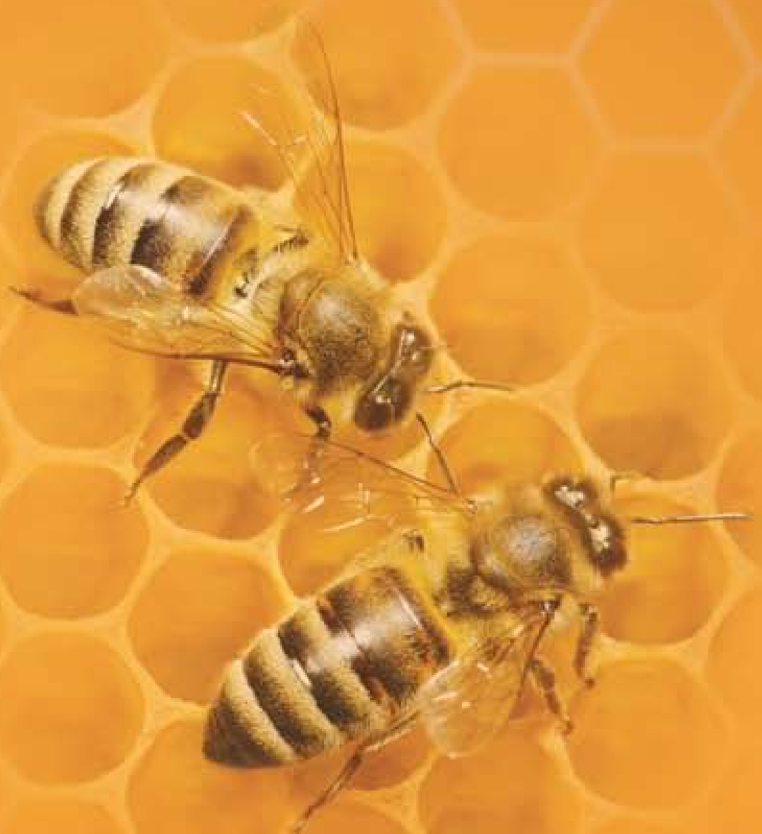
NYLEX (MALAYSIA) BERHAD *(9378-T)*
(Incorporated in Malaysia)

annual report 2011



Together **we can** *make a difference*

NYLEX (MALAYSIA) BERHAD *(9378-T) (Incorporated in Malaysia)*

annual report 2011

COVER RATIONALE

The Nylex (Malaysia) Berhad (“Nylex”) Annual Report 2011 illustrates the bees generating a firm, integrated honeycomb.

The bees represent team members of Nylex, facing new challenges and working together. It symbolises Nylex as a cooperative unit, trusting each other’s capability, venturing into new industries and making a name for itself in the market.

Generating positive momentum even in challenging economic situations, Nylex strives in sustaining continous advancements, stability and growth through cooperation, willpower and shared values. Hence, the tagline “Together We Can Make A Difference”.

NYLEX (MALAYSIA) BERHAD (9378-T)
(Incorporated in Malaysia)

CONTENTS

CORPORATE INFORMATION

DIRECTORS
Datuk Ir (Dr) Mohamed Al Amin Abdul Majid
(Non-Independent Executive Chairman)

Dato' Johari Razak
(Non-Independent Non-Executive Deputy Chairman)

Dato' Siew Ka Wei
(Group Managing Director)

Lim Hock Chye
(Independent Non-Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

AUDIT COMMITTEE
Edmond Cheah Swee Leng *(Chairman)*
Lim Hock Chye
Dato' Johari Razak

REMUNERATION & NOMINATION COMMITTEE
Lim Hock Chye *(Chairman)*
Edmond Cheah Swee Leng

COMPANY SECRETARIES
Choo Se Eng
Stephen Geh Sim Whye

REGISTERED OFFICE
Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7805 1817
Fax : (603) 7804 1316

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

REGISTRARS
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : (603) 2264 3883
Fax : (603) 2282 1886

AUDITORS
Ernst & Young
Chartered Accountants

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
- Industrial Products Sector

PRINCIPAL BANKERS
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad

SOLICITORS
Shearn Delamore & Co

DOMICILE
Malaysia

CORPORATE STRUCTURE as at 31 May 2011

Ancom Berhad

- 100.0% **Rhodemark Development Sdn Bhd**
  - 21.2% **NYLEX (MALAYSIA) BERHAD**
- 27.0% **NYLEX (MALAYSIA) BERHAD**

NYLEX (MALAYSIA) BERHAD

100.0%	Nycon Manufacturing Sdn Bhd
100.0%	Nylex Polymer Marketing Sdn Bhd
100.0%	PT Nylex Indonesia
100.0%	Perusahaan Kimia Gemilang Sdn Bhd

Perusahaan Kimia Gemilang Sdn Bhd

90.0%	Dynamic Chemical Trading Pte Ltd
100.0%	Perusahaan Kimia Gemilang (Vietnam) Company Ltd
51.0%	PT PKG Lautan Indonesia
55.0%	Ancom Kimia Sdn Bhd

100.0%	Fermpro Sdn Bhd
100.0%	Kumpulan Kesuma Sdn Bhd
100.0%	Wedon Sdn Bhd
100.0%	CKG Chemicals Pte Ltd
100.0%	Nylex Specialty Chemicals Sdn Bhd
51.0%	Speciality Phosphates (Malaysia) Sdn Bhd
70.0%	Malaysian Roofing Industries Sdn Bhd

Legend:

- Polymer Division
- Industrial Chemical Division
- Building Products Division

LIST OF PRINCIPAL OFFICES

NYLEX (MALAYSIA) BERHAD /
NYCON MANUFACTURING SDN BHD /
NYLEX POLYMER MARKETING SDN BHD
Lot 16, Persiaran Selangor, Section 15
40200 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5519 1706
Fax : (603) 5510 8291 / 5510 0088
www.nylex.com
www.nylexpolymer.com

PT NYLEX INDONESIA
Desa Sumengko Km31 Kecamatan
Wringinanom, Kabupaten Gresik
East Java
61176 Indonesia
Tel : (6231) 898 2626
Fax : (6231) 898 2623

PERUSAHAAN KIMIA GEMILANG SDN BHD
302, Block A, Phileo Damansara 1
No. 9, Jalan 16/11
Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

DYNAMIC CHEMICAL TRADING PTE LTD
133, Cecil Street
#12-03, Keck Seng Tower
Singapore 069535
Tel : (65) 6224 4142
Fax : (65) 6224 6460
www.dynamicchemical.com.sg

PERUSAHAAN KIMIA GEMILANG (VIETNAM) COMPANY LTD
3rd floor, 521-523 Dien Bien Phu Street
Ward 25, Binh Thanh Dist
Ho Chi Minh City
Vietnam
Tel : (848) 3899 4926
Fax : (848) 3899 4937

PT PKG LAUTAN INDONESIA
Gedung Graha Indramas
JI. AIPDA K.S. Tubun Raya No. 77
Jakarta
11410 Indonesia
Tel : (6221) 5367 3269
Fax : (6221) 5367 3278

ANCOM KIMIA SDN BHD
3A02, Block A, Phileo Damansara 1
No. 9, Jalan 16/11
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46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

FERMPRO SDN BHD
202, Block A, Phileo Damansara 1
No. 9, Jalan 16/11
Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7660 0033
Fax : (603) 7660 0133

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

CKG CHEMICALS PTE LTD
133, New Bridge Road
#25-02, Chinatown Point
Singapore 059413
Tel : (65) 6319 4680
Fax : (65) 6319 4699

NYLEX SPECIALTY CHEMICALS SDN BHD /
SPECIALITY PHOSPHATES (MALAYSIA) SDN BHD
Lot 593 & 624, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3168 8282
Fax : (603) 3168 5711
www.nylexsc.com.my

FIVE-YEAR HIGHLIGHTS

	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000
Revenue	**1,226,749**	1,222,086	1,366,030	1,742,062	1,502,688
Profit before tax	**16,044**	40,013	10,376	58,269	45,986
Net profit for the year	**13,138**	35,158	10,618	47,480	38,957
Effective percentage rate of tax	**18.1%**	12.1%	-2.3%	18.5%	15.3%
Net profit attributable to owners of the parent	**13,185**	35,114	14,706	47,763	39,258
ASSETS					
Property, plant & equipment	**66,426**	74,027	78,701	80,870	77,361
Investments	**3,580**	3,580	3,580	8,204	8,082
Other non-current assets	**116,671**	114,940	109,933	89,863	93,344
Current assets	**430,223**	365,522	326,323	490,299	428,385
TOTAL ASSETS	**616,900**	558,069	518,537	669,236	607,172
EQUITY & LIABILITIES					
Equity attributable to owners of the parent					
Share capital	**194,338**	194,338	194,338	194,338	194,338
Reserves	**(18,254)**	(11,138)	(4,577)	(14,218)	(9,613)
Retained earnings	**94,804**	90,100	59,393	63,096	18,880
Less : Treasury shares, at cost	**(33)**	(8,444)	(12,851)	(24,917)	-
	270,855	264,856	236,303	218,299	203,605
Minority interests	**6,018**	4,046	4,383	8,510	4,691
Total equity	**276,873**	268,902	240,686	226,809	208,296
Non-current liabilities	**6,430**	19,209	38,439	51,681	66,896
Current liabilities	**333,597**	269,958	239,412	390,746	331,980
TOTAL EQUITY & LIABILITIES	**616,900**	558,069	518,537	669,236	607,172
Shareholders' interest					
Earnings per share – sen	**6.9**	18.8	8.2	25.2	21.2
Dividend per share – sen	**4.5**	2.4	11.6	2.5	7.0
Net assets per share – sen	**139.4**	140.6	127.5	123.4	104.8
Depreciation & amortisation	**7,957**	8,407	8,198	7,779	8,994
Finance costs	**7,293**	5,459	8,101	9,612	9,897

BOARD OF DIRECTORS

DATUK IR (DR) MOHAMED AL AMIN ABDUL MAJID

Aged 56, Malaysian

Non-Independent Executive Chairman

Joined the Board on 30 July 2003 as a Non-Executive Chairman and was re-designated as Executive Chairman on 1 February 2010.

Datuk Al Amin graduated with a Diploma in Technology from Oxford College of Further Education and holds a Bachelor of Science degree in Civil Engineering from the University of Aston, Birmingham, United Kingdom and has recently been awarded the Honorary Doctorate Degree of Doctor of Science by the University.

Datuk Al Amin began his career as a project engineer with the Perak State Development Corporation in 1979. Two years later, he was appointed as the Executive Director of its subsidiary, Maju Bangun Sdn Bhd. In 1982, he set up his own business and is currently a director of several private companies which are involved in a range of businesses such as construction, investment, distributorship, general trading and project management. He is currently the Chairman of the Chemical Industries Council of Malaysia ("CICM") and the Small & Medium Industries Development Corporation ("SMIDEC") and a Corporate Member of Institute of Engineers Malaysia ("MIEM").

Datuk Al Amin is currently the Executive Chairman of Country View Berhad and a director of MCIS Zurich Insurance Berhad and Ancom Berhad.

DATO' JOHARI RAZAK

Aged 56, Malaysian

Non-Independent Non-Executive Deputy Chairman

Joined the Board on 12 October 1999 and was later appointed Executive Vice Chairman on 29 January 2002. He was re-designated as Non-Executive Deputy Chairman on 6 December 2004. He is currently a member of the Audit Committee.

Dato' Johari graduated with a Bachelor of Law degree from the University of Kent, United Kingdom. He was called to the Bar of England and Wales at Lincoln's Inn in 1976 and was admitted as an advocate and solicitor of the High Court of Malaya in 1977. He practiced law with Messrs Shearn Delamore & Co from 1979 and was a partner of the firm from 1991 to 1994. He is presently the firm's Managing Partner and an Adjunct Professor of Law of University Teknologi Mara.

Dato' Johari is currently the Non-Executive Chairman of Ancom Berhad, Chairman of Daiman Development Berhad and a director of Hong Leong Industries Berhad, Daiman Golf Berhad, Deutsche Bank (Malaysia) Berhad and British American Tobacco (Malaysia) Berhad.

DATO' SIEW KA WEI
Aged 55, Malaysian
Group Managing Director

Joined the Board on 12 October 1999. He became the Group Managing Director on 29 January 2002.

Dato' Siew graduated with a Bachelor of Science (Hons) degree in Chemical Engineering and a Master of Science degree in Operational Research from the Imperial College of Science, Technology and Medicine, London, United Kingdom. He has extensive working experience in the field of petrochemicals locally and internationally for more than 30 years. He was the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 10,500 chief executive officers and leaders of major companies and organisations over the world. He became a director of the International Board of Directors of YPO in 2000 and served until 2003 during which he was the Chairman of YPO's Global Leadership Congress held in Beijing, China.

Dato' Siew is currently the Group Managing Director of Ancom Berhad and the Deputy Chairman of Ancom Logistics Berhad.

Dato' Siew is a substantial shareholder of the Company.

LIM HOCK CHYE
Aged 56, Malaysian
Independent Non-Executive Director

Joined the Board on 1 August 2005 and is currently the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee.

Mr Lim gained his LLB (Hons) degree from University of London, United Kingdom and holds a Certificate in Legal Practice. He was formerly a consultant with an organisation promoting good corporate governance and practices. Prior to that, he was a Deputy Editor with the Star Newspaper, where he wrote for the Business Section.

He was one of the pioneer consultants with the Malaysian Minority Shareholder Watchdog Group, an initiative set up by the Ministry of Finance in 2002 to protect minority shareholders' interest and promote good corporate governance and practices. He was also a panel speaker for Rating Agency of Malaysia and Bursatra Sdn Bhd on Continuing Education Programmes for directors of public listed companies. He continues to lecture on promotion of good corporate governance within Corporate Malaysia.

Currently, he is a director of Ancom Logistics Berhad, Silver Bird Group Berhad and TSM Global Berhad and the Group Director of Strategic Planning & Corporate Affairs of HELP University College, Kuala Lumpur.

EDMOND CHEAH SWEE LENG
Aged 57 , Malaysian
Independent Non-Executive Director

Joined the Board on 26 August 2005 and is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

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

He was previously an Audit Manager with a professional accounting firm in London; the manager in charge of Portfolio Investment in a merchant bank in Malaysia and subsequently in charge of the corporate planning & investment division in a public listed company; 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; a Council Member and Chairman of the Secretariat of the Federation of Malaysia Unit Trust Managers ("FMUTM"); a Task Force Member on Islamic Finance for the Labuan Offshore Financial Services Authority ("LOFSA") and a member of the Securities Market Consultative Panel for Bursa Malaysia Securities Berhad.

He is currently a member of the Board of Governors and the Past President of the Financial Planning Association of Malaysia ("FPAM"), the Honorary Treasurer of the Society for the Prevention of Cruelty to Animals ("SPCA") and an investment committee member and director of MAAKL Mutual Berhad. He is also the Chairman of Adventa Berhad and a director of Ancom Berhad.

Notes :

1) There is no family relationship between the directors and/or major shareholders of the Company.
2) Save for Dato' Johari Razak and Dato' Siew Ka Wei who have interest in certain related party transactions as disclosed in page 112 of this Annual Report, none of the Directors has any financial interest in any business arrangement involving the Group, during the financial year.
3) The attendance and securities holdings of the Directors are respectively disclosed in page 14 and page 32 of this Annual Report.
4 None of the Directors has been convicted of any offence, other than traffic offences, if any, within the past ten (10) years.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("the Board"), I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 May 2011 ("FY 2011").

FINANCIAL PERFORMANCE

For the current year under review, the Nylex Group achieved sales of RM1,226.7 million, a slight increase in sales of 0.4% from RM1,222.1 million recorded in the previous financial year ended 31 May 2010 ("FY 2010"). The increase in sales was mainly due to improved sales performance in both the Polymer Division and the Industrial Chemical Division. However, the Group recorded a lower profit before tax ("PBT") of RM16.0 million, compared to RM40.0 million achieved in the corresponding period last year, mainly attributable to the oversupply situation for some of our products, more intense competition in the regional markets which have affected our margins and also the recognition of asset impairment and write-down of inventories.

After accounting for taxation and minority interests, the profit attributable to owners of the parent was RM13.2 million (FY 2010: RM35.1 million).

The basic earnings per share was lower at 6.92 sen compared with 18.83 sen for FY 2010. Net assets per share attributable to owners of the parent as at 31 May 2011 was RM1.39 compared to RM1.41 as at 31 May 2010.

REVIEW OF OPERATIONS

Polymer Division

For the current financial year, the overall sales for the Polymer Division improved by 9.4% to RM134.1 million compared with RM122.5 million achieved in FY 2010.

However, competitive pricing pressures from cheap imports and high raw material prices continue to put the lid on margins. The Division made a lower PBT of RM12.1 million compared with RM16.8 million achieved in FY 2010. The PBT of RM12.1 million was arrived at after taking into account the impairment of assets and write-down of inventories totaling RM3.8 million.

Industrial Chemical Division

The Industrial Chemical Division achieved higher sales of RM1,238.6 million for FY 2011 compared to RM1,171.7 million recorded last financial year. The increase in sales of 5.7% was mainly due to the inclusion of the results of a newly acquired subsidiary in February 2011.

The Division recorded a lower PBT of RM17.5 million, compared with RM37.5 million achieved in FY 2010 mainly due to the weaker demand and lower prices for our products and more intense competition in the regional markets compared with last financial year.

Building Products Division

As mentioned in my last year's report, in line with the Group's desire to focus more on the Polymer Division and Industrial Chemical Division which it has strategically defined as its core businesses, the Group has decided to cease production in PT Indomalay Ekatana Roofing Industries ("IRI"), the Division's manufacturing unit in Indonesia, on 29 May 2009. IRI has commenced its members' voluntary winding-up process on 26 October 2009 and the winding-up process was completed on 31 May 2011.

CORPORATE DEVELOPMENT

The Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), has purchased 550,000 shares in its associate, Ancom Kimia Sdn Bhd ("AKSB") on 22 February 2011 for cash consideration of RM275,000. AKSB is principally involved in the distribution of petrochemicals and industrial chemicals.

This acquisition has changed the effective shareholding of Nylex in AKSB from 30% to 55% and with effect from the same date, AKSB became a subsidiary of PKG and an indirect subsidiary of Nylex. The acquisition is in line with Nylex's strategy to focus on one of its core businesses - industrial chemicals.

DIVIDENDS

On 26 July 2011, the Company paid an interim dividend of 2.85 sen per share less 25% income tax amounting to RM4,153,489 for the financial year ended 31 May 2011. This represents the total dividend paid for the current financial year.

