plant and equipment RM'000
2020	
Balance as at 1 June 2019	11,406
Recognised in profit or loss	1,569
Acquisition of a subsidiary	4
Foreign exchange differences	(6)
Balance as at 31 May 2020	12,973
2019	
Balance as at 1 June 2018	12,042
Recognised in profit or loss	(82)
Disposal/Derecognition of subsidiaries	(542)
Foreign exchange differences	(12)
Balance as at 31 May 2019	11,406

Deferred tax assets of the Group	Provision for liabilities RM'000	Unutilised tax losses and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
2020				
Balance as at 1 June 2019	(3,699)	(22,131)	(1,046)	(26,876)
Recognised in profit or loss	(1,522)	452	(29)	(1,099)
Acquisition of a subsidiary	3	-	-	3
Foreign exchange differences	(28)	(83)	(1)	(112)
Balance as at 31 May 2020	(5,246)	(21,762)	(1,076)	(28,084)
2019				
Balance as at 1 June 2018	(5,214)	(22,073)	(1,055)	(28,342)
Recognised in profit or loss	1,522	(1,154)	23	391
Disposal/Derecognition of subsidiaries	(3)	1,124	-	1,121
Foreign exchange differences	(4)	(28)	(14)	(46)
Balance as at 31 May 2019	(3,699)	(22,131)	(1,046)	(26,876)

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14. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

(c) The components and movements of deferred tax liabilities of the Company during the financial year are as follows:

Deferred tax liabilities of the Company	Property, plant and equipment RM'000
2020	
Balance as at 1 June 2019	248
Recognised in profit or loss	20
Balance as at 31 May 2020	268
2019	
Balance as at 1 June 2018	255
Recognised in profit or loss	(7)
Balance as at 31 May 2019	248

(d) The amounts of temporary differences for which no deferred tax assets have been recognised in the consolidated statement of financial position are as follows:

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	124,771	94,539
Unabsorbed capital allowances	19,008	16,071
Others	(8,788)	(4,564)
	134,991	106,046

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not certain that these subsidiaries will have future taxable profits to offset the unutilised tax losses and unabsorbed capital allowances.

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to guidelines issued by 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.

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14. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

- (d) The amounts of temporary differences for which no deferred tax assets have been recognised in the statement of financial position are as follows: (continued)

Unutilised tax losses	Group	
	2020 RM'000	2019 RM'000
No expiry date	34,033	27,161
Expires by year of assessment 2020	3,321	3,321
Expires by year of assessment 2021	661	661
Expires by year of assessment 2022	779	779
Expires by year of assessment 2023	519	519
Expires by year of assessment 2024	3,650	3,650
Expires by year of assessment 2025	7,790	6,896
Expires by year of assessment 2026	51,203	51,552
Expires by year of assessment 2027	22,815	-
	124,771	94,539

15. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
At cost		
Raw materials and consumables	37,122	40,522
Packing materials	353	585
Work-in-progress	4,268	3,407
Finished goods	48,084	62,763
Inventory-in-transit	1,108	100
	90,935	107,377
At net realisable value		
Raw materials and consumables	3,455	5,597
Finished goods	34,483	57,894
	37,938	63,491
	128,873	170,868

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula and weighted average method. Cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present condition and location. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour, other direct cost and an appropriate portion of production overheads based on normal operating capacity of the production facilities.

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,216,232,000 (2019: RM1,661,162,000). The Group has also written down inventories by RM562,000 (2019: RM422,000) to their net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

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16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables				
Third parties	219,885	288,981	-	-
Related parties	1,191	1,016	-	-
	221,076	289,997	-	-
Less: Impairment losses	(21,856)	(23,129)	-	-
	199,220	266,868	-	-
Other receivables				
Third parties	35,243	41,018	5,557	5,047
Related parties	17,625	16,827	-	-
Deposits	27,622	36,718	15	15
	80,490	94,563	5,572	5,062
Less: Impairment losses	(13,732)	(14,112)	(293)	(87)
	66,758	80,451	5,279	4,975
Total receivables	265,978	347,319	5,279	4,975
Deferred expenditures	10,128	15,970	-	-
Prepayments	11,173	18,643	1	-
	21,301	34,613	1	-
	287,279	381,932	5,280	4,975

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from one (1) month to four (4) months (2019: one (1) month to four (4) months). They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.
- (c) Amounts owing from related parties in other receivables are unsecured, interest-free and payable within next twelve months or upon demand in cash and cash equivalents.
- (d) The currency exposure profile of trade and other receivables are disclosed in Note 35(i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Recognition and measurement of impairment loss

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the twelve (12) months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

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

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

The individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.

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

Lifetime expected loss provision for trade receivables of the Group are as follows:

	Gross carrying amount RM'000	Lifetime expected loss RM'000	Net carrying amount RM'000
2020			
Collective assessment			
Not past due	130,900	(586)	130,314
Past due			
1 to 30 days	35,084	(564)	34,520
31 to 60 days	16,048	(793)	15,255
Over 60 days	13,373	(4,999)	8,374
	64,505	(6,356)	58,149
Individual assessment	25,671	(14,914)	10,757
	221,076	(21,856)	199,220

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16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Recognition and measurement of impairment loss (continued)

2019	Gross carrying amount RM'000	Lifetime expected loss RM'000	Net carrying amount RM'000
Collective assessment			
Not past due	206,646	(1,317)	205,329
Past due			
1 to 30 days	31,391	(704)	30,687
31 to 60 days	11,474	(704)	10,770
Over 60 days	10,363	(6,171)	4,192
	53,228	(7,579)	45,649
Individual assessment	30,123	(14,233)	15,890
	289,997	(23,129)	266,868

Trade receivables are not secured by any collateral or credit enhancement.

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

Impairment for other receivables, amounts owing by subsidiaries, amounts owing by associates and amounts owing by joint ventures are recognised based on the 3 stages general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk as twenty percent (20%) on relative basis and including operating performance of the receivables, payment trends and past due information.

The probability of non-payment by other receivables and inter-companies are adjusted by forward-looking information (i.e. unemployment rate, gross domestic products growth rate and inflation rate) and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables and inter-company balances.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

NOTES TO THE FINANCIAL STATEMENTS

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16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(f) Movement in impairment loss are as follows:

	Group	
	2020 RM'000	2019 RM'000
Trade receivables		
As at 1 June 2019/2018	23,129	25,591
Charge for the financial year	1,842	4,331
Reversal of impairment loss	(2,674)	(3,183)
Written off	(458)	(1,946)
Exchange differences	17	32
Disposal of subsidiaries	-	(1,696)
As at 31 May 2020/2019	21,856	23,129

	12-month ECL RM'000	Credit impaired RM'000	Total RM'000
Other receivables			
Group			
As at 1 June 2019	306	13,806	14,112
Charge for the financial year	224	844	1,068
Reversal of impairment loss	-	(1,273)	(1,273)
Written off	-	(175)	(175)
As at 31 May 2020	530	13,202	13,732
As at 1 June 2018	308	14,451	14,759
Charge for the financial year	91	84	175
Reversal of impairment loss	(31)	(580)	(611)
Written off	(62)	-	(62)
Derecognition/Disposal of subsidiaries	-	(149)	(149)
As at 31 May 2019	306	13,806	14,112
Company			
As at 1 June 2019	87	-	87
Charge for the financial year	108	98	206
As at 31 May 2020	195	98	293
As at 1 June 2018	-	-	-
Charge for the financial year	87	-	87
As at 31 May 2019	87	-	87

(g) Information on financial risks of trade and other receivables are disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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17. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Amounts owing by subsidiaries	24,463	132,969
Less: Impairment losses	(3,602)	(7,830)
	20,861	125,139

- (a) Amounts owing by subsidiaries are classified as financial assets measured at amortised cost.
- (b) The amounts owing by subsidiaries represent advances and payments made on behalf, which are interest-free, unsecured and payable within next twelve months or upon demand in cash and cash equivalents except for an amount of RM2,652,000 (2019: RM22,922,000), which bears interest ranging from 3.5% to 6.0% (2019: 6.0%) per annum.
- (c) Amounts owing by subsidiaries are denominated in RM.
- (d) Recognition and measurement of impairment loss

Impairment for amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

Movements in the impairment allowance for amounts owing by subsidiaries are as follows:

Company	12-month ECL RM'000	Credit impaired RM'000	Total RM'000
As at 1 June 2019	540	7,290	7,830
Charge for the financial year	-	1,679	1,679
Reversal of impairment loss	(201)	(5,706)	(5,907)
As at 31 May 2020	339	3,263	3,602
As at 1 June 2018	761	3,729	4,490
Charge for the financial year	-	5,441	5,441
Reversal of impairment loss	(221)	(1,880)	(2,101)
As at 31 May 2019	540	7,290	7,830

- (e) Information on financial risks of amounts owing by subsidiaries are disclosed in Note 35 to the financial statements.

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18. AMOUNTS OWING BY/(TO) ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amounts owing by associates	21,787	29,582	4,392	4,172
Less: Impairment losses	(13,222)	(11,138)	(138)	(105)
	8,565	18,444	4,254	4,067
Amounts owing to associates	(62)	(8,399)	-	-

- (a) Amounts owing by associates are classified as financial assets measured at amortised cost.
- (b) Amounts owing to associates are classified as financial liabilities measured at amortised cost.
- (c) The amounts owing by/(to) associates represent balances arising from trade transactions, advances and payments made on behalf which are unsecured, interest-free and payable within next twelve months or upon demand in cash and cash equivalents. The trade transactions are carried out based on normal trade terms as disclosed in Notes 16(b) and 28(b) to the financial statements.
- (d) Amounts owing by/(to) associates are denominated in RM.
- (e) Recognition and measurement of impairment loss

Impairment for amounts owing by associates are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

Movements in the impairment allowance for amounts owing by associates are as follows:

	12-month ECL RM'000	Credit impaired RM'000	Total RM'000
Group			
As at 1 June 2019	105	11,033	11,138
Charge for the financial year	-	2,084	2,084
As at 31 May 2020	105	13,117	13,222
As at 1 June 2018/31 May 2019	105	11,033	11,138
Company			
As at 1 June 2019	105	-	105
Charge for the financial year	-	33	33
As at 31 May 2020	105	33	138
As at 1 June 2018/31 May 2019	105	-	105

- (f) Information on financial risks of amounts owing by/(to) associates are disclosed in Note 35 to the financial statements.

