NYLEX (MALAYSIA) BERHAD *(9378-T)*

(Incorporated in Malaysia)

TOGETHER

WE CAN MAKE A DIFFERENCE

ANNUAL REPORT 2016

COVER RATIONALE

Our commitments to enhance shareholders' value are made possible through the dedication of our people, consistent innovation in our products, increase operational efficiencies and strengthen our core products offering.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid
(Executive Chairman)

Dato' (Dr) Siew Ka Wei
(Group Managing Director)

Lim Hock Chye
(Independent Non-Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

Safrizal bin Mohd Said
(Independent Non-Executive Director)

Khamis bin Awal
(Independent Non-Executive Director)

Dato' Tengku Mahamad bin Tengku Mahamut
(Independent Non-Executive Director)
(Appointed on 31 March 2016)

AUDIT COMMITTEE

Edmond Cheah Swee Leng *(Chairman)*
Lim Hock Chye
Safrizal bin Mohd Said
Khamis bin Awal

REMUNERATION & NOMINATION COMMITTEE

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

COMPANY SECRETARIES

Choo Se Eng *(Resigned on 12 August 2016)*
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

WEBSITE

www.nylex.com

REGISTRARS

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : (603) 2783 9299
Fax : (603) 2783 9222

AUDITORS

BDO
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
OCBC Bank (Malaysia) Berhad

SOLICITORS

Shearn Delamore & Co

DOMICILE

Malaysia

CORPORATE STRUCTURE

As at 31 May 2016

ANCOM BERHAD

- 100% Rhodemark Development Sdn Bhd
  - 27.6% NYLEX (MALAYSIA) BERHAD
- 18.1% NYLEX (MALAYSIA) BERHAD

NYLEX (MALAYSIA) BERHAD

- 100% Nylex Polymer Marketing Sdn Bhd
- 100% PT Nylex Indonesia
- 100% Perusahaan Kimia Gemilang Sdn Bhd
  - 90% Dynamic Chemical Pte Ltd
  - 100% Perusahaan Kimia Gemilang (Vietnam) Company Ltd
  - 51% PT PKG Lautan Indonesia
  - 60% Ancom Kimia Sdn Bhd
  - 100% ALB Marine Sdn Bhd
- 100% Fermpro Sdn Bhd
- 100% Kumpulan Kesuma Sdn Bhd
- 100% Wedon Sdn Bhd
- 100% CKG Chemicals Pte Ltd
- 100% Nylex Specialty Chemicals Sdn Bhd
- 51% Speciality Phosphates (Malaysia) Sdn Bhd
- 60% NYL Logistics Sdn Bhd

Legend:

Polymer Division
Industrial Chemical Division
Others - Logistics

LIST OF PRINCIPAL OFFICES

NYLEX (MALAYSIA) BERHAD / NYLEX POLYMER MARKETING SDN BHD / ALB MARINE 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 PTE LTD

3 International Business Park
#03-04, Nordic European Centre
Singapore 609927
Tel : (65) 6224 4142
Fax : (65) 6224 6460
www.dynamicchemical.com.sg

PERUSAHAAN KIMIA GEMILANG (VIETNAM) COMPANY LTD

Mezzanine Floor, Block C
241A Chu Van An Street
Ward 12, Binh Thanh District
Ho Chi Minh City
Vietnam
Tel : (848) 3516 3115
Fax : (848) 3516 3098

PT PKG LAUTAN INDONESIA

Gedung Graha Indramas
Jl. 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
Off Jalan Damansara
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, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3168 8282
Fax : (603) 3167 9115
www.nylexsc.com.my

NYL LOGISTICS SDN BHD

(formerly known as Berkat Kejora Sdn Bhd)

No. 72A-1, Jalan Temenggung 17/9
Bandar Mahkota Cheras
43200 Cheras
Selangor Darul Ehsan
Malaysia
Tel : (603) 9076 8222
Fax : (603) 9075 9288

FIVE-YEAR HIGHLIGHTS

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	1,197,450	1,272,737	1,566,028	1,728,625	1,488,251
Earnings before interest, tax, depreciation and amortisation	33,889	30,657	30,715	30,691	35,164
Profit before tax	20,512	18,383	16,791	15,776	20,449
Net profit for the year	11,177	5,209	7,164	7,023	13,776
Net profit attributable to owners of the parent	11,154	7,386	7,959	7,755	13,873
ASSETS					
Property, plant and equipment	102,107	92,650	59,750	65,498	69,363
Investments	476	448	428	415	423
Other non-current assets	131,400	118,882	113,552	119,711	120,559
Other current assets	354,207	414,367	439,425	498,484	513,694
TOTAL ASSETS	588,190	626,347	613,155	684,108	704,039
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	194,338	194,338	194,338	194,338	194,338
Reserves	26,019	11,306	52	669	4,461
Retained earnings	103,567	96,403	95,385	90,321	85,464
Less: Treasury shares, at cost	(1,188)	(888)	(869)	(735)	(338)
	322,736	301,159	288,906	284,593	283,925
Non-controlling interests	13,103	10,877	12,320	3,092	3,896
Total equity	335,839	312,036	301,226	287,685	287,821
Borrowings	126,266	171,103	153,640	198,320	166,622
Other non-current liabilities	5,047	4,799	4,536	4,285	4,313
Other current liabilities	121,038	138,409	153,753	193,818	245,283
TOTAL EQUITY AND LIABILITIES	588,190	626,347	613,155	684,108	704,039
Financial indicators					
Return on equity - percentage	3.3	1.7	2.4	2.4	4.8
Return on total assets - percentage	4.7	4.0	4.0	3.5	4.0
Gearing ratio - percentage	19.0	25.0	26.8	53.4	37.0
Interest cover ratio - times	4.0	3.8	3.1	2.9	3.7
Price to earnings ratio - times	9.3	14.5	15.5	13.6	7.6
Earnings per share - sen	5.8	3.8	4.1	4.0	7.1
Gross dividend per share - sen	2.0	3.0	2.0	2.0	2.9
Net assets per share - sen	167.9	156.2	149.8	147.4	146.5
Share price - sen	54.0	55.5	64.0	54.5	54.0
Other information					
Depreciation & amortisation	6,458	5,743	6,100	6,677	7,209
Finance cost	6,919	6,531	7,824	8,238	7,506

BOARD OF DIRECTORS

TAN SRI IR (DR) MOHAMED AL AMIN ABDUL MAJID
Age 61, Male, Malaysian, Executive Chairman

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

Tan Sri Al Amin qualified 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 from which he was conferred an Honorary Doctorate Degree in Doctor of Science. He is a professional engineer and is a Corporate Member of Institute of Engineers Malaysia ("IEM").

Tan Sri Al Amin began his career as a Project Engineer with Perak State Development Corporation ("PSDC") in 1979 and was later appointed as Executive Director of Maju Bangun Sdn Bhd, a subsidiary of PSDC. Subsequently, Tan Sri Al Amin started his own business involving in a wide range of businesses such as construction, investment, distributorship, general trading and project management.

Currently, Tan Sri Al Amin is the Executive Chairman of Country View Berhad; the Chairman of SME Corporation Malaysia (formerly known as Small and Medium Industries Development Corporation), an important government agency in the development and enhancement of small and medium enterprises in Malaysia under the Ministry of International Trade and Industry; and a director of Ancom Berhad and MCIS Insurance Berhad.

Since October 2010, Tan Sri Al Amin has been a Council Member of National Information Technology Council ("NITC") of Malaysia, an organisation that strategically manages ICT in the interest of the nation.

DATO' (DR) SIEW KA WEI
Age 60, Male, 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 of more than 30 years in the field of petrochemicals locally and internationally.

Currently, Dato' Siew is also the Group Managing Director of Ancom Berhad and the Executive Vice Chairman of Ancom Logistics Berhad. He is currently the President of the Imperial College Alumni Association of Malaysia and a Governor of the Board of Governors for Marlborough College of Malaysia.

Dato' Siew was the Chairman of the Malaysian Chapter of the Young Presidents' Organisation ("YPO"), an international grouping of more than 25,000 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 in Beijing, China. In April 2013, Dato' Siew was conferred an Honorary Doctorate Degree in Doctor of Business Administration *honoris causa* by HELP University.

Dato' Siew is a substantial shareholder of the Company by virtue of his direct and indirect interest in Ancom Berhad, the holding company of the Company, and his direct interest in the Company.

LIM HOCK CHYE

Age 61, Male, Malaysian, Independent Non-Executive Director

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

Mr Lim is a law graduate with a LLB (Hons) degree from the University of London, United Kingdom and holds a Certificate in Legal Practice.

Mr Lim 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.

Mr Lim was also a panel speaker for Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors. He is currently the Group Director of Strategic Planning & Corporate Affairs of HELP International Corporation Berhad, a position he has held since April 2008.

Currently, Mr Lim is a director of Ancom Berhad and Ancom Logistics Berhad, both of which are listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad.

EDMOND CHEAH SWEE LENG

Age 62, Male, Malaysian, Independent Non-Executive Director

Joined the Board on 26 August 2005. He 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 a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England & Wales. He is also a Certified Financial Planner.

Mr Cheah started his career as an Audit Manager with a professional accounting firm in London. He was later the Manager in charge of portfolio investment in a merchant bank in Malaysia and subsequently in charge of the corporate planning and investment division of a public listed company in Malaysia. Mr Cheah was formerly the Chief Executive Officer / Executive Director and a member of the Investment Committee of Public Mutual Berhad. He was also a Council Member and the Chairman of the Secretariat of the Federation of Investment Managers Malaysia ("FIMM"); a former Task Force Member on Islamic Finance for the Labuan Offshore Financial Services Authority ("LOFSA"); a former member on the Securities Market Consultation Panel in Bursa Malaysia Securities Berhad and a founder member and a past President of the Financial Planning Association of Malaysia ("FPAM") and the Treasurer for the Society for the Prevention of Cruelty to Animals ("SPCA").

Mr Cheah is currently an Investment Committee Member and a director of Manulife Asset Management Services Berhad; the Chairman of Adventa Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad and a director of Ancom Berhad and Ancom Logistics Berhad, both of which are listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad.

SAFRIZAL BIN MOHD SAID
Age 50, Male, Malaysian, Independent Non-Executive Director

Joined the Board on 1 December 2011. He is currently a member of the Audit Committee.

Encik Safrizal gained his Bachelor of Commerce degree from University of New South Wales, Australia. He is a member of CPA Australia.

