ANCOM BERHAD

(Company No. 8440-M)
Incorporated in Malaysia

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2009

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:

<u>FRSs</u>	
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
<u>Amendments to</u>	
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.

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 current quarter and financial year-to-date except for the changes in the composition of the Group as disclosed in Note 11 of Part A.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter and financial year-to-date.

A6. Changes in Debts and Equity Securities

In the current quarter and financial year-to-date, the Company purchased 100 and 901,800, respectively, of 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)
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
May 2009	100	0.530	0.530	0.530	-
	------------				-------------
	901,800				664,974
	-------------				-------------

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 2,711,027 Treasury Shares are held at a total cost of RM2.07 million as at the end of the fourth 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. 481,371 units of warrants had been converted into 481,371 ordinary shares of RM1 each in FY2008.

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 financial year-to-date.

A7. 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.

In the third quarter, the Company completed the final dividend ("Final Dividend"), in respect of the financial year ended 31 May 2008, 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.

A8. Segmental Results

12-Month Ended 31 May 2009	Investment Holdings	Agricultural Chemicals	Industrial Chemicals	Oil & Gas Engineering Services	Logistic	Media	Information Technology	Polymer	Engineering	Building Products	Elimination	Operations	Operations	Consolidated
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	56	115,815	1,262,914	6,461	43,940	27,690	17,986	111,53	66,092	4,192	-	1,656,677	-	1,656,677
Inter-segment Sales	49,746	5,985	86	-	6,368	2,133	3,571	-	-	-	(67,889))	-	-	-
Total	49,802	121,800	1,263,000	6,461	50,308	29,823	21,557	111,53	66,092	4,192	(67,889))	1,656,677	-	1,656,677
Results														
Segment results	(11,340)	8,608	29,926	309	29,799	(18,523)	1,069	4,37	3,983	(1,309)		46,898	-	46,898
Unallocated corporate expenses												(13,926)	-	(13,926)
Operating profits												32,972	-	32,972
Finance cost												(15,740	-	(15,740)
Share of results of Associates												(1,053)	-	(1,053)
Profit before tax												16,179	-	16,179
Tax expense												(6,919)	-	(6,919)
Profit after taxation from continuing operations												9,260	-	9,260
Loss from discontinued operations (Part (B) Note 1												-	(25,498)	(25,498)
Profit / (loss) for the period												9,260	(25,498)	(16,238)

A8. Segmental Results (cont.)

12-Month Ended 31 May 2008	**Investment Holdings**	**Agricultural Chemicals**	**Industrial Chemicals**	**Oil & Gas Engineering Services**	**Logistic**	**Media**	**Information Technology**	**Polymer**	**Engineering**	**Building Products**	**Eliminatio**	**Operations**	**Operations**	**Consolidated**
Revenue	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
External sales	136	130,252	1,619,288	3,438	48,858	17,237	24,514	133,742	63,687	6,150		2,047,302	347,251	2,394,553
Inter-segment Sales	149,186	25,241	1,019	-	4,591	-	2,215	19	-	-	(182,271)	-	-	-
Total	149,322	155,493	1,620,307	3,438	53,449	17,237	26,729	133,761	63,687	6,150	(182,271)	2,047,302	347,251	2,394,553
Results														
Segment results	(16,691)	8,537	67,386	(4,073)	10,210	(8,220)	461	5,902	(4,300)	354		59,566	149,893	209,459
Unallocated corporate expenses												(6,247)	-	(6,247)
Operating profits												53,319	149,893	203,212
Finance cost												(21,460	(3,669)	(25,129)
Share of results of Associates												(618)	-	(618)
Profit before tax												31,241	146,224	177,465
Tax expense												(11,931)	1,486	(10,445)
Profit for the period												19,310	147,710	167,020

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 are the significant events subsequent to the end of the fourth quarter:

(i) On 6 March 2009, RedBerry Sdn Bhd, a wholly owned subsidiary of the Company, entered into a conditional Investment Agreement ("I-Agreement") to subscribe for 1,010,000 new ordinary shares of RM1 each representing 51% equity interest in MagiqAds Sdn Bhd ("MagiqAds"), for total cash consideration of RM1.2 million and to provide shareholders advance of RM3.8 million to MagiqAds ("Proposed Advance") for working capital purposes.

