



ANCOM BERHAD

(Company No. 8440-M)
Incorporated in Malaysia

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 NOVEMBER 2008

A1. 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
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The adoption of the above FRSs does not have significant financial impact on the Group.

A2. 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.

A3. Seasonal or Cyclical Factors

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

A4. 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 second quarter and financial year-to-date.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that will have a material effect in the current quarter.

A6. Changes in Debts and Equity Securities

In the current quarter and financial year to-date, the Company purchased 527,100 and 901,700 ordinary shares of RM1 each in the Company respectively 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
October 2008	487,500	0.700	0.490	0.575	281,789
November 2008	39,600	0.590	0.570	0.580	23,189
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	901,700				664,974
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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 current quarter and financial year-to-date.

A total of 2,710,927 Treasury Shares are held at a total cost of RM2.07 million as at the end of the second 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 in the current quarter and financial year-to-date.

A7. Dividend Paid

On 29 August 2008, the Company paid an interim dividend of 5 sen, less 26% income tax, amounting to RM8.0 million in respect of the financial year ended 31 May 2008.

A8. Segmental Results

6-Month Ended 30 November 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	50	58,339	837,866	3,859	22,877	14,497	9,147	63,703	33,492	2,638	-	1,046,468
External sales												
Inter-segment												
Sales	21,194	5,969	86	-	3,029	1,513	2,464	-	-	-	(34,255)	-
Total	21,244	64,308	837,952	3,859	25,906	16,010	11,611	63,073	33,492	2,638	(34,255)	1,046,468
Results												
Segment results	(5,282)	4,284	20,866	(510)	25,122	(5,994)	594	1,508	(701)	(668)		39,219
Unallocated corporate Expenses												(10,571)
Operating profits												
Finance cost												28,648
Interest income												(9,343)
Share of results of associated companies												3,066
Profit before tax												(938)
Tax expense												21,433
Profit for the period												(7,951)
												13,482

A8. Segmental Results (continue)

6-Month Ended 30 November 07	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	60	60,108	854,373	2,379	26,305	5,015	16,504	66,578	215,134	4,067	-	1,250,523
External sales												
Inter-segment Sales	5,461	7,571	863	-	1,135	-	1,525	9	-	-	(16,564)	-
Total	5,521	67,679	855,236	2,379	27,440	5,015	18,029	66,587	215,134	4,067	(16,564)	1,250,523
Results												
Segment results	(5,587)	1,866	39,431	(524)	3,952	224	650	2,581	18,377	227		61,197
Unallocated corporate Expenses												(3,361)
Operating profits												
Finance cost												57,836
Interest income												(12,771)
Share of results of associated companies												1,254
Profit before tax												702
Tax expense												47,021
Profit for the period												(11,176)
												35,845

A9. 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.

A10. Events Subsequent to the Reporting Period

The following is the significant event subsequent to the end of the second quarter :

- (i). 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 on 23 December 2008, approved by the Company's shareholders at the annual general meeting of the Company 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.

On the book closure date on 23 December 2008, it was determined that a total of 10,808,386 shares in Tamco and 21,620,795 shares in Nylex would be distributed to the shareholders of Ancom in relation to the Final Dividend on 22 January 2009. The Group's equity interest in Tamco and Nylex would be reduced to 36.17% and 48.18% respectively after the Final Dividend.

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

A11. Effects of Changes in Composition of the Group

During the financial year-to-date, 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 1,600,500. 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;

- (iii) completed the purchase of the entire paid up share capital in the following subsidiaries:
- 3 ordinary shares of S\$1 each in RBL Ptd Ltd and 2 ordinary shares of S\$1 each in Point Cast (S) Pte Ltd at par for cash; and
 - 2 ordinary shares of RM1 each respectively in Point Cast (Asia) Sdn Bhd (formerly known as Cita Unggul Sdn Bhd), Point Cast (M) Sdn Bhd (formerly known as Signet Point Sdn Bhd) at par for cash.

- (iv) incorporated a wholly-owned subsidiary, PT Point Cast Indonesia, with a proposed paid up capital of US\$350,000.

- (v) completed the subscription of an additional 231,000 new ordinary shares of RM1 each in Wheel Sport Management Sdn Bhd ("WSM"), a 51% owned subsidiary, for cash consideration of RM1.0 million, thereby increasing the Group's interest in WSM from 51.0% to 77.0%.

Goodwill arising from this acquisition amounted to RM482,000 and had been accounted for using the acquisition method of accounting.

- (vi) 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 RM28.7 million based on the exchange rate of S\$1:RM2.39) ("Disposal").

The Group recorded a net gain of RM16.0 million arising from the Disposal, resulting in an increase in consolidated earnings per share and NTA per share of 7.3 sen each respectively for the Group after the Disposal.

- (vii) completed the liquidation of 2 wholly-owned subsidiaries Elderberry Sdn Bhd and Bullion Mining and Developments Sdn Bhd on 29 September 2008 and 24 December 2008 respectively.

Save for those disclosed above, there were no material changes in the composition of the Group during the financial year to-date.

A12. Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Balance Sheet Date

There were no changes in the contingent liabilities of the Group since the last annual balance sheet as at 31 May 2008 except for the following:

Unsecured:	RM'000
Decrease in guarantees given to financial institutions for facilities granted to subsidiaries	<u>(15,500)</u>

In April 2008, the Group completed the disposal of the switchgear business. The Group has recognised the gain on this disposal based on the cash consideration received and the estimated difference between the Completion Net Asset Value as at 31 April 2008 over the Proforma Net Asset Value of the switchgear business as at 31 May 2007.