Encik Safrizal has vast working experience in both the consulting as well as the commercial sectors in various capacities in Australia and Malaysia. He joined the Fraser & Neave ("F&N") Group in Malaysia in 2002 and was responsible for setting up F&N's in-house Tax Department. Prior to joining the F&N Group, he was attached to a couple of the Big Four Accounting Firms, with his last position being a tax director. His experience in the field of taxation totals more than 20 years.

During his time as a tax consultant, Encik Safrizal has managed a diversified portfolio of clients comprising local and multinational corporations from various industries, namely, finance, telecommunications, advertising, construction, manufacturing, shipping and insurance. Encik Safrizal was also extensively involved in the rendering of business advice and tax planning in a variety of situations including corporate restructuring, public listing exercises, business expansion, privatisation exercises, offshore investments and mergers and acquisitions.

Encik Safrizal, who was an appointed Council Member of the Chartered Taxation Institute of Malaysia, has also conducted in-house training programmes and has chaired/spoken at public seminars on various tax matters.

Encik Safrizal is currently a director of Ancom Logistics Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad.

KHAMIS BIN AWAL
Age 68, Male, Malaysian, Independent Non-Executive Director

Joined the Board on 9 April 2012 and is currently a member of the Audit Committee.

Encik Khamis graduated with a Bachelor of Science in Agriculture in 1972 from the University of Western Australia, Perth.

Encik Khamis has worked in various capacities after his graduation including working as an Area Manager in Associated Tractors Sdn Bhd, a subsidiary of Tractors Malaysia Berhad; Divisional Manager in Malaysian International Shipping Corporation Berhad and Executive Director in Ancom Berhad. He started his own business in 1996 and became the Managing Director of Warisan Tankers Sdn Bhd, a brokerage company until he retired in 2010.

Encik Khamis has no directorships in other public listed companies and listed issuers.

YM DATO' TENGKU MAHAMAD BIN TENGKU MAHAMUT
Age 61, Male, Malaysian, Independent Non-Executive Director

Joined the Board on 31 March 2016.

YM Dato' Tengku Mahamad obtained a Diploma in Rubber & Plastics Technology from MARA Institute of Technology, Malaysia in 1975 and graduated with Bachelor of Technology/Master Polymer Technology/ Polymer Engineering from Brunel University Middlesex, United Kingdom in 1981.

Tengku started his career as a lecturer in the School of Applied Science in MARA Institute of Technology, Malaysia in 1981. He subsequently joined Exxon Chemical Company in 1982 and from then to 1998, he held in various technical, sales/marketing and management positions across Exxon Chemical's worldwide operations in Polyolefins business in Malaysia, Belgium, Indonesia, Japan and Hong Kong.

Tengku joined Petroliam Nasional Berhad (PETRONAS) in 2002 in the petrochemicals business segment and served as the Head of Industrial and Specialty Chemicals, Managing Director / Chief Executive Officer of Vinyl Chloride (Malaysia) Sdn Bhd, Aromatics Malaysia Sdn Bhd and PETRONAS Methanol Labuan Sdn Bhd.

Tengku was appointed as Deputy Chief Executive Officer of Optimal Group of Companies in 2002 and served as Chief Executive Officer in Optimal Group of Companies in 2005. He served as President / Chief Executive Officer of PETRONAS Chemicals Group Berhad from 2010 until his retirement in 2011.

Currently, Tengku is the Chairman of Eastern Pacific Industrial Corporation Berhad.

Notes:

1) The above Directors have no family relationship with any Directors and/or major shareholders of the Company.
2) Save for Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid and Dato' (Dr) Siew Ka Wei who have interest in certain related party transactions as disclosed in page 130 of this Annual Report, the Directors do not have any business interest which conflict with their positions in the Company.
3) Other than traffic offences (if any), none of the Directors has been convicted of any offence within the past five (5) years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4) The attendance and securities holdings of the Directors are respectively disclosed in page 27 and page 44 of this Annual Report.

KEY SENIOR MANAGEMENT

TAN SRI IR (DR) MOHAMED AL AMIN ABDUL MAJID
Age 61, Male, Malaysian
Executive Chairman

Details of Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid are disclosed in the Director's profile on page 6 of this Annual Report.

DATO' (DR) SIEW KA WEI
Age 60, Male, Malaysian
Group Managing Director

Details of Dato' (Dr) Siew Ka Wei are disclosed in the Director's profile on page 6 of this Annual Report.

CORPORATE DIVISION

MICHELLE CHEN TAI NGOH
Age 49, Female, Malaysian
Chief Financial Officer

Michelle joined the Company in 1995 as Associate Accounts Manager and in the ensuing years, she has held various positions within the Corporate Office of Nylex. She was appointed Chief Financial Officer in year 2010. Michelle was attached to one of the international professional service firms before joining Nylex.

Michelle is a Fellow member of the Association of Chartered Certified Accountants (ACCA) and also a member of the Malaysian Institute of Accountants (MIA).

Michelle has no directorship in public listed companies and listed issuers.

CHOO SE ENG
Age 55, Male, Malaysian
Company Secretary
(Resigned on 12 August 2016)

Se Eng started his career as an Auditor in one of the big 4 firms in Malaysia. During this period, he gained valuable working knowledge in accounting, taxation and secretarial practices.

Se Eng has worked in a merchant bank in the corporate finance division for 2 years and was with a public listed company as its Corporate Finance Manager for 4 years before joining Ancom Berhad in 1995 as its Senior Manager, Corporate Planning. He assumed the role of Company Secretary of Ancom Berhad in 1996 until his resignation in August 2016.

Se Eng was appointed the Joint Company Secretary of the Company when Ancom Berhad became its holding company in 1999.

Se Eng is a member of the Malaysian Institute of Certified Public Accountant (MICPA) and Malaysian Institute of Accountants (MIA).

Se Eng has no directorship in public listed companies and listed issuers.

POLYMER DIVISION

ERIC CHAN HEAN CHIN
Age 56, Male, Malaysian
Polymer Division - Divisional Head

Eric started his career as a Project Engineer in a consulting engineering firm in 1984. He joined Nylex (Malaysia) Berhad as Marketing/ Business Manager in Engineered Polymer segment in 1998. He has held various positions in the Group before promoted to his current position as the Divisional Head - Polymer Division in 2004.

Eric holds a Bachelor of Civil Engineering (Hons) degree from University of Canterbury, Christchurch, New Zealand and a MBA (Executive) from University of Queensland - Mt. Eliza Business School, Melbourne, Australia.

Eric has no directorship in public listed companies and listed issuers.

INDUSTRIAL CHEMICAL DIVISION

ROBIN LING SENG CHIONG
Age 46, Male, Malaysian
Executive Director
- Perusahaan Kimia Gemilang Sdn Bhd

Robin is currently the Executive Director in Perusahaan Kimia Gemilang Sdn Bhd (“PKG”), a position he held since he joined the Group in 2007. Before joining PKG, Robin worked as Asia Pacific Regional Manager for a USA specialty chemicals company for 13 years.

Robin graduated with a Bachelor of Applied Science, majoring in Analytical Chemistry from University of Science Malaysia.

Robin has no directorship in public listed companies and listed issuers.

KONG HWAI MING
Age 56, Male, Singaporean
Executive Director - CKG Chemicals Pte Ltd

Hwai Ming started his career as a technician in Tankfarm and Shipping operations in ESSO Refinary Pte Ltd in 1981. In 1989, he joined Petrochemical Corporation of Singapore Pte Ltd as Operation and Shipping Executive and in 1992, he joined CKG Chemicals Pte Ltd (“CKG”) as Operation Manager and was subsequently promoted to the position of Executive Director. In 2006, Nylex acquired 100% shareholding in CKG and Hwai Ming was retained at the same position till today.

Hwai Ming holds a Diploma in Mechanical Engineering and a Post Diploma in Industrial Management from Singapore Polytechnic.

Hwai Ming has no directorship in public listed companies and listed issuers.

Key Senior Management

INDUSTRIAL CHEMICAL DIVISION

WILLIAM TAN WEE LIAN

Age 49, Male, Malaysian
Deputy Managing Director
- Fermpro Sdn Bhd
Managing Director
- Nylex Specialty Chemicals Sdn Bhd

William joined Perusahaan Kimia Gemilang Sdn Bhd as a Sales Executive in 1994. He was transferred to Fermpro Sdn Bhd ("Fermpro") in 1997 and has held various positions before promoted to his current position as Deputy Managing Director of Fermpro in 2006. In 2005, he was given additional assignment to handle Nylex Specialty Chemicals Sdn Bhd ("NSC"). He was promoted to his current position as Managing Director of NSC in 2007.

William graduated from The Institute of Chartered Secretaries and Administrators.

William has no directorship in public listed companies and listed issuers.

WONG SIUT YIN

Age 48, Female, Malaysian
Director - Kumpulan Kesuma Sdn Bhd & Wedon Sdn Bhd

Siut Yin started her career as Pharmaceutical Sales Executive in Ciba-Geigy (M) Sdn Bhd in July 1991. She joined Kumpulan Kesuma Sdn Bhd as Techno-Commercial Chemist in December 1991 and was promoted to her current position as the Director in year 1999. She handles the technical, manufacturing and sales aspects of sealants and adhesives, especially to the automotive and construction industries for more than 20 years.

Siut Yin holds a Bachelor of Science Chemistry (Hons) degree from National University of Malaysia.

Siut Yin has no directorship in public listed companies and listed issuers.

LOGISTICS DIVISION

BON KOK MENG

Age 53, Male, Malaysian
Executive Director - NYL Logistics Sdn Bhd

Kok Meng was appointed as the Executive Director of NYL Logistics Sdn Bhd in June 2016.

Prior to this, he was the Managing Director for Yick Loong Transport group of companies for more than 20 years.

Kok Meng holds a Master Degree in Business Administration from the University of Warwick, United Kingdom.

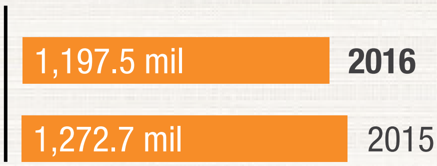
Kok Meng has no directorship in public listed companies and listed issuers.

Notes:

1) There is no family relationship between the Senior Management with any director and/or major shareholder of the Company.
2) None of the Senior Management has any financial interest in any business arrangement involving the Group.
3) Other than traffic offences (if any), none of the Senior Management has been convicted of any offence within the past five (5) years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

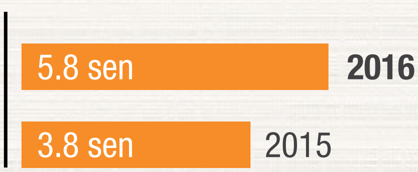
CHAIRMAN'S
STATEMENT

REVENUE
RM



PROFIT BEFORE TAX
RM

EARNINGS PER SHARE



Dear Shareholders,

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 2016 ("FY 2016").