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19. AMOUNTS OWING BY JOINT VENTURES

	Group	
	2020 RM'000	2019 RM'000
Amounts owing by joint ventures	93	93
Less: Impairment losses	(93)	(88)
	-	5

- (a) Amounts owing by joint ventures are classified as financial assets measured at amortised cost.
- (b) The amounts owing by joint ventures represent advances and payments made on behalf, which are unsecured, interest free and payable within next twelve months or upon demand in cash and cash equivalents.
- (c) Amounts owing by joint ventures are denominated in RM.
- (d) Recognition and measurement of impairment loss

Impairment for amounts owing by joint ventures are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

Movements in the impairment allowance for amounts owing by joint ventures are as follows:

Group	Credit impaired RM'000	Total RM'000
As at 1 June 2019	88	88
Charge for the financial year	5	5
As at 31 May 2020	93	93
As at 1 June 2018/31 May 2019	88	88

20. CONTRACT LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
Contract liabilities		
Deferred revenue	(3,970)	(16,790)

Deferred revenue is recognised as revenue when performance obligations are satisfied.

NOTES TO THE FINANCIAL STATEMENTS

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21. CASH AND BANK BALANCES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short term deposits with licensed banks	17,090	20,108	-	-
Cash and bank balances	80,025	64,093	36	35
	97,115	84,201	36	35

- (a) Short term deposits of the Group amounting to RM148,000 (2019: RM143,000) have been pledged to licensed banks for banking facilities granted to certain subsidiaries of the Group as disclosed in Note 24 to the financial statements.
- (b) The currency exposure profiles of cash and bank balances are disclosed in Note 35(i) to the financial statements.
- (c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	97,115	84,201	36	35
Less:				
Short term deposits with maturity period more than three (3) months	(3,659)	(2,227)	-	-
Short term deposits pledged with licensed banks	(148)	(143)	-	-
Bank overdrafts (Note 24)	(20,259)	(18,918)	(9,883)	(12,124)
As reported in statements of cash flows	73,049	62,913	(9,847)	(12,089)

- (d) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group, and earn interest at respective short term deposits rates.
- (e) No expected credit losses were recognised arising from the deposits with licensed banks because the probability of default by these license banks were negligible.
- (f) Information on financial risks of cash and bank balances are disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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22. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares	RM'000	Number of shares	RM'000
Issued and fully paid:				
As at 1 June 2019/2018	240,849,284	245,766	218,956,342	218,956
Bonus issue	-	-	21,892,942	21,893
Transfer from capital redemption reserve pursuant to Section 618(2) of the Companies Act 2016	-	-	-	4,917
As at 31 May 2020/2019	240,849,284	245,766	240,849,284	245,766

- (a) In the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM218,956,342 to RM245,766,284 by way of:
- issuance of 21,892,942 new ordinary shares at RM21,892,942 on the basis of one (1) bonus share for every ten (10) existing ordinary shares held by the shareholders of the Company; and
 - transfer of capital redemption reserve pursuant to Section 618(2) of the Companies Act 2016 amounting to RM4,917,000 to become part of the Company's share capital.
- (b) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.
- (c) Treasury shares

During the financial year, the Company repurchased its issued ordinary shares from the open market as summarised below:

Month	Number of shares repurchased	Purchase price			Total consideration RM'000
		Lowest RM	Highest RM	Average RM	
June 2019	429,900	0.44	0.48	0.46	202
July 2019	549,600	0.46	0.50	0.48	261
August 2019	663,400	0.45	0.48	0.47	312
September 2019	764,900	0.46	0.50	0.48	360
October 2019	2,099,400	0.46	0.50	0.48	1,002
November 2019	3,688,400	0.46	0.48	0.47	1,774
December 2019	314,600	0.49	0.61	0.55	156
March 2020	85,200	0.38	0.69	0.54	55
	8,595,400				4,122

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22. SHARE CAPITAL (CONTINUED)

(c) Treasury shares (continued)

As at 31 May 2020, a total of 18,483,359 (2019: 9,887,959) treasury shares at a total cost of RM9,688,000 (2019: RM5,566,000) are held by the Company. The shares repurchased are being held as treasury shares in accordance with Section 127(4) (b) of the Companies Act 2016 and listing requirements and applicable guideline of Bursa Securities.

The number of ordinary shares as at 31 May 2020 net of treasury shares is 222,365,925 (2019: 230,961,325).

23. RESERVES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-distributable				
Capital reserve	273	273	-	-
Exchange translation reserve	10,752	10,706	-	-
Distributable				
Retained earnings	64,604	64,283	3,668	18,029
	75,629	75,262	3,668	18,029

Exchange translation reserve

The exchange translation reserve is used to record foreign currency 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. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

NOTES TO THE FINANCIAL STATEMENTS

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24. BORROWINGS

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current liabilities					
Unsecured					
Revolving credits		4,250	-	4,250	-
Secured					
Hire purchase and lease creditors	26	-	4,190	-	116
Revolving credits		24,750	-	24,750	-
Term loans		41,847	46,580	-	1,680
		66,597	50,770	24,750	1,796
		70,847	50,770	29,000	1,796
Current liabilities					
Unsecured					
Bankers' acceptances		79,980	115,765	-	-
Bank overdrafts		3,989	5,943	3,989	5,943
Revolving credits		56,400	57,700	6,000	11,200
Trust receipts		33,449	33,478	-	-
Term loans		-	506	-	-
Others		-	840	-	-
		173,818	214,232	9,989	17,143
Secured					
Bankers' acceptances		-	624	-	624
Bank overdrafts		16,270	12,975	5,894	6,181
Revolving credits		20,252	44,270	20,250	44,270
Trust receipts		6,752	10,115	-	-
Hire purchase and lease creditors	26	-	3,803	-	120
Term loans		9,843	7,337	1,680	1,548
Others		24,286	24,682	-	-
		77,403	103,806	27,824	52,743
		251,221	318,038	37,813	69,886
Total borrowings					
Bankers' acceptances		79,980	116,389	-	624
Bank overdrafts	21	20,259	18,918	9,883	12,124
Revolving credits		105,652	101,970	55,250	55,470
Trust receipts		40,201	43,593	-	-
Hire purchase and lease creditors	26	-	7,993	-	236
Term loans	25	51,690	54,423	1,680	3,228
Others		24,286	25,522	-	-
		322,068	368,808	66,813	71,682

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

24. BORROWINGS (CONTINUED)

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The secured borrowings of the Group are secured by the following:
- (i) a fixed charge over certain land and buildings of the Group and of the Company as disclosed in Notes 5 and 6 to the financial statements;
 - (ii) a fixed charge over the vessel and equipment of the Group as disclosed in Note 5 to the financial statements;
 - (iii) a charge over certain quoted shares of quoted subsidiaries of the Company and a charge over certain quoted investments held by a subsidiary as disclosed in Note 8 to the financial statements;
 - (iv) pledge of short term deposits of the Group with licensed banks as disclosed in Note 21 to the financial statements; and
 - (v) assignment of insurance policies covering stock in trade in favour of the bank of certain subsidiaries.
- (c) The secured borrowings of the Company are secured by the following:
- (i) a fixed charge over the land and buildings of the Company and a subsidiary; and
 - (ii) certain shares of a quoted subsidiary and shares of an unquoted subsidiary.
- (d) The currency exposure profiles of borrowings are disclosed in Note 35(i) to the financial statements.
- (e) Information on financial risks of borrowings are disclosed in Note 35 to the financial statements.

25. TERM LOANS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current liabilities				
- not later than one year	9,843	7,843	1,680	1,548
Non-current liabilities				
- later than one year and not later than five years	41,591	26,891	-	1,680
- later than five years	256	19,689	-	-
	41,847	46,580	-	1,680
	51,690	54,423	1,680	3,228

NOTES TO THE FINANCIAL STATEMENTS

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26. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Minimum hire purchase and lease payments:				
- not later than one year	-	4,146	-	130
- later than one year and not later than five years	-	4,406	-	119
Total minimum hire purchase and lease payments	-	8,552	-	249
Less: Future interest charges	-	(559)	-	(13)
Present value of hire purchase and lease payments	-	7,993	-	236
Repayable as follows:				
Current liabilities:				
- not later than one year	-	3,803	-	120
Non-current liabilities:				
- later than one year and not later than five years	-	4,190	-	116
	-	7,993	-	236

27. PROVISION FOR RETIREMENT BENEFITS

	Group	
	2020 RM'000	2019 RM'000
Balance as at 1 June 2019/2018	4,666	4,672
Actuarial loss/(gain) from re-measurement	58	(56)
Expense recognised in profit or loss	513	545
Benefits paid	(775)	(471)
Foreign exchange differences	99	(24)
Balance as at 31 May 2020/2019	4,561	4,666

The retirement benefit obligation is a post-employment benefit plan under which the Group is obligated to pay eligible employees a fixed percentage on the average annual salary for each completed year of service.

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31 May 2020

27. PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

- (a) The Group provides retirement benefit obligations for qualifying employees of its overseas subsidiaries, PT Nylex Indonesia and PT PKG Lautan Indonesia., in accordance with the legislations established in Indonesia.

The principal actuarial assumptions used are as follows:

Indonesia	2020 %	2019 %
Discount rate	8.1 - 8.5	8.5 - 8.8
Annual salary increment	8.0 - 10.0	8.0 - 10.0

The management believes that no reasonably possible changes in any of the above key assumptions would lead to significant changes to the present value of the retirement obligations.

