ANCOM BERHAD

(Company No. 8440-M)
Incorporated in Malaysia

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2008

1. Basis of preparation

This Interim Financial Report ("Report") is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRS") 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Interim Financial Report should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 May 2008. These Explanatory Notes provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 May 2008.

The significant accounting policies adopted by the Group in this Report are consistent with those used in the Audited Financial Statements of the Group for the financial year ended 31 May 2008 except for the adoption of the following new/revised FRS effective for the financial year beginning 1 June 2008:

FRSs	
FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 119_{2004}	Employee Benefits

Amendments to	
FRS 121	The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

The adoption of the above FRSs does not have significant financial impact on the Group.

2. Audit Report of the Preceding Audited Financial Statements

The audit report for the Group's Audited Financial Statements for the financial year ended 31 May 2008 was not qualified.

3. Seasonal or Cyclical Factors

The interim business operations of the Group were not materially affected by any seasonal or cyclical factors.

4. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

The Group's assets, liabilities, equity, net income or cash flows were not affected by items that are material and unusual because of their nature, size or incidence in the first quarter.

5. Material Changes in Estimates

There were no material changes in estimates that have a material effect in the results for the first quarter.

6. Changes in Debts and Equity Securities

In the first quarter, the Company purchased 374,600 ordinary shares of RM1 each in the Company pursuant to Section 67A of the Companies Act, 1965, details of which are as follows :

	No. of Treasury Shares Purchased	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Total Cost (RM'000)
June 2008	342,700	1.020	0.925	0.963	331,714
July 2008	31,900	0.905	0.860	0.878	28,282
August 2008	Nil	-	-	-	-
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	374,600				359,996
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Note : Cost is inclusive of brokerage and stamp duty.

The shares purchased above are held as Treasury Shares by the Company pursuant to Section 67A (3) (b) of the Companies Act, 1965. The Company did not dispose any Treasury Shares in the open market in the first quarter.

A total of 2,183,827 Treasury Shares are held at a total cost of RM1.77 million as at the end of the first quarter.

In the first quarter, the Company received applications to convert 16,618,204 3-year warrants 2005-2008 ("Warrants") into 16,618,204 new ordinary shares of RM1 each in the Company at a conversion price of RM1 each. As a result, the issued and paid up share capital of the Company increased to 218,956,342 ordinary shares of RM1 each.

A total of 80,672,408 Warrants remained unconverted and expired in June 2008.

Other than the above, there were no issuance, cancellation, repurchase, resale and repayments of debt and equity securities during the first quarter.

7. Dividend Paid

During the first quarter, the Company declared an interim dividend of 5 sen, less 26% income tax, in respect of the financial year ended 31 May 2008. This interim dividend was paid on 29 August 2008.

8. Segmental Results

3-Month Ended 31 August 08	Investment Holdings RM'000	Agricultural Chemicals RM'000	Industrial Chemicals RM'000	Oil & Gas Engineering Services RM'000	Logistic RM'000	Media RM'000	Information Technology RM'000	Polymer RM'000	Engineering RM'000	Building Products RM'000	Elimination RM'000	Consolidated RM'000
Revenue												
External sales	31	32,306	528,109	1,937	11,594	7,610	3,573	36,073	15,321	1,502		638,056
Inter-segment Sales	383	5,954	86	-	1,626	19	1,729	-	-	-	(9,797)	-
Total	414	38,260	528,195	1,937	13,220	7,629	5,302	36,073	15,321	1,502	(9,797)	638,056
Results												
Segment results	(2,330)	3,350	25,313	12	2,089	(1,227)	232	2,871	1,105	157		31,572
Unallocated corporate expenses												(5,788)
Operating profits												25,784
Finance cost												(4,829)
Share of results of associated companies												(153)
Profit before tax												20,802
Tax expense												(6,816)
Profit for the period												13,986

8. Segmental Results (continue)

3-Month Ended 31 August 2007	Investment Holdings RM'000	Agricultural Chemicals RM'000	Industrial Chemicals RM'000	Oil & Gas Engineering Services RM'000	Logistic RM'000	Information Technology RM'000	Polymer RM'000	Engineering RM'000	Building Products RM'000	Elimination RM'000	Consolidated RM'000
Revenue											
External sales	50	27,381	406,640	1,722	13,223	9,759	34,254	99,637	1,742		594,408
Inter-segment Sales	272	5,958	138	-	535	656	3	-	-	(7,562)	-
Total	322	33,339	406,778	1,722	13,758	10,415	34,257	99,637	1,742	(7,562)	594,408
Results											
Segment results	(3,774)	1,103	9,299	(235)	2,049	216	1,215	6,597	117		16,587
Unallocated corporate Expenses											1,750
Operating profits											18,337
Finance cost											(5,690)
Share of results of associated companies											(188)
Profit before tax											12,459
Tax expense											(2,774)
Profit for the period											9,685

9. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without amendments, from the Audited Financial Statements for the financial year ended 31 May 2008.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

10. Events Subsequent to the Reporting Period

The following are the significant events subsequent to the end of the first quarter:

(i). On 15 October 2008, Synergy Trans-Link Sdn Bhd (“STL”), a 75.2% owned subsidiary, completed the disposal of its entire 100% equity interest consisting of 6,335,686 ordinary shares in SM Integrated Transware Pte Ltd (“SMIT”) for a total cash consideration of S$12.0 million (equivalent to RM28.68 million based on the exchange rate of S$1: RM2.39) ("Disposal").

