

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

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

The Board has taken steps as diligent as practical to comply with the principles of The Code of Corporate Governance issued by the Finance Committee on Corporate Governance and the Malaysian Code on Corporate Governance (Revised 2007) (collectively the "Code") during the financial year ended 31 May 2011 to the extent as disclosed in this Statement.

1. THE BOARD OF DIRECTORS

1.1 Composition

During the financial year ended 31 May 2011, the Board comprised seven (7) Directors. One of them an Executive Director, who is also the Group Managing Director and six are Non-Executive Directors, including the Non-Executive Chairman. Three (3) of the Non-Executive Directors are Independent Directors. The composition of the Board complied with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") which required at least one-third (1/3) of its members to be Independent Directors.

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

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

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

The profile of the Directors are set out in pages 8 to 10 of this Annual Report.

1.2 Duties and Responsibilities

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

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

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

STATEMENT ON CORPORATE GOVERNANCE *(cont'd)*

- Reviewing the risk management framework and adequacy and integrity of the Group's internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group.

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

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

The Board has established an Audit Committee and a Remuneration and Nomination Committee which are entrusted with specific responsibilities to oversee the affairs of the Company with authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, the Chairman of the respective Board Committees would report to the Board on the key matters discussed by the Board Committees at its respective meetings. Minutes of the Board Committee meetings are also enclosed together with the Board papers for the Directors' attention.

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

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

1.3 Meeting and Supply of Information

The Board holds its Board meetings quarterly and additional meetings were convened as and when necessary as determined by the Chairman.

At the end of each calendar year, the Company Secretaries would draw up a proposed timetable for all the Board and Committee meetings, including the annual general meeting, to be held in the next calendar year, to ease the Directors in planning their attendances at the Board/Committee meetings.

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contained 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 for the Directors' perusal before the Board/Committee meetings.

Senior management staff or professional advisers appointed by the Company to advise the Company on its corporate proposals were invited to attend the Board meetings and to provide the Board with explanation and clarifications to facilitate informed decision making.

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All Directors have unrestricted access to information of the Group and on an on-going basis, the Directors interact with the management team to seek further information, updates or explanation on any aspect of the Group's operations or businesses. The Directors have access to the advice and services of the Company Secretaries and may engage independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate, at the Company's expense.

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

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

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

1.4 Attendance

The Board held four (4) Board meetings during the financial year. The attendance record of the Directors is as follows :

Name of Directors	Attendance
Tan Sri Dato' Dr. Lin See Yan	4/4
Dato' Johari Razak	4/4
Dato' Siew Ka Wei	4/4
Datuk Ir (Dr) Mohamed Al Amin Abdul Majid	4/4
Chan Thye Seng	3/4
Edmond Cheah Swee Leng	4/4
Dato Mohammed Hussein	2/4

All Directors have attained the minimum attendance during the financial year as required under the Listing Requirements.

1.5 Training and Education

All Directors have attended the Directors' Mandatory Accreditation Programme and are aware of the requirements of the Continuing Education Programme prescribed by the Listing Requirements.

In addition to the updates on relevant guidelines and statutory and regulatory requirements provided by the Company Secretaries and the management from time to time, the Directors have on their own initiative, whenever necessary and time permits, requested to attend courses, according to their individual needs as a Director or as members of a Board committee on which they serve, and to enhance their skills and knowledge and keep abreast with the relevant changes in laws, regulations and business environment.

During the financial year, Tan Sri Dato Dr Lin See Yan attended seven (7) seminars/courses while Chan Thye Seng completed all modules in the Financial Institutions Directors Education Programme. Dato Johari Razak, a practising lawyer, attended the Directors Continuing Education Programme organised by Dutch Lady Milk Industries Berhad on 21 and 22 October 2010. He has also completed the Financial Institutions Directors Education Programme in the last financial year.