On 15 May 2009, the Company announced that RedBerry has signed a Supplemental Agreement with the relevant parties to vary the terms of the I-Agreement. RedBerry will now subscribe for 242,500 new ordinary shares of RM1/- each representing 20% of the enlarged share capital of MASB at par for cash ("Proposed Initial Subscription"). RedBerry will have an option to subscribe for an additional 767,500 new ordinary shares of RM1 each in MagigAds for RM969,500 ("Proposed Subscription Option") within 24 months from completion date of the Proposed Initial Subscription at its discretion. The total amount of investment of the Proposed Initial Subscription and the Proposed Subscription Option together with the Proposed Advance by RedBerry to MagiqAds shall be limited to RM5.0 million.

MagiqAds is a retail media specialist which offers multiple media formats in mall and in store such as billboards, banners, floor media, trolleys, shelf ads, aisle sponsorships etc in hypermarkets/supermarkets.

This transaction is subject to the approval of the Foreign Investment Committee, and other relevant authorities.

This transaction is expected to be completed in the first quarter of the financial year ending 31 May 2010. It is not expected to have any material effects on the consolidated earnings and net assets of the Ancom Group for the financial year ending 31 May 2010;

(ii) Synergy Point Sdn Bhd ("SPSB") and Synergy Concepts Sdn Bhd ("SCSB"), had each held their respective extraordinary general meetings on 1 June 2009 at which it was resolved that SPSB and SCSB be wound-up voluntarily.

SPSB and SCSB are both wholly-owned subsidiary companies of Synergy Trans-Link Sdn Bhd, a 75.2%-owned subsidiary of the Company. SPSB and SCSB have ceased their ship operating business after disposing their respective vessels earlier and are currently dormant.

The liquidation of SPSB and SCSB is not expected to have a material effect on the consolidated earnings and net assets of the Ancom Group for the financial year ending 31 May 2010;

(iii) On 22 June 2009, Ancom Energy & Services Sdn Bhd ("AES"), 50.2%-owned subsidiary, has entered into a sale of shares agreement to dispose 21,400,000 ordinary shares of RM1 each and 10,500,000 8% non-cumulative redeemable and convertible preference shares representing its entire interest of 96.6% in Akra Engineering Sdn Bhd ("Akra") for cash consideration of RM2,848,000 ("Akra Disposal").

The Akra Disposal is subject to the purchasers having applied to the Foreign Investment Committee for its approval and the licenses given to Akra being valid and exercisable as at the completion date of the Akra Disposal.

The Akra Disposal is expected to be completed in the 1st quarter of the financial year ending 31 May 2010. The Group expects to report a gain on the disposal amounting to approximately RM2.0 million; and

(iv) On 29 June 2009, Ancom entered into a shares sale agreement to dispose 6,395,000 ordinary shares of RM1.00 each representing its entire interest of 81.21% in OrganiGro Sdn Bhd ("OrganiGro") for cash consideration of RM1 ("OrganiGro Disposal").

.

The OrganiGro Disposal is expected to be completed in the 1st quarter of the finance year ending 31 May 2010. It is not expected to have any material effect on the consolidated earnings and net assets of the Ancom Group for the financial year ending 31 May 2010.

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

A11. Effects of Changes in Composition of the Group

During the financial year-to-date, the Group/Company

(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; and

(viii) completed the 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.

A total of 21,620,300 Nylex shares and 10,808,139 Tamco shares have been successfully credited into the respective CDS Accounts of the entitled shareholders.

A total of 495 Nylex shares and 247 Tamco shares were not credited into the respective CDS accounts of 2 entitled shareholders due to some administrative issues. The above shares will be credited into the respective shareholders' CDS accounts once the issues are resolved in due course.

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.

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

The Group's contingent liabilities stood at RM1.7 million as at 31 May 2009.

{ The rest of this page is intentionally left blank }

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

B1. Review of Group's Performance

The Group recorded revenue of RM323.5 million in the current quarter against RM RM535.7 million reported in the previous year corresponding quarter, representing a decrease of approximately 39.6%. The decrease is due to lower order execution in the Industrial Chemicals Division.

In the same period, profit before tax ("PBT") stood at RM8.3 million compared to loss before tax of RM0.8 million reported in the previous year's corresponding quarter. The loss before tax position in the previous year was due mainly to higher corporate expenses and one-time writing off of certain assets within the Group.