In the last financial year, a final dividend in the form of distribution of one (1) treasury share for every thirty-two (32) existing ordinary shares of RM1.00 each held, of which fraction of a treasury share is to be disregarded, was approved by the Company's shareholders at the last annual general meeting held in November 2010 and distributed on 17 January 2011.

PROSPECTS FOR NEXT FINANCIAL YEAR

Volatility in the global markets has increased following the recent US debt downgrade, the economic problems faced by Europe and the ongoing turmoil in Middle Eastern and North African regions. In addition, the aftermath of Japan's devastating earthquake has caused a slide in Japan's economic activity. While China strives to maintain export competitiveness, it continues to struggle with inflationary pressure and it expects slower growth this year. In the short term, global growth will slow down and be highly uneven across regions.

Against this backdrop of ongoing uncertainties in global and regional economic outlook, it remains our key focus to continuously seek ways to enhance sales growth and to strengthen our operational and productivity efficiency in order to improve the profitability of our business.

Barring unforeseen circumstances, the Group's performance for the next financial year is expected to be satisfactory.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express our heartfelt appreciation to the management and employees for their contribution, dedication and commitment throughout the year. The Board would also like to extend our sincere thanks and gratitude to all our valued shareholders, customers, suppliers, business partners, bankers and all regulatory authorities for their continued support and confidence in the Group.

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid
Chairman

Petaling Jaya, Selangor Darul Ehsan
28 September 2011

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors ("the Board") hereby states its commitment to maintain a high standard of corporate governance and upholding the fundamental duty of safeguarding the assets of the Company and its subsidiaries ("Group") and to enhance shareholders' value and financial performance of the Group. It is fully dedicated to ensuring that the principles of good corporate governance and the best practices as set out in the Malaysian Code on Corporate Governance issued by the Finance Committee ("Code") are adhered to.

Pursuant to paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board is pleased to present its Statement on Corporate Governance to indicate how the Group has applied the principles of the Code and the extent of compliance with the best practices in corporate governance set out in the Code.

THE BOARD OF DIRECTORS

Composition

As at 31 May 2011, the Board comprises five (5) members, of whom the Chairman and the Group Managing Director are Executive Directors and the remaining three (3) are Non-Executive Directors. Two (2) of the Non-Executive Directors are Independent Directors. The composition of the Board is in compliance with the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors.

All Board members are persons of calibre and credibility with extensive expertise and wealth of experience in legal, accounting, economics, corporate finance, marketing and business practices to augment the Group's continued growth and success.

The equal proportion of Independent Non-Executive Directors on the Board provides for an effective check and balance on the functions of the Board. The Non-Executive Directors do not engage in the day-to-day management of the Company and do not participate in any business dealings or form any other relationship with the Company, which enables them to exercise independent judgement in the discharge of their duties and responsibilities in the best interests 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 it 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 is set out in pages 6 to 8 of this Annual Report.

Duties and responsibilities

The roles of the Executive Chairman and the Group Managing Director are distinct and separate with individual responsibilities and clearly defined duties, power and authorities. In addition to his executive role in the Company, the Chairman is also responsible for the orderly conduct of the Board. The Group Managing Director is accountable for the day-to-day management of the Group's business operations and implementation of the Board's decisions and policies. 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.

All Directors are required to disclose their direct and indirect interests in the Company, its subsidiaries and related companies. They are also obligated to declare whether they or any person(s) connected to them have potential or actual conflict of interest in any transaction, contract or proposal with the Company, its subsidiaries and/or related companies. Any Director who has interests in such transactions, contracts or proposals will abstain from all Board deliberations and ensure that he and any person(s) connected to him will abstain on the voting in respect of his/their direct and indirect shareholdings.

The principal responsibilities of the Board include the following:

- Formulating and reviewing the business direction and objectives of the Group

  The Board plays an active role in formulating the Group's overall business direction and in reviewing the Group's business and financial performances at regular intervals.

- Overseeing the conduct of business of the Group to evaluate whether the business is being properly managed

  The Board would appraise the Group's actual business and financial performances against the results of the corresponding period last year at the quarterly Board meetings. The key matters reserved for the Board's approval include the significant corporate proposals involving acquisitions and disposals of companies or restructuring of the Group's businesses, new issue of securities and acquisitions and disposals of significant assets and expenditure above a certain amount.

  Board committees, such as the Audit Committee and Remuneration and Nomination Committee ("R&N Committee"), 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 ("TOR"). 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 their respective meetings. Minutes of the Board committees meetings are enclosed together with the Board papers for the Directors' attention.

  The activities of the Audit Committee and R&N Committee are detailed under the Board committees section of this Statement.

- Identifying principal risks and ensuring the implementation of appropriate risk management framework

  The Board, through the Audit Committee, conducts periodic reviews on the risk management framework to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group.

- Reviewing the adequacy and integrity of the Group's internal control system and management information system

  The Group has implemented certain authority levels, control procedures, reporting mechanisms and internal audit function that are subject to periodic reviews by the Board.

Meetings and supply of information

The Board meets at least once in every quarter to deliberate and consider a variety of matters including the review and approval of the interim financial results of the Group.

At the end of each calendar year, the Company Secretaries would draw a proposed timetable for all the Board and Board committees meetings, including the annual general meeting, to be held in the next calendar year, to ease the Directors in planning their attendance at these meetings. The proposed timetable would be revised in accordance with feedback received from the Directors to allow a maximum number of Directors to attend the meetings.

Prior to the meetings, the Directors were provided with the agenda, financial reports and any other documents required for the consideration of the Board, well in advance of each meeting or via circular resolutions. These documents were comprehensive and covered both qualitative and quantitative factors of the matters at hand so that informed decisions could be made. Minutes were kept to record the proceedings at the Board meetings, the deliberations on the matters at hand and the decisions made thereto. The minutes are then circulated to the Directors for their review prior to confirmation at the subsequent Board meeting.

Invitations to attend the Board meetings have occasionally been extended to senior management staff and/or professional advisers to provide the Board with their explanations on certain items tabled or to furnish clarification on issues raised by the Board.

All Directors have unrestricted access to information of the Group 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 Board also have access to the advice and services of the two (2) Company Secretaries, who are responsible for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. The Company Secretaries are required to attend the Board meetings.

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 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.

Attendance

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

Names of Directors	**Attendance**	
	No. of meetings	**%**
Datuk Ir (Dr) Mohamed Al Amin Abdul Majid	4	100
Dato' Johari Razak	3	75
Dato' Siew Ka Wei	4	100
Lim Hock Chye	4	100
Edmond Cheah Swee Leng	4	100

All Directors have attained the minimum attendance during the financial year as required under the Listing Requirements. All Board meetings held during the financial year were attended by the Company Secretaries.

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, Lim Hock Chye, who is a panel speaker for Rating Agency of Malaysia and Bursatra Sdn Bhd on Continuing Education Programme for directors of public listed companies, continued to lecture on promotion of good corporate governance within Corporate Malaysia. Dato' Johari Razak, a practicing lawyer, attended the Directors Continuing Education Programme organised by Dutch Lady Milk Industries Berhad on 21 & 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 courses/seminars during the financial year. However, they will identify and attend seminars and further training in future which they consider relevant and useful in order to effectively discharge their duties as Directors.

Re-election

The Articles of Association ("Articles") of the Company provide that at every Annual General Meeting ("AGM") of the Company, one-third (1/3) of the Directors who are longest in office and those Directors appointed during the financial year shall retire from office and be eligible for re-election. The Articles also provide that all Directors, including the Executive Chairman and the Group Managing Director, shall retire from office once in every three (3) years but shall be eligible for re-election. Both the Executive Chairman and the Group Managing Director do not have a service contract where the notice period for termination is more than one (1) year.

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

The R&N Committee is tasked with making recommendations to the Board on the re-election of Directors who retire pursuant to the Articles. To assist shareholders in making decision in the re-election of Directors, sufficient information such as personal profile, attendance at Board and Board committees meetings and shareholding in the Company of the Directors standing for re-election were furnished in the Annual Report. In accordance with this process, Lim Hock Chye and Edmond Cheah Swee Leng retired by rotation at the 40th AGM held on 24 November 2010 and were re-elected to the Board by the Company's shareholders.

Dato' Johari Razak and Dato' Siew Ka Wei will retire by rotation at the forthcoming 41st AGM.

Board committees

In accordance with the best practices of the Code, the Board has established the following Board committees to delegate specific duties and responsibilities:

Audit Committee
The composition, TOR and other information relating to the Audit Committee are set out in the Audit Committee Report on pages 19 to 23 of this Annual Report.

R&N Committee
The Board has combined the functions of the Remuneration Committee and the Nomination Committee into one 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 mix 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. 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 assume 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.

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

During the financial year, the members of the R&N Committee were as follows:

Lim Hock Chye *(Chairman)*
Edmond Cheah Swee Leng

During the financial year, the R&N Committee had one (1) meeting which was attended by all 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 in compliance with the Code and that the Board and Board committees were effective in discharging their respective responsibilities. The R&N Committee also made recommendations to the Board on the re-election of the retiring Directors and the payment of Directors' fees for subsequent approval by the shareholders at the forthcoming AGM. Minutes were kept to record the proceedings at the R&N Committee meetings, the deliberations on the matters at hand and the decisions made thereto. The minutes were then circulated to the committee members for their review prior to confirmation at the subsequent R&N Committee meeting.

The R&N Committee was of the view that the mix of Executive and Non-Executive Directors on the Board was appropriate and did not recommend the Board to make any new appointment during the financial year.

The R&N Committee had not engaged a consultant to do a comparative study on the Directors' remuneration for the current financial year. The R&N Committee would take into consideration the members' personal experience as well as the market practices in deciding the amount of remuneration to be paid to the Non-Executive Directors.

DIRECTORS' REMUNERATION

Directors' fees

For the last financial year, the Non-Executive Directors of the Board received RM50,000 each as directors' fee per annum. The Executive Chairman received RM58,822, which is the pro-rated fees paid up to the date of his re-designation from a Non-Executive Chairman. 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 approved by the shareholders at the last year's AGM.

The Non-Executive Directors also received attendance allowances of RM416 and RM972 for local and outstation Directors, respectively, for each Board and Board committees meeting attended as recommended by the R&N Committee.

During the financial year, the R&N Committee has recommended the same amount of directors' fee for the Non-Executive Directors and for the members of the Audit Committee and R&N Committee. The attendance allowances for the Non-Executive Directors would also remain unchanged.

The Board has endorsed the R&N Committee's recommendation of the directors' fee for the current financial year and will propose the same for the approval of the Company's shareholders at the forthcoming AGM.

The R&N Committee also reviewed the remuneration of the Executive Chairman and the Group Managing Director and made recommendations on the same for the Board's approval. Both the Executive Chairman and the Group Managing Director did not participate in the Board deliberation on their remuneration at the Board meeting.

The remuneration of the Executive Chairman and the Group Managing Director for the financial year ended 31 May 2011 consisted of monthly salary, bonus, contribution to the Employees Provident Fund and benefits-in-kind and was determined based on the performance of the Group in the financial year.

Subject to the approval of the Company's shareholders on the Directors' fees for the current financial year, the details of the remuneration paid or payable to the Directors by the Group during the financial year are disclosed in Note 8 to the financial statements on page 71 of this Annual Report.

SHAREHOLDERS

Investor relations and shareholders' communication

The Board recognises the importance of transparency and accountability to its shareholders, stakeholders and other investors through proper, timely and adequate dissemination of information on the Group's performance, business activities, financial performance, material information and corporate events through an appropriate channel of communication. The annual reports, quarterly interim financial reports and other announcements, circulars to shareholders and press releases are the primary modes of communication used by the Company.

The Company has also established a website at www.nylex.com where shareholders, stakeholders and other investors can have access to the Company's latest annual report, quarterly interim financial reports, announcements, circulars to shareholders and press releases, as well as the Company's current share price. Shareholders and investors are able to pose questions and queries to the Company via the website and these questions and queries would be attended to by the Company's senior management.

In addition, the Board also encourages shareholders, stakeholders and other investors to communicate with the Company through other channels, via post at Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, fax at 603-55108291 or e-mail at corp@nylex.com.

General meeting

General meetings remain the principal forum for dialogue between the Company and its shareholders. The notice of meeting is sent to the shareholders, together with any relevant circulars, within the prescribed deadlines and advertised in an English newspaper.

The Company would hold its general meetings at venues that are easily accessible by the shareholders and at a time convenient to the shareholders to encourage them to attend the meetings. The shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns to the Board at these meetings.

The Company held its 40th AGM at the Hilton Petaling Jaya at Jalan Barat, Petaling Jaya on 24 November 2010. The Notice of AGM, Annual Report and the related circular were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice of AGM was also advertised in a national English newspaper within the prescribed deadlines. All the Directors, with the exception of Dato' Johari Razak, and a total of 173 shareholders and proxies attended the AGM.

During the AGM, the Group Managing Director gave a briefing on the financial performance for the financial year ended 31 May 2010 and his view and insights on the future prospects of the Group's businesses. There was active participation by the shareholders in the discussions. The Chairman, when presenting the agenda items for voting, also gave a brief description of the items to be voted and shareholders were invited to give their views and comments before voting commenced.

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 on the same day at the conclusion of the AGM.

Minutes were kept to record the proceedings of the AGM and shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

The Notice for the forthcoming 41st AGM of the Company, which will be held on 23 November 2011, is on pages 117 to 120 of this Annual Report.

ACCOUNTS AND AUDIT

Financial reporting

The Board takes responsibility in ensuring that the quarterly interim financial reports of the Group and the annual audited financial statements of the Group and of the Company give a true and fair view of the state of affairs of the Group and of the Company, and are drawn up in accordance with the provisions of the Companies Act, 1965, the Listing Requirements, the applicable approved Financial Reporting Standards in Malaysia and any other statutory or regulatory requirements.

The Group's annual audited financial statements are reviewed by the Audit Committee together with the external auditors and the management of the Company. The quarterly interim financial reports are reviewed by the Audit Committee and the management. Thereafter, the Audit Committee will recommend to the Board to approve same prior to their release to Bursa Malaysia Securities Berhad within the stipulated time frame.

A statement by the Board on its responsibilities for preparing the annual audited financial statements is set out on page 28 of this Annual Report.

Internal Control

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained throughout the Group, covering not only financial controls but also operational and compliance controls as well as risk management. The Board recognises that risks cannot be totally eliminated and the system of internal control instituted is designed to minimise and manage, rather than eliminate, these risks to safeguard shareholders' investments and the Group's assets.

The Audit Committee, which has been empowered to assist the Board in discharging its duties in relation to internal control, seeks the regular assurance on the continuity and effectiveness of the internal control system through independent reviews conducted by the internal and external auditors. In addition, Deloitte Enterprise Risk Services Sdn Bhd has been appointed as the Group's internal auditors to review the internal control system during the financial year. The internal auditors report to the Audit Committee who shall determine their remuneration.

The report of the Audit Committee is separately set out on pages 19 to 23 of this Annual Report while the scope and results of the internal audit review by the Audit Committee are detailed in the Statement on Internal Control on pages 24 to 25 of this Annual Report.

Relationship with auditors

The Company has established a formal, transparent and appropriate relationship with the Group's auditors, both external and internal. The Audit Committee acts as an independent channel of communication for the auditors to convey their objective views and professional advice on the Group's financial and operational activities.

As per the TOR, the Audit Committee has been explicitly accorded the power to appoint and decide on the remuneration and the resignation or dismissal of the external auditors. The appointment of the external auditors is subject to the approval of the Company's shareholders at the AGM. The external auditors have an obligation to bring any significant matter relating to the financial audit of the Group to the Audit Committee. They are invited to attend the Audit Committee's meetings when necessary.

Both the external and internal auditors attended three (3) meetings with the Audit Committee held in the financial year ended 31 May 2011.

CONCLUSION

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

AUDIT COMMITTEE REPORT

INTRODUCTION

The Board of Directors ("the Board") is pleased to present its Audit Committee Report for the financial year ended 31 May 2011.

TERMS OF REFERENCE

Composition

The Audit Committee shall be appointed by the Board from amongst its members. The Audit Committee shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent directors as defined in the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

All members of the Audit Committee shall be financially literate and at least one of them shall be a member of the Malaysian Institute of Accountants ("MIA") or a person who fulfils the requirements under Paragraph 15.09 (1)(c)(ii) or (iii) of the Listing Requirements. No alternate director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee shall be elected at the first Audit Committee meeting held after each annual general meeting of the Company, from amongst its members and he shall be an independent non-executive director. The Chairman so elected shall hold office until the commencement of the first Audit Committee meeting held after each annual general meeting of the Company.

If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members less than the required number of three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of members. All members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board or until they cease to be a director of the Company.

One of the Company Secretaries shall be the Secretary of the Audit Committee.

Objectives

The objectives of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("Group"), particularly in:

1. maintaining a good corporate governance standard as well as a sound system of internal control;

2. facilitating the effective discharge of its stewardship responsibilities in respect of strategic business operations and related controls;

3. identifying principal risks and ensuring the implementation of appropriate risk management framework; and

4. reviewing the adequacy and integrity of the system of internal control and management information system.

Functions

1) The duty of the Audit Committee shall include the following:

    (a) EXTERNAL AUDIT

        (i) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

        (ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and to ensure co-ordination where more than one audit firm is involved;

(iii) To review the quarterly and year-end financial statements of the Group, focusing particularly on –

- changes in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary); and

(v) To review the external auditors' management letter and management's response.

(b) INTERNAL AUDIT

(i) In relation to the internal audit function –

- to determine the scope and ensure that the internal audit function is independent of the activities it audits;
- to approve the annual internal audit plan;
- to review the competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- to review results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function; and
- to ensure that the internal audit function reports directly to the Audit Committee. However, on a day-to-day basis, the Audit Committee may select a representative to liaise with the internal auditors.

(ii) To consider any related party transactions that may arise within the Company and the Group;

(iii) To consider the major findings of internal investigations and management's response; and

(iv) To consider other topics as defined by the Board.

2) The representatives of the internal and external auditors should normally attend the Audit Committee meetings. Invitees may attend the Audit Committee meetings upon the invitation of the Audit Committee. The Audit Committee shall convene meetings with the external auditors, internal auditors or both, without the attendance of other directors and employees of the Company and the Group whenever it deems necessary.

3) The Chairman of the Audit Committee should engage on a continuous basis with senior management such as the Chairman, the Group Managing Director and other senior operating staff and the internal and external auditors in order to be kept informed of matters affecting the Company and the Group.

4) In discharging the functions as stated in (1) above, the Audit Committee shall have, at the cost of the Company:

(a) the explicit authority to investigate any matter within its Terms of Reference;

(b) all the resources that are required to perform its duties;

(c) full and unrestricted access to any information pertaining to the Company and the Group;

(d) direct communication channels with the external auditors and the internal auditors; and

(e) the authority to obtain independent professional and other advices and to secure the attendance of the advisers if it considers necessary.