- (b) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below:

	2020 RM'000	2019 RM'000
Discount rate		
- if increase 1%	(238)	(211)
- if decrease 1%	247	256
Annual salary increment		
- if increase 1%	245	250
- if decrease 1%	(238)	(211)

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables	98,773	136,574	-	-
Other payables	27,454	46,134	265	404
Deposits	263	35	121	-
Accruals	27,574	33,177	1,088	1,093
Total payables	154,064	215,920	1,474	1,497
Derivative liabilities	8	-	-	-
	154,072	215,920	1,474	1,497

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

28. TRADE AND OTHER PAYABLES (CONTINUED)

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost except for hedge derivative liabilities, which are classified as financial liabilities measured at fair value through profit or loss.
- (b) The normal credit terms available to the Group in respect of trade payables ranged from 30 to 90 days (2019: 30 to 90 days) from date of invoice.
- (c) The Group use forward currency derivatives to manage some of the foreign transaction exposure. These derivatives are not designated as cash flow or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- (d) Derivative liabilities of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (e) Fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.
- (f) The currency exposure profiles of trade and other payables are disclosed in Note 35(i) to the financial statements.
- (g) Information on financial risks of trade and other payables are disclosed in Note 35 to the financial statements.

29. AMOUNTS OWING TO SUBSIDIARIES

- (a) Amounts owing to subsidiaries are classified as financial liabilities measured at amortised cost.
- (b) The amounts owing to subsidiaries represent advances and payments made on the Company's behalf by the subsidiaries, which are unsecured, interest-free and payable within next twelve months or upon demand in cash and cash equivalents, except for an amount of RM55,482,000 (2019: RM35,275,000), which is subject to interest ranging from 3.5% - 7.5% (2019: 6.0% - 7.5%) per annum.
- (c) Amounts owing to subsidiaries are denominated in RM.
- (d) Information on financial risks of amounts owing to subsidiaries are disclosed in Note 35 to the financial statements.

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30. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Revenue from contracts with customers</i>				
Recognised at point in time:				
Sale of goods	1,385,242	1,840,215	-	-
Services rendered	36,661	47,414	-	-
Recognised over time:				
Services rendered	44,343	92,862	-	-
	1,466,246	1,980,491	-	-
<i>Other revenue</i>				
Rental income	6,039	6,400	1,951	1,942
Interest income	-	-	554	1,521
Dividend income:				
- Unquoted investments in Malaysia	-	-	5	-
- Quoted subsidiaries	-	-	320	919
- Unquoted subsidiaries	-	-	12,800	15,229
	-	-	13,125	16,148
	1,472,285	1,986,891	15,630	19,611

(a) Revenue from contracts with customers is disaggregated in Note 4 to the financial statements by geographical area.

(b) Sale of goods

Revenue from the sale of goods is recognised when the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

(c) Services rendered

Revenue in respect of the rendering of services is recognised when performance obligation is satisfied at point in time or over time.

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(e) Interest income

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

(f) Dividend income

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

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31. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense on:				
- amounts owing to subsidiaries	-	-	2,871	2,570
- bank overdrafts	1,335	1,688	1,051	1,271
- term loans, revolving credits and bankers' acceptances	12,527	16,009	3,150	3,162
- lease liabilities	2,154	-	10	-
- others	3,054	3,818	35	25
	19,070	21,515	7,117	7,028

32. TAXATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current taxation				
- Malaysian income tax	13,610	19,726	325	397
- Foreign income tax	3,374	2,535	-	-
	16,984	22,261	325	397
Under/(Over) provision in prior years:				
- Malaysian income tax	633	984	(91)	26
- Foreign income tax	(27)	(4)	-	-
	606	980	(91)	26
	17,590	23,241	234	423
Deferred tax (Note 14)				
Relating to origination and reversal of temporary differences	534	(190)	(24)	(21)
(Over)/Under provision in prior years	(64)	499	44	14
	470	309	20	(7)
	18,060	23,550	254	416

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profit for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in the respective jurisdictions.

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32. TAXATION (CONTINUED)

- (c) The numerical reconciliations between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(Loss)/Profit before taxation	(832)	21,479	(14,107)	(5,222)
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	(200)	5,155	(3,386)	(1,253)
Tax effects in respect of:				
Non-allowable expenses	16,377	15,584	8,330	25,230
Non-taxable income	(5,514)	(11,504)	(4,643)	(23,601)
Tax incentives and allowances	(55)	(55)	-	-
Deferred tax assets not recognised	7,925	12,726	-	-
Effect of changes in tax rate	440	-	-	-
Share of results of associates	(669)	59	-	-
Utilisation of unrecognised tax losses and capital allowances	(978)	(9)	-	-
Different tax rates in foreign jurisdictions	192	115	-	-
	17,518	22,071	301	376
Under/(Over) provision in prior years:				
- income tax	606	980	(91)	26
- deferred tax	(64)	499	44	14
	542	1,479	(47)	40
	18,060	23,550	254	416

- (d) Tax savings of the Group are as follows:

	Group	
	2020 RM'000	2019 RM'000
Utilisation of unrecognised tax losses and capital allowances	978	9
Utilisation of tax incentives and allowances	55	55

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33. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share for the financial year has been calculated based on the consolidated (loss)/profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue (after adjusting for treasury shares) during the financial year.

	Group	
	2020	2019
(Loss)/Profit attributable to owners of the parent (RM'000)	(9,696)	15,132
Weighted average number of ordinary shares in issue ('000)	225,184	234,814
Basic (loss)/earnings per ordinary share for the financial year (sen)	(4.31)	6.44

(b) Diluted (loss)/earnings per ordinary share

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted (loss)/earnings per ordinary share equals basic (loss)/earnings per ordinary share.

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while it maintains acceptable capital ratios in order to support its business and maximise shareholder value. The overall strategy of the Group remains unchanged from that in financial year ended 31 May 2019.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 May 2020 and 31 May 2019.

The Group monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to owners of parent. Net debt are calculated as total borrowings and lease liabilities owing to financial institutions net of cash and bank balances.

		Group	
	Note	2020	2019
		RM'000	RM'000
Borrowings	24	322,068	368,808
Lease liabilities owing to financial institutions	6	6,353	-
Short term deposits with licensed bank	21	(17,090)	(20,108)
Cash and bank balances	21	(80,025)	(64,093)
Net debt		231,306	284,607
Total equity attributable to owners of the parent		311,707	315,462
Gearing ratio		0.74	0.90

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34. CAPITAL MANAGEMENT (CONTINUED)

Pursuant to the requirements of Practice Note No. 17/2005, of the Bursa Securities, the Group is required to maintain a consolidated shareholders' equity equal or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 May 2020.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

The main risk arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks and these are summarised below:

(i) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its net investments in overseas subsidiaries and normal trading activities, both external and intra-group, where the currency denomination differs from the functional currency, Ringgit Malaysia. The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income against local currency costs.

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional currency	Ringgit Malaysia ('RM') RM'000	Indonesian Rupiah ('IDR') RM'000	United States Dollar ('USD') RM'000	Vietnamese Dong ('VND') RM'000	Total RM'000
31 May 2020					
Trade and other receivables					
United States Dollar	53,830	165	-	-	53,995
Singapore Dollar	628	-	1,081	-	1,709
Indonesian Rupiah	-	-	15,953	-	15,953
Japanese Yen	161	-	-	-	161
	54,619	165	17,034	-	71,818
Cash and bank balances					
United States Dollar	22,394	2,172	-	11	24,577
Indonesian Rupiah	-	-	2,312	-	2,312
Ringgit Malaysia	-	-	39	-	39
Singapore Dollar	1,791	-	1,203	-	2,994
Japanese Yen	732	-	2	-	734
	24,917	2,172	3,556	11	30,656

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency risk (continued)

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: (continued)

Functional currency	Ringgit Malaysia ('RM') RM'000	Indonesian Rupiah ('IDR') RM'000	United States Dollar ('USD') RM'000	Vietnamese Dong ('VND') RM'000	Total RM'000
31 May 2020					
Borrowings					
United States Dollar	55,142	-	-	-	55,142
Trade and other payables					
United States Dollar	7,936	8	-	23	7,967
Singapore Dollar	168	-	3,993	-	4,161
New Zealand Dollar	3	-	-	-	3
Indonesian Rupiah	-	-	2,754	-	2,754
Hong Kong Dollar	65	-	-	-	65
Ringgit Malaysia	-	-	366	-	366
	8,172	8	7,113	23	15,316
Lease liabilities					
United States Dollar	-	-	-	8,806	8,806
Singapore Dollar	-	-	10,472	-	10,472
Ringgit Malaysia	-	-	2,959	-	2,959
	-	-	13,431	8,806	22,237
31 May 2019					
Trade and other receivables					
United States Dollar	66,852	-	-	-	66,852
Singapore Dollar	1,360	-	1,498	-	2,858
Indonesian Rupiah	-	-	18,230	-	18,230
Japanese Yen	368	-	-	-	368
	68,580	-	19,728	-	88,308
Cash and bank balances					
United States Dollar	9,303	1,454	-	76	10,833
Indonesian Rupiah	-	-	4,371	-	4,371
Ringgit Malaysia	-	-	18	-	18
Singapore Dollar	2,108	-	1,172	-	3,280
Japanese Yen	297	-	2	-	299
	11,708	1,454	5,563	76	18,801

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency risk (continued)

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: (continued)

Functional currency	Ringgit Malaysia ('RM') RM'000	Indonesian Rupiah ('IDR') RM'000	United States Dollar ('USD') RM'000	Vietnamese Dong ('VND') RM'000	Total RM'000
31 May 2019					
Borrowings					
United States Dollar	59,175	-	-	6,513	65,688
Trade and other payables					
United States Dollar	18,842	5	-	3,118	21,965
Singapore Dollar	46	-	2,595	-	2,641
New Zealand Dollar	52	-	-	-	52
Indonesian Rupiah	-	-	1,122	-	1,122
Ringgit Malaysia	-	-	367	-	367
	18,940	5	4,084	3,118	26,147

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the foreign currencies strengthened or weakened by 3% and exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group	
	2020 RM'000 (Decrease)/ Increase	2019 RM'000 (Decrease)/ Increase
Loss after taxation		
RM/USD - strengthen by 3%	(300)	(42)
- weaken by 3%	300	42
IDR/USD - strengthen by 3%	(53)	33
- weaken by 3%	53	(33)
VND/USD - strengthen by 3%	201	(218)
- weaken by 3%	(201)	218
USD/SGD - strengthen by 3%	278	(2)
- weaken by 3%	(278)	2
USD/IDR - strengthen by 3%	(354)	490
- weaken by 3%	354	(490)

The Group's loss after taxation is not sensitive to other foreign currencies.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings, and is managed through the use of fixed and floating rate borrowings and deposits.