FINANCIAL PERFORMANCE

For the current financial year under review, the Nylex Group posted lower revenue of RM1,197.5 million, which represents a decrease of 5.9% from RM1,272.7 million recorded in the last financial year. The reduction in revenue was due to lower contribution from both the Industrial Chemical Division and the Polymer Division. Despite lower revenue, the Group recorded higher profit before tax ("PBT") of RM20.5 million, compared to RM18.4 million recorded in the last financial year.

After accounting for taxation and non-controlling interests, the profit attributable to shareholders was RM11.2 million (FY 2015: RM7.4 million).

The basic earnings per share was higher at 5.8 sen compared with 3.8 sen for FY 2015. Net assets per share attributable to equity holders of the parent as at 31 May 2016 increased to RM1.7, compared with RM1.6 as at 31 May 2015.

REVIEW OF OPERATIONS

Polymer Division

For the current financial year, the Polymer Division posted lower revenue of RM119.5 million compared with RM128.4 million achieved in FY 2015. The decline in revenue was mainly attributed to lower contribution by our manufacturing plant in Surabaya, Indonesia and also lower demand for our sub-soil drainage products.

Despite lower revenue, the Division recorded a higher PBT of RM15.8 million compared with RM14.1 million in FY 2015, mainly due to improved operational efficiencies and cost savings initiatives.

Industrial Chemical Division

As a result of lower average selling prices caused by the continued weak market sentiment, the Industrial Chemical Division recorded lower revenue of RM1,078.0 million for FY 2016 compared to RM1,144.4 million recorded last financial year.

Due to higher volume sold for certain products with improved margins, the Division recorded a higher PBT of RM11.9 million, compared with RM10.6 million achieved in FY 2015.

DIVIDEND

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Board has recommended a final single tier dividend of 2.0 sen per share for the financial year ended 31 May 2016.

The Company will announce the book closure date and the date of payment of the dividend in due course.

Other than the above recommended dividend, there is no other dividend declared by the Company for the current financial year. In the last financial year, the Company paid a final single tier dividend of 2.0 sen per share amounting to RM3,849,738.72.

PROSPECTS FOR NEXT FINANCIAL YEAR

The economic environment remains fragile, amid weak aggregate demand, low commodity prices and increasing financial market volatility. The Board expects the volatile global economic conditions continue to weigh on the outlook for the operating environment for the next financial year ending 31 May 2017.

The Board will continue to seek ways to safeguard the Group's profitability.

CHANGE IN BOARDROOM

On 31 March 2016, YM Dato' Tengku Mahamad bin Tengku Mahamut joined the Board of Directors as Independent Non-Executive Director.

APPRECIATION

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

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid
Chairman

Petaling Jaya, Selangor Darul Ehsan
26 August 2016

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

Group

For the current financial year ("FY 2016") under review, the Nylex Group registered lower revenue of RM1,197.5 million, which represents a decrease of 5.9% from RM1,272.7 million recorded in the last financial year. The decline in revenue was due to lower contribution from both the Industrial Chemical Division and the Polymer Division. Despite lower revenue, the Group recorded higher profit before tax ("PBT") of RM20.5 million, compared to RM18.4 million recorded in the last financial year.

Polymer Division

FY 2016 was an extremely challenging year for our business in Polymer Division. We felt the negative impact of the inflationary pressures from Goods and Services Tax ("GST") implementation, dampen consumer demand and continued weak regional economies.

The Polymer Division's revenue declined by 6.9% from RM128.4 million in FY 2015 to RM119.5 million registered in the current financial year.

Our revenue from Films and Coated Fabrics ("FCF") products fell by 6.0%. Due to lack of major infrastructure projects, our revenue generated from Geosynthetic drainage products also declined by 40.5%. We pushed for more Rotomould sales for intermediate bulk containers ("IBC"), paper IBC and road barriers. The increase in revenue of Rotomould products of about 38.8% managed to partially offset the decline in demand of our FCF and drainage products.

To stay profitable and competitive in this challenging operating environment, we tightened inventory management to help increase operational efficiencies. We negotiated with suppliers, sourced for cheaper raw materials and reformulated products to realign our production costs. We also benefitted from the favourable foreign exchange rates which improved our earnings on the export revenue.

Despite lower revenue, the Division recorded higher PBT of RM15.8 million compared with RM14.1 million recorded in last financial year.

The economy of Indonesia is integrated into the world economy and therefore the country feels the influenced business sentiment of sluggish global growth. Our manufacturing plant in Surabaya, Indonesia - PT Nylex Indonesia ("PTNI") experienced sharp decline in demand for its automotive vinyl as well as furniture vinyl. PTNI's current year revenue declined by 11.3% compared with last financial year.

Going forward, we will continue to focus on enhancing customer service and high product quality to support premium prices for our products in Polymer Division. PTNI's new Calender expansion project was completed during the financial year and the new Calender line was commissioned in end of 2015. A lot of efforts were put in to develop new range of leathercloth for the new Calender line and to increase marketing activities. New products such as medical vinyl and PU coated fabrics were introduced to expand our product range. Technical collaboration between Shah Alam and Surabaya was active throughout the year to enhance on innovation and quality of our products.

Industrial Chemical Division

Petrochemical prices remained weak amid volatility in crude oil prices. The revenue of the Industrial Chemical Division fell 5.8% to RM1,078.0 million for this financial year from RM1,144.4 million achieved last financial year mainly contributed by lower average selling prices for its products. Despite lower revenue, the Division recorded a higher PBT of RM11.9 million, compared with RM10.6 million achieved in FY 2015, as a result of higher volume sold with improved margins.

The Distribution business segment recorded lower revenue of RM998.7 million compared with RM1,074.9 million in FY 2015, a decrease of 7.1%, mainly due to lower average selling prices for its products. As a result of higher volume sold for certain products with improved margins, the Distribution business segment registered improved earnings of RM1.4 million compared with a loss of RM0.9 million suffered last financial year.

Petrochemical and industrial chemicals prices remained challenging due to instability of crude oil prices, continuous weaker demand in China, Europe and US market. The volatility of Malaysian Ringgit and Indonesian Rupiah currencies has provide negative impact to the market demand in Malaysia and Indonesia.

We expect coming financial year could be more challenging for our Distribution segment business in term of competition and demand from customers as global economic and financial uncertainties are expected to persist. Demand remains weak and with some of the shale gas production plants running in USA, we expect higher volume of products would be shipped to Asia and thus create over supply situation and eventually eroding the products margin.

The announcement from the Malaysia government of the intended Biodiesel B10 implementation would be able to increase the volume of the solvents in next financial year.

Our Manufacturing business segment which involve in manufacture of phosphoric acid, ethanol, sealants and adhesive products has registered higher revenue of RM79.2 million for this financial year compared with RM69.5 million for FY 2015. However, as a result of lower earnings contributed by our sealants and adhesive products due to the slowdown in automotive industry, the Manufacturing business segment recorded a decline in PBT by 8.1% from RM11.4 million last year to RM10.5 million for the current financial year under review.

OUTLOOK AND PROSPECTS

In the year ahead, we would expect the outlook for the Group's business to remain challenging and competitive stem from commodity price instability and uncertainty over the growth trajectory in the global economy and its impact on Malaysia's exports.

The Group will continue its focus on cost control measures and increase operational efficiencies in order to improve profitability of its manufacturing business for both the Polymer Division and Industrial Chemical Division and to strengthen its core products offering and to consider new opportunities of expanding the distribution network for our Distribution business.

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

INTRODUCTION

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

For the current financial year ended 31 May 2016, the Board has taken steps as diligent as practical and the Group has complied with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG") with reference to the Corporate Governance Guide ("Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), except for the recommendations that the Chairman must be a non-executive member of the Board and that the tenure of an independent director should not exceed a cumulative term of nine years. The reasons for non-observance of these recommendations are disclosed further in this Statement.

The Board is pleased to report below the Group's application of the principles and the extent to which the Group has complied with the recommendations as set out in the MCCG throughout the financial year ended 31 May 2016.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions of the Board and Management

The Board is responsible for the oversight and overall management of the business direction and objectives of the Group. The Non-Executive Directors are independent of the Management but will have free and open contact with the Management. The Board ensures that the Management has in place an achievable strategic plan and objectives, and appropriate processes for risk assessment, risk management and internal controls.

The Management, under the guidance of the Group Managing Director, is accountable for the day-to-day operations of the Group 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.

To ensure that the Board and Management are clearly aware of where the limits of responsibility lie and that due consideration is given to issues at the appropriate level, certain matters are formally reserved for the Board's decision.The Board reserves full decision making powers, amongst others, on the following matters (save to the extent that the Board resolves that the decision/approval of any such matter shall be delegated to the committees of the Board or Management):

- Material acquisitions and disposals of undertakings and properties not in the ordinary course of business;
- Material corporate exercise/restructuring;
- Major capital commitment;
- New issue of securities

Clear roles and responsibilities of the Board

The Board retains full and effective control of and responsibility for the Group. It is primarily responsible for charting and reviewing the strategic direction of the Group. The principal duties and responsibilities of the Board are, inter alia, as follows:

- 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 strategies and financial performances at regular intervals.

- Overseeing the conduct of business of the Group

  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 Board has established the Board Committees, namely the Audit Committee and the Remuneration and Nomination Committee ("R&N Committee"), which are entrusted with specific responsibilities to oversee the affairs of the Company with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("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 separate sections of this Statement.

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

  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. Authority levels, control procedures, reporting mechanisms and internal audit function are subject to periodic reviews by the Board.

- Succession planning

  The Board ensures that all candidates appointed to senior management positions are of sufficient calibre and that there are programmes in place to provide for the orderly succession of senior management.

Formalised ethical standard through code of ethics

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia to effectively discharge its overall role. The Code of Ethics requires all Directors to observe high ethical business standards and to apply these values to all aspects of the Group's business and professional practices and to act in good faith in the best interest of the Company and its shareholders.

Strategies promoting sustainability

The Board practices good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance and value creation for its shareholders.

The Group continued to carry out activities which demonstrate its commitment towards creating a better environmental, social and governance and sustainability agenda during the financial year ended 31 May 2016 as reported in the *Corporate Social Responsibility Statement* on page 37 of this Annual Report.

Access to information and advice

All Directors have unrestricted access to information of the Group and on an on-going basis, the Directors interact with the Management team to seek further information, updates or explanation on any aspect of the Group's operations or businesses. Furthermore, the Directors 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, 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 meets at least once in every quarter to deliberate and consider a variety of matters including the review and approval of the quarterly interim financial reports of the Group.