The Group is expected to record a gain of RM9.4 million arising from the Disposal, resulting in an increase in consolidated earnings per share and NTA per share of 4.3 sen each respectively for the Group after the Disposal.

(ii). On 17 October 2008, the Company announced that it is proposing a final dividend (“Final Dividend”) by way of distribution of 1 ordinary share of RM0.50 each in Tamco Corporate Holdings Berhad (“Tamco”) for every 20 ordinary shares of RM1 each held in the Company and 1 ordinary share of RM1 each in Nylex (Malaysia) Berhad (“Nylex”) for every 10 existing ordinary shares held in the Company, fraction of ordinary shares in Tamco and Nylex to be disregarded, to the Company’s shareholders whose names appear in the Record of Depositors as at the book closure date to be announced later, subject to approval by the Company’s shareholders at the forthcoming annual general meeting of the Company to be held in November 2008.

The Group’s equity interest in Tamco and Nylex would be reduced to 36.16% and 48.15% respectively. The accounts of Tamco and Nylex will continue to be consolidated for as subsidiaries of the Group as the Group has control over the Boards of Tamco and Nylex.

The Final Dividend will result in a reduction in the consolidated NTA per share of the Group from RM1.35 (based on the audited consolidated accounts of the Group as at 31 May 2008) to RM1.21 and the profit contribution by Tamco and Nylex to the consolidated profit of the Group for the financial year ended 31 May 2008 would be reduced by 4.17% and 11.67% of their respective consolidated profits for the financial year ended 31 May 2008. Similarly, the consolidated results of the Group for the subsequent financial years would be reduced by the same percentages of the respective consolidated results of Tamco and Nylex in the subsequent financial years assuming that there is no change in Group's shareholding in Tamco and Nylex.

Other than the above, there were no significant events subsequent to the first quarter.

11. Effects of Changes in Composition of the Group

During the first quarter, the Group

(i) completed the purchase of an additional 1,600,500 ordinary shares of RM1 each representing 30% equity interest in Vision IP Services Sdn Bhd (“VIPS”) for cash consideration of RM1,600,500. Consequently, VIPS became a wholly owned subsidiary of Ancom;

Goodwill arising from this acquisition amounted to RM1.4 million and had been accounted for using the acquisition method of accounting.

(ii) completed the subscription of 51,000 new ordinary shares of RM1 each representing 51% equity interest in RedBerry Animation Sdn Bhd ("RASB") at par for cash.

RASB is principally involved in the development of animated contents for the media industry;

Save for those disclosed above, there were no material changes in the composition of the Group during the first quarter.

12. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date

	Financial Quarter Ended 31 August 08 RM'000	Financial Year Ended 31 May 08 RM'000	Changes RM'000
Letter of Credit	-	275	(275)
Guarantees given to financial institutions for facilities granted to subsidiaries	10,437	14,032	(3,595)
Total	10,437	14,307	(3,870)

B. ADDITIONAL INFORMATION PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. Review of Group's Performance

In the consolidated financial results of the first quarter of the year, the Group recorded sales increasing by 7% to RM638.1 million (2007: RM594.4 million) and profit before tax ("PBT") increasing by 66% to RM20.8 million (2007: RM12.5 million). The higher turnover and PBT were due to increased sales and higher profit contribution from the Industrial and Agricultural Chemicals divisions and the inclusion of sales from Media division.

2. Material Change in the Results for the Current Quarter as Compared with the Immediate Preceding Quarter

The Group achieved a 19% higher turnover at RM638.1million and higher PBT of RM20.8 million for the first quarter as compared to a turnover of RM535.7 million and a loss before tax of RM0.8 million in the immediate preceding quarter. This was due to the higher turnover and profit contributions from the Industrial Chemicals division.

3. Prospects

In light of the uncertainty in the global economic outlook, the Board's priority will be to ensure our existing businesses remain sound and be able to adapt to challenging market conditions. The core Industrial and Agricultural Chemicals divisions are expected to continue to be major contributors to Group performance. The Logistics & Information Technology divisions are also expected to perform satisfactorily. The Board will continue to expand and build on the Media division which is expected to contribute to profits in the near future. At the same time, the Board will continue to evaluate those divisions that are performing poorly with a view of rationalizing them as appropriate.

Barring unforeseen circumstances, the Group's performance for the remaining businesses in the current financial year is expected to be satisfactory.

4. Variance from Profit Forecasts and Profit Guarantees

Not applicable as the Company did not provide any profit forecast and profit guarantee in respect of the current financial year.