The following tables set out the carrying amounts, the effective annual interest rates as at the end of reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

Group	Effective annual interest rate %	Within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 May 2020					
Fixed rates					
Short term deposits with licensed banks	1.90% - 3.50%	17,090	-	-	17,090
Lease liabilities	3.50% - 6.20%	24,126	10,466	522	35,114
Floating rates					
Bankers' acceptances	3.25% - 4.01%	79,980	-	-	79,980
Bank overdrafts	6.45% - 7.15%	20,259	-	-	20,259
Revolving credits	3.56% - 5.18%	76,652	29,000	-	105,652
Trust receipts	2.43% - 5.80%	40,201	-	-	40,201
Other borrowings	2.19% - 9.35%	24,286	-	-	24,286
Term loans	4.00% - 6.15%	9,843	41,591	256	51,690
As at 31 May 2019					
Fixed rates					
Short term deposits with licensed banks	3.05% - 5.70%	20,108	-	-	20,108
Hire purchase and lease creditors	3.07% - 7.60%	3,803	4,190	-	7,993
Floating rates					
Bankers' acceptances	4.11% - 5.70%	116,389	-	-	116,389
Bank overdrafts	7.55% - 7.76%	18,918	-	-	18,918
Revolving credits	4.95% - 8.73%	101,970	-	-	101,970
Trust receipts	5.59% - 6.69%	43,593	-	-	43,593
Other borrowings	3.27% - 9.75%	25,522	-	-	25,522
Term loans	5.41% - 6.72%	7,843	26,891	19,689	54,423

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the effective annual interest rates as at the end of reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk: (continued)

Company	Effective annual interest rate %	Within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 May 2020					
Fixed rates					
Amounts owing by subsidiaries	3.50% - 6.00%	2,652	-	-	2,652
Lease liabilities	2.60%	116	-	-	116
Amounts owing to subsidiaries	3.50% - 7.50%	55,482	-	-	55,482
Floating rates					
Bank overdrafts	6.50% - 7.15%	9,883	-	-	9,883
Revolving credits	5.00% - 5.18%	26,250	29,000	-	55,250
Term loans	5.00% - 6.15%	1,680	-	-	1,680
As at 31 May 2019					
Fixed rates					
Amounts owing by subsidiaries	6.00%	22,922	-	-	22,922
Hire purchase and lease creditors	2.60%	120	116	-	236
Amounts owing to subsidiaries	6.00% - 7.50%	35,275	-	-	35,275
Floating rates					
Bankers' acceptances	5.36% - 5.91%	624	-	-	624
Bank overdrafts	7.76% - 8.51%	12,124	-	-	12,124
Revolving credits	5.25% - 7.25%	55,470	-	-	55,470
Term loans	6.35%	1,548	1,680	-	3,228

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the carrying amount of fixed rate financial instruments of the Group and of the Company are measured at amortised cost. Therefore, no sensitivity analysis for fixed rate instruments was prepared as the change in market interest rate at the end of the reporting period would not affect profit or loss.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk (continued)

Sensitivity analysis for floating rate instruments

As at 31 May 2020, if there was a variation in interest rates by 10 basis points with all other variables held constant, the Group's and the Company's loss after tax for the financial year, arising mainly as a result of higher or lower interest expense on variable borrowings, would have been:

Effects on loss after tax	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
10 basis point higher	245	274	51	54
10 basis point lower	(245)	(274)	(51)	(54)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Liquidity risk

It is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate for the Group's operations.

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

2020	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	154,072	-	-	154,072
Amounts owing to associates	62	-	-	62
Lease liabilities	25,158	11,177	550	36,885
Borrowings	257,172	77,222	266	334,660
Total undiscounted financial liabilities	436,464	88,399	816	525,679
Company				
Financial liabilities				
Trade and other payables	1,474	-	-	1,474
Amounts owing to subsidiaries	56,001	-	-	56,001
Lease liabilities	119	-	-	119
Borrowings	39,236	30,479	-	69,715
Total undiscounted financial liabilities	96,830	30,479	-	127,309

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Liquidity risk (continued)

2019	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	215,920	-	-	215,920
Amounts owing to associates	8,399	-	-	8,399
Borrowings	321,245	38,764	19,995	380,004
Total undiscounted financial liabilities	545,564	38,764	19,995	604,323
Company				
Financial liabilities				
Trade and other payables	1,497	-	-	1,497
Amounts owing to subsidiaries	42,103	-	-	42,103
Borrowings	70,060	1,848	-	71,908
Total undiscounted financial liabilities	113,660	1,848	-	115,508

(iv) Credit risk

Cash deposits and receivables may give rise to credit risk, which requires the loss to be recognised if a counter party failed to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period granted by the Group ranged from one (1) month to four (4) months (2019: one (1) month to four (4) months). Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In respect of the cash and bank balances placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Exposure to credit risk

At the end of the reporting period, the maximum exposures to credit risk of the Group and of the Company are represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the end of the reporting period, the Group did not have any significant exposure to any individual customer or counter party nor did it have any major concentration of credit risk related to any financial instruments.

At the end of the reporting period, the Company did not have any significant exposure to any individual customer or counter party nor did it have any major concentration of credit risk related to any financial instruments other than the amounts owing by subsidiaries of RM20,861,000 (2019: RM125,139,000).

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36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Group has related party relationship with its subsidiaries, associates and joint ventures as disclosed in Note 40 to the financial statements, and which Directors have substantial direct/indirect shareholding.

(b) Significant related parties transactions

In addition to the related parties information detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

	Group	
	2020	2019
	RM'000	RM'000
Sales to a company in which a Director of the Company have substantial indirect shareholding	1,432	1,227
Sales to associates	-	3,579
Interest income from associates	184	157
Purchases from companies in which certain Directors of the Company have substantial indirect shareholding	1,958	7,805
Purchases from associates	656	142,035
Professional fees paid to firms in which certain Directors of the Company are Partners	69	17
Rental income from associates	783	67
Rental income from a company in which a Director of the Company have substantial indirect shareholding	424	474
Consultancy fees paid to a company in which a Director of the Company have substantial indirect shareholding	266	258

NOTES TO THE FINANCIAL STATEMENTS

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36. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related parties transactions (continued)

In addition to the related parties information detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year: (continued)

	Company	
	2020	2019
	RM'000	RM'000
Professional fees paid to firms in which certain Directors of the Company are Partners	69	17
Purchases from companies in which certain Directors of the Company have substantial indirect shareholding	421	574
Rental income from an associate	64	67
Rental income from a company in which certain Directors of the Company have substantial indirect shareholding	424	446

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

(c) Compensation of key management personnel

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

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fees	1,349	1,430	478	409
Short term employee benefits	15,296	19,889	919	1,338
Defined contribution plan	1,497	1,330	38	70
Other emoluments	1,268	492	427	20
	19,410	23,141	1,862	1,837

NOTES TO THE FINANCIAL STATEMENTS

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37. COMMITMENTS

(a) Capital commitments

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

	Group	
	2020 RM'000	2019 RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	2,109	1,534
Approved but not contracted for	39,154	1,662
	41,263	3,196

(b) Operating lease commitments

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

	Group	
	2020 RM'000	2019 RM'000
Not later than one year	-	17,195
Later than one year and not later than five years	-	24,867
Later than five years	-	1,188
	-	43,250

38. CONTINGENT LIABILITIES

	Company	
	2020 RM'000	2019 RM'000
Secured		
Bank guarantees given by financial institutions for trade performance of certain subsidiaries and working capital purpose	3,607	7,882
Unsecured		
Guarantees given to third parties in respect of trade performance of certain subsidiaries	240	1,317
Guarantees given to financial institutions in respect of credit facilities granted to certain subsidiaries	52,813	45,423
	53,053	46,740
	56,660	54,622

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

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

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39. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and wages	90,225	96,140	919	1,338
Defined contribution plan	10,068	10,373	38	70
Provision for retirement benefits	513	545	-	-
Other benefits	3,003	1,849	408	-
	103,809	108,907	1,365	1,408

Included in the employee benefits of the Group and of the Company are Executive Directors remuneration and other emoluments amounting to RM8,427,000 (2019: RM13,017,000) and RM1,365,000 (2019: RM1,408,000) respectively.

40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) Details of subsidiaries are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
<i>Direct:</i>				
Ancom Properties Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Rhodemark Development Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Ancom Agrichemical Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
@ HSO Business Systems Sdn. Bhd.	Malaysia	48.0%	48.0%	Dormant
iEnterprise Online Sdn. Bhd.	Malaysia	97.3%	97.3%	Development of IT systems and providing IT related consultancy services
WorldSQL.com Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Jirnexu Advisory Sdn. Bhd. (formerly known as Ascension Lab Sdn. Bhd.)	Malaysia	100.0%	100.0%	Development of IT systems and providing IT related consultancy services
* Ancom Components Sdn. Bhd.	Malaysia	66.7%	66.7%	Manufacturing and marketing of low voltage switchgear
Redberry Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding and provision of media advertising
Redberry Holdings Sdn. Bhd. (formerly known as Redberry Barter Sdn. Bhd.)	Malaysia	100.0%	100.0%	Investment holding
Ancom Management Services Sdn. Bhd.	Malaysia	100.0%	100.0%	Provision of management services

NOTES TO THE FINANCIAL STATEMENTS

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40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
<i>Direct: (continued)</i>				
Genovasi Malaysia Sdn. Bhd.	Malaysia	60.0%	60.0%	Provide education, training, advisory and consulting services
Synergy Tanker Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Media Works Sdn. Bhd.	Malaysia	-	100.0%	Provision of online advertising
<i>Indirect:</i>				
Ancom Crop Care Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and marketing of agricultural chemical products
Ancom Bioscience Sdn. Bhd.	Malaysia	100.0%	100.0%	Trading of agricultural chemical products
Polytensides Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and sale of agricultural chemical products
Ancom Energy & Services Sdn. Bhd.	Malaysia	66.7%	66.7%	Marketing of low voltage switchgear
Timber Preservatives Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and distribution of timber and preservatives related chemical products
Ancom Nutrifoods Sdn. Bhd.	Malaysia	100.0%	100.0%	General trading and investment holding
* Ancom do Brasil Ltda	Brazil	99.9%	99.9%	Dormant. Holder of licenses for certain agricultural chemical products
* Ancom Australia Pty. Ltd.	Australia	100.0%	100.0%	Dormant. Holder of licenses for certain agricultural chemical products
* Malancom Agrochemicals (Pte) Limited	South Africa	100.0%	100.0%	Dormant. Holder of licenses for certain agricultural chemical products
* ChemResources China (Agencies) Limited	Hong Kong	100.0%	100.0%	Trading of chemical products
Entopest Environmental Services Sdn. Bhd.	Malaysia	90.0%	90.0%	Provision of pest control, hygiene and sanitation services