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain minutes of meetings, operational and financial performance reports, details of corporate proposals, the quarterly interim financial reports or the annual audited financial statements, reports of the Board Committees, Internal Audit Reports and other matters for the Directors' perusal before the Board/Committee meetings. The Company Secretaries will strive to provide these materials to the Directors seven (7) days prior to the Board/Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board/Committee meetings. Minutes were kept to record the proceedings at the Board/Committee meetings, the deliberations on the matters at hand and the decisions made thereto.

Senior Management is invited to attend the Board and Board Committee meetings to provide insight and to furnish clarification on issues that may be raised by the Directors. Whenever required, professional advisers appointed by the Company are invited to attend the Board/Committee meetings to provide the Board/Committees, as the case may be, with explanations and clarifications which the Directors may require to facilitate informed decision-making.

Qualified and competent Company Secretaries

The Board is supported by two (2) Company Secretaries, who are responsible for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. Both Company Secretaries are member of the Malaysian Institute of Certified Public Accountants ("MICPA") and are qualified to act as company secretary under Section 139A of the Companies Act, 1965.

The Company Secretaries play an advisory role to the Board in formulating the Company's constitution and Board policies and procedures. The Company Secretaries have a key role to play in ensuring that the Board policies and procedures are both followed and regularly reviewed. They are responsible for the efficient administration of the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's constitution, the Board policies and procedures, the statutory and regulatory requirements and for ensuring that decisions of the Board of Directors are implemented. They are also responsible for regularly updating and apprising the Board on new regulations issued by the regulatory authorities.

One of the key responsibilities of the Company Secretaries is to prepare and organise Directors and Committee meetings and the shareholders meetings. The Company Secretaries will also attend these meetings in order to ensure that the legal requirements are fulfilled, and provide such information as is necessary. This responsibility will involve the issue of proper notices of meetings, preparation of agenda, circulation of relevant papers and that accurate and adequate records of the proceedings of the Board meetings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the Companies Act, 1965.

The Company Secretaries work closely with the Executive Chairman and the Group Managing Director to ensure that timely and appropriate information flows between the Management and the Board and Board committees.

Formalisation and review of Board Charter

The Board is mindful of the need to safeguard the interest of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board has drawn up and adopted a board charter on 28 October 2013 of which is posted on the Company's website at *www.nylex.com* under the *Corporate Governance* section.

The Board Charter sets out the roles and responsibilities of the Board and Board Committees to assist the Board in being aware of their duties and responsibilities to effectively discharge their fiduciary duties in managing the affairs of the Company.

The Board Charter focuses on the following areas:

- Board composition and Board Committees;
- The duties and responsibilities of the Board members; and
- The Code of Ethics for the Board members.

The Board Charter, which was last reviewed on 28 July 2016, shall be reviewed and updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

2. STRENGTHEN COMPOSITION

Remuneration and Nomination Committee

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

The TOR of the R&N Committee, which was last reviewed on 28 July 2016, is available at the Company's website at *www.nylex.com* under the *Corporate Governance* section.

During the financial year ended 31 May 2016, the members of the R&N Committee were as follows:

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

Both members are Independent Non-Executive Directors.

The R&N Committee is primarily responsible for reviewing and assessing the performance and effectiveness of the Board and the Board Committees as a whole as well as its Directors individually and collectively. Should there be any Board vacancy or the need for new talent on the Board, the R&N Committee is responsible for identifying, assessing and recommending suitable candidates for Board memberships. The R&N Committee will take into consideration the Board structure, size, composition and the required mix of expertise and experience which the candidates should bring to the Board. In such an evaluation, the R&N Committee would consider the candidates' qualifications, 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 final decision as to who shall be appointed a Director remains the responsibility of the Board, after considering the recommendations of the R&N Committee.

The R&N Committee is also responsible for determining and recommending to the Board the remuneration packages of the Executive Chairman and the Group Managing Director of the Company. It is also responsible for reviewing and recommending to the Board the remuneration of the Non-Executive Directors. It is the ultimate responsibility of the Board to decide the remuneration of the Directors. The Directors' fees will be endorsed by the Board for approval by the shareholders at the Company's Annual General Meeting ("AGM").

Annual assessment

The R&N Committee reviews and evaluates the performance of the Directors as well as the Board Committees annually. The results of this assessment form the basis of the R&N Committee's recommendation to the Board for new appointments, if any, and the re-election of Directors at the Company's AGM.

During the financial year ended 31 May 2016, the R&N Committee had one (1) meeting in July 2015 where all members were in attendance. The R&N Committee, after reviewing the current composition of the Board and the Board Committees, was satisfied that the Board and Board Committees comprised Directors who are persons of calibre and credibility with extensive expertise and a wealth of experience in legal, accounting, corporate finance, marketing, public services and business practice, as required under the Board Charter and the TOR of the Board Committees, to support the Group's continuous growth and prosperity. Accordingly, the R&N Committee recommended that the current composition of the Board and Board Committees be retained.

On 31 March 2016, the Group Managing Director recommended to the R&N Committee to appoint Dato' Tengku Mahamad bin Tengku Mahamut as an Independent Non-Executive Director of the Company to strengthen the Board's number of Independent Directors.

The R&N Committee was satisfied that Tengku Mahamad (whose profile is appended in the *Profile of Directors* section) is qualified for appointment and accordingly recommended to the Board for Tengku's appointment. The Board subsequently concurred with the R&N Committee's recommendation.

Re-election of Directors

In accordance with the Company's Articles of Association ("Articles"), a Director is subject to retire and be eligible for re-election at the first AGM of the Company after his/her appointment.

The Articles also provide that at least one-third (1/3) of the Board, who are longest in office since their last election, shall be subject to retirement by rotation every year and that all Directors, including the Executive Chairman and the Group Managing Director, shall retire from office at least once in every three (3) years but shall be eligible for re-election at the AGM. 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 responsible for 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 committee meetings and shareholding in the Company of the Directors standing for re-election is furnished in the Annual Report.

Remuneration of Directors

The R&N Committee also assumes the task of recommending to the Board the remuneration package for the Executive Chairman and the Group Managing Director in all its forms, drawing external advice where necessary, at the Company's expense, taking into consideration the Executive Chairman and the Group Managing Director's responsibilities, contributions and performances, as well as the market rate for similar positions in comparable companies. The Executive Chairman and the Group Managing Director did not participate in the Board's deliberation on their remuneration at the Board meeting. The remuneration of the Executive Chairman and the Group Managing Director comprises monthly salary, bonuses, benefits-in-kind ("BIK") and other benefits that the Board approves from time to time.

The Executive Chairman and the Group Managing Director are not entitled to the Director's fee and attendance allowance for the Board and Board Committee meetings they attend. 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 remuneration of the Directors. The Directors' fees would be submitted to the shareholders for approval at the AGM of the Company.

For the last financial year, the Non-Executive Directors of the Board received RM50,000 each as directors' fee per annum. The members of the Audit Committee received RM30,000 each while the members of the R&N Committee received RM20,000 each per annum. These were as recommended by the R&N Committee and the total Directors' fees of RM360,000 was approved by the shareholders at the last year's AGM of the Company.

In addition, the Non-Executive Directors also received attendance allowances of RM416 for each Board and Board committees meeting attended. The Non-Executive Directors are not entitled to any BIK.

During the financial year under review, the R&N Committee of the Company's holding company, Ancom Berhad, has engaged a firm of consultants to provide a review of the directors' fee for non-executive directors of 30 Malaysian Public Listed Companies listed on the Main Board of Bursa Malaysia Securities Berhad, based on their most recent annual reports as at 1 January 2016.

Based on the findings of the review and the members' personal experience, the R&N Committee is of the opinion that the amount of Directors' fee and allowances paid in the previous year were reflective of the market rates and recommended the same amount of remuneration be paid to the Non-Executive Directors in the current financial year.

The Board has endorsed the R&N Committee's recommendation and will propose the same quantum of Directors' fee for the Board and Board Committees for the current financial year.

Subject to the approval of the Company's shareholders on the proposed Directors' fees at the forthcoming 46th AGM, 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 81 of this Annual Report.

Board Diversity Policy

The R&N Committee has taken note of the recommendation in the Code pertaining to the establishment of a policy on boardroom diversity including gender diversity. The Board is supportive of gender diversity in the boardroom as recommended by the Code to promote the representation of women in the composition of the Board.

The Board currently does not have any formal board diversity policy or target. The appointment of new Board Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than by their gender or ethnicity.

Nevertheless, the Board will endeavour to ensure that gender and ethnicity diversity will be taken into account in nominating and selecting new Directors to be appointed to the Board in future.

3. REINFORCE INDEPENDENCE

Assessment of independence

The Board, through the R&N Committee, annually assesses the independence of the Independent Directors. The criteria of an Independent Director include the following:

- The Independent Director is neither employee nor related to any major shareholders/Management of the Group and does not participate in the day-to-day operations of the Group and has fulfilled the definition of "Independent Directors" in the Listing Requirements;
- He/She is free from any business or other relationship with the Group which would materially interfere with the exercise of his/her independent judgement on matters on hand; and
- He/She is a person of calibre, credibility and has the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, business performance, resources and standards of conduct. He/She is able to provide independent views in the Board's discussion.

The R&N Committee, having conducted the assessment on the Independent Non-Executive Directors, concluded that each of the Independent Non-Executive Directors continues to demonstrate that he has fulfilled the above criteria of an Independent Director.

Tenure of independent directors

Recommendation 3.2 of the MCCG states that the assessment criteria for independence of Directors should include tenure and Recommendation 3.3 of the MCCG states that the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

However, it should be noted that upon appointment of an Independent Director, the Director is required to sign a declaration to Bursa Securities confirming and declaring that he/she is Independent Director as defined under Paragraph 1.01 of the Listing Requirements.

The Board has adopted the criteria set out under the definitions of Independent Director in the Listing Requirements and is of the view that the length of service of the Independent Director should not affect a director's independence but rather the important criteria of the Independent Director is his/her independence from Management and his/her freedom from any business and other relationships which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Board also believes that valuable contributions can be obtained from Director who has developed valuable insight of the Group and its business due to his/her long tenure of directorship in the Company. His/Her experience enables him/her to discharge his/her duties and responsibilities independently and effectively in the decision-making processes of the Board notwithstanding his/her tenure on the Board.