Meeting

The Audit Committee shall meet every quarterly or at other frequencies as directed by the Board and at any time upon the request of any members of the Audit Committee, the external auditors or the internal auditors and/or at the Chairman's discretion.

The quorum for each meeting shall be two (2) members, all of whom must be independent directors. Agenda shall be sent to all Audit Committee members and any other persons who may be required to attend the meeting at least seven (7) days prior to the meeting unless such requirement is waived by the Audit Committee members at the meeting.

Decision of the Audit Committee shall be by majority of vote. In the case of equality of vote, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the Audit Committee members attending the meeting, shall have a second and casting vote.

Minutes

The minutes of each Audit Committee meeting, after the same have been affirmed by the subsequent Audit Committee meeting and signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat.

The minutes shall be kept by the Secretary and are subject to inspection by the Audit Committee members and the Board upon request.

Copies of the minutes shall be distributed to the Audit Committee members and the Board for information.

MEMBERS AND MEETINGS

During the financial year, the Audit Committee comprised three (3) members, which is in compliance with the Terms of Reference of the Audit Committee. Five (5) meetings were held in the financial year. The members and their attendance record are as follows:

Members	**Attendance**	
	No. of meetings	**%**
Edmond Cheah Swee Leng *Chairman, Independent Non-Executive Director, member of MIA*	5	100
Lim Hock Chye *Member, Independent Non-Executive Director*	5	100
Dato' Johari Razak *Member, Non-Independent Non-Executive Deputy Chairman*	3	60

As per the Terms of Reference, the Chairman of the Audit Committee should engage on a continuous basis with senior management of the Company in order to be kept informed of matters affecting the Company and the Group. In this respect, the Audit Committee has decided that this would be carried out in the form of Audit Committee/Management meeting whenever the situation warrants such a meeting.

During the financial year, four (4) Audit Committee/Management meetings were held which were attended by the Audit Committee members and the senior management of the Group to discuss the operational issues in the Group.

SUMMARY OF ACTIVITIES

During the financial year under review, the Audit Committee carried out its duties in accordance with its Terms of Reference. The activities undertaken were as follows:

Financial results

- Review of the quarterly interim financial reports with the management before recommending them for the Board's approval; and
- Review of the annual audited financial statements with the external auditors prior to submission to the Board for approval.

The reviews above were to ensure, inter-alia, that the quarterly interim financial reports and the annual audited financial statements complied with the provisions of the Companies Act, 1965, the Listing Requirements, the approved Financial Reporting Standards and other statutory and regulatory requirements.

Internal and external audits

- Review of the internal auditors' and external auditors' annual audit plans with the internal auditors and external auditors, respectively;
- Review of the quarterly internal audit reports with the internal auditors, and the management letter from the external auditors to ensure that the internal control system was in place and was effective to achieve its objectives. Weaknesses noted in the internal audit or non-compliance of the internal control system were reviewed to determine their possible impact on the effectiveness of the internal control system and their possible financial impact on the Group's financial results and the going concern assumptions;
- Review of the management's responses and remedial actions to be undertaken by the management in relation to the weaknesses and non-compliances noted above and the follow-up actions undertaken by the management thereof; and
- Review of the external auditors' remuneration and made recommendation to the Board for acceptance and for their reappointment.

Related party transactions

- Review and approval of the related party transactions entered into by the Company and the Group.

Employees share option scheme

- The Company has not established any share option scheme and has no subsisting share option scheme for its employees during the financial year under review.

During the Board Meeting, the Chairman of the Audit Committee briefed the Board on the matters discussed at the Audit Committee meeting and the major issues raised in respect of the internal audit and internal control. The Chairman also briefed the Board on the discussion on the quarterly interim financial reports, the annual audited financial statements and the recommendations of the Audit Committee thereon to the Board to adopt the quarterly interim financial reports and the annual audited financial statements.

INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the internal control system.

In this regard, the Board has outsourced the internal audit function of the Group to an independent professional consulting firm, Deloitte Enterprise Risk Services Sdn Bhd, for the financial year ended 31 May 2011 for a fee of RM78,000. The outsourced internal audit function reports to the Audit Committee and indirectly assists the Board in monitoring and managing risks and the Group's system of internal control.

During the financial year, the internal auditors carried out the internal audit function based on approved internal audit plan.

Amongst the responsibilities of the internal auditors were:

(i) to assist the Board in reviewing the adequacy, integrity 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 assets and the integrity of management information system and consequently to determine the future requirements for internal control system and to co-develop a prioritised action plan;

(ii) to perform a risk assessment of the Group's business operations and to identify the business processes within the Group that internal audit should focus on; and

(iii) to allocate audit resources to areas within the Group that provide the Audit Committee and the management with efficient and effective level of audit coverage.

At the Audit Committee meeting, the internal auditors presented the quarterly internal audit reports to the Audit Committee for review and discussion. The quarterly internal audit reports, which highlighted internal control weaknesses in the business operations and the internal auditors' assessment of the magnitude of the financial effects arising from the weaknesses noted, also contained the internal auditors' recommendations on the corrective actions to overcome the internal control weaknesses and the management's responses to the findings and the recommendations thereof. Target was set for the appropriate corrective actions to be effected and the internal auditors would report their findings from the follow-up reviews in their internal audit progress reports, to the Audit Committee.

CONCLUSION

The Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established above during the financial year under review.

Please refer to pages 24 to 25 of this Annual Report for the Statement on Internal Control.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

This Statement of Internal Control by the Board of Directors ("the Board") is made pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). It outlines the nature and scope of internal control of Nylex (Malaysia) Berhad and its subsidiaries ("the Group") during the financial year under review.

BOARD RESPONSIBILITY

In accordance with Principle D II in Part 1 of the Malaysian Code on Corporate Governance, the Board is committed to maintaining a system of internal control in financial, operational and compliance as well as risk management to achieve the following objectives:

- safeguard assets of the group and shareholders' interests;
- identify and manage risks affecting the Group;
- ensure compliance with regulatory requirements; and
- ensure operational results are closely monitored and substantial variances are promptly explained.

The Board acknowledges its responsibility for the Group's overall system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. However, it should be noted that due to the limitations that are inherent in any system of internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. Furthermore, consideration is given to the cost of implementation as compared to the expected benefits to be derived from the implementation of the internal control system.

KEY ELEMENTS OF INTERNAL CONTROL

Key elements of internal control that the Board has established in reviewing the adequacy and integrity of the system of internal control are described below.

There is a continuous process for identifying, evaluating and managing significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements. The process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board has in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

The Group's internal audit function is outsourced to a public accounting firm of international standing. The internal audit function facilitates the Board in its review and evaluation of the adequacy and integrity of the Group's internal control system.

Internal audits are carried out according to the annual audit plan approved by the Audit Committee. The resulting reports from the audits undertaken are presented to the Audit Committee at its regular meetings. The Audit Committee meets to review, discuss and direct actions on matters pertaining to reports which, among other matters, include findings relating to the adequacy and integrity of the internal control system of the Group. After the Audit Committee has deliberated on the reports, these are then forwarded to the operational management for attention and necessary actions. The operational management is responsible for ensuring that recommended corrective actions on reported weaknesses are taken within the required time frame.

The Audit Committee in its advisory capacity is established with specific terms of reference which include the overseeing and monitoring of the Group's financial reporting system and the review of the effectiveness of the Group's system of internal control periodically.

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the Annual Report for FY 2011, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group.

CONCLUSION

The Board is of the opinion that the system of internal control that has been instituted throughout the Group was satisfactory and has not resulted in any material losses that would require disclosure in the Group's annual report for the financial year ended 31 May 2011. As the development of a sound system of internal control is an on-going process, the Board and the management maintain an on-going commitment in continuing to take appropriate measures to strengthen the internal control environment of the Group in order to safeguard shareholders' investments and the Group's assets. This Statement was approved by the Board on 21 September 2011.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") is pleased to present the Corporate Social Responsibility ("CSR") Statement for the financial year ended 31 May 2011.

The Board understands the need for transparent business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders. In that respect, the Company and its subsidiaries ("the Group") have carried out certain activities during the financial year, which focuses on four main focal areas as disclosed below.

Environment

As a responsible corporation, the Group has initiated various sustainable environmental conservation efforts. Chemical wastes are sent to Kualiti Alam for proper disposal and monthly reports on the scheduled waste are submitted to the Department of Environment ("DOE") and the Majlis Bandaraya Shah Alam. Other wastes or materials such as papers, plastics and wood are re-used, where possible, or sent to recycling centres.

The Group employs Alam Sekitar Malaysia Sdn Bhd to carry out quarterly stack gas emission tests to ensure compliance with the Environmental Quality Act, 1974 ("EQA"). The Group also strives to use eco-friendly chemicals in its products.

One of the subsidiaries is operating under the ISO 14000, a standard for environmental management systems to reduce the environmental footprint of a business and to decrease pollution and waste.

During the financial year, a subsidiary participated in a 'Green Campaign' organised by the local authority by planting trees and plants around the factory. Another subsidiary achieved 5% reduction in general wastes compared to the previous financial year.

Workplace

The Group values its employees and emphasises on the development of human resources. Various activities and procedures focusing on safety and health were organised by the Group to promote a healthy and positive work environment for its employees:

- proactive measures are taken to reduce employees' exposure to the noise in the high noise level areas, such as providing ear plugs and soundproofing the affected areas where possible. Annual Employee Audiometric Hearing tests are also conducted to ensure employees' hearing is in good condition;
- ensure that Personal Protective Equipment which are registered with the Department of Occupational Safety and Health are used;
- carry out scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on site drills to ensure that employees are well trained to handle emergency situations; and
- training on safety, product handling, first aid, fire fighting and succession planning, inspection of fire fighting equipment, fire and chemical handling drills and health briefings are carried out on a regular basis.

Management and Supervisory Development programmes which provide career advancement opportunities were also organised by the Company for potential employees.

During the financial year, in addition to the regular activities indicated above, the following activities were conducted by the Company and/or its subsidiaries:

- launched four Safety Campaigns, for its employees, which covered various topics on employee safety;
- a fire safety talk by the Public Fire Safety & Prevention Education Centre;
- eye tests for its production workers; and
- donation of equipment and money to a disabled ex-staff.

Community

Consistent with one of the important focal area of CSR which is to be responsible to the community in which the Group operates, the Group makes it a point to provide industrial training or factory visits to undergraduates or technical students from local and international institutions. During the financial year, industrial training was provided for three (3) students; one (1) each from Universiti Malaya, Tunku Abdul Rahman College and Universiti Tun Hussein Onn. Two academic research visits were also conducted; one visit by Year 3 Accounting students of KBU International College and another by the Textile Technology Programme of Applied Sciences of Universiti Teknologi Mara.

Employees are encouraged to volunteer in community projects such as tree planting and blood donation campaigns. During the financial year, the Company conducted two (2) blood donation campaigns organised to collect blood for Hospital Tengku Ampuan Rahimah, Klang, Selangor Darul Ehsan. A total of forty six (46) employees participated in the two events.

During the financial year, the Company and/or its subsidiaries made monetary donations to flood victims in Papua New Guinea, volcano victims in Merapi, the Habitat Foundation Indonesia which will build homes for the homeless, the UOB Heartbeat Run in support of various children programmes, the Foon Yew High School Charity Golf Tournament which will provide financial aids to needy students, the Yayasan Bakti Charity Golf, the CICM Responsible Care Run, the Malay Mail Charity Golf, the Dow Singapore Charity Golf and the MyKasih Foundation Charity Golf. In addition, the Company was a sponsor of the KL Youth Soccer Gothia Cup 2011 and donated PVC sheeting material to a school in Puchong.

A subsidiary supplied goodies to 120 houses in the village adjacent to its manufacturing plant in conjunction with the Hari Raya festivities whilst another adopted the Singapore Children's Society as its official charity partner for 3 years beginning from year 2009.

Marketplace

Last but not least, the Group also recognises its duty to be socially responsible to its customers, suppliers, shareholders and other stakeholders. Hence, with effect from January 2007, Material Safety Data Sheets were developed on the Group's products range for customers to ensure safe and proper usage and handling of our products.

Supplier Audits are regularly conducted to ensure that materials provided by our suppliers meet the standards imposed by the DOE or EQA.

Safety briefing and training for customers on the handling of phosphoric acid are also conducted by a subsidiary on a regular basis.

DIRECTORS' RESPONSIBILITIES STATEMENT ON FINANCIAL STATEMENTS

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare the financial statements for each financial year which shall give a true and fair view of the state of affairs and financial position of the Company and of the Group as at the end of the financial year.

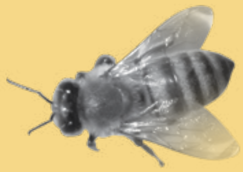
Pursuant to paragraph 15.26(a) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Directors are required to issue a Statement explaining their responsibilities in the preparation of the annual audited financial statements.

The Directors hereby state that they are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company and the Group to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group as at 31 May 2011 and the income statement of the Company and the Group for the financial year ended on that date. The Directors are also responsible for ensuring that the financial statements comply with the Companies Act, 1965, the Listing Requirements and other statutory and regulatory requirements.

In preparing the financial statements for the financial year ended 31 May 2011, the Directors have:

- adopted the appropriate accounting policies, which are consistently applied;
- made judgements and estimates that are reasonable and prudent;
- adopted all applicable accounting standards, material departures, if any, will be disclosed and explained in the financial statements; and
- prepared the financial statements on the assumption that the Company and the Group will operate as a going concern.

The Directors have provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate to enable them to give their audit report on the financial statements.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of Nylex (Malaysia) Berhad ("Nylex") have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2011.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other plastic products, including geotextiles and prefabricated sub-soil drainage systems.

The principal activities of the subsidiaries comprise the following:

(a) Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins;

(b) Trading, manufacture and sale of petrochemicals and industrial chemicals products; and

(c) Manufacture and trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

RESULTS

The results of the operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit from operations	23,337	8,099
Finance costs	(7,293)	(2,350)
Profit before tax	16,044	5,749
Income tax expense	(2,906)	4,734
Net profit for the year	13,138	10,483
Attributable to:		
Owners of the parent	13,185	10,483
Minority interests	(47)	-
	13,138	10,483

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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.

ISSUE OF SHARES AND DEBENTURES

There were no issues of new shares or debentures during the financial year.

TREASURY SHARES

At the 40th Annual General Meeting held on 24 November 2010, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares pursuant to Section 67A of the Companies Act, 1965 ("Act"). During the financial year, the Company did not purchase any of its ordinary shares.

On 17 January 2011, the Company distributed a total of 5,882,637 treasury shares, being payment of the final dividend for the financial year ended 31 May 2010.

As at 31 May 2011, a total of 23,224 treasury shares with a carrying amount of RM33,204 were held by the Company.

DIVIDENDS

As mentioned above, on 17 January 2011, the Company paid dividend by way of distribution of 5,882,637 treasury shares, which were carried at RM8,410,624, being the final dividend for the financial year ended 31 May 2010.

In respect of the financial year ended 31 May 2011, an interim dividend of 2.85 sen per share less 25% income tax amounting to RM4,153,489 was declared on 27 June 2011 and paid on 26 July 2011. The financial statements for the current financial year do not reflect this dividend but will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2012.

DIRECTORS

The Directors who served on the Board of the Company since the date of the last report and at the date of this report are:

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid *(Executive Chairman)*
Dato' Johari Razak *(Non-Executive Deputy Chairman)*
Dato' Siew Ka Wei *(Group Managing Director)*
Lim Hock Chye
Edmond Cheah Swee Leng

In accordance with Article 109 of the Company's Articles of Association, Dato' Johari Razak and Dato' Siew Ka Wei retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The interests in shares in the Company and in related companies of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, were as follows:

	No. of Ordinary Shares of RM1.00 Each				
	Balance at 1.6.2010	Acquired	Share dividend received	Disposed	Balance at 31.5.2011
The Company					
Direct interest					
Dato' Johari Razak	127,380	-	3,980	-	131,360
Dato' Siew Ka Wei	1,475,928	-	46,121	-	1,522,049
Deemed interest					
Dato' Siew Ka Wei	96,362,894	-	3,011,023	(10,000)	99,363,917
Holding company, Ancom Berhad					
Direct interest					
Dato' Johari Razak	465,427	-	-	-	465,427
Dato' Siew Ka Wei	14,586,765	-	-	-	14,586,765
Deemed interest					
Dato' Siew Ka Wei	19,398,848	-	-	-	19,398,848
Subsidiary, Ancom Kimia Sdn Bhd					
Direct interest					
Datuk Ir (Dr) Mohamed Al Amin Abdul Majid	-	770,000	-	-	770,000

	No. of Ordinary Shares of RM0.20 Each			
	Balance at 1.6.2010	Acquired	Disposed	Balance at 31.5.2011
Related company, Ancom Logistics Berhad				
Direct interest				
Dato' Johari Razak	23,271	-	-	23,271

By virtue of his interest in the shares in the holding company, Ancom Berhad, Dato' Siew Ka Wei is also deemed to have an interest in the shares of all the other subsidiaries of Ancom Berhad to the extent Ancom Berhad has an interest.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in the shares in the Company and its related companies during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, or the fixed salary received in his capacity as a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or by a related corporation with a 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, except as disclosed in Note 33 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statement, statement of comprehensive income and statements of financial position of the Group and of the Company were made out, 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in these financial statements inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances 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) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

(e) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION *(continued)*

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is 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.

HOLDING COMPANY

The holding company of the Company is Ancom Berhad, a company incorporated in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad.

SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE REPORTING DATE

Significant events during the year are disclosed in Note 37 to the financial statements. There are no significant events subsequent to the reporting date.

AUDITORS

The auditors, Messrs Ernst & Young, have expressed their willingness to continue in office.

Signed for and on behalf of the Board in accordance with a resolution of the Directors dated 28 September 2011.

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid
Director

Dato' Siew Ka Wei
Director

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Ir (Dr) Mohamed Al Amin Abdul Majid and Dato' Siew Ka Wei, being two of the Directors of Nylex (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 38 to 109 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows for the year then ended.

The information set out in Note 40 on page 110 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed for and on behalf of the Board in accordance with a resolution of the Directors dated 28 September 2011.

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid **Dato' Siew Ka Wei**

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dato' Siew Ka Wei, being the Director primarily responsible for the financial management of Nylex (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 110 are in my opinion 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 Dato' Siew Ka Wei
at Kuala Lumpur Wilayah Persekutuan
on 28 September 2011

Before me, **Dato' Siew Ka Wei**

R.Vasugi Ammal, PJK (No. W480)
Pesuruhanjaya Sumpah
Malaysia

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NYLEX (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

Report of the financial statements

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the statements of financial position as at 31 May 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 109.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 ("Act") in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's and the Group's preparation of financial statements that give a true and fair view 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 Company's and of the Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Act 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 2011 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Act in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 38 to the financial statements.