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
<i>Indirect: (continued)</i>				
Entopest Environmental Services (PG) Sdn. Bhd.	Malaysia	90.0%	90.0%	Provision of pest control, hygiene and sanitation services
Common Feed Sdn. Bhd. (formerly known as Budi Prospek Sdn. Bhd.)	Malaysia	100.0%	100.0%	Dormant
Vanguard Express Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Ⓐ Redberry Media Sdn. Bhd.	Malaysia	49.0%	14.7%	Provision of media related services
Redberry Outdoors Sdn. Bhd.	Malaysia	90.0%	27.0%	Provision of outdoor and transit advertising
Wheel Sport Management Sdn. Bhd.	Malaysia	77.0%	77.0%	Promoters and organiser of motor sports and to buy, sell and deal in all kinds of motors
Redberry Contact Center Sdn. Bhd.	Malaysia	100.0%	100.0%	Providing call centre services
Redberry Events Sdn. Bhd.	Malaysia	90.0%	90.0%	Dormant
Redberry Screens Sdn. Bhd.	Malaysia	100.0%	100.0%	Provision of digital advertising
Redberry Ambient Sdn. Bhd.	Malaysia	73.9%	25.2%	Provision of digital and cinema advertising
* Redberry Animation Sdn. Bhd.	Malaysia	51.0%	51.0%	Dormant
Redberry Advertising Sdn. Bhd. (formerly known as Point Cast (M) Sdn. Bhd.)	Malaysia	100.0%	30.0%	Provision of digital advertising
Ten Plus Resources Sdn. Bhd.	Malaysia	90.0%	27.0%	Dormant
Twinstar Synergy Sdn. Bhd.	Malaysia	100.0%	100.0%	Printing of newspapers, journals, magazines, books and other literary works
Redberry Retail Sdn. Bhd.	Malaysia	70.0%	100.0%	Provision of digital advertising
KHK Media Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Redberry Solution Sdn. Bhd.	Malaysia	51.0%	51.0%	Marketing of credit cards

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
<i>Indirect: (continued)</i>				
[^] # Nylex (Malaysia) Berhad	Malaysia	50.3%	49.0%	Investment holding and manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other polymer products, including geotextiles and prefabricated sub-soil drainage systems
Nycon Manufacturing Sdn. Bhd.	Malaysia	50.3%	49.0%	Dormant
Nylex Polymer Marketing Sdn. Bhd.	Malaysia	50.3%	49.0%	Marketing of polyurethane ('PU') and polyvinyl chloride ('PVC') synthetic leather, films and sheets, geosynthetic and general trading
PT Nylex Indonesia	Indonesia	50.3%	49.0%	Manufacture, marketing and distribution of PVC and PU leathercloth
Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	50.3%	49.0%	Trading in petrochemicals and industrial chemicals
Fermpro Sdn. Bhd.	Malaysia	50.3%	49.0%	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products
Kumpulan Kesuma Sdn. Bhd.	Malaysia	50.3%	49.0%	Manufacture and marketing of sealants and adhesive products
Wedon Sdn. Bhd.	Malaysia	50.3%	49.0%	Marketing of sealants and adhesive products
[@] Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	25.7%	25.0%	Manufacture and sale of chemicals
ALB Marine Sdn. Bhd.	Malaysia	50.3%	49.0%	Carrying out business of ship owning, ship management and charter hire of tanker
[*] Dynamic Chemical Pte. Ltd.	Singapore	50.3%	49.0%	Blending, trading and distribution of industrial chemicals

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
<i>Indirect: (continued)</i>				
* CKG Chemicals Pte. Ltd.	Singapore	50.3%	49.0%	Trading and distribution of industrial chemicals and gasoline blending components
Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	50.3%	49.0%	Manufacture and sale of phosphoric acid
* Perusahaan Kimia Gemilang (Vietnam) Company Ltd.	Vietnam	50.3%	49.0%	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals
@ PT PKG Lautan Indonesia	Indonesia	25.7%	25.0%	Importation and distribution of industrial chemicals
@ Ancom Kimia Sdn. Bhd.	Malaysia	30.0%	-	Distribution of petrochemicals and industrial chemicals
##@ Ancom Logistics Berhad	Malaysia	45.1%	45.1%	Investment holding
@ Synergy Trans-Link Sdn. Bhd.	Malaysia	45.1%	45.1%	Investment holding
@ Ancom-Chemquest Terminals Sdn. Bhd.	Malaysia	23.0%	23.0%	Build, own, operate, lease and manage chemical tank farm and warehouse
@ Pengangkutan Cogent Sdn. Bhd.	Malaysia	45.1%	45.1%	Providing transportation and related services
@ Hikmat Ikhlas Sdn. Bhd.	Malaysia	15.8%	15.8%	Dormant
* Syarikat Wandeerfull Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding, dealing in and subletting of properties
* Wandeerfull Industries Sdn. Bhd.	Malaysia	100.0%	100.0%	Property investment
* Pureplay Interactive Sdn. Bhd.	Malaysia	100.0%	100.0%	Digital marketing, providing web software and consulting services related to information technology
* Syarikat Wandeerfull (Kg Attap) Sdn. Bhd.	Malaysia	100.0%	100.0%	Property investment
Digital Showcase Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Genovasi Malaysia DT Sdn. Bhd.	Malaysia	100.0%	-	Dormant
Genovasi University College Sdn. Bhd.	Malaysia	100.0%	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Details of associates are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
<i>Direct:</i>				
* iSpring Capital Sdn. Bhd.	Malaysia	42.0%	42.0%	Dormant
* Jirnexu Pte. Ltd.	Singapore	22.4%	25.0%	Investment holding
MSTi Corporation Sdn. Bhd.	Malaysia	20.0%	20.0%	Trading of computer hardware and software and rendering of IT related consultancy services
<i>Indirect:</i>				
* Ancom Philippines Inc.	Philippines	39.6%	39.6%	Dormant. Holder of licenses for certain agricultural chemical products
* Tamco Chongqing Switchgear Company Limited	China	22.1%	22.1%	Under voluntary liquidation
* ActMedia (M) Sdn. Bhd.	Malaysia	30.0%	40.0%	Advertising media design and production
* Durian FM Sdn. Bhd.	Malaysia	50.0%	50.0%	Dormant
* Puncak Berlian Sdn. Bhd.	Malaysia	30.0%	30.0%	Investment holding
* One Chem Terminal Sdn. Bhd.	Malaysia	20.1%	19.6%	To operate, lease and manage chemical tank farm and warehouse
* Retromark Solutions Sdn. Bhd.	Malaysia	15.1%	14.7%	Marketing, promoting, distribution and supporting petrochemical and petroleum related products including industrial chemicals
Ancom Kimia Sdn. Bhd.	Malaysia	-	19.1%	Distribution of petrochemicals and industrial chemicals
* DJ Money Matters Sdn. Bhd.	Malaysia	37.6%	37.3%	Money lending business
* Advanced Technology Studies Centre Sdn. Bhd.	Malaysia	32.4%	32.4%	Promoting knowledge and skills development in IT

NOTES TO THE FINANCIAL STATEMENTS

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40. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(c) Details of the joint ventures are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
<i>Indirect:</i>				
* Senandung Sonik Sdn. Bhd.	Malaysia	25.5%	25.5%	Holder of radio license
* TeaFM Radio Sdn. Bhd.	Malaysia	15.3%	15.3%	Internet radio broadcasting

* Not audited by BDO PLT or BDO Member Firms.

^ Percentage shareholding computed based on the number of ordinary shares in issue after deduction of the treasury shares of Nylex.

Ⓐ The Group considers that it controls these subsidiaries even though it owns less than 50% of voting rights. This is because the Group is the single largest shareholder of these companies. Since the date of acquisition of these subsidiaries, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

The financial statements of Nylex were consolidated as a subsidiary as the Group has control over the Board of Nylex.

The financial statements of ALB were consolidated as a subsidiary as the Group has power to govern the financial and operating policies of ALB under a statute or an agreement.

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

41.1 New MFRSs adopted during the financial year

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

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopted)

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 described in the following section.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)**41.1 New MFRSs adopted during the financial year (continued)**MFRS 16 Leases

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the lease liability and right-of-use assets are computed on a forward looking basis from the transition date. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 June 2019. The incremental borrowing rate of the Group applied to the lease liabilities on 1 June 2019 was 3.5% to 6.2%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- (i) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (ii) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 June 2019;
- (iii) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 June 2019 and do not contain a purchase option as short-term leases;
- (iv) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (v) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

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

41.1 New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

On transition to MFRS 16, the Group and the Company recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

Group	Note	As at 31 May 2019 RM'000	Impact RM'000	As at 1 June 2019 RM'000
Right-of-use assets	(a)	-	130,742	130,742
Lease liabilities	(b)	-	58,590	58,590
Property, plant and equipment	5	280,355	(79,560)	200,795
Intangible assets	12	26,055	(585)	25,470
Hire purchase and lease creditor	26	7,993	(7,993)	-
Company				
Right-of-use assets	(a)	-	21,919	21,919
Lease liabilities	(b)	-	236	236
Property, plant and equipment	5	29,738	(21,919)	7,819
Hire purchase and lease creditor	26	236	(236)	-

(a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 May 2019.

(b) Lease liabilities are measured as follows:

Group	2020 RM'000
Operating lease commitments as at 31 May 2019 as disclosed under MFRS 117	43,250
Weighted average incremental borrowing rate as at 1 June 2019	3.5% - 6.2%
Discounted operating lease commitments as at 31 May 2019	40,797
Finance lease liabilities recognised as at 31 May 2019	7,993
Contracts reassessed as lease contract	9,800
Lease liabilities recognised as at 1 June 2019	58,590

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

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

41.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between Investor and its Associate or Joint Venture</i>	Deferred

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

41.3 Financial reporting update

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding "Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)".