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

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1.6 Re-election

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

The Articles also provide that at least one-third (1/3) of the Board, who are longest in office since their last election, shall be subject to retirement by rotation every year and that each Director shall retire at least once in every three (3) years but he shall be eligible for re-election at the annual general meeting. The Group Managing Director does not have a service contract which the notice period for termination is more than one year. The Group Managing Director is also subject to retirement at least once every three (3) years and he shall be eligible for re-election at the annual general meeting.

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

The Remuneration & Nomination Committee is responsible for making recommendation to the Board on the re-election of Directors who are retiring pursuant to the Articles of Association of the Company. In accordance with this process, two (2) Directors retired by rotation at the 41st Annual General Meeting of the Company on 25 November 2010 and were re-elected to the Board by the Company's shareholders. To assist shareholders in making their decision in the re-election of Directors, sufficient information such as personal profile, attendance at Board and Committee meetings and the shareholdings in the Company of the Directors standing for re-election were furnished in a separate statement accompanying the Notice of Annual General Meeting.

1.7 Board Committees

The Board has established the following Board Committees to assist the Board in carrying out its duties and responsibilities:

Audit Committee

The report of the Audit Committee are set out separately on pages 23-27 – Audit Committee Report, of this Annual Report.

Remuneration and Nomination Committee

The Board has combined the functions of the Remuneration Committee and Nomination Committee into one Remuneration & Nomination Committee ("R&N Committee") which was established on 24 September 2001.

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

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

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

During the financial year ended 31 May 2011, the members of the R&N Committee are as follows:

Tan Sri Dato' Dr Lin See Yan (Chairman)
Edmond Cheah Swee Leng (Member)
Dato Mohammed Hussein (Member)

During the financial year, the R&N Committee had one meeting which was attended by 2 of the members. During the meeting, the R&N Committee reviewed and assessed the composition of the Board and the Board Committees and was satisfied that the Board composition was appropriate and that there was a mix of Executive and Non-executive Directors on the Board. The R&N Committee was also satisfied with the caliber, credibility, skills and experiences of the Non-executive Directors to bring independent judgment to bear on issue of strategy, performance and resources. The Board and the Board Committees were effective in discharging their respective responsibilities.

The R&N Committee was also responsible for reviewing the remuneration of the Group Managing Director and made recommendation on the same for the Board approval. The Group Managing Director's remuneration consists of monthly salary, bonuses, benefit-in-kind ("BIK") and other benefits which the Board will approve from time to time. The Group Managing Director's remuneration is linked to the performance of the Group in the financial year. The Group Managing Director did not participate in the Board deliberation on his remuneration at the Board meeting.

2. DIRECTORS' REMUNERATION

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

2.1 Directors' fee

For the last financial year, the Chairman of the Board and the Non-executive Directors of the Board received RM70,000 and RM50,000 respectively as Directors' fee per annum. The members of the Audit Committee received RM30,000 each while the members of the R&N Committee received RM20,000 each per annum. These were as recommended by the R&N Committee and the total Directors' fee of RM445,890 was approved by the shareholders at the 41st Annual General Meeting of the Company.

In addition, the Non-executive Directors also received attendance allowance amounting to RM416.67 for each Board and Board committee meeting attended. Other than the Non-executive Chairman who is provided with a car and a driver, the other Non-executive Directors are not entitled to any BIK.

The R&N Committee had not engaged a consultant to do a comparative study on the Directors' remuneration. However, based on the members' personal experience, the R&N Committee is of the opinion that the amount of Directors' fee and allowances paid in the previous year were reflective of the market rates and had recommended the same amount of remuneration be paid to the Non-executive Directors in the current financial year.

The Board has endorsed the R&N Committee's recommendation and will propose the same quantum of Directors' fee for the Board and Board Committees for the current financial year subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The remuneration of the Group Managing Director comprises of monthly salary, bonuses, BIK and other benefits that the Board will approve from time to time. The Group Managing Director is not entitled to the Director's fee and attendance allowance for the Board and Board Committee meeting he attended.