Therefore, the Board is of the opinion that the recommendations of the MCCG as disclosed above are irrelevant. Pursuant to this, the Board is satisfied that Lim Hock Chye and Edmond Cheah Swee Leng have fulfilled the criteria of being Independent Directors and that their independence has not been impaired or compromised in any way, notwithstanding that they have served as Independent Directors of the Board for more than nine (9) years as at 31 May 2016. The Board therefore decided to retain Lim Hock Chye and Edmond Cheah Swee Leng as Independent Directors of the Company.

Composition of the Board

As at 31 May 2016, the Board comprises seven (7) members, of whom the Chairman and Group Managing Director are Executive Directors and the remaining five (5) are Non-Executive Directors. All 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 higher 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 9 of this Annual Report.

Separation of the positions of the Chairman and the Group Managing Director

The Group has adopted the recommendation of the MCCG whereby the positions of the Chairman and the Group Managing Director are held by different individuals. However, the Chairman of the Company is not a Non-Executive Director. This is not in line with the recommendation of the MCCG. However, the Board composition is in line with MCCG in that it comprises of a majority of Independent Directors when its Chairman is not an Independent Director.

Notwithstanding the current composition, the Board is satisfied that it is in the best interest of the Company to retain its current Board composition. This is because 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. The Executive Chairman is responsible for the orderly conduct of the Board as well as leading the Board in the oversight of the Management, whereas 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. The distinct and separate roles of the Executive Chairman and the Group Managing Director, with a clear division of responsibilities, ensure a balance of power and authorities, such that no one individual has unfettered powers of decision making.

4. FOSTER COMMITMENT

Time commitment

All the Directors have committed sufficient time to carry out their duties during the tenure of their appointments. To ensure that the Directors have the time to focus and fulfil their roles and responsibilities, the Directors do not hold more than five (5) directorships in public listed companies, as required in the Listing Requirements.

The Directors are required to inform the Board should they accept new board memberships in other public listed companies.

The Board meets at least once each quarter and additional meetings are convened as and when necessary as determined by the Chairman. To help the Directors in planning their attendances at the Board and/or Board committees meetings, at the end of each calendar year, the Company Secretaries would draw a proposed timetable for all the meetings of the Board and Board committees, including the AGM, to be held in the next calendar year. Reminders are also sent to the Directors prior to each Board/Board Committee meeting.

Board meetings

During the financial year, the Board held four (4) Board meetings; the Audit Committee held five (5) meetings and the R&N Committee held one (1) meeting. The attendance record below indicates the level of time commitment of the Directors in carrying out their duties as Directors of the Company:

Attendance at Board meetings

Name of Directors	Attendance
Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid	4/4
Dato' (Dr) Siew Ka Wei	3/4
Lim Hock Chye	4/4
Edmond Cheah Swee Leng	4/4
Safrizal bin Mohd Said	4/4
Khamis bin Awal	4/4
Dato' Tengku Mahamad bin Tengku Mahamut *(Appointed on 31 March 2016)*	0/1

Attendance at Audit Committee meetings

Name of Directors	Attendance
Edmond Cheah Swee Leng	5/5
Lim Hock Chye	5/5
Safrizal bin Mohd Said	5/5
Khamis bin Awal	5/5

Attendance at R&N Committee meetings

Name of Directors	Attendance
Lim Hock Chye	1/1
Edmond Cheah Swee Leng	1/1

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

The proceedings of all meetings, including all issues raised, deliberations, decisions and conclusions made at the Board of Directors and Board Committee meetings, were recorded in the minutes of the Board of Directors and Board Committee meetings respectively.

Continuing Education Programme and Training

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.

The Board has assumed the onus of determining and overseeing the training needs of the Directors. The Directors are mindful of the need for continuous training to keep abreast of the relevant changes in laws, regulations and the business environment to effectively discharge their responsibilities and are encouraged to attend forums, training and seminars in accordance with their respective needs in discharging their duties as Directors. The Company Secretaries will also provide updates to the Directors from time to time on relevant guidelines and statutory and regulatory requirements.

In May 2016, the Board organised an in-house workshop on "Corporate Governance Review 2015 and Amendments to the Listing Requirements 2016", facilitated by a professional trainer, for the Directors of the Company.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Board strives to present true and fair, comprehensive, balanced and meaningful evaluation and assessment of the Group's financial performance, financial position and future prospects of the Group in the quarterly interim financial reports of the Group and the annual audited financial statements of the Group and of the Company in accordance with the provisions of the Companies Act, 1965 in Malaysia ("Act"), the Listing Requirements, the Malaysian Financial Reporting Standards in Malaysia ("MFRS"), the International Financial Reporting Standards ("IFRS") and any other statutory or regulatory requirements.

The Directors are responsible for keeping proper accounting records which disclosed with reasonable accuracy the financial position of the Group and of the Company, to enable them to ensure that the financial statements comply with the Act, MFRS, IFRS and the Listing Requirements.

The *Directors' Responsibilities Statement on Financial Statements* is set out on page 39 of this Annual Report.

The Board has established an Audit Committee to assist the Board in discharging its responsibility more effectively. The activities of the Audit Committee are elaborated on in more detail in the *Audit Committee Report* in this Annual Report.

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 the same prior to their release to Bursa Securities within the stipulated time frame.

The Audit Committee also provides assurance to the Board with support from the External Auditors that all the statutory financial statements and reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position.

Whenever required with the agreement of the External Auditors, the Audit Committee would hold private sessions with the external auditors in the absence of the Management.

Assessment of suitability and independence of External Auditors by the Audit Committee

The Board has established a formal, transparent and appropriate relationship with the Group's External Auditors.

Under its TOR, the Audit Committee has explicit authority to communicate directly with the External Auditors. Meetings with the External Auditors are held as appropriate to discuss audit plans, audit findings and the annual audited financial statements.

The Audit Committee is empowered by the Board to assess the independence and performances of the External Auditors and to review all issues in relation to their appointment, re-appointment, resignation or dismissal.

The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors. The assessment would focus on whether there exists any relationship between the External Auditors and the Directors or Senior Management and major shareholders of the Group as well as any conflict of interest arising therefrom, including the extent of non-audit services performed by the External Auditors during the financial year that will give rise to questions about the External Auditors' independence and objectivities in carrying out the responsibilities entrusted to them. The assessment of performance also focuses on the External Auditors' experience, competency, resources of the firm, the quality of the staff assigned to audit the Company and its subsidiaries' accounts and the Audit Committee's opinion on the quality of the reports to the Audit Committee.

The Audit Committee, upon satisfying itself with the independence of the External Auditors, would recommend to the Board on the appointment of the External Auditors which is subject to the approval of the Company's shareholders at the AGM.

For the financial year under review, as part of the rationalisation exercise for financial reporting of the Group which had been carried out with its holding company, Ancom Berhad, the Board has proposed to appoint the Auditors of its holding company, Messrs BDO as the Auditors of the Company for the financial year ended 31 May 2016. The Audit Committee conducted a review of the External Auditors' performance and independence based on the above criteria and was satisfied of the External Auditors' competency and independence. The External Auditors have given a written assurance to the Audit Committee that they have complied with the relevant ethical requirements regarding professional independence. The proposed appointment of Messrs BDO as the Auditors of the Company for the financial year ended 31 May 2016, was approved by the Company's shareholders at its 45th AGM.

The *Audit Committee Report* is set out on pages 32 to 34 of this Annual Report.

6. RECOGNISE AND MANAGE RISKS

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

As per its TOR, the Audit Committee, which has been empowered to assist the Board in discharging its duties in relation to risk management and internal control, seeks regular assurance on the continuity and effectiveness of the risk management framework and internal control system through independent reviews conducted by the internal and external auditors. It is also empowered to decide on the appointment, dismissal or resignation of the internal auditors. The TOR can be found in the Company's website at *www.nylex.com* under the *Corporate Governance* section.

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 Audit Committee Report is separately set out on pages 32 to 34 of this Annual Report while the *Statement on Risk Management and Internal Control* is disclosed on pages 35 to 36 of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Procedures on corporate disclosure

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 utilised by the Company.

The Company has a system of internal control on confidentiality whereby confidential and price-sensitive information is handled properly, in accordance with the continuing disclosure requirement of Bursa Securities by the Board, the Group Managing Director, the Company Secretaries and the Chief Financial Officer to avoid leakage and improper use of such information. The Board is aware of the need to make immediate announcement on all price-sensitive or material information.

The Company Secretaries are responsible for compiling such information for the approval of the Board soonest possible and for releasing to the market as stipulated by Bursa Securities.

The Board commits to ensure that the strictest confidentiality is maintained and that the market activity is monitored to observe signs of leakage of information or insider trading which will warrant an immediate announcement by the Company and to take action against any possible insider trading.

Leverage on information technology for effective dissemination of information

The Company has 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.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage shareholder participation at general meetings

General meetings remain the principal forum for dialogue between the Company and its shareholders.

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 and participate in the meetings either in person, by corporate representative, by proxy or by attorney. 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 45th AGM at the Dorsett Grand Subang at Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on 19 November 2015. 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. The current minimum notice period for general meeting is as prescribed in the Listing Requirements and the Board believes that such notice period is adequate. Notwithstanding this, the Board has noted the recommendations of the MCCG to serve the notice of meeting earlier than the minimum notice period and shall endeavour to do so whenever possible in future.

All the Directors and a total of 233 shareholders and proxies attended the AGM. During the AGM, the Group Managing Director gave a briefing on the performance for the financial year ended 31 May 2015 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 and on the Company's website 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 Act. The minutes are published on the Company's website at *www.nylex.com* under the *Corporate Governance* section, to allow easier access for shareholders to inspect the minutes.

The Notice for the forthcoming 46th AGM of the Company, which will be held on 19 October 2016, is on pages 134 to 136 of this Annual Report.

Poll Voting

At the general meetings, the Chairman will inform the shareholders of their right to demand for a poll vote. Thus far, all resolutions put forth to the shareholders for approval were generally carried out by a show of hands, unless otherwise demanded by shareholders in accordance with the Articles of the Company.

However, Paragraph 8.29A of the amended Listing Requirements mandates poll voting for all resolutions set out in the notice of any general meeting, effective for general meeting held on or after 1 July 2016. As such, all resolutions to be tabled at the forthcoming 46th AGM of the Company will be decided by poll voting.

Effective communication and proactive engagement with shareholders

The Board has set up the corporate website at *www.nylex.com* to encourage shareholders and investors to pose questions and queries to the Company. These questions and queries would be attended to by the Company's senior management or the Board, as the case may be.

Announcements on corporate developments are made on a timely basis to Bursa Securities and these are made available to the public via Bursa Securities' website at *www.bursamalaysia.com* as well as on the Company's website.

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*.