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 31 May 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 14 June 2019, PKG has entered into a share sale agreement with RSSB for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM for a total consideration of RM1,000,000 ('Proposed Acquisition'). Upon completion of the Proposed Acquisition on 8 July 2019, AKM became a 60% owned subsidiary of PKG.
- (b) On 19 July 2019, RBSB has entered into a share sale agreement with PBSB for the acquisition of the following companies ('Acquired Companies'):
- Redberry Ambient Sdn. Bhd. ('RBA') comprising 3,760,000 ordinary shares, representing 83.9% equity interest in RBA for cash consideration of RM1,300,000.
 - Redberry Outdoors Sdn. Bhd. ('RBO') comprising 4,499,000 ordinary shares, representing 90% equity interest in RBO for cash consideration of RM1.
 - Ten Plus Resources Sdn. Bhd. ('TPSB') comprising 90,000 ordinary shares, representing 90% equity interest in TPSB for cash consideration of RM1.
 - Redberry Media Sdn. Bhd. ('RBM') comprising 49,000 ordinary shares, representing 49% equity interest in RBM for cash consideration of RM1.
 - Redberry Advertising Sdn. Bhd. (formerly known as Point Cast (M) Sdn. Bhd.) ('RASB') comprising 2,500,000 ordinary shares, representing 100% equity interest in RASB for cash consideration of RM1.

Upon completion of the acquisition above on 6 August 2019, the Acquired Companies shall remain subsidiaries of the Group.

- (c) The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was subsequently extended until 12 May 2020, followed by Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 August 2020.

The Group recognised a total impairment loss of approximately RM5.5 million during the financial year as a result of the COVID pandemic. The details are disclosed in Note 13 to the financial statements.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next twelve (12) months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continue to monitor its fund and operational needs.

- (d) On 14 May 2020, the Company has proposed to undertake the following:
- (i) proposed private placement of up to 10% of the total number of issued shares of Ancom (excluding treasury shares) ('Proposed Private Placement'); and
 - (ii) proposed an issuance of up to 66,233,553 free warrants in Ancom ('Warrants B') on the basis of one (1) warrant B for every four (4) existing ordinary shares in Ancom ('Ancom Shares') held on an entitlement date to be determined and announced later ('Proposed Free Warrants Issue').

NOTES TO THE FINANCIAL STATEMENTS

31 May 2020

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD (CONTINUED)

- (d) On 14 May 2020, the Company has proposed to undertake the following: (continued)

Proposed Private Placement

The Company has further announced on 28 May 2020 that Bursa Securities had, via its letter dated 27 May 2020, approved the listing and quotation of up to 24,084,928 Placement shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the conditions set out in the Bursa Securities' letter.

On 3 June 2020, the Company announced that the issue price for the 1st tranche of the Proposed Private Placement ('1st tranche') has been fixed at RM0.71 per Placement Share and will comprise up to 12,100,000 Placement Shares.

On 17 June 2020, the 1st tranche of the placement of 12,100,000 Placement Shares has been issued and listed on the Main Market of Bursa Securities pursuant to the Proposed Private Placement.

Proposed Free Warrants Issue

The Company has further announced on 7 July 2020 that Bursa Securities had, via its letter dated 6 July 2020, resolved to approve the following:

- (i) admission to the Official List and the listing and quotation of up to 66,223,553 Warrants B to be issued pursuant to the Proposed Free Warrants Issue; and
- (ii) listing and quotation of up to 66,223,553 new Ancom Shares to be issued arising from the exercise of Warrants B.

on the Main Market of Bursa Securities, subject to the conditions set out in the Bursa Securities' letter.

At the Extraordinary General Meeting of the Company held on 12 August 2020, shareholders of the Company had approved the Proposed Free Warrants Issue.

- (e) The Company had on 16 July 2020 announced that the Company and its 45.06% subsidiary, Ancom Logistics Berhad ('ALB'), had entered into a Heads of Agreement ('HOA') with S7 Holdings Sdn. Bhd. ('S7'), Merrington Assets Limited ('MAL'), MY E.G. Capital Sdn. Bhd. ('MYEG Capital') and Avocat Sdn. Bhd. ('Avocat') for the following:

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

- (i) Proposed acquisition by ALB of the entire share capital of S5 Holdings Inc. (Company No.: LL14071) ('S5') from the Vendors at a price to be agreed by the Parties, subject to a valuation report to be issued by an independent valuer to be agreed by the Parties, and in return ALB shall issue new ordinary shares in ALB ('ALB Shares') based on RM0.10 per share ('Consideration Shares') to the Vendors ('Proposed Acquisition');
- (ii) Proposed Mandatory General Offer by the Vendors for the shares of ALB which are not owned by the Vendors upon completion of the Proposed Acquisition ('Proposed Mandatory General Offer');
- (iii) Proposed private placement of new ordinary shares to be issued by ALB after the Proposed Acquisition ('Proposed Private Placement of ALB');
- (iv) Proposed offer for sale of part of the Consideration Shares in ALB to be held by the Vendors upon completion of the Proposed Acquisition to independent third party investors ('Proposed Offer for Sale'); and

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31 May 2020

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD (CONTINUED)

(e) The Company had on 16 July 2020 announced that the Company and its 45.06% subsidiary, Ancom Logistics Berhad ('ALB'), had entered into a Heads of Agreement ('HOA') with S7 Holdings Sdn. Bhd. ('S7'), Merrington Assets Limited ('MAL'), MY E.G. Capital Sdn. Bhd. ('MYEG Capital') and Avocat Sdn. Bhd. ('Avocat') for the following: (continued)

(v) Proposed disposal by ALB of its subsidiaries, namely Synergy Trans-Link Sdn. Bhd., Ancom-Chemquest Terminals Sdn. Bhd. and Pengangkutan Cogent Sdn. Bhd., to Nylex, a 50.25% subsidiary of Ancom, at a valuation to be agreed by ALB and Nylex and upon such terms and conditions to be determined later ('Proposed Disposal'). For avoidance of doubt, the Proposed Acquisition, the Proposed Mandatory General Offer, Proposed Private Placement and Proposed Offer for Sale are not conditional upon the Proposed Disposal.

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

Upon completion of the Proposals, ALB shall cease to be a subsidiary of Ancom.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

The Company did not raise proceeds from any corporate exercise during the financial year.

Audit Fee and Non-Audit Fee

The disclosure on audit fee and non-audit fee paid or payable to the External Auditors of the Company in the financial year is in page 59 to the financial statements.

Material Contracts Involving Directors' / Chief Executive Officer / Major Shareholders' Interests

There was no material contract (other than contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries which involves the interest of Directors, chief executive officer (who is not a Director) and major shareholders, either still subsisting at the end of the financial year ended 31 May 2020 or entered into since the end of the previous financial year.

Employees' Share Option Scheme ("ESOS")

On 18 October 2018, the shareholders of the Company at an Extraordinary General Meeting approved the establishment of an ESOS of up to 10% of the total number of issued shares of the Company at any point in time.

As at 31 May 2020, the Company has not granted any option under the ESOS.

Recurrent Related Party Transactions ("RRPT")

The aggregate value of RRPT made during the financial year, pursuant to the shareholders' mandate obtained at 50th Annual General Meeting of the Company, is as follows:

Related Party	Transacting Party for RRPT	Nature of RRPT	Value of RRPT (RM'000)	Interested directors, major shareholders and connected persons
Malay Mail Sdn. Bhd. ("MMSB")	The Company and its subsidiaries ("Ancom Group")	Provision of advertising space in the newspaper and other media channels by MMSB to Ancom Group	1,321	<ul style="list-style-type: none"> • Dato' Siew Ka Wei • Datin Young Ka Mun • Siew Ka Kheong • Quek Lay Kheng • Siew Nim Chee & Sons Sdn. Bhd. • Silver Dollars Sdn. Bhd.

LIST OF TOP TEN PROPERTIES

(in terms of net book value as at 31 May 2020)

	Owner	Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2020 (RM'000)	Date of Acquisition / Revaluation
1.	Nylex (Malaysia) Berhad	H.S.(D) 256546, Lot 16, Seksyen 15, Bandar Shah Alam, Selangor	Unexpired leasehold interest of 88 years <i>(Expiring on 29 June 2108)</i>	3.02 hectares	Office building and factory Age of buildings: approximately 49 years	29,194	5 May 2011
		H.S.(D) 256546, Lot 16, Seksyen 15, Bandar Shah Alam, Selangor	Unexpired leasehold interest of 88 years <i>(Expiring on 29 June 2108)</i>	1.21 hectares	Warehouse, factory and vacant land Age of buildings: approximately 40 years		
2.	Ancom Berhad	H.S.(D) 7524, No. 2A, Jalan 13/2, Petaling Jaya, Selangor	Unexpired leasehold interest of 85 years <i>(Expiring in 2105)</i>	1.31 hectares	Office and factory buildings Age of buildings: approximately 34 to 45 years	26,636	7 April 2011
3.	Ancom-Chemquest Terminals Sdn. Bhd.	Jeti Petrokimia, Pelabuhan Barat Pelabuhan Klang, Selangor	Unexpired lease period of 4 years <i>(Expiring on 31 August 2024)</i>	9.8 acres	Tank farm, office and warehouse Age of buildings: approximately 23 years	13,767	N/A
4.	Ancom Crop Care Sdn. Bhd.	PN 77684, Lot 39, Seksyen 15, Bandar Shah Alam, Selangor	Unexpired leasehold interest of 88 years <i>(Expiring in 2108)</i>	2.22 hectares	Office and factory buildings Age of buildings: approximately 50 years	14,644	11 May 2011
5.	PT Nylex Indonesia	HGB No. 82, Desa Sumengko Km31, Wringinanom, Gresik 61176 Indonesia	Unexpired leasehold interest of 9 years <i>(Expiring on 12 January 2029)</i>	0.64 hectares	Casting line factory and office Age of buildings: approximately 16 years	12,470	12 May 2011
		HGB No. 82, Desa Sumengko Km31, Wringinanom, Gresik 61176 Indonesia	Unexpired leasehold interest of 9 years <i>(Expiring on 12 January 2029)</i>	5.36 hectares	Calendar line factory and vacant land Age of buildings: approximately 6 years		