The Group is currently in negotiation with the buyer to determine the actual amount of difference which could result in a contingent liability to the Group.

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

B1. Review of Group's Performance

The Group recorded RM408.4 million revenue for the current quarter which was a decrease of 38% over the corresponding quarter of the preceding year (Qtr 2 FY08: RM656.1 million) and profit before tax ("PBT") was down by 98% to RM0.6 million (Qtr 2 FY08: RM34.6 million). Included in the PBT of the current quarter was a one-off gain arising from the disposal of a subsidiary. The lower turnover and PBT were attributable mainly to the lower sales and profit contribution from the Industrial Chemicals division which experienced a sudden and significant drop in demand and market prices of its products as a result of the global financial turmoil.

B2. Material Change in the Results for the Current Quarter as Compared with the Immediate Preceding Quarter

For the current quarter under review, turnover for the Group fell 36% from RM638.1 million to RM408.4 million and profit decreased 97% to RM0.6 million from RM20.8 million in the immediate preceding quarter. Excluding the one-off gain arising from the disposal of a subsidiary, the Group recorded loss before tax ("LBT") of RM20.7 million in the current quarter. The LBT was mainly recorded in the Industrial Chemicals division as noted above.

B3. Prospects

The overall difficult economic and trading environment is not expected to improve significantly in the short term and there is a possibility that it may deteriorate further. In light of the continued uncertainty in outlook, the Board is cautious about the Group's performance for the rest of the financial year.

B4. 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.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30 Nov 08 RM'000	Preceding year quarter 30 Nov 07 RM'000	Current year-to-date 30 Nov 08 RM'000	Preceding year-to-date 30 Nov 07 RM'000
Current taxation				
- Malaysian	3,423	8,035	10,497	10,996
- Foreign	(2,132)	608	(807)	1,065
- under/(over) provision in prior years	298	(23)	107	-
	1,589	8,620	9,797	12,061
Transfer to/(from) deferred taxation	(454)	(218)	(1,846)	(885)
	1,135	8,402	7,951	11,176

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

B6. Sale of Unquoted Investments and/or Properties

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

B7. Quoted Investments

There were no purchases and disposals of marketable securities (other than quoted shares in subsidiary companies) for the current quarter and financial year-to-date.

The details of the Group's investments in quoted securities (other than quoted shares in subsidiary companies) as at 30 November 2008 were as follows:

	As At 30 Nov 08 RM'000	As At 31 May 08 RM'000
At cost	<u>4,468</u>	<u>4,436</u>
At carrying value/book value	<u>3,628</u>	<u>4,024</u>
At market value	<u>4,668</u>	<u>2,337</u>

B8. Utilisation of proceeds

As mentioned in Note A6, the Warrants of the Company had expired on 20 June 2008 and 80,672,408 Warrants not exercised on the expiry date had lapsed. 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 cash, raising a total of RM17.1 million, which would be utilised for the working capital of the Group.

As at 30 November 2008, the Company has fully utilised the proceeds of RM17.1 million in the manner stated above.

B9. Status of Corporate Proposals

The following is the status of the corporate proposal announced but not completed as at the date of this Report:

- (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 RM77.8 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 RM77.8 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 Proposed Capital Repayment has been approved by the Securities Commission and the shareholders of Tamco and has been sanctioned by the High Court of Malaya. It is now subject to the lodgement of a sealed copy of the High Court Order with the Companies Commission of Malaysia.

B10. Off Balance Sheet Financial Instruments

The Group did not issue any financial instruments involving off balance sheet risk during the financial year-to-date.

B11. Changes in Pending Material Litigation

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

B12. Dividend

The Directors do not recommend the payment of any dividend for the second quarter and financial year-to-date. There were no dividends declared or recommended in the previous corresponding quarter.

B13. Group's Borrowings

	As At 30 Nov 08 RM'000	As At 31 May 08 RM'000
<u>Short Term Borrowings</u>		
- Secured		
Ringgit Malaysia	50,258	142,011
Singapore Dollars	377	542
United States Dollars	27,719	51,727
Vietnam Dong	4,274	-
	82,628	194,280
- Unsecured		
Ringgit Malaysia	139,674	142,612
United States Dollars	5,126	6,232
Singapore Dollars	-	76
Hongkong Dollar	1,650	5,545
Indonesian Rupiah	116	-
	146,566	154,465
<u>Long Term Borrowings</u>		
- Secured		
Ringgit Malaysia	40,026	47,764
Singapore Dollars	241	1,941
Vietnam Dong	2,518	-
	42,785	49,705
- Unsecured		
Ringgit Malaysia	-	19,922
	-	19,922
Total Borrowings	271,979	418,372

B14. Earnings Per Share

Basic earnings per share

For the current quarter, the calculation of basic earnings per share was based on the net loss attributable to the equity of the parent of RM484,000 (30.11.2007: net profit attributable to the equity of the parent of RM9,550,000) and net profit of RM9,147,000 (30.11.2007: RM11,597,000) for the financial year-to-date, divided by the weighted average number of ordinary shares in issue during the current quarter of 216,443,000 shares (30.11.2007: 194,419,000 shares) and financial year-to-date of 216,610,000 shares (30.11.2007: 194,947,000)

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 and year-to-date, 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
22 January 2009