Report on other legal and regulatory requirements *(continued)*

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 40 on page 110 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Act in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF:0039
Chartered Accountants

Low Khung Leong
No. 2697/01/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 September 2011

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	3	**1,226,749**	1,222,086	**87,980**	86,154
Cost of sales	3	**(1,105,807)**	(1,080,791)	**(76,607)**	(71,278)
Gross profit		**120,942**	141,295	**11,373**	14,876
Other income	4	**3,122**	2,672	**17,003**	20,206
Selling and distribution expenses		**(50,173)**	(49,431)	**(6,928)**	(4,900)
Administrative expenses		**(45,337)**	(44,724)	**(12,508)**	(12,486)
Other expenses		**(5,217)**	(4,340)	**(841)**	(3,735)
Profit from operations		**23,337**	45,472	**8,099**	13,961
Finance costs	5	**(7,293)**	(5,459)	**(2,350)**	(2,675)
Profit before tax	6	**16,044**	40,013	**5,749**	11,286
Income tax expense	9	**(2,906)**	(4,855)	**4,734**	1,705
Net profit for the year		**13,138**	35,158	**10,483**	12,991
Profit attributable to:					
Owners of the parent		**13,185**	35,114	**10,483**	12,991
Minority interests		**(47)**	44	**-**	-
		13,138	35,158	**10,483**	12,991
Earnings per share (sen)	10	**6.9**	18.8		
Net dividends per ordinary share (sen)	11	**4.5**	2.4		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2011

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Net profit for the year	**13,138**	35,158	**10,483**	12,991
Other comprehensive loss				
Currency translation differences	**(7,412)**	(6,550)	**-**	-
Other comprehensive loss for the year	**(7,412)**	(6,550)	**-**	-
Total comprehensive income for the year	**5,726**	28,608	**10,483**	12,991
Total comprehensive income attributable to:				
Owners of the parent	**6,069**	28,553	**10,483**	12,991
Minority interests	**(343)**	55	-	-
	5,726	28,608	**10,483**	12,991

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2011

	Note	2011 RM'000	2010 (restated) RM'000	As at 1.6.2009 (restated) RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	**66,426**	74,027	78,701
Investments in associates	14	**-**	-	-
Investment securities	15	**3,580**	3,580	3,580
Intangible assets	16	**13**	25	199
Goodwill arising on consolidation	17	**86,828**	90,485	93,160
Deferred tax assets	18	**29,830**	24,430	16,574
		186,677	192,547	192,214
Current assets				
Inventories	19	**140,741**	114,266	90,175
Trade and other receivables	20	**223,370**	184,273	162,405
Investment securities	15	**458**	1,158	790
Income tax recoverable		**4,521**	1,636	5,372
Derivative assets	21	**21**	-	-
Short-term deposits with licensed banks	22	**18,063**	15,235	33,774
Cash and bank balances	22	**43,049**	48,954	33,807
		430,223	365,522	326,323
TOTAL ASSETS		**616,900**	558,069	518,537
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	23	**194,338**	194,338	194,338
Reserves	24	**(18,254)**	(11,138)	(4,577)
Retained earnings	25	**94,804**	90,100	59,393
Less: Treasury shares, at cost	26	**(33)**	(8,444)	(12,851)
		270,855	264,856	236,303
Minority interests		**6,018**	4,046	4,383
Total equity		**276,873**	268,902	240,686
Non-current liabilities				
Deferred tax liabilities	18	**1,489**	1,663	1,888
Borrowings	27	**1,465**	14,094	32,777
Provision for retirement benefits	28	**3,476**	3,452	3,774
		6,430	19,209	38,439
Current liabilities				
Trade and other payables	29	**167,152**	122,637	132,422
Borrowings	27	**165,614**	144,046	104,662
Income tax payable		**831**	3,275	2,328
		333,597	269,958	239,412
Total liabilities		**340,027**	289,167	277,851
TOTAL EQUITY AND LIABILITIES		**616,900**	558,069	518,537

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

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2011

	Note	2011 RM'000	2010 (restated) RM'000	As at 1.6.2009 (restated) RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	**37,078**	39,359	42,166
Investments in subsidiaries	13	**198,056**	198,514	200,927
Investment securities	15	**80**	80	80
Intangible assets	16	**-**	-	162
Deferred tax assets	18	**23,885**	17,979	11,709
		259,099	255,932	255,044
Current assets				
Inventories	19	**22,809**	22,416	20,142
Trade and other receivables	20	**34,986**	42,140	56,680
Investment securities	15	**145**	-	-
Income tax recoverable		**33**	33	4,968
Derivative assets	21	**21**	-	-
Short-term deposits with licensed banks	22	**6,000**	7,100	4,800
Cash and bank balances	22	**2,989**	6,531	9,961
		66,983	78,220	96,551
TOTAL ASSETS		**326,082**	334,152	351,595
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	23	**194,338**	194,338	194,338
Reserves	24	**805**	805	805
Retained earnings	25	**58,382**	56,380	47,796
Less: Treasury shares, at cost	26	**(33)**	(8,444)	(12,851)
Total equity		**253,492**	243,079	230,088
Non-current liabilities				
Borrowings	27	**-**	11,947	29,847
Provision for retirement benefits	28	**3,217**	3,228	3,561
		3,217	15,175	33,408
Current liabilities				
Trade and other payables	29	**33,056**	36,504	42,434
Borrowings	27	**36,317**	39,394	45,665
		69,373	75,898	88,099
Total liabilities		**72,590**	91,073	121,507
TOTAL EQUITY AND LIABILITIES		**326,082**	334,152	351,595

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2011

		Attributable to owners of the parent							
		Non-distributable							
	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Retained earnings RM'000	Treasury shares RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Opening balance at 1 June 2010		194,338	805	(11,943)	90,100	(8,444)	264,856	4,046	268,902
Effects of adopting FRS 139		-	-	-	(70)	-	(70)	-	(70)
		194,338	805	(11,943)	90,030	(8,444)	264,786	4,046	268,832
Total comprehensive (loss)/ income for the year		-	-	(7,116)	13,185	-	6,069	(343)	5,726
Transactions with owners									
Dividends	11	-	-	-	(8,411)	8,411	-	-	-
Dividends paid to minority shareholders of subsidiary		-	-	-	-	-	-	(331)	(331)
Additional interests in subsidiary		-	-	-	-	-	-	2,824	2,824
Winding up of subsidiary		-	-	-	-	-	-	(178)	(178)
Total transactions with owners		-	-	-	(8,411)	8,411	-	2,315	2,315
Closing balance as at 31 May 2011		**194,338**	**805**	**(19,059)**	**94,804**	**(33)**	**270,855**	**6,018**	**276,873**
Opening balance as at 1 June 2009		194,338	805	(5,382)	59,393	(12,851)	236,303	4,383	240,686
Total comprehensive (loss)/ income for the year		-	-	(6,561)	35,114	-	28,553	55	28,608
Transactions with owners									
Dividends	11	-	-	-	(4,407)	4,407	-	-	-
Dividends paid to minority shareholders of subsidiary		-	-	-	-	-	-	(392)	(392)
Total transactions with owners		-	-	-	(4,407)	4,407	-	(392)	(392)
Closing balance as at 31 May 2010		194,338	805	(11,943)	90,100	(8,444)	264,856	4,046	268,902

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2011

	Note	Non-distributable Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Total RM'000
Opening balance as at 1 June 2010		194,338	805	56,380	(8,444)	243,079
Effects of adopting FRS 139		-	-	(70)	-	(70)
		194,338	805	56,310	(8,444)	243,009
Total comprehensive income for the year		-	-	10,483	-	10,483
Dividends	11	-	-	(8,411)	8,411	-
Closing balance as at 31 May 2011		**194,338**	**805**	**58,382**	**(33)**	**253,492**
Opening balance as at 1 June 2009		194,338	805	47,796	(12,851)	230,088
Total comprehensive income for the year		-	-	12,991	-	12,991
Dividends	11	-	-	(4,407)	4,407	-
Closing balance as at 31 May 2010		194,338	805	56,380	(8,444)	243,079

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2011

	2011 RM'000	2010 (restated) RM'000
Cash Flows From Operating Activities		
Profit before tax	**16,044**	40,013
Adjustments for:		
Depreciation of property, plant and equipment	**7,945**	8,233
Interest expense	**7,293**	5,459
Amortisation of intangible assets	**12**	174
Reversal of impairment of investments	**-**	(368)
Fair value gain on investments	**(114)**	-
Fair value gain on derivatives	**(21)**	-
Impairment loss on property, plant and equipment	**2,000**	-
Bad debts written-off	**11**	2
Inventories written-down	**1,838**	1,853
Impairment loss on trade and other receivables	**1,297**	2,540
Unrealised loss on foreign exchange	**1,727**	2,366
Provision for warranties	**810**	-
Provision for retirement benefits	**412**	270
Dividend income	**(40)**	(1)
Interest income	**(424)**	(666)
Gain on disposal of property, plant and equipment (net)	**(332)**	(375)
Gain on disposal of investment	**(919)**	-
Gain on winding up of a subsidiary (Note 13(b))	**(197)**	-
Operating profit before working capital changes	**37,342**	59,500
Working Capital Changes		
Receivables	**(40,345)**	(27,994)
Inventories	**(34,598)**	(30,075)
Payables	**31,037**	452
Group companies	**13,631**	(7,887)
Cash generated from/(used in) operations	**7,067**	(6,004)
Income taxes paid	**(12,961)**	(7,969)
Retirement benefits paid	**(389)**	(595)
Net Cash Used In Operating Activities (carried forward)	**(6,283)**	(14,568)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2011 *(continued)*

	2011 RM'000	2010 (restated) RM'000
Net Cash Used In Operating Activities (brought forward)	**(6,283)**	(14,568)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**411**	1,347
Purchase of property, plant and equipment	**(2,538)**	(5,010)
Acquisition of additional interest in a subsidiary	**-**	(1,733)
Acquisition of investment securities	**(201)**	-
Shortfall in profit guarantee (Note 37(b))	**132**	-
Proceeds from disposal of quoted investment	**2,056**	-
Net cash flows on acquisition of subsidiaries (Note 13(a))	**(236)**	-
Transaction costs paid by minority interests on winding up of a subsidiary	**(178)**	-
Conversion of loan from minority interests to share capital in a subsidiary	**2,824**	-
Interest received	**424**	666
Dividend received from equity instruments	**40**	1
Net Cash Generated From/(Used In) Investing Activities	**2,734**	(4,729)
Cash Flows From Financing Activities		
Dividends paid to minority shareholders of a subsidiary	**(331)**	(392)
Repayment of hire-purchase creditors	**(88)**	(98)
Drawdown of term loan and advances	**128,349**	61,281
Repayment of term loan and advances	**(118,548)**	(39,349)
Interest paid	**(7,293)**	(5,459)
Net Cash Generated From Financing Activities	**2,089**	15,983
Net Decrease in Cash and Cash Equivalents	**(1,460)**	(3,314)
Effects of Exchange Rate Changes	**(3,648)**	(1,615)
Cash and Cash Equivalents at Beginning of Year	**64,043**	67,251
Effects of Exchange Rate Changes	**1,827**	1,721
	65,870	68,972
Cash and Cash Equivalents at End of Year (Note 22)	**60,762**	64,043

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

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2011

	2011 RM'000	2010 (restated) RM'000
Cash Flows From Operating Activities		
Profit before tax	**5,749**	11,286
Adjustments for:		
Depreciation of property, plant and equipment	**4,006**	4,375
Interest expense	**2,350**	2,675
Amortisation of intangible assets	**-**	162
Impairment loss on investments	**326**	2,413
Fair value gain on investments	**(44)**	-
Fair value gain on derivatives	**(21)**	-
Inventories written-down	**1,799**	865
Unrealised loss on foreign exchange	**575**	1,126
Provision for warranties	**610**	-
Provision for retirement benefits	**373**	262
Dividend income	**(15,459)**	(19,499)
Interest income	**(682)**	(76)
Gain on disposal of property, plant and equipment	**(81)**	(76)
Operating (loss)/profit before working capital changes	**(499)**	3,513
Working Capital Changes		
Receivables	**(764)**	(1,163)
Inventories	**(2,191)**	(3,139)
Payables	**(3,721)**	5,470
Group companies	**6,936**	3,160
Cash (used in)/generated from operations	**(239)**	7,841
Income taxes refunded	**-**	4,952
Retirement benefits paid	**(384)**	(595)
Net Cash (Used In)/Generated From Operating Activities (carried forward)	**(623)**	12,198

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2011 *(continued)*

	2011 RM'000	2010 (restated) RM'000
Net Cash (Used In)/Generated From Operating Activities (brought forward)	**(623)**	12,198
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**94**	107
Purchase of property, plant and equipment	**(1,738)**	(1,599)
Acquisition of investment securities	**(101)**	-
Shortfall in profit guarantee (Note 37(b))	**132**	-
Interest received	**682**	76
Dividend received from subsidiaries	**14,286**	14,934
Net Cash Generated From Investing Activities	**13,355**	13,518
Cash Flows From Financing Activities		
Repayment of hire-purchase creditors	**-**	(65)
Drawdown of term loan and advances	**10,600**	894
Repayment of term loan and advances	**(25,624)**	(25,000)
Interest paid	**(2,350)**	(2,675)
Net Cash Used In Financing Activities	**(17,374)**	(26,846)
Net Decrease in Cash and Cash Equivalents	**(4,642)**	(1,130)
Cash and Cash Equivalents at Beginning of Year	**13,631**	14,761
Cash and Cash Equivalents at End of Year (Note 22)	**8,989**	13,631

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

1. CORPORATE INFORMATION

Nylex (Malaysia) Berhad ("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 C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, while the principal place of business is located at Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan.

The Company is a subsidiary of Ancom Berhad ("Ancom"), a company incorporated in Malaysia and listed on the Main Market of Bursa Securities.

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other plastic products, including geotextiles and prefabricated sub-soil drainage systems. The principal activities of the subsidiaries are indicated in Note 38. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 September 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia and the Listing Requirements of Bursa Securities. Unless otherwise indicated in the significant accounting policies, the financial statements have been prepared under the historical cost basis. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 June 2010 as described fully in Note 2(b).

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

(b) Changes in accounting policies and effects arising from adoption of new and revised FRSs

(i) Adoption of new and revised FRSs

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 June 2010, the Group and the Company adopted the following applicable FRSs, amendments to FRSs and IC interpretations which are mandatory for financial periods beginning on or after 1 June 2010.

FRSs	
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in accounting policies and effects arising from adoption of new and revised FRSs *(continued)*

(i) Adoption of new and revised FRSs *(continued)*

Interpretations

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment: Vesting Conditions and Cancellations
FRS 7	Financial Instruments: Disclosures
FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 132	Financial Instruments: Presentation
FRS 132	Financial Instruments: Presentation - Classifications of Rights Issues
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives

Improvements to FRSs (2009)

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in accounting policies and effects arising from adoption of new and revised FRSs *(continued)*

(i) Adoption of new and revised FRSs *(continued)*

Adoption of the above standards did not have any effect on the financial performance or position of the Group and of the Company except as discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 June 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 May 2011.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together will all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements.

As a result, the Group has presented all owner changes in equity in the consolidated statement of changes in equity whilst all non-owner changes in equity have been presented in the consolidated statement of comprehensive income.

The Group and the Company have elected to present the statement of comprehensive income in two statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in accounting policies and effects arising from adoption of new and revised FRSs *(continued)*

(i) Adoption of new and revised FRSs *(continued)*

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

Amendment to FRS 117 Leases

Prior to 1 June 2010, leasehold lands were treated as operating leases. The considerations paid were classified and presented as prepaid lease payment on the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. Accordingly, the Group has changed the classification of the leasehold lands from operating leases to finance leases. This change has been applied retrospectively and certain comparatives have been restated.

The following are effects to the consolidated statement of financial position as at 31 May 2011 arising from the above change in accounting policy:

	Group 2011 RM'000	Company 2011 RM'000
Increase/(decrease)		
Property, plant and equipment	23,047	12,068
Land use rights	(23,047)	(12,068)

The following comparatives have been restated:

	As previously stated RM'000	Re-classification RM'000	As restated RM'000
Group			
At 31 May 2010			
Property, plant and equipment	50,652	23,375	74,027
Land use rights	23,375	(23,375)	-
At 1 June 2009			
Property, plant and equipment	60,211	18,490	78,701
Land use rights	18,490	(18,490)	-
Company			
At 31 May 2010			
Property, plant and equipment	27,165	12,194	39,359
Land use rights	12,194	(12,194)	-
At 1 June 2009			
Property, plant and equipment	35,058	7,108	42,166
Land use rights	7,108	(7,108)	-

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in accounting policies and effects arising from adoption of new and revised FRSs *(continued)*

(i) Adoption of new and revised FRSs *(continued)*

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 June 2010 in accordance with the transitional provisions. The effects arising from the adoption of this standard has been accounted for by adjusting the opening balance of retained earnings as at 1 June 2010. Comparatives are not restated.

The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

(a) Impairment of Trade Receivables

Prior to 1 June 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 June 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

(b) Derivative Financial Instruments

Prior to 1 June 2010, derivative financial instruments were recognised in the financial statements only upon settlement. These instruments do not qualify for hedge accounting under FRS 139. Hence, upon adoption of FRS 139, all derivatives held by the Group and the Company as at 1 June 2010 are recognised at their fair values and are classified as financial assets at fair value through profit or loss.

The following are effects arising from the above changes in accounting policies:

	Group / Company	
	As at 31 May 2011 RM'000	As at 1 June 2010 RM'000
Statements of financial position		
Increase/(decrease)		
Trade receivables	-	(148)
Derivative assets	21	78
Retained earnings	(21)	(70)

	Group / Company 2011 RM'000
Statements of comprehensive income	
Increase	
Other income	21

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in accounting policies and effects arising from adoption of new and revised FRSs *(continued)*

(ii) Applicable FRSs, amendments to FRSs and interpretations that are not yet effective and not adopted

FRSs		**Effective for financial periods beginning on or after**
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (Revised)	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements (Revised)	1 July 2010
Interpretations		
IC Interpretation 4	Determining Whether An Arrangement contains a Lease	1 January 2011
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to		
FRS 1	First-time Adoption of Financial Reporting Standards: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters	1 January 2011
FRS 2	Share-based Payment	1 July 2010
FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions	1 January 2011
FRS 5	Non-current Assets Held For Sale and Discontinued Operations	1 July 2010
FRS 7	Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments	1 January 2011
FRS 138	Intangible Assets	1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
Improvements to FRSs (2010)		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
FRS 3	Business Combinations	1 January 2011
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 131	Interests in Joint Ventures	1 January 2011
FRS 132	Financial Instruments: Presentation	1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in accounting policies and effects arising from adoption of new and revised FRSs *(continued)*

(ii) Applicable FRSs, amendments to FRSs and interpretations that are not yet effective and not adopted *(continued)*

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and FRS 127, as well as the new disclosures required under FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on the adoption of the revised FRS 3 and 127 are described below.