LIST OF TOP TEN PROPERTIES

(in terms of net book value as at 31 May 2020)

	Owner	Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2020 (RM'000)	Date of Acquisition / Revaluation
6.	Perusahaan Kimia Gemilang Sdn. Bhd.	H.S.(M) 6259, PT 4228, Mukim of Kapar, Daerah Klang, Selangor	Unexpired leasehold interest of 66 years <i>(Expiring on 9 June 2086)</i>	2.85 hectares	Office building and factory Age of building: approximately 29 years	8,366	7 April 2011
7.	Ancom Crop Care Sdn. Bhd.	P.T. 4227, Mukim of Kapar, Daerah Klang, Selangor	Unexpired leasehold interest of 66 years <i>(Expiring on 9 June 2086)</i>	2.52 hectares	Office and factory buildings Age of buildings: approximately 29 years	7,859	30 March 2011
8.	Nylex (Malaysia) Berhad	Unit No: 7-10, Wisma 730 (The Trax) No: 1, Jalan Lima, Off Jalan Chan Sow Lin, 54200 Kuala Lumpur	Unexpired leasehold interest of 95 years <i>(Expiring on 1 March 2115)</i>	0.10 hectares	Vacant	6,653	12 September 2019
9.	Nylex Specialty Chemicals Sdn. Bhd.	H.S.(M) 5507, Lot 593, Persiaran Raja Lumu, Kawasan Perusahaan Pandamaran, 42000 Port Klang, Selangor Darul Ehsan	Unexpired leasehold interest of 54 years <i>(Expiring on 1 September 2074)</i>	0.81 hectares	Office building and factory Age of buildings: approximately 45 years	3,095	25 April 2011
10.	Pengangkutan Cogent Sdn. Bhd.	PTD 149227, Jalan Berjaya 7, Taman Perindustrian Berjaya, Daerah Johor Bahru, Johor	Freehold	0.61 hectares	Office building Age of building: approximately 11 years	3,013	2010

ANALYSIS OF SHAREHOLDINGS

as at 1 September 2020

NO. OF HOLDERS OF EACH CLASS OF EQUITY SECURITIES

Class of securities : Ordinary shares ("Shares")
 Total no. issued : 252,949,284
 No. of holders : 8,504
 Voting rights : One vote per Share on a poll

DISTRIBUTION SCHEDULE

Holdings	No. of Holders	Total Holdings	%
Less than 100	1,953	57,561	0.024
100 to 1,000	732	321,377	0.134
1,001 to 10,000	4,302	16,999,074	7.097
10,001 to 100,000	1,320	35,168,910	14.683
100,001 to less than 5% of issued Shares	195	125,386,383	52.348
5% and above of issued Shares	2	61,591,920	25.714
	8,504	239,525,225	100.000
Treasury shares	-	13,424,059	-
	8,504	252,949,284	100.000

SHAREHOLDING

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Substantial holders</u>				
Dato' Siew Ka Wei	27,943,820	11.67	22,396,221 ^(a)	9.35
Chan Thye Seng	-	-	47,077,140 ^(b)	19.65
Pacific & Orient Berhad	35,065,775	14.64	11,648,365 ^(c)	4.86
Siew Ka Kheong	-	-	16,717,185 ^(d)	6.98
Siew Nim Chee & Sons Sdn. Bhd.	15,992,185	6.68	-	-
<u>Directors</u>				
Dato' Siew Ka Wei	27,943,820	11.67	22,396,221 ^(a)	9.35
Tan Sri Dato' Dr Lin See Yan	400,000	0.17	-	-
Chan Thye Seng	-	-	47,077,140 ^(b)	19.65
Siew Ka Kheong (alternate to Dato' Siew Ka Wei)	-	-	16,717,185 ^(d)	6.98
<u>Group CEO</u>				
Lee Cheun Wei	8,626,380	3.60	-	-

Notes:

- (a) Deemed interested by virtue of his direct and indirect interests held through Silver Dollars Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Datin Young Ka Mun and Quek Lay Kheng.
- (b) Deemed interested by virtue of his direct and indirect interests held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.
- (c) Deemed interested by virtue of its direct interests in Pacific & Orient Insurance Co. Berhad, a wholly-owned subsidiary.
- (d) Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd. and Quek Lay Kheng.

ANALYSIS OF SHAREHOLDINGS

as at 1 September 2020

THIRTY LARGEST HOLDERS AS PER RECORD OF DEPOSITORS

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

Name	No. of Shares	%
1. Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Ka Wei	26,526,145	11.074
2. Pacific & Orient Berhad	18,080,937	7.549
3. Pacific & Orient Berhad	10,140,790	4.234
4. Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sdn. Bhd.	8,638,250	3.606
5. Lee Cheun Wei	8,577,880	3.581
6. Lim Chin Tong	7,700,000	3.215
7. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Pacific & Orient Insurance Co. Berhad (PB)	5,932,165	2.477
8. Pacific & Orient Insurance Co Berhad	5,716,200	2.386
9. Pacific & Orient Berhad	5,657,478	2.362
10. Malaysia Nominees (Tempatan) Sendirian Berhad - Siew Nim Chee & Sons Sdn. Bhd. (01-00195-001)	4,907,448	2.049
11. HLB Nominees (Tempatan) Sdn. Bhd. - E & O Developers Sdn. Bhd. (PJCAC)	4,008,138	1.673
12. AllianceGroup Nominees (Tempatan) Sdn. Bhd. - Cha Shuh Yi (6000680)	3,837,600	1.602
13. Yap Ai Toi	3,453,000	1.442
14. Malaysia Nominees (Tempatan) Sendirian Berhad - Silver Dollars Sdn. Bhd. (01-00198-001)	3,200,451	1.336
15. Tai Mee Yin	3,194,670	1.334
16. RHB Nominees (Tempatan) Sdn. Bhd. - Nicholas Tan Jo-Han	2,450,000	1.023
17. TA Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sdn. Bhd.	2,446,487	1.021
18. CGS-CIMB Nominees (Tempatan) Sdn. Bhd. - Cha Shuh Yi	2,106,700	0.880
19. HLB Nominees (Tempatan) Sdn. Bhd. - Eastern & Oriental Berhad (PJCAC)	2,004,069	0.837
20. Silver Dollars Sdn. Bhd.	2,000,000	0.835
21. Maybank Nominees (Tempatan) Sdn. Bhd. - Ong Thai Guan	1,555,000	0.649
22. Malaysia Nominees (Tempatan) Sendirian Berhad - Siew Ka Wei (01-00849-000)	1,417,675	0.592
23. Tan Kean Yip	1,376,690	0.575
24. Tan Aik Choon	1,360,030	0.568
25. Nor Ashikin Binti Khamis	1,320,210	0.551
26. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Chan Hua Eng	1,210,000	0.505
27. Pacific & Orient Berhad	1,186,570	0.495
28. Hasnul Bin Hassan	1,132,000	0.473
29. Astro (M) Sdn. Bhd.	1,047,178	0.437
30. JF Apex Nominees (Tempatan) Sdn. Bhd. - Chew Kuan Fah	1,000,000	0.417
Total	143,183,761	59.778

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 51st Annual General Meeting (“**AGM**”) of the Company will be conducted entirely through live streaming from the broadcast venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia (“**Broadcast Venue**”) on Wednesday, 21 October 2020 at 2.30 p.m. using remote participation and voting facilities provided by the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. via TIIH Online website at <https://tiih.online>, to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|---|--------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 May 2020 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To approve the final dividend for the financial year ended 31 May 2020. | [Ordinary Resolution 1] |
| 3. | To re-elect the following Directors who are retiring by rotation pursuant to Clause 125 of the Company’s Constitution: | |
| | (a) Tan Sri Dato’ Dr Lin See Yan | [Ordinary Resolution 2] |
| | (b) Edmond Cheah Swee Leng | [Ordinary Resolution 3] |
| | (c) Lim Hock Chye | [Ordinary Resolution 4] |
| 4. | To re-elect as a Director, Datuk Dr Abd Hapiz Bin Abdullah who is retiring pursuant to Clause 130 of the Company’s Constitution. | [Ordinary Resolution 5] |
| 5. | To approve the payment of Non-Executive Directors’ fees for the financial year ended 31 May 2020. | [Ordinary Resolution 6] |
| 6. | To approve the payment of Directors’ benefits (excluding Non-Executive Directors’ fees) for the Non-Executive Directors from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company. | [Ordinary Resolution 7] |
| 7. | To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | [Ordinary Resolution 8] |

AS SPECIAL BUSINESS

To consider and, if thought fit, with or without modification(s), to pass the following resolutions:

- | | | |
|----|--|-------------------------|
| 8. | PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) OF A REVENUE OR TRADING NATURE (“PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RRPTs”) | [Ordinary Resolution 9] |
|----|--|-------------------------|

“THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), approval be and is hereby given to the Company and/or its subsidiaries to enter into the RRPTs of a revenue or trading nature with the related parties as specified in Section 2.2 of the Circular to Shareholders dated 29 September 2020, provided that such transactions are necessary for the Group’s day-to-day operations and carried out in the ordinary course of business at arms-length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING

THAT the authority conferred by such mandate shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps to implement, finalise and to give full effect to the Proposed Renewal of Shareholders’ Mandate for RRPTs with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors deem fit and expedient at their discretion in the best interest of the Company.”

9. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK MANDATE (“PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE”)**

[Ordinary Resolution 10]

“THAT subject always to the Companies Act 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given for the Company to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of ordinary shares in the Company purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase(s); and
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase.

THAT the authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own shares before the aforesaid expiry date and, in any event, in accordance with the Act, the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, the Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To deal with the treasury shares in the manners as allowed by the Act, the Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Mandate with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors deem fit and expedient at their discretion in the best interest of the Company."

10. **PROPOSED AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

[Ordinary Resolution 11]

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act") and subject to the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, to such persons and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be authorised to do all such things as they deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities pursuant to this resolution.