CONCLUSION

The Board recognises the importance of the Group practising good corporate governance and believes that it has managed the affairs of the Group in accordance with the good corporate governance standards which are in compliance with the recommendations of the MCCG, except where stated otherwise. The Board will continually improve on the Group's corporate governance practices and structure to achieve an optimal governance framework in order to achieve the highest standard of good corporate governance practices.

AUDIT COMMITTEE REPORT

Pursuant to Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors ("the Board") is pleased to present its Audit Committee Report for the financial year ended 31 May 2016.

TERMS OF REFERENCE ("TOR")

The composition, authority and duties and responsibilities delegated to the Audit Committee and the regulations on meetings of the Audit Committee are detailed in its TOR, a copy of which is posted on the Company's website at *www.nylex.com* under the *Corporate Governance* section.

MEMBERS AND MEETINGS

During the financial year, the Audit Committee comprised four (4) members, which is in compliance with the TOR 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.	%
Edmond Cheah Swee Leng *Chairman, Independent Non-Executive Director, member of MIA*	5	100
Lim Hock Chye *Member, Independent Non-Executive Director*	5	100
Safrizal bin Mohd Said *Member, Independent Non-Executive Director*	5	100
Khamis bin Awal *Member, Independent Non-Executive Director*	5	100

As per the TOR, 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, five (5) 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 WORK

During the financial year under review, the Audit Committee carried out its duties in accordance with its TOR. The work undertaken were as follows:

Financial results

- Reviewed the quarterly interim financial reports with the management before recommending them for the Board's approval for release to Bursa Malaysia Securities Berhad ("Bursa Securities"); and
- Reviewed the annual audited financial statements with the External Auditors prior to submission to the Board for approval for release to Bursa Securities.

The reviews above were to focus particularly on (if any):

(i) changes in or implementation of major accounting policies;
(ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
(iii) compliance with the provisions of the Companies Act, 1965, the Listing Requirements, the Malaysian Financial Reporting Standards in Malaysia ("MFRS"), the International Financial Reporting Standards ("IFRS") and other statutory and regulatory requirements; and
(iv) that all audit issues were satisfactorily resolved.

Internal audits

- Reviewed and approved the internal audit plan, including the scope of audit, and ensuring that all major and/or high risk activities are covered;
- Reviewed the risk assessment reports and ensure effective implementation of risk management system across the Group;
- Reviewed the quarterly internal audit reports, which detailed the observations and recommendations of the internal auditors, and the management's responses to these recommendations;
- Reviewed certain weaknesses noted in the internal audit or non-compliance of the internal control system 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; and
- Reviewed the management's remedial actions to be undertaken in relation to the weaknesses and/or non-compliances noted above and the follow-up actions undertaken by the management thereof.

External audits

- Reviewed and approved the annual audit planning memorandum, which detailed the areas of audit emphasis and the multi-location scope of the audit;
- Apprised of and reviewed the updates on the Malaysian Financial Reporting Standards ("MFRS") and the material effects on the Group's financial reporting on adoption of new and revised MFRS by the Group for the current financial year;
- Reviewed with the External Auditors, the results of their audit, the annual audited financial statements and the internal control recommendations in respect of the weaknesses noted in the Group's internal control system, if any, in the course of their audit and the management's responses and remedial actions to be undertaken in relation to the weaknesses noted therein; and
- Reviewed the External Auditors' performance, independence and suitability and made recommendation to the Board for their remuneration and re-appointment. The re-appointment is subject to the approval by shareholders. In reviewing the performance, independence and suitability of the External Auditors, the Audit Committee received feedback from management on the professional working relationship with the External Auditors, the quality of the audit delivery and the quality of people and service. Pertaining to independence, the Audit Committee has obtained written assurance from the External Auditors that they have complied with the relevant ethical requirements regarding professional independence. The External Auditors' independence is further enhanced by the By-Laws on professional Independence of the Malaysian Institute of Accountants. For the financial year under review, as part of the rationalisation exercise for financial reporting of the Group which had been carried out with its holding company, Ancom Berhad, the Board has proposed to appoint the Auditors of its holding company, Messrs BDO as the Auditors of the Company for the financial year ended 31 May 2016. The Audit Committee conducted a review of the External Auditors' performance and independence based on the above criteria and was satisfied of the External Auditors' competency and independence. The External Auditors have given a written assurance to the Audit Committee that they have complied with the relevant ethical requirements regarding professional independence. The proposed appointment of Messrs BDO as the Auditors of the Company for the financial year ended 31 May 2016, was approved by the Company's shareholders at its 45th AGM.

Related party transactions

- Reviewed and approved the related party transactions entered into by the Company and the Group and the disclosures in the annual audited financial statements.

Share issuance scheme

- The Company has not established any share issuance scheme and has no subsisting share issuance scheme 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 meetings. The Chairman also briefed the Board on the discussion on the internal audit reports and the issues raised in respect of the Group's internal control system, the quarterly interim financial reports, the annual audited financial statements and the recommendations of the Audit Committee thereon to the Board to approve 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 Group's internal control system.

In this regard, the Board has outsourced the internal audit function of the Group to an independent professional consulting firm of international standing, Deloitte Enterprise Risk Services Sdn Bhd, for the financial year ended 31 May 2016 for a fee of RM118,000. 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 the internal audit plan approved by the Audit Committee.

Amongst the responsibilities of the Internal Auditors were:

(i) to review the adequacy, integrity and effectiveness of the Group's risk management and 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 operation 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 TOR as established above during the financial year under review, and that the Group's risk management and internal control system was effective and adequate.

Please refer to pages 35 to 36 of this Annual Report for the *Statement on Risk Management and Internal Control*.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

INTRODUCTION

This Statement on Risk Management and Internal Control by the Board of Directors ("the Board") is prepared in accordance with the *Statement on Risk Management and Internal Control* - Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia Securities Berhad. It outlines the nature and scope of risk management and internal control of Nylex (Malaysia) Berhad and its subsidiaries ("the Group") during the financial year under review.

BOARD RESPONSIBILITY

The Board is responsible for the effectiveness and adequacy of the Group's risk management and internal control system and is, to that effect, committed to maintaining a risk management and internal control system in financial, operational and compliance 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 Management has been tasked to assist the Board in the implementation of an effective risk management framework by ensuring that it is embedded into the culture, processes and structures of the Group through operational manuals and procedures on authority limits and day-to-day operations.

However, it should be noted that due to the limitations that are inherent in any risk management and internal control system, the Group's risk management and internal control system is designed to manage and mitigate, rather than to eliminate the risk that may impede the achievement of 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 RISK MANAGEMENT AND INTERNAL CONTROL

The Group adopts an Enterprise Risk Management ("ERM") framework and the Board has established a process for identifying, evaluating, monitoring and managing the significant risks that may materially affect the achievement of objectives and strategies. This process is being implemented throughout the Group and the Board will continue to review and strengthen this process from time to time in response to the changes in business environment or regulatory guidelines.

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

- The Audit Committee in its advisory capacity was 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 risk management framework and system of internal control periodically.

- 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.

- Operational manuals and procedures on authority limits and day-to-day operations are provided to ensure compliance with the Group's risk management and internal control system and the relevant laws and regulations.

- 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 recommended corrective actions on reported weaknesses are taken within the required time frame.

- A Risk Management Working Committee, which comprises the Group Managing Director, Chief Financial Officer and selected committee members, was established by the Board to oversee and monitor all identified risks and assess the effectiveness and benefits of internal control in mitigating these risks based on the risk management framework adopted by the Group.

During the financial year under review and up to the date of approval of this Statement, these elements were in place and review on the adequacy and effectiveness of the risk management and internal control system was carried out by the Audit Committee.

The principal risks faced by the Group are outlined below:

- Strategic risks due to long-term policies or strategic objectives taken by the organisation to maintain operational competitiveness;
- Operational risks due to changes to the internal environment of the organisation arising from daily business activities;
- External / Market risks due to changes in the external economic environment of the organisation;
- Financial risks which are associated with the effective management and control of the finances of the organisation and the effects of external factors such as availability of credit, foreign exchange rate fluctuations, interest rate movements, commodity prices and other market exposures;
- Hazard risks, which include risks from fire and other property damage, windstorms and other natural perils, theft and other crime, personal injury, business interruption, disease and disability and liability claims; and
- Compliance risks such as occupational, health & safety, environmental, trade regulations, consumer protection, data and intellectual property protection, employment practices and regulatory requirements.

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the scope set out in the Recommended Practice Guide 5 issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 May 2016, and reported to the Board that nothing has come to their attention that that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement on Risk Management and Internal Control factually inaccurate.

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system for the financial year under review and up to the date of approval of this Statement. The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system adopted by the Group. For the financial year under review, there was no material control failure that has resulted in any material losses that would require disclosure in the Group's Annual Report.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 26 August 2016.

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 2016.

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

Workplace

Community

Marketplace

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.

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, 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 certain 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;
- briefing on personal protection equipment, for its employees; and
- medical check-up for operators working in hazardous areas.

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 nine (9) students with duration from two to three months. These students are placed in various department such as technical, production, engineering, finance, and human resource department.

Employees are encouraged to volunteer in community projects such as tree planting and blood donation campaigns. During the financial year, the Company conducted two blood donation campaigns to collect blood for Hospital Tengku Ampuan Rahimah, Klang, Selangor Darul Ehsan. A total of thirty (30) employees participated in the two events.

The Company and/or its subsidiaries also made monetary donations to flash flood victims in Shah Alam, a secondary school in Ipoh and another in Johor, and charity golf events.

A subsidiary made several donations to support various festivities organised by the village adjacent to its manufacturing plant.

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

Pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

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 and their financial performance and cash flows 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 2016 and the income statement and statement of cash flows of the Company and of the Group for the financial year ended on that date. The Directors are also responsible for ensuring that the financial statements comply with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Companies Act, 1965 in Malaysia, the Listing Requirements, and other statutory and regulatory requirements.

In preparing the financial statements of the Company and of the Group for the financial year ended 31 May 2016, 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
- adopted 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 2016.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting, rotomoulded plastic products, and other plastic products, including geotextiles, prefabricated sub-soil drainage systems, bulk chemical containers, road barriers, playground equipment and disposal bins.

The principal activities of the subsidiaries are indicated in Note 13 to the financial statements.