FRS 3 Business Combinations (Revised) and FRS 127 Consolidated and Separate Financial Statements (Revised)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates and FRS 128 Investments in Associates.

The changes by FRS 3 (revised) and FRS 127 (revised) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with minority interests. The standard may be early adopted but the Group does not have the intention to early adopt.

(iii) FRSs and interpretations that are not applicable and not adopted

FRS		**Effective for financial periods beginning on or after**
FRS 4	Insurance Contracts	1 January 2010
Interpretations		
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendments to		
IC Interpretation 15	Agreements for the Construction of Real Estate	30 August 2010

2. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(b) **Changes in accounting policies and effects arising from adoption of new and revised FRSs** *(continued)*

(iii) **FRSs and interpretations that are not applicable and not adopted** *(continued)*

		Effective for financial periods beginning on or after
Improvements to FRSs (2009)		
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
FRS 140	Investment Property	1 January 2010
Improvements to FRSs (2010)		
IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

The above FRSs, IC interpretations, amendments and improvements to FRSs are not applicable to the Group and the Company.

(c) **Significant accounting judgements and estimates**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Impairment of goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 May 2011 was RM86,828,000 (2010: RM90,485,000). Further details are disclosed in Note 17.

(ii) **Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Significant accounting judgements and estimates *(continued)*

(ii) Deferred tax assets *(continued)*

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgement and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

At the reporting date, the Group has recognised RM27,086,000 of unrecognised tax losses and unabsorbed capital allowances as management considered that it is probable that taxable profits will be available against which the losses and allowances can be utilised. Variance from future taxable profits estimated will result in changes in the deferred tax assets recognised.

(iii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' estimated useful lives. Changes in the expected level of usage could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the current year depreciation charge will result in approximately 3% and 2% variances in net profit for the year of the Group and of the Company respectively.

(iv) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 20. If the present value of estimated future cash flows decreases by 10% from management's estimates, the Group's allowance for impairment will increase by RM173,000 (2010: RM179,000).

(d) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and basis of consolidation *(continued)*

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and the resulting unrealised gains are eliminated in full, and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are also eliminated unless the cost cannot be recovered. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(e) Associates

An associate is an entity, not being a subsidiary or joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investment in associates are accounted for using the equity method. Under the equity method of accounting, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired. The Group's interest in the associates is stated at cost plus the Group's share of post-acquisition retained earnings or accumulated losses and other reserves in the associates.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates *(continued)*

The Group's share of results and reserves in the associates acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount of impairment in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated 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.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. Cost consists of purchase, commissioning, installation costs and in respect of construction of plant and machinery, interest expense incurred prior to commencement of production and other expenditure that is directly attributable to the acquisition of the asset.

Subsequent to recognition, all property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Other repair and maintenance costs are recognised in profit or loss as incurred.

Certain leasehold land and buildings of the Group and of the Company have not been revalued since they were first revalued in 1985. The directors have not adopted a policy of regular revaluation of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1985 valuation less accumulated depreciation.

Freehold land is not depreciated as it has an indefinite useful life. Capital work-in-progress are not depreciated until such time when the asset is available for use.

Depreciation of all other assets is computed on the straight-line method based on the estimated useful life of the various assets, at the following annual rates:

	%
Leasehold land, buildings and improvements	**1.0 - 5.0**
Plant and machinery	**6.7 - 33.3**
Furniture and fittings	**10.0 - 33.3**
Office equipment	**7.0 - 33.3**
Motor vehicles	**15.0 - 25.0**

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment and depreciation *(continued)*

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(g) Investments in subsidiaries

Investments in unquoted subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses in the Company's financial statements.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(h) Inventories

Raw materials and consumable stores, work-in-progress, finished products and inventory-in-transit are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials determined using weighted average cost and an applicable portion of labour and manufacturing overheads for work-in-progress and finished goods. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Provision for liabilities

Provision for liabilities is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(j) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 set out in Note 2(m).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets *(continued)*

(ii) Research and development expenditure

Research and development expenditure are written off to profit or loss as and when incurred except that development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the products being developed, is carried forward. Such expenditure is amortised on a systematic basis over the period of time not exceeding five years in which the benefits are expected to be derived commencing in the period in which the related sales are first made.

(iii) Rights

Rights are recognised as intangible assets if it is probable that the future economic benefits that are attributable to such asset will flow to the Company and the costs of such assets can be measured reliably.

Rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful life of five years.

(k) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund. Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Retirement benefits obligation

The Company and certain subsidiaries are obligated under non-contributory retirement benefit schemes and collective bargaining agreements to pay retirement benefits to certain employees who retire or leave the companies' employ after fulfilling certain conditions. Provision for retirement benefits is computed based on the length of service and a proportion of the basic salary earnings of the employees in each particular year of service.

(iv) Termination benefits

Termination benefits are payable to employees whose employment are terminated before the normal retirement date or employees who accept voluntary redundancy. The Group recognises termination benefits as a liability and an expense when it is irrefutably committed to the termination and is without realistic possibility of withdrawal or when an offer is made in order to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of the termination benefits shall be based on the number of employees expected to accept the offer. Benefits which fall due more than 12 months after the reporting date are discounted to the present value.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses and unused tax credits can be utilised except:

(a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Income tax *(continued)*

(ii) Deferred tax *(continued)*

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at rates of exchange ruling at the date of the transactions. At each reporting date, foreign currency monetary items are translated into RM at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Foreign currencies *(continued)*

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements, which is in RM, are translated into RM as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

(b) income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) all resulting exchange differences arising on the translation are taken directly to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(n) Revenue recognition

(i) Sale of goods

Revenue represents gross invoiced value of sales, less returns and discounts and services rendered to customers. All significant intercompany sales are eliminated on consolidation.

(ii) Interest income

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

(iii) Dividend income

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

(o) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Impairment of non-financial assets *(continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(p) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance leases

Assets acquired by way of hire-purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liabilities are included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment.

(ii) Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease.

(q) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Financial assets *(continued)*

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Available for sale financial assets

Available for sale are financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

After initial recognition, available for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available for sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date that the Group and the Company commit to purchase or sell the asset.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised costs

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available for sale financial asset

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available for sale financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available for sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(t) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and at bank, deposits at call and short-term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

(v) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity and are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividend on ordinary shares are recognised in equity in the period in which they are declared.

When issued shares of the Company are repurchased, the consideration paid, including any attributable transactions costs, is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, reissuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares are shown as movement in equity.

(w) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Company.

3. REVENUE AND COST OF SALES

Revenue represents the gross invoiced value of sales, less returns and discounts while cost of sales represents the cost of products sold.

4. OTHER INCOME

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Interest income	**424**	666	**682**	76
Dividend income from:				
- Equity instruments (quoted in Malaysia)	**40**	1	**-**	-
- Subsidiaries	**-**	-	**15,459**	19,499
Reversal of impairment of investment	**-**	368	**-**	-
Fair value gain on investments	**114**	-	**44**	-
Fair value gain on derivatives	**21**	-	**21**	-
Gain on disposal of property, plant and equipment	**332**	375	**81**	76
Gain on disposal of investment	**919**	-	**-**	-
Gain on winding up of a subsidiary	**197**	-	**-**	-
Realised gain on foreign exchange	**1,065**	1,242	**705**	519
Sundry income	**10**	20	**11**	36
	3,122	2,672	**17,003**	20,206

5. FINANCE COSTS

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Bank borrowings	**6,927**	5,104	**2,059**	2,036
Advances from subsidiaries	**-**	-	**291**	639
Other borrowings	**366**	355	**-**	-
	7,293	5,459	**2,350**	2,675

6. PROFIT BEFORE TAX

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
This was arrived at after charging:				
Amortisation of intangible assets (Note 16)	**12**	174	**-**	162
Auditors' remuneration				
- Current	**334**	354	**80**	75
- Under provision in prior year	**4**	15	**-**	-
Bad debts written-off	**11**	2	**-**	-
Depreciation of property, plant and equipment (Note 12)	**7,945**	8,233	**4,006**	4,375
Hire of equipment	**92**	240	**-**	-
Inventories written-down	**1,838**	1,853	**1,799**	865
Realised loss on foreign exchange	**3,762**	2,024	**-**	-
Unrealised loss on foreign exchange	**1,727**	2,366	**575**	1,126
Rent of premises	**1,139**	1,254	**72**	24
Rent of storage	**1,660**	1,739	**-**	-
Provision for warranties (Note 29)	**810**	-	**610**	-
Impairment loss on financial assets				
- Investment in subsidiaries	**-**	-	**326**	2,413
- Trade and other receivables	**1,297**	2,540	**-**	-
Impairment loss on property, plant and equipment	**2,000**	-	**-**	-
Staff costs (Note 7)	**44,756**	42,127	**15,734**	15,647

7. STAFF COSTS

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Wages and salaries	**40,998**	39,226	**13,990**	14,278
Defined contribution plan and social security costs	**2,845**	2,277	**1,225**	982
Provision for retirement benefits (Note 28)	**412**	270	**373**	262
Termination benefits	**148**	-	**-**	-
Other staff related expenses	**353**	354	**146**	125
	44,756	42,127	**15,734**	15,647

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM2,489,000 (2010: RM3,995,000) and RM1,832,000 (2010: RM1,075,000) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

(a) Total remuneration

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Executive Directors				
Salaries	**1,800**	1,080	**1,680**	960
Bonuses	**480**	2,500	**-**	-
Defined contribution plan	**209**	415	**152**	115
	2,489	3,995	**1,832**	1,075
Benefit-in-kind	**30**	8	**30**	8
	2,519	4,003	**1,862**	1,083
Non-Executive Directors				
Fees	**280**	325	**280**	325
Allowances	**12**	14	**12**	14
	292	339	**292**	339
Total	**2,811**	4,342	**2,154**	1,422

(b) Number of Directors of the Company whose total remuneration during the year fell within the following bands

	No. of Directors	
	2011	2010
Executive Directors		
RM450,001 to RM500,000	**-**	1
RM1,150,001 to RM1,200,000	**1**	-
RM1,300,001 to RM1,350,000	**1**	-
RM3,550,001 to RM3,600,000	**-**	1
	2	2
Non-Executive Directors		
Less than RM50,000	**-**	1
RM50,001 to RM100,000	**1**	3
RM100,001 to RM150,000	**2**	-
	3	4

9. INCOME TAX EXPENSE

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Current income tax:				
- Malaysian income tax	**(6,596)**	(8,745)	**(1,172)**	(4,565)
- Foreign tax	**(1,986)**	(4,225)	**-**	-
	(8,582)	(12,970)	**(1,172)**	(4,565)
Under provision in prior years:				
- Malaysian income tax	**54**	169	**-**	-
- Foreign tax	**29**	16	**-**	-
	(8,499)	(12,785)	**(1,172)**	(4,565)
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	**5,604**	6,501	**5,963**	5,149
Relating to changes in tax rates	**(22)**	(384)	-	-
Over/(under) provision in prior years	**11**	1,813	**(57)**	1,121
	5,593	7,930	**5,906**	6,270
	(2,906)	(4,855)	**4,734**	1,705

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the prevailing rate of the respective jurisdictions.

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate against the income tax expenses at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Profit before tax	**16,044**	40,013	**5,749**	11,286
Tax at Malaysian statutory tax rate of 25% (2010: 25%)	**(4,011)**	(10,003)	**(1,437)**	(2,822)
Effect of different tax rates in other countries	**(403)**	834	**-**	-
Effect of changes in tax rates	**(22)**	(384)	**-**	-
Effect of other tax incentives	**4,774**	4,972	**4,700**	4,700
Income not subject to tax	**674**	115	**2,729**	309
Expenses not deductible for tax purposes	**(2,786)**	(1,600)	**(1,201)**	(1,604)
Deferred tax assets not recognised	**(1,226)**	(787)	**-**	-
Over/(under) provision of deferred tax in prior years	**11**	1,813	**(57)**	1,121
Over provision of tax expense in prior years	**83**	185	**-**	-
Tax expense for the year	**(2,906)**	(4,855)	**4,734**	1,705

9. INCOME TAX EXPENSE *(continued)*

Tax savings during the financial year arising from:

	Group	
	2011	2010
	RM'000	RM'000
Utilisation of previously unrecognised tax losses	**207**	-
Utilisation of tax incentives	**74**	4,388

10. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company of RM13,185,000 (2010: RM35,114,000) by the weighted average number of ordinary shares in issue during the financial year of 190,607,769 shares (2010: weighted average of 186,506,432 shares).

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

There have been no other transactions involving ordinary shares or potential shares since the reporting date and before the completion of these financial statements.

11. DIVIDENDS

	Amount		Net dividends per ordinary share	
	2011	2010	**2011**	2010
	RM'000	RM'000	**sen**	sen
Final dividend in the form of distribution of one (1) treasury share for every thirty-two (32) ordinary shares held in respect of financial year ended 31 May 2010, on 17 January 2011 (2010: final dividend in the form of distribution of one (1) treasury share for every sixty (60) ordinary shares held in respect of financial year ended 31 May 2009, on 15 January 2010)	**8,411**	4,407	**4.5**	2.4

In respect of the financial year ended 31 May 2011, an interim dividend of 2.85 sen per share less 25% income tax amounting to RM4,153,489 was declared on 27 June 2011 and paid on 26 July 2011. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2012.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold Land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost or valuation										
At 1 June 2009										
Cost	250	353	-	17,161	132,139	1,435	5,628	4,193	5,261	166,420
Valuation	-	-	-	5,020	-	-	-	-	-	5,020
As previously stated	250	353	-	22,181	132,139	1,435	5,628	4,193	5,261	171,440
Effects of adopting amendments to FRS 117	-	-	22,122	-	-	-	-	-	-	22,122
As restated	250	353	22,122	22,181	132,139	1,435	5,628	4,193	5,261	193,562
Additions	-	-	-	-	887	17	3,195	882	79	5,060
Disposals	(250)	(353)	-	-	(1,614)	(5)	(172)	(563)	-	(2,957)
Reclassification	-	-	5,215	-	46	-	-	-	(5,261)	-
Exchange differences	-	-	-	-	(438)	(5)	(25)	(2)	-	(470)
At 31 May 2010 (restated)	-	-	27,337	22,181	131,020	1,442	8,626	4,510	79	195,195
At 1 June 2010										
Cost	-	-	-	17,161	131,020	1,442	8,626	4,510	79	**162,838**
Valuation	-	-	-	5,020	-	-	-	-	-	**5,020**
As previously stated	-	-	-	22,181	131,020	1,442	8,626	4,510	79	**167,858**
Effects of adopting amendments to FRS 117	-	-	27,337	-	-	-	-	-	-	**27,337**
As restated	-	-	27,337	22,181	131,020	1,442	8,626	4,510	79	**195,195**
Additions	-	-	-	-	994	62	118	1,410	-	**2,584**
Disposals	-	-	-	-	(1,282)	(1)	(38)	(790)	-	**(2,111)**
Reclassification	-	-	-	-	79	-	-	-	(79)	**-**
Acquisition of subsidiary (Note 13(a))	-	-	-	-	-	18	33	613	-	**664**
Exchange differences	-	-	-	-	(1,006)	(17)	(36)	(30)	-	**(1,089)**
At 31 May 2011	**-**	**-**	**27,337**	**22,181**	**129,805**	**1,504**	**8,703**	**5,713**	**-**	**195,243**

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold Land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment loss										
At 1 June 2009										
As previously stated	-	39	-	8,077	95,338	1,017	4,000	2,758	-	111,229
Effects of adopting amendments to FRS 117	-	-	3,632	-	-	-	-	-	-	3,632
As restated	-	39	3,632	8,077	95,338	1,017	4,000	2,758	-	114,861
Depreciation charge for the year, recognised in the income statement (Note 6)	-	4	330	703	5,664	94	939	499	-	8,233
Disposals	-	(43)	-	-	(1,241)	(5)	(160)	(536)	-	(1,985)
Exchange differences	-	-	-	-	81	(5)	(17)	-	-	59
At 31 May 2010 (restated)	-	-	3,962	8,780	99,842	1,101	4,762	2,721	-	121,168
At 1 June 2010										
As previously stated	-	-	-	8,780	99,842	1,101	4,762	2,721	-	**117,206**
Effects of adopting amendments to FRS 117	-	-	3,962	-	-	-	-	-	-	**3,962**
As restated	-	-	3,962	8,780	99,842	1,101	4,762	2,721	-	**121,168**
Depreciation charge for the year, recognised in the income statement (Note 6)	-	-	328	704	5,153	75	1,094	591	-	**7,945**
Disposals	-	-	-	-	(1,272)	-	(15)	(745)	-	**(2,032)**
Impairment loss	-	-	-	-	-	-	2,000	-	-	**2,000**
Exchange differences	-	-	-	-	(214)	(11)	(31)	(8)	-	**(264)**
At 31 May 2011	**-**	**-**	**4,290**	**9,484**	**103,509**	**1,165**	**7,810**	**2,559**	**-**	**128,817**
Net carrying amount										
At cost	-	-	23,375	11,444	31,178	341	3,864	1,789	79	72,070
At valuation	-	-	-	1,957	-	-	-	-	-	1,957
At 31 May 2010	-	-	23,375	13,401	31,178	341	3,864	1,789	79	74,027
At cost	-	-	23,047	11,047	26,296	339	893	3,154	-	**64,776**
At valuation	-	-	-	1,650	-	-	-	-	-	**1,650**
At 31 May 2011	**-**	**-**	**23,047**	**12,697**	**26,296**	**339**	**893**	**3,154**	**-**	**66,426**