The net loss for the quarter of RM16.3 million was due solely to an exceptional one-time adjustment for claims made by Larsen and Toubro Limited due to the shortfall in Net Asset Value audit pursuant to the disposal of switchgear business by Tamco Corporate Holdings Berhad ("Tamco"), details of which are stated in the last Interim Financial Report Part A10(ii).

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

The Group recorded an increase of 12.9% revenue from the immediate preceding quarter due to better performance from Industrial Chemicals Division. Group PBT also improved by RM21.8 million from the immediate preceding quarter. The significant improvement was due to an adverse condition experienced in the Industrial Chemicals Division in the third quarter worldwide due to instability of petrochemical price. The condition however stabilized in the current quarter under review.

B3. Prospects

Barring unforeseen circumstances, the Directors are of the opinion that the Group's performance for the financial year ending 31 May 2010 is expected to be satisfactory.

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	
Continuing Operations	Current year quarter 31 May 09 RM'000	Preceding year quarter 31 May 08 RM'000	Current year-to-date 31 May 09 RM'000	Preceding year-to-date 31 May 08 RM'000
Current taxation				
- Malaysian	4,167	(2,606)	19,194	10,996
- Foreign	5,356	1,038	4,249	2,427
- under/(over) provision in prior years	(382)	(5)	321	231
	9,141	(1,573)	23,764	13,654
Transfer to/(from) deferred taxation	(10,042)	(838)	(16,845)	(1,723)
	(901)	(2,411)	6,919	11,931

Discontinued Operations	Individual Quarter		Cumulative Quarter	
	Current year quarter 31 May 09 RM'000	Preceding year quarter 31 May 08 RM'000	Current year-to-date 31 May 09 RM'000	Preceding year-to-date 31 May 08 RM'000
Current taxation				
- Malaysian	-	(2,550)	-	156
- Foreign	-	(253)	-	-
- under/(over) provision in prior years	-	(1,456)	-	(1,456)
	-	(4,259)	-	(1,300)
Transfer to/(from) deferred taxation	-	(186)	-	(186)
	-	(4,445)	-	(1,486)

The effective income tax rate of the Group for the financial year-to-date 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 current quarter and financial year-to-date.

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 31 May 2009 were as follows:

	As At 31 May 09 RM'000	As At 31 May 08 RM'000
At cost	5,438	4,436
At carrying value/book value	4,647	4,024
At market value	2,599	2,337

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 31 May 2009, the Company has fully utilised the proceeds of RM17.1 million in the manner stated above.

B9. Status of Corporate Proposals

There were no other proposals announced but not completed as at the date of this Report other than that mentioned in Note A10 (i) above,

This transaction is subject to the approval of the Foreign Investment Committee, and other relevant authorities.

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 current quarter and financial year-to-date. There were no dividends declared or recommended in the previous corresponding quarter.

B13. Group's Borrowings

	As At 31 May 09 RM'000	As At 31 May 08 RM'000
Short Term Borrowings		
- Secured		
Ringgit Malaysia	44,862	142,011
Singapore Dollars	2,711	542
United States Dollars	-	51,727
Vietnam Dong	3,203	-
	50,776	194,280
- Unsecured		
Ringgit Malaysia	129,920	142,612
United States Dollars	330	6,232
Singapore Dollars	-	76
Hongkong Dollar	1,894	5,545
Indonesian Rupiah	18	-
	132,162	154,465
Long Term Borrowings		
- Secured		
Ringgit Malaysia	34,219	47,764
Singapore Dollars	144	1,941
Vietnam Dong	3,550	-
	37,913	49,705
- Unsecured		
Ringgit Malaysia	-	19,922
Indonesian Rupiah	44	-
	44	19,922
Total Borrowings	220,895	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 profit attributable to the ordinary equity holders of the parent of RM3,888,000 for continuing operations and net loss of RM9,222,000 for discontinued operations (31.05.2008: net loss for continuing operations of RM4,405,000 and net profit for discontinued operations of RM50,189,000) and net profit of RM2,495,000 for continuing operations and net loss of RM9,222,000 for discontinued operations (31.05.2008: net loss for the continuing operations of RM4,331,000 and net profit of RM59,586,000 for the discontinued operations) for the financial year-to-date, divided by the weighted average number of ordinary shares in issue during the current quarter of 216,245,000 shares (31.05.2008: 196,555,000 shares) and financial year-to-date of 216,428,000 shares (31.05.2008: 199,496,000 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 and financial 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
31 July 2009