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	Company
	RM'000	RM'000
Profit from operations	27,431	13,370
Finance costs	(6,919)	(1,440)
Profit before tax	20,512	11,930
Taxation	(9,335)	(1,071)
Net profit for the year	11,177	10,859
Attributable to:		
Owners of the parent	11,154	10,859
Non-controlling interests	23	-
	11,177	10,859

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 45th Annual General Meeting held on 19 November 2015, 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 repurchased 534,400 of its issued ordinary shares of RM1.00 each from the open market of Bursa Malaysia Securities Berhad at an average price of RM0.56 per share. The total consideration paid for the repurchases including transaction costs was RM300,017. The repurchased shares are being held as treasury shares in accordance with Section 67A(3A)(b) of the Act.

As at 31 May 2016, a total of 2,095,524 treasury shares with a carrying amount of RM1,188,302 were held by the Company. Details of the shares repurchased in the financial year are disclosed in Note 24 to the financial statements.

DIVIDENDS

During the financial year, the Company paid a final single-tier dividend of 2.0 sen per share, amounting to RM3,849,739, in respect of the financial year ended 31 May 2015, on 18 December 2015.

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2016.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2017.

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:

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid *(Executive Chairman)*
Dato' (Dr) Siew Ka Wei *(Group Managing Director)*
Lim Hock Chye
Edmond Cheah Swee Leng
Safrizal bin Mohd Said
Khamis bin Awal
Dato' Tengku Mahamad bin Tengku Mahamut *(Appointed on 31 March 2016)*

In accordance with Article 109 of the Company's Articles of Association, Lim Hock Chye and Edmond Cheah Swee Leng retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

In accordance with Article 93 of the Company's Articles of Association, Dato' Tengku Mahamad bin Tengku Mahamut retires at the forthcoming annual general meeting and being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The interests in shares in the Company and its 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:

	Number of Ordinary Shares of RM1.00 Each			
	Balance at 1.6.2015	**Acquired**	**Disposed**	**Balance at 31.5.2016**
The Company				
Direct interest				
Dato' (Dr) Siew Ka Wei	1,522,049	-	-	1,522,049
Deemed interest				
Dato' (Dr) Siew Ka Wei	93,671,435	-	-	93,671,435
Holding Company, Ancom Berhad				
Direct interest				
Dato' (Dr) Siew Ka Wei	22,589,265	219,600	-	22,808,865
Deemed interest				
Dato' (Dr) Siew Ka Wei	20,611,748	-	-	20,611,748
Subsidiary, Ancom Kimia Sdn Bhd				
Direct interest				
Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid	660,000	-	-	660,000

	Number of Ordinary Shares of RM0.05 Each			
	Balance at 1.6.2015	**Acquired**	**Disposed**	**Balance at 31.5.2016**
Related Company, Ancom Logistics Berhad				
Direct interest				
Dato' (Dr) Siew Ka Wei	725,867	-	-	725,867
Deemed interest				
Dato' (Dr) Siew Ka Wei	215,873,196	-	(400,000)	215,473,196

By virtue of his interest in the shares in the holding company, Ancom Berhad, Dato' (Dr) Siew Ka Wei is also deemed to have an interest in the shares in 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 31 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statements, statements 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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the allowance for doubtful debts 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 EVENT DURING THE YEAR

Significant event during the year is disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, Messrs BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 August 2016.

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid
Director

Dato' (Dr) Siew Ka Wei
Director

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid and Dato' (Dr) 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 50 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 37 to the financial statements on page 129 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 on behalf of the Board in accordance with a resolution of the Directors dated 26 August 2016.

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid

Dato' (Dr) Siew Ka Wei

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Chen Tai Ngoh, being the officer primarily responsible for the financial management of Nylex (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 129 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 Chen Tai Ngoh
at Kuala Lumpur
on 26 August 2016

Before me,

Chen Tai Ngoh

Baloo A/L T.Pichai (No. W663)
Pesuruhjaya Sumpah
Malaysia

INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad

Report on the Financial Statements

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the statements of financial position as at 31 May 2016 of the Group and of the Company, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 128.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 about 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of 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 give a true and fair view of the financial position of the Group and of the Company as of 31 May 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 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 13 to the financial statements.

(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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 37 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

Other Matters

The financial statements of the Group and of the Company for the financial year ended 31 May 2015 were audited by another firm of chartered accountants whose report dated 23 September 2015 expressed an unqualified opinion on those statements.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF: 0206
Chartered Accountants

Lum Chiew Mun
3039/04/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
26 August 2016

INCOME STATEMENTS

For the financial year ended 31 May 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	3	**1,197,450**	1,272,737	**70,432**	67,961
Cost of sales	3	**(1,083,920)**	(1,165,623)	**(57,127)**	(59,367)
Gross profit		**113,530**	107,114	**13,305**	8,594
Other income	4	**1,933**	2,028	**14,799**	17,134
Selling and distribution expenses		**(51,874)**	(51,070)	**(5,821)**	(5,789)
Administrative expenses		**(36,063)**	(32,679)	**(8,713)**	(8,537)
Other expenses		**(95)**	(479)	**(200)**	(92)
Profit from operations		**27,431**	24,914	**13,370**	11,310
Finance costs	5	**(6,919)**	(6,531)	**(1,440)**	(1,630)
Profit before tax	6	**20,512**	18,383	**11,930**	9,680
Taxation	9	**(9,335)**	(13,174)	**(1,071)**	-
Net profit for the year		**11,177**	5,209	**10,859**	9,680
Profit attributable to:					
Owners of the parent		**11,154**	7,386	**10,859**	9,680
Non-controlling interests		**23**	(2,177)	**-**	-
		11,177	5,209	**10,859**	9,680
Earnings per share (sen)	10	**5.8**	3.8		
Net dividends per ordinary share (sen)	11	**2.0**	3.0		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 May 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net profit for the year	**11,177**	5,209	**10,859**	9,680
Other comprehensive income				
Item to be reclassified subsequently to profit or loss				
Foreign currency translation	**15,721**	12,147	**-**	-
Item not to be reclassified subsequently to profit or loss				
Re-measurement of defined benefit liability	**(140)**	-	**-**	-
Total comprehensive income for the year	**26,758**	17,356	**10,859**	9,680
Total comprehensive income attributable to:				
Owners of the parent	**25,727**	18,640	**10,859**	9,680
Non-controlling interests	**1,031**	(1,284)	**-**	-
	26,758	17,356	**10,859**	9,680

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**102,107**	92,650	**28,116**	29,736
Investments in subsidiaries	13	**-**	-	**187,878**	181,652
Goodwill arising on consolidation	15	**105,386**	92,355	**-**	-
Deferred tax assets	16	**26,014**	26,527	**23,261**	24,230
		233,507	211,532	**239,255**	235,618
Current assets					
Inventories	17	**92,778**	96,970	**12,074**	15,062
Trade and other receivables	18	**195,729**	219,643	**30,214**	29,755
Investment securities	14	**476**	448	**132**	125
Income tax recoverable		**648**	1,882	**-**	66
Short-term deposits with licensed banks	20	**14,783**	30,293	**-**	-
Cash and bank balances	20	**50,269**	65,579	**11,746**	5,494
		354,683	414,815	**54,166**	50,502
TOTAL ASSETS		**588,190**	626,347	**293,421**	286,120
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	21	**194,338**	194,338	**194,338**	194,338
Reserves	22	**26,019**	11,306	**805**	805
Retained earnings	23	**103,567**	96,403	**57,183**	50,174
Less: Treasury shares, at cost	24	**(1,188)**	(888)	**(1,188)**	(888)
		322,736	301,159	**251,138**	244,429
Non-controlling interests		**13,103**	10,877	**-**	-
Total equity		**335,839**	312,036	**251,138**	244,429
Non-current liabilities					
Deferred tax liabilities	16	**1,239**	1,601	**-**	-
Borrowings	25	**2,466**	10,510	**-**	-
Provision for retirement benefits	26	**3,808**	3,198	**2,723**	2,576
		7,513	15,309	**2,723**	2,576
Current liabilities					
Trade and other payables	27	**118,659**	137,308	**18,957**	22,092
Borrowings	25	**123,800**	160,593	**20,600**	17,000
Income tax payable		**2,379**	1,078	**3**	-
Derivative liabilities	19	**-**	23	**-**	23
		244,838	299,002	**39,560**	39,115
Total liabilities		**252,351**	314,311	**42,283**	41,691
TOTAL EQUITY AND LIABILITIES		**588,190**	626,347	**293,421**	286,120

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2016

		Attributable to owners of the parent							
		← Non-distributable →				Distributable		Non-	
		Share	Share	Translation	Treasury	retained		controlling	Total
		capital	premium	reserve	shares	earnings	Total	interests	equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance as at 1 June 2015		194,338	805	10,501	(888)	96,403	301,159	10,877	312,036
Total comprehensive income for the year		-	-	14,713	-	11,014	25,727	1,031	26,758
Transactions with owners									
Dividends	11	-	-	-	-	(3,850)	(3,850)	-	(3,850)
Acquisition of a subsidiary	13(c)	-	-	-	-	-	-	1,195	1,195
Repurchase of shares		-	-	-	(300)	-	(300)	-	(300)
Total transactions with owners		-	-	-	(300)	(3,850)	(4,150)	1,195	(2,955)
Closing balance as at 31 May 2016		**194,338**	**805**	**25,214**	**(1,188)**	**103,567**	**322,736**	**13,103**	**335,839**
Opening balance as at 1 June 2014		194,338	805	(753)	(869)	95,385	288,906	12,320	301,226
Total comprehensive income/ (loss) for the year		-	-	11,254	-	7,386	18,640	(1,284)	17,356
Transactions with owners									
Dividends	11	-	-	-	-	(5,784)	(5,784)	-	(5,784)
Acquisition of non-controlling interests of a subsidiary		-	-	-	-	(584)	(584)	(67)	(651)
Winding up of subsidiary		-	-	-	-	-	-	(92)	(92)
Repurchase of shares		-	-	-	(19)	-	(19)	-	(19)
Total transactions with owners		-	-	-	(19)	(6,368)	(6,387)	(159)	(6,546)
Closing balance as at 31 May 2015		194,338	805	10,501	(888)	96,403	301,159	10,877	312,036

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2016

	Note	Non-distributable Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Distributable retained earnings RM'000	Total RM'000
Opening balance as at 1 June 2015		194,338	805	(888)	50,174	244,429
Total comprehensive income for the year		-	-	-	10,859	10,859
Dividends	11	-	-	-	(3,850)	(3,850)
Repurchase of shares		-	-	(300)	-	(300)
Closing balance as at 31 May 2016		**194,338**	**805**	**(1,188)**	**57,183**	**251,138**
Opening balance as at 1 June 2014		194,338	805	(869)	46,278	240,552
Total comprehensive income for the year		-	-	-	9,680	9,680
Dividends	11	-	-	-	(5,784)	(5,784)
Repurchase of shares		-	-	(19)	-	(19)
Closing balance as at 31 May 2015		194,338	805	(888)	50,174	244,429