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Leasehold Land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
Cost or valuation								
At 1 June 2009								
Cost	-	10,398	103,406	729	3,997	1,848	5,257	125,635
Valuation	-	5,020	-	-	-	-	-	5,020
As previously stated	-	15,418	103,406	729	3,997	1,848	5,257	130,655
Effects of adopting amendments to FRS 117	9,830	-	-	-	-	-	-	9,830
As restated	9,830	15,418	103,406	729	3,997	1,848	5,257	140,485
Additions	-	-	735	10	25	750	79	1,599
Disposals	-	-	(212)	-	(85)	(359)	-	(656)
Reclassification	5,215	-	42	-	-	-	(5,257)	-
At 31 May 2010 (restated)	15,045	15,418	103,971	739	3,937	2,239	79	141,428
At 1 June 2010								
Cost	-	10,398	103,971	739	3,937	2,239	79	**121,363**
Valuation	-	5,020	-	-	-	-	-	**5,020**
As previously stated	-	15,418	103,971	739	3,937	2,239	79	**126,383**
Effects of adopting amendments to FRS 117	15,045	-	-	-	-	-	-	**15,045**
As restated	15,045	15,418	103,971	739	3,937	2,239	79	**141,428**
Additions	-	-	904	3	19	812	-	**1,738**
Disposals	-	-	(605)	-	(8)	(274)	-	**(887)**
Reclassification	-	-	79	-	-	-	(79)	**-**
At 31 May 2011	**15,045**	**15,418**	**104,349**	**742**	**3,948**	**2,777**	**-**	**142,279**

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	**Leasehold Land RM'000**	**Leasehold buildings RM'000**	**Plant and machinery RM'000**	**Furniture & fittings RM'000**	**Office equipment RM'000**	**Motor vehicles RM'000**	**Capital work- in-progress RM'000**	**Total RM'000**
Accumulated depreciation and impairment loss								
At 1 June 2009								
As previously stated	-	6,386	84,289	665	2,882	1,375	-	95,597
Effects of adopting amendments to FRS 117	2,722	-	-	-	-	-	-	2,722
As restated	2,722	6,386	84,289	665	2,882	1,375	-	98,319
Depreciation charge for the year, recognised in the income statement (Note 6)	129	385	3,212	12	484	153	-	4,375
Disposals	-	-	(196)	-	(85)	(344)	-	(625)
At 31 May 2010 (restated)	2,851	6,771	87,305	677	3,281	1,184	-	102,069
At 1 June 2010								
As previously stated	-	6,771	87,305	677	3,281	1,184	-	**99,218**
Effects of adopting amendments to FRS 117	2,851	-	-	-	-	-	-	**2,851**
As restated	2,851	6,771	87,305	677	3,281	1,184	-	**102,069**
Depreciation charge for the year, recognised in the income statement (Note 6)	126	386	2,906	12	338	238	-	**4,006**
Disposals	-	-	(598)	-	(8)	(268)	-	**(874)**
At 31 May 2011	**2,977**	**7,157**	**89,613**	**689**	**3,611**	**1,154**	**-**	**105,201**
Net carrying amount								
At cost	12,194	6,690	16,666	62	656	1,055	79	37,402
At valuation	-	1,957	-	-	-	-	-	1,957
At 31 May 2010	12,194	8,647	16,666	62	656	1,055	79	39,359
At cost	12,068	6,611	14,736	53	337	1,623	-	**35,428**
At valuation	-	1,650	-	-	-	-	-	**1,650**
At 31 May 2011	**12,068**	**8,261**	**14,736**	**53**	**337**	**1,623**	**-**	**37,078**

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Leasehold land and buildings were revalued in 1985 based on the valuation reports of an independent firm of professional valuers. The valuation was arrived at on an open market value basis. These assets continue to be stated on the basis of their 1985 valuation as allowed by the transitional provisions in respect of International Accounting Standard No.16 (Revised), Property, Plant and Equipment adopted by Malaysian Accounting Standards Board.

The net book value of these assets had they been stated at cost less accumulated depreciation would have been approximately RM494,752 (2010: RM547,224) in respect of both the Group and the Company.

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM2,584,000 (2010: RM5,060,000) of which RM46,000 (2010: RM50,000) were acquired by means of finance lease arrangements.

Net book values of property, plant and equipment held under hire-purchase and finance lease arrangements are as follows:

	Group	
	2011	2010
	RM'000	RM'000
Motor vehicles	**666**	95

(c) During the financial year, a subsidiary of the Group within the Polymer segment, carried out a review of the recoverable amount of its assets. An impairment loss of RM2,000,000 representing the write-down of the assets to the recoverable amount was recognised in the Other Expenses line item of the income statements for the financial year ended 31 May 2011.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	RM'000	RM'000
Unquoted shares - at cost	**207,984**	207,984
Adjustment arising from shortfall in profit guarantee (Note 37(b))	**(132)**	-
	207,852	207,984
Less: accumulated impairment losses	**(9,796)**	(9,470)
	198,056	198,514

Details of the subsidiaries are disclosed in Note 38.

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Acquisition of a subsidiary

(i) Ancom Kimia Sdn Bhd ("AKSB")

On 22 February 2011, the Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), purchased 550,000 shares in its associate, AKSB, from an existing investor for a cash consideration of RM275,000.

With the acquisition, Nylex's effective interest in AKSB has increased from 30% to 55% and with effect from the same date, AKSB became a subsidiary of PKG and an indirect subsidiary of Nylex.

From the date of acquisition, AKSB has contributed RM521,000 to the Group's net profit after tax. If the acquisition had taken place at the beginning of the financial year, the Group's net profit after tax would have been RM12,648,000 and revenue would have been RM1,323,493,000.

The fair values of the identifiable assets and liabilities of AKSB as at the date of acquisition were:

	2011 **RM'000**
Property, plant and equipment	**664**
Investments	**122**
Trade and other receivables	**18,886**
Income tax recoverable	**777**
Cash and bank balances	**39**
	20,488
Trade and other payables	**(18,106)**
Borrowings	**(2,798)**
Hire-purchase and finance lease payables	**(585)**
	(21,489)
Fair value of total net liabilities and group's share of net liabilities	**(1,001)**
Goodwill on acquisition (Note 17)	**1,276**
Total cost of acquisition	**275**

The effect of the acquisition on cash flows is as follows:

Purchase consideration satisfied by cash	**275**
Cash and cash equivalents of subsidiary acquired	**(39)**
Net cash outflow on acquisition	**236**

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Acquisition of a subsidiary *(continued)*

(ii) Perusahaan Kimia Gemilang (Vietnam) Company Ltd ("PKG Vietnam")

In the previous financial year, the Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), entered into a conditional capital transfer agreement with Long Thanh Chemicals Company Ltd ("LTCC") for the acquisition of the remaining 49% interest in PKG Vietnam from LTCC for US$500,000.

The above transaction was completed on 30 November 2009 and with effect from the same date, PKG Vietnam became a wholly-owned subsidiary of PKG.

(b) Winding up of a subsidiary

On 26 October 2009, the Group commenced a members' voluntary winding up of its subsidiary, PT Indomalay Ekatana Roofing Industries ("IRI"), a company incorporated in Indonesia.

The winding up process was completed on 31 May 2011 and a gain on winding up of RM197,000 was recognised in the consolidated income statement for the current financial year.

14. INVESTMENTS IN ASSOCIATES

	Group	
	2011	2010
	RM'000	RM'000
Investment in unquoted associates		
- At cost	**-**	1,116
- Share of post-acquisition results	**-**	(1,116)
	-	-

The summarised financial statements of the associate are as follows:

	2010
	RM'000
Assets and liabilities	
Current assets	4,997
Non-current assets	420
Total assets	5,417
Current liabilities	6,193
Total liabilities	6,193
Results	
Revenue	137,482
Loss for the year	(386)

14. INVESTMENTS IN ASSOCIATES *(continued)*

During the financial year, the Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), purchased an additional 550,000 shares in its associate, Ancom Kimia Sdn Bhd ("AKSB").

With the acquisition, Nylex's effective interest in AKSB has increased from 30% to 55% and with effect from the same date, AKSB became a subsidiary of PKG and an indirect subsidiary of Nylex.

Details of the acquisition are disclosed in Note 13.

15. INVESTMENT SECURITIES

	Group		Company	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
At 31 May 2011				
Current				
Held for trading				
Equity instruments (quoted in Malaysia)	**458**	**458**	**145**	**145**
Non-current				
Available for sale investments				
Equity instruments (unquoted)	**3,580**	**-**	**80**	**-**
	4,038	**458**	**225**	**145**
At 31 May 2010				
Current				
Held for trading				
Equity instruments (quoted in Malaysia)	1,158	1,158	-	-
Non-current				
Available for sale investments				
Equity instruments (unquoted)	3,580	-	80	-
	4,738	1,158	80	-

Prior to 1 June 2010, the current investments were carried at lower of cost and market value, determined on an aggregate portfolio basis, whilst the non-current investments are stated at costs less impairment.

16. INTANGIBLE ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Development expenditure				
At 1 June	**25**	37	**-**	-
Amortisation during the year (Note 6)	**(12)**	(12)	**-**	-
At 31 May	**13**	25	**-**	-
Rights				
At 1 June	**-**	162	**-**	162
Amortisation during the year (Note 6)	**-**	(162)	**-**	(162)
At 31 May	**-**	-	**-**	-
Total	**13**	25	**-**	-

17. GOODWILL ARISING ON CONSOLIDATION

	Group	
	2011	2010
	RM'000	RM'000
At 1 June	**90,485**	93,160
Acquisition of a subsidiary (Note 13(a))	**1,276**	-
Additional investment in a subsidiary (Note 13(a))	**-**	1,733
Adjustment arising from shortfall in profit guarantee (Note 37(b))	**(132)**	-
Exchange differences	**(4,801)**	(4,408)
At 31 May	**86,828**	90,485

Impairment test of goodwill

(a) Allocation of goodwill

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

	Polymer	Industrial Chemical	Total
	RM'000	**RM'000**	**RM'000**
31 May 2011	**116**	**86,712**	**86,828**
31 May 2010	116	90,369	90,485

17. GOODWILL ARISING ON CONSOLIDATION *(continued)*

Impairment test of goodwill *(continued)*

(b) Key assumptions used in value-in-use calculations

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 its recoverable amount. The value-in-use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plan, which is the best estimate of future performance. Cash flows beyond the five-year period are extrapolated using the growth rate stated below. 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 plan will be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions. In computing the value-in-use for each CGU, the management has applied a discount rate of 10.3% (2010: 11.1%) and average growth rates of 4.2% (2010: 4.0%).

The following describes each key assumption on which the management has based its cash flow projections for the purposes of the impairment test for goodwill:

(i) The discount rate used reflected the management's best estimate of return on capital employed.

(ii) Growth rate used has been based on historical trend of each segment taking into account industry outlook for that segment.

(iii) The profit margin applied to the projections are based on the historical profit margin trend for the individual CGU.

The management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying values of the CGUs to materially exceed their recoverable amounts.

18. DEFERRED TAX

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
At 1 June	**(22,767)**	(14,686)	**(17,979)**	(11,709)
Recognised in the income statement (Note 9)	**(5,593)**	(7,930)	**(5,906)**	(6,270)
Exchange differences	**19**	(151)	**-**	-
At 31 May	**(28,341)**	(22,767)	**(23,885)**	(17,979)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(29,830)**	(24,430)	**(23,885)**	(17,979)
Deferred tax liabilities	**1,489**	1,663	**-**	-
	(28,341)	(22,767)	**(23,885)**	(17,979)

18. DEFERRED TAX *(continued)*

The components and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000
At 1 June 2010	5,573
Recognised in the income statement	(333)
At 31 May 2011	**5,240**
At 1 June 2009	6,788
Recognised in the income statement	(1,207)
Exchange differences	(8)
At 31 May 2010	5,573

Deferred tax assets of the Group

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2010	(863)	(6,142)	(21,335)	(28,340)
Recognised in the income statement	(6)	516	(5,770)	(5,260)
Exchange differences	-	-	19	19
At 31 May 2011	**(869)**	**(5,626)**	**(27,086)**	**(33,581)**
At 1 June 2009	(946)	(4,560)	(15,968)	(21,474)
Recognised in the income statement	84	(1,574)	(5,233)	(6,723)
Exchange differences	(1)	(8)	(134)	(143)
At 31 May 2010	(863)	(6,142)	(21,335)	(28,340)

18. DEFERRED TAX *(continued)*

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000
At 1 June 2010	3,577
Recognised in the income statement	(148)
At 31 May 2011	**3,429**
At 1 June 2009	4,559
Recognised in the income statement	(982)
At 31 May 2010	3,577

Deferred tax assets of the Company

	Retirement benefit obligations RM'000	**Provision for liabilities RM'000**	**Tax losses and unabsorbed capital allowances RM'000**	**Total RM'000**
At 1 June 2010	(807)	(2,421)	(18,328)	(21,556)
Recognised in the income statement	3	(655)	(5,106)	(5,758)
At 31 May 2011	**(804)**	**(3,076)**	**(23,434)**	**(27,314)**
At 1 June 2009	(890)	(2,694)	(12,684)	(16,268)
Recognised in the income statement	83	273	(5,644)	(5,288)
At 31 May 2010	(807)	(2,421)	(18,328)	(21,556)

At the reporting date, the Group has tax losses of approximately RM28,341,000 (2010: RM22,767,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the 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.

19. INVENTORIES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Cost				
Finished goods	**21,188**	17,454	**-**	-
Work-in-progress	**1,461**	1,175	**-**	-
Raw materials and consumable stores	**9,601**	6,402	**376**	372
Inventory-in-transit	**7,069**	254	**-**	-
	39,319	25,285	**376**	372
Net realisable value				
Finished goods	**78,660**	69,979	**10,151**	9,281
Work-in-progress	**3,536**	3,414	**3,536**	3,414
Raw materials and consumable stores	**19,226**	15,588	**8,746**	9,349
	101,422	88,981	**22,433**	22,044
	140,741	114,266	**22,809**	22,416

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,071,044,000 (2010: RM1,047,289,000).

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables				
Third parties	**215,603**	179,423	**14,699**	15,815
Related companies	**55**	58	**-**	-
	215,658	179,481	**14,699**	15,815
Less: Allowance for impairment	**(6,439)**	(4,726)	**(570)**	(422)
Trade receivables, net	**209,219**	174,755	**14,129**	15,393

20. TRADE AND OTHER RECEIVABLES *(continued)*

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Other receivables				
Amounts due from related companies	**3**	-	**3**	-
Amounts due from subsidiaries	**-**	-	**18,409**	26,182
Amounts due from holding company	**24**	3	**-**	-
Sundry receivables	**5,314**	6,143	**2,179**	287
Deposits	**3,369**	389	**38**	21
Prepayments	**5,441**	2,983	**228**	257
	14,151	9,518	**20,857**	26,747
	223,370	184,273	**34,986**	42,140
Total trade and other receivables	**223,370**	184,273	**34,986**	42,140
Less: Prepayments	**(5,441)**	(2,983)	**(228)**	(257)
Add: Cash and bank balances (Note 22)	**61,112**	64,189	**8,989**	13,631
Total loans and receivables	**279,041**	245,479	**43,747**	55,514

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2010: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Neither past due nor impaired	**163,570**	135,707	**6,406**	8,177
Past due not impaired				
1 to 30 days	**30,888**	22,248	**4,058**	3,114
31 to 60 days	**9,909**	9,285	**1,781**	1,010
61 to 90 days	**1,214**	2,323	**211**	779
91 to 120 days	**468**	757	**54**	227
More than 121 days	**800**	2,505	**461**	186
	43,279	37,118	**6,565**	5,316
Past due and impaired	**8,809**	6,656	**1,728**	2,322
	215,658	179,481	**14,699**	15,815

20. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

(i) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

(ii) Receivables that are past due but not impaired

The trade receivables of the Group of RM43,279,000 that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

(iii) Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment are as follows:

	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
Group			
2011			
Impaired receivables	136	8,673	8,809
Less: Allowance for impairment	(101)	(6,338)	(6,439)
	35	**2,335**	**2,370**
2010			
Impaired receivables	108	6,548	6,656
Less: Allowance for impairment	(101)	(4,625)	(4,726)
	7	1,923	1,930
Company			
2011			
Impaired receivables	105	1,623	1,728
Less: Allowance for impairment	(70)	(500)	(570)
	35	**1,123**	**1,158**
2010			
Impaired receivables	74	2,248	2,322
Less: Allowance for impairment	(70)	(352)	(422)
	4	1,896	1,900

20. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

(iii) Receivables that are impaired *(continued)*

The movement in the allowance account is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
At 1 June	**4,726**	2,105	**422**	422
Effect of adopting FRS 139	**148**	-	**148**	-
Charge for the year (Note 6)	**1,297**	2,540	**-**	-
Written off	**(370)**	(60)	**-**	-
Arising from acquisition of a subsidiary	**696**	-	**-**	-
Reclassification of amount due from related companies	**-**	153	**-**	-
Exchange differences	**(58)**	(12)	**-**	-
At 31 May	**6,439**	4,726	**570**	422

(b) Other receivables

Related companies refer to companies within Ancom group.

The amounts due from related companies, subsidiaries and holding company are non-trade balances which arose mainly from intercompany advances, expenses paid on behalf and other intercompany charges which are negotiated on a mutually agreed basis. All balances are unsecured, repayable on demand and non-interest bearing except for amounts due from subsidiaries which bore interest at rates ranging from 3.1% to 4.0% (2010: 2.7% to 4.1%) per annum at the reporting date.

21. DERIVATIVE ASSETS

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The changes in the fair value of those forward currency contracts are recognised as other income or expense in the income statement.

Forward currency contracts are used to hedge the Group's trade receivables and future sales denominated in United States Dollar for which firm commitments existed at the reporting date, extending to October 2011.

21. DERIVATIVE ASSETS *(continued)*

As at the reporting date, the Group and the Company have entered into forward currency contracts with the following notional amounts:

	Group/Company			
	Contract/notional amount		Assets	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Current				
Forward currency contracts	**5,640**	7,511	**21**	-

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Total derivative assets	**21**	-	**21**	-
Add: Held for trading investments (Note 15)	**458**	1,158	**145**	-
Total held for trading financial assets	**479**	1,158	**166**	-

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances	**43,049**	48,954	**2,989**	6,531
Short-term deposits with licensed banks	**18,063**	15,235	**6,000**	7,100
	61,112	64,189	**8,989**	13,631
Bank overdrafts (Note 27)	**(350)**	(146)	**-**	-
Cash and cash equivalents	**60,762**	64,043	**8,989**	13,631

The average maturities of deposits as at the reporting date were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	Days	Days	**Days**	Days
Short-term deposits with licensed banks	**77**	125	**7**	8

The average interest rate of deposits as at the reporting date is 3.1% (2010: 3.0%).

23. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2011	2010	**2011**	2010
	'000	'000	**RM'000**	RM'000
Authorised:				
At 1 June/31 May	**300,000**	300,000	**300,000**	300,000
Issued and fully paid:				
At 1 June/31 May	**194,338**	194,338	**194,338**	194,338

Of the total 194,337,860 (2010: 194,337,860) issued and paid-up ordinary shares of RM1.00 each as at 31 May 2011, 23,224 (2010: 5,905,861) shares are held as treasury shares by the Company. Consequently, as at 31 May 2011, the number of ordinary shares in issue after deduction of the treasury shares is 194,314,636 (2010: 188,431,999) ordinary shares of RM1.00 each.