5. Taxation

	Current Qtr ended 31 Aug 08 RM'000	Previous Qtr ended 31 Aug 07 RM'000	Cumulative Quarter ended 31 Aug 08 RM'000	Cumulative Quarter ended 31 Aug 07 RM'000
Current taxation				
- Malaysian	7,074	2,962	7,074	2,962
- Foreign	1,325	457	1,325	457
- (Over)/under provision in prior years	(191)	23	(191)	23
	8,208	3,442	8,208	3,442
Transfer to/(from) deferred taxation	(1,392)	(668)	(1,392)	(668)
	6,816	2,774	6,816	2,774

5. Taxation (continue)

The effective income tax rate for the current quarter is higher than the Malaysian statutory tax rate mainly due to non-allowable expenses and tax losses incurred by certain subsidiaries were not available for set-off against taxable profits in other companies with the Group.

6. Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties in the first quarter.

7. Quoted Investments

There were no purchases and disposals of marketable securities (other than quoted shares in subsidiary companies) during the first quarter.

The details of the Group's investments in quoted securities (other than quoted shares in subsidiary companies) as at the end of the first quarter were as follows:

	As At 31 Aug 08 RM'000	As At 31 May 08 RM'000
At cost	4,437	4,436
At carrying value/book value	3,797	4,024
At market value	5,930	2,337

8. Utilisation of proceeds

As at 31 August 2008, a total of 17,099,575 Warrants were converted into 17,099,575 new ordinary shares of RM1 each in the Company at par for RM17,099,575.

The Company has utilised the proceeds of RM17.1 million in the following manner:

No	Purpose / Explanation	Proposed utilisation RM'000	Actual utilised RM'000	Balance RM'000
(i)	Working capital requirements for the Ancom Group	17,100	10,643	6,457

The unutilised portion of RM6,457,000 is placed as short term deposits with a licensed financial institution.

9. Status of Corporate Proposals

The status of corporate proposals announced but not completed as at the date of this Report are:

(i) On 28 April 2008, Tamco announced that it is proposing to undertake a capital repayment involving a cash distribution of RM0.30 for every one (1) existing ordinary share of RM0.50 each in Tamco ("Tamco Share") held to entitled shareholders at a date to be determined later ("Proposed Capital Repayment") and thereafter by cancelling the par value of each Tamco Share by RM0.30 in accordance with Section 64 of the Companies Act, 1965.

The amount of cash to be distributed to entitled shareholders under the Proposed Capital Repayment is approximately RM77.846 million based on the current number of issued and paid-up share capital of Tamco of 259,487,720 Tamco Shares.

Upon the completion of the Proposed Capital Repayment, the par value of the Tamco Shares will be reduced from RM0.50 to RM0.20 each and the share capital of Tamco will be reduced by approximately RM77.846 million.

The Proposed Capital Repayment will be funded entirely by the net proceeds received from the disposal of the Switchgear Business, which was completed on 23 April 2008.

The Securities Commission and the shareholders of Tamco have approved the Proposed Capital Repayment. The Proposed Capital Repayment is now subject to the approval of the High Court of Malaya.

10. Off Balance Sheet Financial Instruments

The Group did not issue any financial instruments with off balance sheet risk during the first quarter.

11. Changes in Pending Material Litigation

There were no material litigation pending as at the date of this Report.

12. Dividend

The Directors do not recommend the payment of any dividend for the first quarter. There were no dividend declared or recommended in the previous corresponding quarter.

13. Group's Borrowings

	As At 31 Aug 08 RM'000	As At 31 May 08 RM'000
Short Term Borrowings		
- Secured		
Ringgit Malaysia	56,257	142,769
Singapore Dollars	4,219	542
United States Dollars	45,676	51,727
Vietnam Dong	770	-
	106,922	195,038
- Unsecured		
Ringgit Malaysia	139,061	142,612
United States Dollars	6,223	6,232
Singapore Dollars	220	76
Hongkong Dollar	678	5,545
	146,182	154,465
Long Term Borrowings		
- Secured		
Ringgit Malaysia	43,918	47,006
Singapore Dollars	1,349	1,941
	45,267	48,947
- Unsecured		
Ringgit Malaysia	19,225	19,922
	19,225	19,922
Total Borrowings	317,596	418,372

14. Earnings Per Share

Basic earnings per share

For the current quarter, the calculation of basic earnings per share was based on the Net Profit Attributable to the Shareholders of RM9,631,000 (2007: RM2,048,000), divided by the weighted average number of ordinary shares in issue during the first quarter of 216,783,000 shares (2007: 193,465,000 shares).

Fully diluted earnings per share

The warrants of the Company had expired on 20 June 2008 and therefore the balance of 80,672,408 warrants not exercised by the expiry date had lapsed. As such, computation of dilutive earnings per share is not applicable.

In the preceding year's corresponding quarter, there was no dilution in earnings per share as the market price of the Company's ordinary shares at that time was lower than the market price together with the exercise price of the Warrants. Accordingly, there is no assumed full conversion of the Warrants to merit for adjustment for an increase in the number of ordinary shares which could result in a dilution of earnings per share.

By Order of the Board

Wong Wei Fong
Choo Se Eng
Secretaries

Petaling Jaya
29 October 2008