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

NOTICE OF ANNUAL GENERAL MEETING

11. PROPOSED CONTINUATION IN OFFICE AS INDEPENDENT DIRECTORS

(i) "THAT approval be and is hereby given to Tan Sri Dato' Dr Lin See Yan, who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as an Independent Director of the Company until the conclusion of the next Annual General Meeting."

[Ordinary Resolution 12]

(ii) "THAT approval be and is hereby given to Edmond Cheah Swee Leng, who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as an Independent Director of the Company until the conclusion of the next Annual General Meeting."

[Ordinary Resolution 13]

12. PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

[Special Resolution]

"THAT the proposed amendments to the Constitution of the Company as set out in the Appendix A of the Notice of Annual General Meeting be and is hereby approved AND THAT the Directors of the Company be and are hereby authorised to do all things and acts necessary to effect the amendments to the Constitution of the Company."

13. OTHER ORDINARY BUSINESS

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

By Order of the Board,

CHOO SE ENG (MIA 5876) (SSM PC No. 201908002341)

WONG WAI FOONG (MAICSA 7001358) (SSM PC No. 202008001472)

Company Secretaries

Petaling Jaya

29 September 2020

NOTES:

- Pursuant to Section 327(2) of the Companies Act 2016, the Chairman will be present at the Broadcast Venue being the main venue of the 51st AGM. **Members will not be allowed to attend the 51st AGM in person at the Broadcast Venue on the day of the meeting.** Members are to participate, speak (via real time submission of typed texts only) and vote remotely. Please refer to the Administrative Guide available via the Company's website at <http://www.ancom.com.my/agm.php> on registration, participation and voting at the 51st AGM.
- In respect of deposited securities, only members whose names appear on the Record of Depositors as at 14 October 2020 shall be entitled to participate, speak and vote or appoint proxy(ies) to participate, speak and vote on his behalf at the 51st AGM.
- A member, including an authorised nominee, entitled to participate, speak and vote at the 51st AGM may appoint not more than two (2) proxies to participate, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.

NOTICE OF ANNUAL GENERAL MEETING

6. The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the 51st AGM:
- i. In hardcopy form
The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - ii. By electronic means
The Proxy Form can be electronically lodged with the Company's Share Registrar via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide on the appointment and registration of proxy for the 51st AGM.
7. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 51st AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
8. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
- i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

EXPLANATORY NOTES:

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 May 2020

This Agenda item is meant for discussion only as the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 1 – Final Dividend

The Board proposes the payment of the final dividend by way of distribution of up to 25,294,928 shares in Ancom Logistics Berhad ("ALB") which represents approximately 5.34% equity interest in ALB to the shareholders of the Company on the basis of one (1) ALB share for every ten (10) existing shares held in the Company based on an entitlement date to be announced by the Board in due course, fractions of ALB shares to be disregarded ("Dividend-In-Specie"). Further details on the Dividend-In-Specie are in the Company's announcement to Bursa Malaysia Securities Berhad on 21 September 2020.

3. Ordinary Resolution 6 – Non-Executive Directors' Fees

Pursuant to Section 230(1) of the Companies Act 2016, the Directors' fees and benefits payable to the Directors of the listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board of Directors has recommended to the shareholders for approval on the fees payable to the Non-Executive Directors by the Company of RM478,222 and by the Group of RM831,361 for the financial year ended 31 May 2020.

NOTICE OF ANNUAL GENERAL MEETING

4. Ordinary Resolution 7 – Directors’ Benefits

The Directors’ benefits comprise the meeting attendance allowance of RM416.67 per meeting and other benefits (car, fuel, driver, allowance and other emoluments) payable to the Non-Executive Directors (“NEDs”).

In determining the estimated total amount of benefits (excluding Directors’ fees) for the NEDs, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees as well as the number of Directors involved. The Board has recommended to the shareholders for approval on the Directors’ benefits payable to the NEDs of up to RM120,000 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company in 2021.

5. Ordinary Resolution 9 – Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

This proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related parties in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad without the necessity to convene separate general meetings to seek shareholders’ approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and is subject to renewal on an annual basis.

Further details relating to this proposed resolution are set out in the Company’s Circular to Shareholders dated 29 September 2020.

6. Ordinary Resolution 10 – Proposed Renewal of Authority for Share Buy-Back Mandate

This proposed resolution, if passed, will empower the Company to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Further details relating to this proposed resolution are set out in the Company’s Statement to Shareholders dated 29 September 2020.

7. Ordinary Resolution 11 – Proposed Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

This proposed resolution is to seek shareholders’ mandate to empower the Directors to issue and allot up to a maximum of twenty per centum (20%) of the total number of issued shares (excluding treasury shares) of the Company for the time being (“20% Mandate”). This authority will continue to be in force until 31 December 2021, unless such approval is revoked or varied by the Company at a general meeting.

This general mandate, if passed, will provide flexibility to the Company for any possible fund-raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit and in the best interest of the Company.

The Company had, at the last AGM held on 17 October 2019, obtained the mandate from the shareholders to allot up to a maximum of ten per centum (10%) of the total number of issued shares of the Company (“Previous Mandate”). As at the date of this Notice, a total of 12,100,000 new ordinary shares of the Company were issued pursuant to a private placement exercise raising a total gross proceeds of RM8,591,000 which was utilised as working capital of the Group pursuant to the Previous Mandate.

In light of the economic challenges arising from the global COVID-19 outbreak and having considered the current prospective financial positions of the Company, the Board is of the view that this 20% Mandate is in the best interest of the Company and its shareholders as it will enable the Board to take swift action during this challenging time in meeting future financial needs due to the unprecedented uncertainty surrounding the recovery of the COVID-19 pandemic.

NOTICE OF ANNUAL GENERAL MEETING

8. Ordinary Resolutions 12 and 13 – Proposed Continuation in Office as Independent Directors

The Board, through the Remuneration and Nomination Committee had carried out the necessary assessment on Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng who have served as Independent Directors for a cumulative term of more than twelve (12) years and had recommended them to continue to act as the Independent Directors of the Company based on the following justifications:

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

Their profiles are set out in the Company's 2020 Annual Report. The Board has decided not to adopt the 2-tier voting process for the approval to retain both Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng as Independent Directors of the Company.

9. Special Resolution – Proposed Amendments to the Constitution of the Company

Pursuant to Section 132(1) of the Companies Act 2016 ("Act"), a distribution of dividends to shareholders shall be authorised by the Directors of the Company. The Special Resolution, if passed, will align the Constitution of the Company with the provisions of the Act.

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

The Constitution of the Company are proposed to be amended in the following manner:

Clause No.	Existing Clause	Amended Clause
Clause 162	The Company in general meeting may subject to Sections 131 to 133 of the Act by ordinary resolution declare dividends payable to the members in accordance with their respective rights and priorities out of any lawfully distributable profits, but no dividend shall exceed the amount recommended by the Directors.	The Directors may from time to time authorise a distribution of dividends in accordance with Sections 131 to 133 of the Act, but no dividend shall exceed the amount recommended by the Directors. Any dividend so authorised must be paid out of profits of the Company available for distribution as the Directors consider appropriate, if the Directors are satisfied that the Company will be solvent for a period of twelve (12) months after the distribution is made.
Clause 163	Subject to the Act, the Directors may pay dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the Directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the Directors act in good faith, they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.	Subject to the Act, the Directors may pay dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the Directors may pay dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the Directors act in good faith, they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of a dividend on any shares having deferred or non-preferred rights.

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**ANCOM BERHAD**[Registration No. 196901000122 (8440-M)]
Incorporated in Malaysia**PROXY FORM**

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

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

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

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

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to participate and to vote for *me/us on *my/our behalf at the 51st Annual General Meeting of the Company to be conducted entirely through live streaming from the Broadcast Venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 21 October 2020 at 2.30 p.m. and to vote as indicated below:

ORDINARY RESOLUTIONS		FOR	AGAINST
1	To approve the final dividend for the financial year ended 31 May 2020		
2	To re-elect Tan Sri Dato' Dr Lin See Yan as a Director of the Company		
3	To re-elect Edmond Cheah Swee Leng as a Director of the Company		
4	To re-elect Lim Hock Chye as a Director of the Company		
5	To re-elect Datuk Dr Abd Hapiz Bin Abdullah as a Director of the Company		
6	To approve the payment of Directors' fees		
7	To approve the payment of Directors' benefits		
8	To re-appoint Messrs BDO PLT as Auditors of the Company		
9	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
10	Proposed renewal of authority for share buy-back mandate		
11	Proposed authority to issue and allot shares		
12	Proposed continuation in office as an Independent Director – Tan Sri Dato' Dr Lin See Yan		
13	Proposed continuation in office as an Independent Director – Edmond Cheah Swee Leng		
SPECIAL RESOLUTION		FOR	AGAINST
Proposed Amendments to the Constitution of the Company			

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

[*Delete if not applicable]

Dated this _____ day of _____ 2020

Telephone no. during office hours:_____
[Signature / Common Seal of shareholder(s)]

NOTES:

1. Pursuant to Section 327(2) of the Companies Act 2016, the Chairman will be present at the Broadcast Venue being the main venue of the 51st AGM. **Members will not be allowed to attend the 51st AGM in person at the Broadcast Venue on the day of the meeting.** Members are to participate, speak (via real time submission of typed texts only) and vote remotely. Please refer to the Administrative Guide available via the Company's website at <http://www.ancom.com.my/aggm.php> on registration, participation and voting at the 51st AGM.
2. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 14 October 2020 shall be entitled to participate, speak and vote or appoint proxy(ies) to participate, speak and vote on his behalf at the 51st AGM.
3. A member, including an authorised nominee, entitled to participate, speak and vote at the 51st AGM may appoint not more than two (2) proxies to participate, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
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 authorised nominee may appoint in respect of each omnibus account it holds.
5. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.
6. The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the 51st AGM:
 - i. In hardcopy form
The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - ii. By electronic means
The Proxy Form can be electronically lodged with the Company's Share Registrar via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide on the appointment and registration of proxy for the 51st AGM.

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Stamp

ANCOM BERHAD

[Registration No. 196901000122 (8440-M)]

The Share Registrar:

Tricor Investor & Issuing House Services Sdn. Bhd.

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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7. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 51st AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
8. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
 - i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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