24. RESERVES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable				
Share premium	**805**	805	**805**	805
Translation reserves	**(19,059)**	(11,943)	**-**	-
	(18,254)	(11,138)	**805**	805

The movements of the above reserves are disclosed in the statements of changes in equity.

25. RETAINED EARNINGS

As at 31 May 2011, the Company has tax-exempt income accounts of approximately RM15,591,000 (2010: RM14,891,000) of which the Company can distribute tax-exempt dividends of up to the same amount, subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single-tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the balances under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

25. RETAINED EARNINGS *(continued)*

The Company did not elect for the irrevocable option to disregard the Section 108 tax credit balances. Accordingly, during the transitional period, the Company may utilise the credit in Section 108 balance and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 May 2011.

26. TREASURY SHARES

	Group/Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2011	2010	**2011**	2010
	'000	'000	**RM'000**	RM'000
At 1 June	**5,906**	8,988	**8,444**	12,851
Distribution of share dividend	**(5,883)**	(3,082)	**(8,411)**	(4,407)
At 31 May	**23**	5,906	**33**	8,444

There were no shares purchased, resold or cancelled during the financial year except for the distribution of certain treasury shares as share dividends as disclosed in Note 11.

27. BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Short-term borrowings				
Secured				
Bank overdrafts (Note 27)	**350**	146	**-**	-
Trust receipts	**40,544**	36,555	**-**	-
Revolving credits	**3,010**	780	**-**	-
Term loan	**19,077**	18,830	**10,216**	17,900
Unsecured				
Short-term loans	**102,508**	87,707	**26,101**	21,494
Hire-purchase and finance lease payables (Note 30)	**125**	28	**-**	-
	165,614	144,046	**36,317**	39,394
Long-term borrowings				
Secured				
Term loans	**966**	14,041	**-**	11,947
Unsecured				
Hire-purchase and finance lease payables (Note 30)	**499**	53	**-**	-
	1,465	14,094	**-**	11,947
Total borrowings	**167,079**	158,140	**36,317**	51,341

27. BORROWINGS *(continued)*

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Maturity of borrowings				
Within one year	**165,614**	144,046	**36,317**	39,394
More than 1 year and less than 2 years	**879**	12,916	**-**	11,947
More than 2 years and less than 5 years	**473**	1,178	**-**	-
5 years or more	**113**	-	**-**	-
	167,079	158,140	**36,317**	51,341

The borrowings bore interest at rates ranging from 1.9% to 23.0% (2010: 2.5% to 14.9%) per annum at the reporting date.

The short-term secured bank overdraft, trust receipts and revolving credits together with the long-term secured term loan of RM966,000 (2010: RM2,094,000) and short-term secured term loan of RM8,861,000 (2010: RM930,000) are for foreign subsidiaries and secured by the mortgage of tank farms, assignment of insurance policies covering stock in trade in favour of the bank and/or corporate guarantees by their shareholders.

The short-term secured term loan of RM10,216,000 (2010: short-term loan of RM17,900,000 and long-term loan of RM11,947,000) is secured by assignment of dividends receivable from a subsidiary of the Company.

28. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
At 1 June	**3,452**	3,774	**3,228**	3,561
Benefits paid	**(389)**	(595)	**(384)**	(595)
Expense recognised in the income statements (Note 7)	**412**	270	**373**	262
Exchange fluctuation	**1**	3	**-**	-
At 31 May	**3,476**	3,452	**3,217**	3,228

Retirement benefits obligation is a post-employment benefit plan under which the Company and certain subsidiaries are obligated to pay eligible employees a fixed percentage on the last drawn average salary for each completed year of service. For the Company, the retirement benefits obligation is payable to employees employed prior to 1 July 2005 who has more than 10 years of continuous working experience with the Company. No actuarial valuation is required for defined contribution plans.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Trade payables				
Third parties	**135,597**	88,091	**11,126**	11,224
Related companies	**735**	944	**36**	23
	136,332	89,035	**11,162**	11,247
Other payables				
Amounts due to related companies	**2**	1,280	**1**	-
Amounts due to subsidiaries	**-**	-	**11,763**	12,121
Amounts due to holding company	**-**	-	**5**	-
Provision for warranties	**810**	-	**610**	-
Other payables	**15,499**	16,469	**3,834**	7,508
Accruals	**14,509**	15,853	**5,681**	5,628
	30,820	33,602	**21,894**	25,257
	167,152	122,637	**33,056**	36,504

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2010: 30 to 90 days).

(b) Other payables

The amounts due to subsidiaries are mainly intercompany advances which are unsecured and repayable on demand and bore interest at rates ranging from 3.1% to 3.8% (2010: 3.1% to 3.8%) per annum at the reporting date.

All other amounts due to holding and related companies are unsecured, non-interest bearing and are repayable on demand.

During the financial year, the Company and one of its subsidiaries provided for defects liability warranties for two separate projects. The defects liability warranties given are conditions of the contracts awarded and are for a period of 12 months. Assumptions used to calculate the provision were based on the expected costs of rectification in the event that there are claims made by the customers.

The movement in the provision account is as follows:

	Group	Company
	RM'000	RM'000
At 1 June 2010	**-**	**-**
Arose during the year (Note 6)	**810**	**610**
At 31 May 2011	**810**	**610**

30. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	Group 2011 RM'000	Group 2010 RM'000
Minimum lease payments:		
Not later than one year	**163**	36
Later than one year and not later than two years	**134**	48
Later than two years and not later than five years	**322**	18
Later than five years	**116**	-
	735	102
Future finance charges	**(111)**	(21)
Present value of finance lease liabilities	**624**	81
Present value of finance lease liabilities:		
Not later than one year	**125**	28
Later than one year and not later than two years	**106**	39
Later than two years and not later than five years	**280**	14
Later than five years	**113**	-
	624	81
Analysed as:		
Due within 12 months (Note 27)	**125**	28
Due after 12 months (Note 27)	**499**	53
	624	81

The hire-purchase and lease liabilities bore interest rates ranging from 2.8% to 9.1% (2010: 6.0% to 8.0%) per annum at the reporting date.

31. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Approved and contracted				
Property, plant and equipment	**6,532**	647	**-**	602
Approved but not contracted				
Property, plant and equipment	**367**	-	**367**	-
	6,899	647	**367**	602

31. COMMITMENTS *(continued)*

(b) Operating lease commitments - as lessee

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2011	2010
	RM'000	RM'000
Not later than one year	**2,425**	2,402
Later than one year and not later than two years	**1,543**	2,803
Later than two years and not later than five years	**1,006**	1,389
Later than five years	**3,156**	4,227
	8,130	10,821

32. CONTINGENT LIABILITIES

There are no material contingent liabilities as at the reporting date.

33. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

	Note	Group		Company	
		2011	2010	**2011**	2010
		RM'000	RM'000	**RM'000**	RM'000
Sales to related company and subsidiary	(i)				
Ancom Crop Care Sdn Bhd		**157**	147	**-**	-
Ancom Kimia Sdn Bhd		**-**	9,158	**-**	-
Purchases from subsidiaries	(i)				
Ancom Kimia Sdn Bhd		**-**	99,546	**-**	-
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**442**	378
Freight/transport charges paid to related company	(i)				
Pengangkutan Cogent Sdn Bhd		**1,562**	2,817	**112**	117
Storage rental paid to related companies	(i)				
Ancom-ChemQuest Terminals Sdn Bhd		**1,978**	2,532	**-**	-
Sinsenmoh Transportation Pte Ltd		**736**	713	**-**	-
Interest received from subsidiaries	(ii)				
CKG Chemicals Pte Ltd		**-**	-	**482**	-
PT Nylex Indonesia		**-**	-	**94**	-
Interest paid to subsidiaries	(iii)				
Malaysian Roofing Industries Sdn Bhd		**-**	-	**157**	158
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**134**	481

33. RELATED PARTY DISCLOSURES *(continued)*

(a) Significant related party transactions *(continued)*

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Gross dividend from subsidiaries				
Fermpro Sdn Bhd	-	-	**1,280**	-
Kumpulan Kesuma Sdn Bhd	-	-	**574**	574
Malaysian Roofing Industries Sdn Bhd	-	-	**700**	1,218
Nylex Specialty Chemicals Sdn Bhd	-	-	**2,668**	4,617
Perusahaan Kimia Gemilang Sdn Bhd	-	-	**10,069**	12,922
Wedon Sdn Bhd	-	-	**168**	168

Note

(i) The Directors are of the opinion that the sales, purchases, freight/transport and storage charges to/from subsidiaries, associates and related companies are entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(ii) Interest received arose from advances to subsidiaries. The outstanding balances as at 31 May 2011 are disclosed in Note 20.

(iii) Interest paid arose from advances from subsidiaries. The outstanding balances as at 31 May 2011 are disclosed in Note 29.

(b) Transaction with other related party

The Company has paid professional fees of RM47,308 to Messrs. Shearn Delamore & Co., a firm of which one of the Directors of the Company is a Partner, for the provision of legal services to the Company. The amount charged is comparable to market prices and no balance with the firm was outstanding as at 31 May 2011.

(c) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company and its subsidiaries.

The remuneration of directors and other members of key management was as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Fees	**292**	337	**280**	325
Wages and salaries	**18,043**	20,140	**3,630**	5,398
Defined contribution plan and social security costs	**870**	590	**381**	162
Other emoluments	**182**	210	**56**	33
	19,387	21,277	**4,347**	5,918

33. RELATED PARTY DISCLOSURES *(continued)*

(c) Compensation of key management personnel *(continued)*

Included in the total remuneration of key management personnel are:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Directors' remuneration (Note 8)	**2,811**	4,342	**2,154**	1,422

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group		Company	
	Note	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
At 31 May 2011					
Investment in subsidiaries	14	**-**	**-**	**198,056**	**#**
Non-current equity instruments, at cost	16	**3,580**	**#**	**80**	**#**
Hire-purchase and finance lease payables	28	**499**	**512**	**-**	**-**
Term loans	22	**966**	**930**	**-**	**-**
At 31 May 2010					
Investment in subsidiaries	14	-	-	198,514	#
Non-current equity instruments, at cost	16	3,580	#	80	#
Hire-purchase and finance lease payables	28	53	53	-	-
Term loans	22	14,041	11,552	-	-

\# It is not practical to estimate the fair value of the Group's non-current unquoted investments due to the absence of quoted market prices and inability to estimate fair value without incurring excessive costs. However, the Directors believe that the carrying amounts represent recoverable values.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(b) Determination of fair value

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(ii) Hire-purchase, finance lease payables and term loans

The carrying amounts of term loans is approximated to the fair values based on current lending rates for similar types of lending and borrowing arrangements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

It is the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Interest rate risk *(continued)*

The interest profile of the financial assets and liabilities of the Group and of the Company as at the reporting date are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Financial assets				
Fixed rate	**-**	3,097	**15,196**	401
Floating rate	**36,598**	42,433	**6,000**	7,100
Interest free	**251,943**	207,670	**221,081**	246,864
	288,541	253,200	**242,277**	254,365
Financial liabilities				
Fixed rate	**624**	81	**8,019**	8,719
Floating rate	**166,515**	158,080	**36,317**	51,341
Interest free	**167,092**	122,616	**25,037**	27,785
	334,231	280,777	**69,373**	87,845

The weighted average interest rates on the financial assets and liabilities are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	%	%	**%**	%
Financial assets				
Fixed rate	**-**	4.37	**4.00**	4.10
Floating rate	**3.15**	2.75	**2.17**	1.70
Financial liabilities				
Fixed rate	**5.43**	7.19	**3.45**	3.45
Floating rate	**4.98**	4.53	**4.27**	3.73

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit after tax would have been higher/lower by approximately RM97,000 arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate deposits and savings with licensed banks.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to various currencies, mainly United States Dollar ("USD"), Singapore Dollar ("SGD"), Japanese Yen ("JPY"), Indonesian Rupiah ("IDR") and Vietnamese Dong ("VND"). Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Foreign currency risk *(continued)*

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward currency contracts.

At the reporting date, if the functional currency strengthened/weakened by 3% against the other currencies, with all other variables held constant, the Group's profit after tax would have been higher/lower as follows:

	2011 RM'000
USD/RM	**544**
SGD/RM	**23**
JPY/RM	**5**
USD/SGD	**(39)**
USD/VND	**(390)**
USD/IDR	**(113)**

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Functional currency of group companies				
	Ringgit Malaysia RM'000	**Indonesian Rupiah RM'000**	**United States Dollar RM'000**	**Vietnamese Dong RM'000**	**Total RM'000**
At 31 May 2011					
Receivables					
United States Dollar	14,699	7,350	-	-	22,049
Singapore Dollar	951	-	2,229	-	3,180
Japanese Yen	216	-	-	-	216
	15,866	**7,350**	**2,229**	**-**	**25,445**
Cash and bank balances					
Malaysian Ringgit	-	2	-	-	2
United States Dollar	14,490	832	-	-	15,322
Singapore Dollar	54	-	214	-	268
	14,544	**834**	**214**	**-**	**15,592**
Borrowings					
United States Dollar	-	-	-	6,501	6,501
Singapore Dollar	-	-	350	-	350
	-	**-**	**350**	**6,501**	**6,851**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Foreign currency risk *(continued)*

	Functional currency of group companies				
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	Total RM'000
At 31 May 2011					
Payables					
Ringgit Malaysia	-	-	300	-	300
United States Dollar	4,702	13,195	-	10,851	28,748
Singapore Dollar	-	-	3,810	-	3,810
	4,702	**13,195**	**4,110**	**10,851**	**32,858**
At 31 May 2010					
Receivables					
United States Dollar	5,903	3,401	-	-	9,304
Singapore Dollar	1,470	-	2,046	-	3,516
Japanese Yen	299	-	-	-	299
Hong Kong Dollar	-	-	148	-	148
	7,672	3,401	2,194	-	13,267
Cash and bank balances					
United States Dollar	9,091	4,261	-	11	13,363
Singapore Dollar	9	-	354	-	363
	9,100	4,261	354	11	13,726
Borrowings					
United States Dollar	-	-	-	9,951	9,951
Singapore Dollar	-	-	146	-	146
	-	-	146	9,951	10,097
Payables					
Ringgit Malaysia	-	-	327	-	327
United States Dollar	5,690	2,347	-	41	8,078
Singapore Dollar	95	-	2,740	-	2,835
Euro	-	8	-	-	8
	5,785	2,355	3,067	41	11,248

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and short-term borrowings.

The debt maturity profile of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations are disclosed in Notes 27 and 30.

(d) Credit risk

Credit risk is the risk of loss on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk is controlled by the application of credit approvals, limits and monitoring procedures and are minimised by limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments. Information regarding trade and other receivables is disclosed in Note 20(a). Deposits with banks and other financial institutions and investment securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain a strong capital base and safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and to maintain an optimal capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may, from time to time, adjust the dividend payout to shareholders, issue new shares, return capital to shareholders, redeem debt or sell assets to reduce debts, where necessary.

The Group monitors capital using a gearing ratio, which is net debt (borrowings net of cash and cash equivalents) divided by total equity attributable to owners of the parent.

36. CAPITAL MANAGEMENT *(continued)*

The Group's gearing ratio as at 31 May 2011 is computed as follows:

	2011 RM'000
Borrowings	167,079
Short-term deposits with licensed banks	(18,063)
Cash and bank balances	(43,049)
Net debt	**105,967**
Total equity attributable to owners of the parent	**270,855**
Gearing ratio	**39.1%**

37. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE REPORTING DATE

(a) Acquisition of a subsidiary

On 22 February 2011, the Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), purchased 550,000 shares in its associate, Ancom Kimia Sdn Bhd ("AKSB"), from an existing investor for a cash consideration of RM275,000.

With the acquisition, Nylex's effective interest in AKSB has increased from 30% to 55% and with effect from the same date, AKSB became a subsidiary of PKG and an indirect subsidiary of Nylex.

Details of the acquisition are disclosed in Note 13.

(b) Shortfall in profit guarantee

As part of the sales and purchase agreement for the acquisition of 100% equity interest in CKG Chemicals Pte Ltd ("CKG") in prior years, a profit guarantee was given by the then vendors of CKG. During the financial year, the Company had received S$55,378 (RM132,642) as payment for the shortfall for profit guarantee, being a reduction of the purchase costs paid by the Company in prior years.

There are no significant events subsequent to the reporting date.

38. SUBSIDIARIES

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective % ownership in 2011 %	2010 %	Principal activities
Direct subsidiaries				
Nycon Manufacturing Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins.
Malaysian Roofing Industries Sdn Bhd	Malaysia	**70**	70	Dormant.
Nylex Polymer Marketing Sdn Bhd	Malaysia	**100**	100	Marketing of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets, geosynthetic and general trading.
PT Nylex Indonesia **	Indonesia	**100**	100	Manufacture, marketing and distribution of PU and PVC leathercloth.
Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	**100**	100	Trading in petrochemicals and industrial chemicals.
Fermpro Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.
Kumpulan Kesuma Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of sealants and adhesive products.
Wedon Sdn Bhd	Malaysia	**100**	100	Marketing of sealants and adhesive products.
Nylex Specialty Chemicals Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of phosphoric acid.
Speciality Phosphates (Malaysia) Sdn Bhd	Malaysia	**51**	51	Manufacture and sale of chemicals.
CKG Chemicals Pte Ltd **	Singapore	**100**	100	Trading and distribution of industrial chemicals and gasoline blending components.

38. SUBSIDIARIES *(continued)*

Name of company	Country of incorporation	Effective % ownership in 2011 %	2010 %	Principal activities
Indirect subsidiaries				
PT Indomalay Ekatana Roofing Industries **	Indonesia	**-**	49	Liquidated.
Dynamic Chemical Trading Pte Ltd **	Singapore	**90**	90	Trading in industrial chemicals.
Perusahaan Kimia Gemilang (Vietnam) Company Ltd. *	Vietnam	**100**	100	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.
PT PKG Lautan Indonesia **	Indonesia	**51**	51	Importation and distribution of industrial chemicals.
Amcom Kimia Sdn Bhd	Malaysia	**55**	30	Distribution of petrochemicals and industrial chemicals.

* The financial statements of this subsidiary are audited by member firms of Ernst & Young Global.
** The financial statements of these subsidiaries are audited by firms other than Ernst & Young.

39. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

(a) Business segments

The Group comprises the following main business segments:

(i) Polymer

Manufacture and marketing of polyurethane and vinyl-coated fabrics, calendered film and sheeting, and other plastic products, including geotextiles and prefabricated sub-soil drainage systems, and rotomoulded plastic products.