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Subject to the approval of the Company's shareholders on the Directors' fee, the details of the remuneration received and receivable by the Directors from the Company and its subsidiaries during the financial year, by category and in bands of RM50,000, are as shown below :

Remuneration by category		Executive Director	Non-Executive Director	Total
Fees	RM'000	46	650	696
Salaries and bonuses (including EPF)	RM'000	2,368	1,820	4,188
Other emoluments	RM'000	4	78	82
Benefits-in-kind	RM'000	37	63	100
Total	RM'000	2,455	2,611	5,066

Remuneration in bands of RM50,000		Executive Director	Non-Executive Director	Total
Below RM50,000		-	-	-
RM50,001 to RM100,000		-	1	1
RM100,001 to RM150,000		-	2	2
RM200,001 to RM250,000		-	2	2
RM1,850,001 to RM1,900,000		-	1#	1
RM2,450,001 to RM2,500,000		1	-	1
Total		1	6	7

This is paid/payable to a Non-executive Director who is the Executive Chairman of the subsidiaries, Nylex (Malaysia) Berhad and Redberry Sdn Bhd.

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

3. SHAREHOLDERS

3.1 Investors' Relations and Shareholders' Communication

The Board recognizes the importance of transparency and accountability to its shareholders and the need for regular, effective and comprehensive communications with the Company's shareholders and investors. The Company maintained active communications with its shareholders and investors on the Group's performance, business activities, financial performance, material information and corporate events through the issuance of annual reports, announcements, quarterly financial reports, circulars and press releases. The Company has established an Investors Relation ("IR") portal at www.ancom.com.my for the benefits of the shareholders and investors. Copies of the Company's Annual Reports, quarterly Interim Financial Reports, announcements, circulars and press releases, as well as Company's share prices performances are also posted on the IR portal and these are accessible by the shareholders and investors without any restriction.

Shareholders and investors are also able to pose questions and queries to the Company via the IR portal and these questions and queries would be attended to the Company's senior management.

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The Board also encouraged shareholders to communicate with the Company through other channels. The Board has decided not to appoint a Director to whom any queries or concerns may be conveyed as shareholders and investors are now able to convey their view and queries through the Company's IR portal at www.ancom.com.my or email at corp@ancom.com.my.

3.2 General Meetings

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

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

The Company held its 41st Annual General Meeting ("AGM") at the Hilton Petaling Jaya at No 2 Jalan Barat, 46200 Petaling Jaya. The Notice of the AGM and the annual Audited Financial Statement and the related circulars were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice was advertised in a national English newspaper within the prescribed deadlines. All the Directors and a total of 104 shareholders and proxies attended the AGM.

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

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

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

The Notice for the forthcoming 42nd AGM of the Company, which will be held on 23 November 2011, is on pages 151 to 152 of this Annual Report.

4. ACCOUNTS AND AUDIT

4.1 Financial Reporting

The Board aims to present a balanced and meaningful evaluation and assessment of the Group's financial performance, financial position and future prospects of the Group in the annual Audited Financial Statements and the quarterly Interim Financial Reports of the Company and of Group.

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

A statement by the Board on its responsibilities for preparing the annual Audited Financial Statements is set out in page 32 of this Annual Report.

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The Group's annual Audited Financial Statements are reviewed by the Audit Committee together with the external auditors and the management of the Company. For the quarterly Interim Financial Reports, these are reviewed by the Audit Committee and the management. Thereafter, the Audit Committee will recommend to the Board to approve same prior to releasing to Bursa Malaysia Securities Berhad within the stipulated time frame.

4.2 Internal Control

The Directors acknowledge their responsibility to maintain a sound system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board, through the Audit Committee, seeks the regular assurance on the continuity and effectiveness of the internal control system through independent reviews by the internal auditor and the external auditors.

4.4 Relationship with Auditors

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

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

CONCLUSION

The Board recognises the importance of the Group practising good corporate governance and will continually improve on the Group's corporate governance practices and structure to achieve an optimal governance framework.