(ii) Industrial Chemical

Trading, manufacture and sale of petrochemicals and industrial chemical products.

39. SEGMENT INFORMATION *(continued)*

	Polymer		Industrial Chemical		Others		Adjustments and eliminations		Note	Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010		**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000		**RM'000**	RM'000
Revenue											
External sales	**134,043**	122,544	**1,092,706**	1,099,542	**-**	-	**-**	-		**1,226,749**	1,222,086
Inter-segment sales	**12**	5	**442**	378	**-**	-	**(454)**	(383)	(a)	**-**	-
Total revenue	**134,055**	122,549	**1,093,148**	1,099,920	**-**	-	**(454)**	(383)		**1,226,749**	1,222,086
Results											
Interest income	**138**	124	**243**	519	**43**	23	**-**	-		**424**	666
Depreciation and amortisation	**5,604**	5,904	**2,211**	2,456	**142**	47	**-**	-		**7,957**	8,407
Reversal of impairment losses	**-**	-	**3**	368	**-**	-	**-**	-		**3**	368
Impairment of non-financial assets	**2,000**	-	**-**	-	**-**	-	**-**	-		**2,000**	-
Other non-cash expenses	**1,821**	691	**2,006**	4,598	**196**	1,365	**-**	-	(b)	**4,023**	6,654
Segment profit/(loss)	**12,124**	16,785	**17,510**	37,451	**(13,590)**	(14,223)	**-**	-		**16,044**	40,013
Assets											
Goodwill on consolidation	**116**	116	**86,712**	90,369	**-**	-	**-**	-	(d)	**86,828**	90,485
Additions to non-current assets	**1,135**	4,045	**637**	264	**812**	751	**-**	-	(c)	**2,584**	5,060
Segment assets	**112,656**	109,138	**381,013**	325,848	**67,822**	67,447	**(31,419)**	(34,849)	(d)	**530,072**	467,584
Segment liabilities	**34,993**	30,562	**281,162**	218,777	**55,291**	74,677	**(31,419)**	(34,849)	(e)	**340,027**	289,167

39. SEGMENT INFORMATION *(continued)*

Note

(a) Inter-segment sales are eliminated on consolidation.

(b) Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2011 RM'000	2010 RM'000
Gain on disposal of non-financial assets	4	**(332)**	(375)
Gain on disposal of financial assets	4	**(919)**	-
Inventories written-down	6	**1,838**	1,853
Unrealised loss on foreign exchange	6	**1,727**	2,366
Impairment of financial assets	6	**1,297**	2,540
Provision for retirement benefits	28	**412**	270
		4,023	6,654

(c) Additions to non-current assets consist of property, plant and equipment.

(d) The inter-segment assets are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.

(e) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

39. SEGMENT INFORMATION *(continued)*

Geographical information

Revenue and segment assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Segment assets	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Malaysia	**504,315**	471,938	**304,338**	261,569
Singapore	**312,097**	419,452	**149,356**	145,047
Indonesia	**113,330**	90,586	**54,762**	42,342
Hong Kong	**68,201**	2,793	**-**	-
Vietnam	**52,650**	59,428	**21,616**	18,626
Philippines	**44,065**	50,862	**-**	-
Australia	**23,442**	17,351	**-**	-
Sri Lanka	**20,407**	26,236	**-**	-
New Zealand	**17,694**	13,970	**-**	-
Bangladesh	**13,021**	10,783	**-**	-
China	**11,475**	12,410	**-**	-
India	**10,307**	2,056	**-**	-
Middle East	**10,017**	5,602	**-**	-
Africa	**6,737**	7,484	**-**	-
Thailand	**6,025**	6,690	**-**	-
Pakistan	**5,271**	4,984	**-**	-
Mauritius	**2,546**	1,284	**-**	-
Japan	**2,400**	14,874	**-**	-
Nepal	**1,340**	899	**-**	-
Taiwan	**550**	907	**-**	-
South America	**420**	472	**-**	-
Europe	**202**	518	**-**	-
United States of America	**107**	115	**-**	-
Brunei	**100**	51	**-**	-
Korea	**30**	-	**-**	-
Cambodia	**-**	308	**-**	-
Myanmar	**-**	33	**-**	-
	1,226,749	1,222,086	**530,072**	467,584

40. REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 May 2011, into realised and unrealised profits, is as follows:

	Group RM'000	Company RM'000
Retained earnings		
Realised	**124,451**	**35,639**
Unrealised	**27,184**	**22,743**
	151,635	**58,382**
Less: Consolidation adjustments	**(56,831)**	**-**
Total retained earnings	**94,804**	**58,382**

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purpose of complying with the disclosure requirements stipulated in the directives issued by Bursa Securities on 25 March 2010 and 20 December 2010 and should not be applied for any other purpose.

ADDITIONAL INFORMATION

IN COMPLIANCE WITH PART A, APPENDIX 9C OF THE
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

DISCLOSURE ON THE REMUNERATION OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 MAY 2011

The remuneration of directors for the financial year ended 31 May 2011 is set out in Note 8 to the financial statements, on page 71 of this Annual Report.

UTILISATION OF PROCEEDS

The Company has not raised any funds from any of its corporate exercises during the financial year.

SHARE BUY-BACK

The details of the Company's shares repurchased, resold, cancelled or retained as treasury shares are disclosed in the Directors' Report on page 31 and Note 26 to the Financial Statement on page 92 of this Annual Report.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any warrants or convertible securities during the financial year.

DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any depository receipt programme.

IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies.

NON-AUDIT FEES

There was no non-audit fees paid to the external auditors for the financial year ended 31 May 2011.

PROFIT ESTIMATE, FORECAST OR PROJECTION

There is no material variance between the audited results for the financial year ended 31 May 2011 and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projection for the financial year.

PROFIT GUARANTEES

There were no profit guarantees received in the financial year ended 31 May 2011.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts, of the Company and its subsidiaries, not being contracts entered into in the ordinary course of business, which involves directors' and/or major shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

REVALUATION OF LANDED PROPERTIES

The Company does not have a revaluation policy on its landed properties. Revaluation will be carried out when deemed appropriate by the directors.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The aggregate value of RRPT made during the financial year, pursuant to the shareholders' mandate obtained at the last annual general meeting of the Company are as follows:

Related party	Nature of transaction	Value of RRPT (RM'000)	Interested directors, major shareholders and connected person
Ancom-Chemquest Terminals Sdn Bhd	Storage rental and handling charges	1,978	Ancom Berhad Dato' Siew Ka Wei Dato' Johari Razak
Pengangkutan Cogent Sdn Bhd	Transport charges	1,574	
Sinsenmoh Transportation Pte Ltd	Storage rental, handling and transport charges	736	

LIST OF PROPERTIES
AS AT 31 MAY 2011

Location / Address	Title	Age of Building (Years)	Land Area (sq.m.)	Existing Use	Date of Acquisition / Revaluation	Tenure	Net Book Value as at 31.05.11 (RM'000)
a) **Proprietor: Nylex (Malaysia) Berhad**							
Lot 16 Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan	HS (D) 256546	40	30,224	Office building and factory.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	20,929
	HS (D) 256546	31	12,140	Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	
b) **Proprietor: Perusahaan Kimia Gemilang Sdn Bhd**							
PT 4228 Mukim of Kapar Daerah Klang Selangor Darul Ehsan	HS (M) 6259	20	28,491	Office building and factory.	01 July 2004	Leasehold, expiring on 09 June 2086.	6,376
c) **Proprietor: Fermpro Sdn Bhd**							
Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	23	16,190	Office building and factory.	01 July 2004	Leasehold, expiring on 22 November 2046.	1,830
Plot 3 & 4, PT 924A Mukim of Chuping Perlis Indera Kayangan	HS (M) 1804	-	24,280	Spent molasses treatment pond.	01 July 2004	Leasehold, expiring on 07 February 2059.	1,037
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	9	8,100	Office building and factory.	01 July 2004	Leasehold, expiring on 07 February 2059.	436
d) **Proprietor: Nylex Specialty Chemicals Sdn Bhd**							
Lot 593 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 5507	36	8,093	Office building and factory.	01 March 2005	Leasehold, expiring on 01 September 2074.	1,959
Lot 624 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 6588	34	8,298	Office building and warehouse.	01 March 2005	Leasehold, expiring on 19 February 2076.	3,177

The above buildings are in good condition.

ANALYSIS OF SHAREHOLDINGS
AS AT 10 OCTOBER 2011

No. of holders of each class of equity securities

Class of securities	:	Ordinary shares of RM1.00 each
Total no. issued	:	194,337,860
No. of holders	:	13,654
Voting rights	:	One vote per ordinary share on a poll
	:	One vote per shareholder on a show of hands

Distribution schedule

Holdings	No. of holders	No. of shares	%
Less than 100	1,869	43,030	0.02
100 to 1,000	6,137	2,432,819	1.25
1,001 to 10,000	4,238	12,613,892	6.49
10,001 to 100,000	1,265	33,151,777	17.06
100,001 to less than 5% of issued shares	141	52,434,530	26.99
5% and above of issued shares	4	93,628,588	48.19
	13,654	194,304,636	100.00
Treasury Shares	-	33,224	-
	13,654	194,337,860	100.00

Substantial holders

	Direct		Indirect	
	No. of shares	%	No. of shares	%
1. Dato' Siew Ka Wei	1,522,049	0.78	99,363,917 (1)	51.14
2. Ancom Berhad	52,502,182	27.02	41,125,888 (2)	21.17
3. Rhodemark Development Sdn Bhd	41,125,888	21.17	-	-

Note:

1 Deemed interested through his direct and indirect interest in Ancom Berhad, Rhodemark Development Sdn Bhd, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn Bhd, Datin Young Ka Mun and Quek Lay Kheng.

2 Deemed interested by virtue of its direct interest in Rhodemark Development Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Directors' holdings

	Direct		Indirect	
	No. of shares	%	No. of shares	%
1. Dato' Johari Razak	131,360	0.07	-	-
2. Dato' Siew Ka Wei	1,522,049	0.78	99,363,917 (1)	51.14

Note:

1 Deemed interested through his direct and indirect interest in Ancom Berhad, Rhodemark Development Sdn Bhd, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn Bhd, Datin Young Ka Mun and Quek Lay Kheng.

ANALYSIS OF SHAREHOLDINGS
AS AT 10 OCTOBER 2011 *(continued)*

Thirty largest shareholders

(Without aggregating securities from different securities accounts belonging to the same person)

	Name	No. of shares	%
1.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rhodemark Development Sdn Bhd (001)	41,125,888	21.17
2.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ancom Berhad	21,625,120	11.13
3.	EB Nominees (Tempatan) Sendirian Bhd Pledged Securities Account for Ancom Berhad (SS2)	18,572,812	9.56
4.	Ancom Berhad	12,304,768	6.33
5.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	4,316,983	2.22
6.	Lee See Jin	3,043,643	1.57
7.	ECML Nominees (Asing) Sdn Bhd Plato Capital Investment Fund	2,307,235	1.19
8.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,882,469	0.97
9.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Gim Leong	1,516,516	0.78
10.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Gim Leong (E-KLC)	1,359,450	0.70
11.	Loh Lai Kim	1,248,534	0.64
12.	Terengganu Incorporated Sdn Bhd	1,110,215	0.57
13.	Cheung Kwong Kwan	1,100,859	0.57
14.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (KLC/ECM)	1,030,000	0.53
15.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,006,348	0.52
16.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Eng Ho Waa @ Chua Eng Wah	802,725	0.41
17.	ECML Nominees (Tempatan) Sdn Bhd Heah Sieu Lay (PCS)	765,882	0.39
18.	Lim Chui Kui @ Lim Chooi Kui	741,898	0.38
19.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (CEB)	727,031	0.37
20.	HDM Nominees (Tempatan) Sdn Berhad HDM Capital Sdn Bhd for Siew Ka Wei	696,392	0.36
21.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	690,537	0.36
22.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeap Gek @ Yeap Poh Chim	646,093	0.33
23.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	622,402	0.32
24.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Chu Yong	577,500	0.30
25.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank NA, Singapore (Julius Baer)	565,021	0.29

ANALYSIS OF SHAREHOLDINGS

AS AT 10 OCTOBER 2011 *(continued)*

Thirty largest shareholders *(continued)*

(Without aggregating securities from different securities accounts belonging to the same person)

	Name	No. of shares	%
26.	Lim Jit Hai	549,300	0.28
27.	HDM Nominees (Tempatan) Sdn Bhd		
	DBS Vickers SECS (S) Pte Ltd for Yeap Poh Chim	525,000	0.27
28.	Lim Soon Heng	520,000	0.27
29.	Malaysia Nominees (Tempatan) Sendirian Berhad		
	Pledged Securities Account for Silver Dollars Sdn Bhd (01-00198-000)	495,667	0.25
30.	CIMSEC Nominees (Tempatan) Sdn Bhd		
	CIMB Bank for Gan Kong Hiok (M52019)	486,714	0.25
	Total	**122,963,002**	**63.28**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 23 November 2011 at 12.00 noon to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1.	To receive the Audited Financial Statements, Reports of the Directors and the Auditors thereon for the financial year ended 31 May 2011;	**[Please refer Explanatory Note 1]**
2.	To approve Directors' fees for the financial year ended 31 May 2011;	**[Resolution 1]**
3.	To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:	
	3.1 Dato' Johari Razak;	**[Resolution 2]**
	3.2 Dato' Siew Ka Wei;	**[Resolution 3]**
4.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.	**[Resolution 4]**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

5. Proposed Issuance Of New Ordinary Shares Of RM1.00 Each Pursuant To Section 132D of the Companies Act, 1965 **[Resolution 5]**

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares of RM1.00 each in the Company from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may deem fit provided that the aggregate number of new ordinary shares to be issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued share capital of the Company AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors are further authorised to make such applications to Bursa Malaysia Securities Berhad and to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

6. Proposed New and Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature **[Resolution 6]**

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature and with those related parties as specified in Section 2.4 and Section 2.5 of Part A of the Circular to Shareholders/Statement dated 1 November 2011 subject to the following:

(i) that the transactions are in the ordinary course of business, made on arm's length and on normal commercial terms and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;

(ii) that disclosure is made in the annual report, of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' mandate during the financial year based on the type of recurrent transactions made and the related parties involved;

(iii) that the authority conferred by such mandate shall continue to be in force from the date of this resolution, unless revoked or varied by resolution passed by shareholders of the Company at a general meeting, until the conclusion of the next annual general meeting of the Company or after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; and

(iv) that the Directors and/or any one of them be and are hereby authorised to complete and to do all such acts and things, including executing such documents as may be required, to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. Proposed Renewal of Shareholders' Mandate on Share Buy-Back **[Resolution 7]**

"THAT subject to the Companies Act, 1965 ("Act"), the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association and other applicable laws rules regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to utilise an amount not exceeding the total share premium account and retained profits of the Company to purchase such number of ordinary shares of RM1.00 each in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares as defined under Section 67A of the Act ("Treasury Shares") then still held by the Company not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased or retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or to sell same in a manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the applicable laws rules regulations and guidelines of Bursa Securities and any other regulatory authorities for the time being in force."

8. Other Ordinary Business

   To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By order of the Board,

CHOO SE ENG
STEPHEN GEH SIM WHYE
Secretaries

Petaling Jaya
1 November 2011

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote for him. A proxy may but need not be a member of the Company.
2. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
3. A member shall be entitled to appoint not more than two (2) proxies pursuant to Section 149(1)(c) of the Companies Act, 1965. Where a member 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.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

EXPLANATORY NOTES

1. **Item 1 of the Agenda**
   This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval by the Shareholders for the Audited Financial Statements.

2. **Resolution 5**
   This resolution, if passed, will renew the general mandate giving authority to the Directors to issue and allot new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company ("Share Issue Mandate") subject to the approvals of all the relevant governmental or regulatory bodies. This authorisation will empower the Directors to issue shares notwithstanding that the authorisation has ceased to be in force if the shares are issued in pursuance of an offer, agreement or option, made or granted by the Directors while the authorisation was in force. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting.

   The Share Issue Mandate obtained at the 40th Annual General Meeting held on 24 November 2010 was not utilised and accordingly no proceeds were raised.

   The Share Issue Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment projects, acquisitions and/or working capital.

3. **Resolution 6**

   This resolution, if passed, will authorise the Company and its subsidiaries to enter into recurring transactions of a revenue or trading nature with its related parties as defined in the Listing Requirements of Bursa Malaysia Securities Berhad. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting. Detailed information on the Proposed RRPT Mandate is set out in the Circular to Shareholders in relation to Proposed New and Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature dated 1 November 2011 which is despatched together with this Annual Report.

4. **Resolution 7**

   This resolution, if passed, will enable the Company to purchase and/or hold up to 10% of its own shares. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting. Detailed information on the Proposed Share Buy-Back is set out in the Statement in relation to Proposed Renewal of Shareholders' Mandate on Share Buy-Back dated 1 November 2011 which is despatched together with this Annual Report.

NYLEX (MALAYSIA) BERHAD *(9378-T)*
(Incorporated in Malaysia)

Proxy Form

CDS A/C No.	
No. of shares held	

I/We ____
(Full Name in Block Letters)

of ____
(Full Address)

being (a) member(s) of NYLEX (MALAYSIA) BERHAD, hereby appoint:

No.	Full Name in Block Letters	Full Address	Proportion of Shareholdings[3]
1			%
2			%
			100 %

failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the 41st Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 23 November 2011, at 12.00 noon or any adjournment thereof and to vote as indicated below:

Item	Agenda	Resolution	For	Against
1.	To receive the audited financial statements and reports thereon.			
		Resolution	**For**	**Against**
2.	To approve the payment of Directors' fees.	1		
3.	To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association: 3.1 Dato' Johari Razak	2		
	3.2 Dato' Siew Ka Wei	3		
4.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.	4		
5.	To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.	5		
6.	To approve the new and renewal of recurring related party transaction mandate.	6		
7.	To approve the renewal of share buy-back mandate.	7		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

Dated this .... day of 2011

……………………………………………….....................................……
[Signature / Common Seal of Shareholder(s)]
[*Delete if not applicable]

Telephone no.
during office hours : ………...................................

Notes:
1. *A member entitled to attend and vote is entitled to appoint a proxy to attend and vote for him. A proxy may but need not be a member of the Company.*
2. *In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.*
3. *A member shall be entitled to appoint not more than two (2) proxies pursuant to Section 149(1)(c) of the Companies Act, 1965. Where a member 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.*
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AFFIX STAMP

NYLEX (MALAYSIA) BERHAD
(Company No. : 9378-T)

Registered Office :
Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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www.nylex.com