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2016

	2016 RM'000	2015 RM'000
Cash Flows From Operating Activities		
Profit before tax	**20,512**	18,383
Adjustments for:		
Depreciation of property, plant and equipment	**6,458**	5,743
Finance costs	**6,919**	6,531
Fair value loss/(gain) on investments	**6**	(5)
Fair value gain on bonus share warrants	**-**	(15)
Fair value loss on derivatives	**-**	23
Inventories written-down	**951**	2,345
Impairment loss on trade and other receivables	**962**	958
Unrealised gain on foreign exchange	**(1,560)**	(3,048)
Write-back of provision for warranties	**(70)**	(525)
Provision for retirement benefits	**552**	385
Dividend income	**(11)**	(10)
Interest income	**(1,614)**	(1,905)
Gain on disposal of property, plant and equipment (net)	**(55)**	(4)
Operating cash flows before working capital changes	**33,050**	28,856
Working Capital Changes		
Receivables	**33,496**	39,636
Inventories	**9,461**	15,451
Payables	**(24,316)**	(18,715)
Related companies	**(2,979)**	(3,458)
Cash flows generated from operations	**48,712**	61,770
Income taxes paid	**(6,531)**	(8,528)
Retirement benefits paid	**(131)**	(81)
Net Cash Flows Generated From Operating Activities (carried forward)	**42,050**	53,161

Consolidated Statement of Cash Flows

For the financial year ended 31 May 2016

	2016 RM'000	2015 RM'000
Net Cash Flows Generated From Operating Activities (brought forward)	**42,050**	53,161
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**102**	214
Purchase of property, plant and equipment	**(11,637)**	(38,664)
Acquisition of investment securities	**(34)**	-
Net cash flows on acquisition of subsidiary (Note 13(c))	**(5,888)**	-
Distribution of surplus assets to non-controlling interests on winding up of a subsidiary	**-**	(92)
Acquisition of non-controlling interest in a subsidiary (Note 13(f))	**-**	(650)
Interest received	**1,614**	1,905
Dividend received from equity instruments	**11**	10
Net Cash Flows Used In Investing Activities	**(15,832)**	(37,277)
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	**(3,850)**	(5,784)
Repayment of hire-purchase creditors	**(46)**	(89)
Drawdown of term loan and advances	**87,512**	86,446
Repayment of term loan and advances	**(137,694)**	(71,581)
Purchase of treasury shares	**(300)**	(19)
Interest paid	**(6,919)**	(6,531)
Net Cash Flows (Used In)/Generated From Financing Activities	**(61,297)**	2,442
Net (Decrease)/Increase in Cash and Cash Equivalents	**(35,079)**	18,326
Effects of Exchange Rate Changes	**6,322**	3,280
Cash and Cash Equivalents at Beginning of Year	**95,872**	76,325
Effects of Exchange Rate Changes	**(2,063)**	(2,059)
	93,809	74,266
Cash and Cash Equivalents at End of Year (Note 20)	**65,052**	95,872

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2016

	2016 RM'000	2015 RM'000
Cash Flows From Operating Activities		
Profit before tax	**11,930**	9,680
Adjustments for:		
Depreciation of property, plant and equipment	**2,806**	3,029
Finance costs	**1,440**	1,630
Impairment loss on investment in subsidiary (Note 13(d))	**150**	-
Fair value (gain)/loss on investments	**(6)**	10
Fair value loss on derivatives	**-**	23
Inventories written-down	**435**	918
(Write-back)/Impairment loss on trade and other receivables	**(115)**	136
Unrealised gain on foreign exchange	**(244)**	(499)
Write-back of provision for warranties	**(70)**	(520)
Provision for retirement benefits	**278**	230
Dividend income	**(13,452)**	(14,703)
Interest income	**(1,118)**	(1,298)
Loss on disposal of property, plant and equipment	**30**	26
Gain on winding up of a subsidiary (Note 13(g))	**-**	(51)
Operating cash flows before working capital changes	**2,064**	(1,389)
Working Capital Changes		
Receivables	**6,325**	(5,913)
Inventories	**2,553**	(117)
Payables	**(3,176)**	4,190
Related companies	**(6,561)**	12,598
Cash flows generated from operations	**1,205**	9,369
Income taxes paid	**(33)**	(3)
Retirement benefits paid	**(131)**	(81)
Net Cash Flows Generated From Operating Activities (carried forward)	**1,041**	9,285

Company Statement of Cash Flows

For the financial year ended 31 May 2016

	2016 RM'000	2015 RM'000
Net Cash Flows Generated From Operating Activities (brought forward)	**1,041**	9,285
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**8**	184
Purchase of property, plant and equipment	**(1,224)**	(3,051)
Additional investment in a subsidiary (Note 13(e))	**-**	(9,036)
Acquisition of subsidiary (Note 13(c))	**(6,376)**	-
Distribution of surplus assets on winding up of a subsidiary	**-**	214
Interest income	**1,118**	1,298
Dividend received from subsidiaries	**13,448**	13,572
Dividend received from equity instruments	**4**	3
Net Cash Flows Generated From Investing Activities	**6,978**	3,184
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	**(3,850)**	(5,784)
Drawdown of term loan and advances	**26,300**	10,100
Repayment of term loan and advances	**(22,700)**	(20,700)
Purchase of Company's own shares	**(300)**	(19)
Interest paid	**(1,440)**	(1,630)
Net Cash Flows Used In Financing Activities	**(1,990)**	(18,033)
Net Increase/(Decrease) in Cash and Cash Equivalents	**6,029**	(5,564)
Cash and Cash Equivalents at Beginning of Year	**5,494**	11,058
Effects of Exchange Rate Changes	**223**	-
Cash and Cash Equivalents at End of Year (Note 20)	**11,746**	5,494

The accompanying accounting policies and explanatory 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, rotomoulded plastic products, and other plastic products, including geotextiles, prefabricated sub-soil drainage systems, bulk chemical containers, road barriers, playground equipment and disposal bins. The principal activities of the subsidiaries are indicated in Note 13 to the financial statements. 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 26 August 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 1965 in Malaysia. 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 MFRSs which are mandatory for financial periods beginning on or after 1 June 2015 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

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

On 1 June 2015, the Group and the Company adopted the following applicable MFRS and amendments to MFRS which are mandatory for financial periods beginning on or after 1 June 2015.

Amendments to MFRSs and Annual Improvements to MFRS	Effective date
MFRS 119 Defined Benefit Plans: Employee Contributions	1 July 2014
MFRSs 2010 - 2012 Cycle	1 July 2014
MFRSs 2011 - 2013 Cycle	1 July 2014

Adoption of the above standards did not have any effect on the financial performance or position of the Group and of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Applicable MFRS and amendments to MFRS that are not yet effective and not adopted

MFRSs		Effective date
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRSs		
MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 101	Disclosure Initiatives	1 January 2016
MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 -	2014 Cycle	1 January 2016
MFRS 107	Disclosure Initiative	1 January 2017
MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Clarifications to MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Company is in the process of assessing the impact of implementing these Amendments since the effects would only be observable in the future financial years.

(d) 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 2016 was RM105,386,000 (2015: RM92,355,000). Further details are disclosed in Note 15.

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

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

(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.

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 RM24,232,000 (2015: RM25,120,000) of unused 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. Details of the deferred tax asset is disclosed in Note 16.

(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 up to their residual values. 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% variances in net profit for the year of the Group and 1% variances in net profit for the year of the Company.

(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 receivables at the reporting date is disclosed in Note 18.

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

(e) **Subsidiaries and basis of consolidation**

(i) **Subsidiaries**

Subsidiaries are entities over which the Group has all the following:

(a) power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);

(b) exposure, or rights, to variable returns from investment with the investee; and

(c) the ability to use its power over the investee to affect it's returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for 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.

(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 used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if, and only if, the Company has all the following:

(a) power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);

(b) exposure, or rights, to variable returns from investment with the investee; and

(c) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(a) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(b) potential voting rights held by the Company, other vote holders or other parties;

(c) rights arising from other contractual arrangements; and

(d) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Basis of consolidation *(continued)*

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

(iii) Business combinations

Acquisitions of subsidiaries are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

(iii) **Business combinations** *(continued)*

In business combinations achieved in stages, previously held equity interests by the acquirer in the acquiree are re-measured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

The accounting policy for goodwill is set out in Note 2(j)(i).

(f) **Non-controlling interest**

Non-controlling interest represents the equity in subsidiaries that are not attributable, whether directly or indirectly, to owners of the parent. It is presented separately in the consolidated income statement and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(g) **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 recognise 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. As permitted under the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets were stated at their 1985 valuation less accumulated depreciation. Upon transition to MFRS 1 on 1 June 2011, the Group elected to use the previously revalued leasehold land and buildings carrying amounts as deemed cost.

Capital work-in-progress are not depreciated until such time when the asset is available for use.

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

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

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 - 20.0
Furniture and fittings	10.0 - 33.3
Office equipment	7.0 - 33.3
Motor vehicles	15.0 - 25.0

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

(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, standard 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) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination. The testing is done by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed off and the portion of the CGU retained.

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 acquisition of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in Ringgit Malaysia ("RM") at the rates prevailing at the date of acquisition.

(ii) Research and development costs

Research costs are recognised as an expense in the period they are incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

(a) the technical feasibility of completing the tangible asset so that the asset will be available for use or sale;

(b) its intention to complete and its ability to use or sell the asset;

(c) how the asset will generate future economic benefits;

(d) the availability of resources to complete the asset; and

(e) the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets *(continued)*

(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 Group 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.

(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.

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

(l) **Income tax** *(continued)*

(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.

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.

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

(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. 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. 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.

(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 profit or loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Foreign currencies *(continued)*

(iii) Foreign operations *(continued)*

The principal average rates and closing rates were as follows:

	Average rate		Closing rate	
	2016	**2015**	**2016**	**2015**
RM1.00 =				
Foreign currency				
Australian Dollar	**0.3357**	0.3467	**0.3347**	0.3562
Chinese Renminbi	**1.5739**	1.8190	**1.5948**	1.6901
Hong Kong Dollar	**1.9084**	2.2782	**1.8813**	2.1137
Indonesian Rupiah (1,000 units)	**3.3473**	3.6250	**3.3110**	3.6260
Singapore Dollar	**0.3407**	0.3820	**0.3343**	0.3676
United States Dollar	**0.2460**	0.2938	**0.2422**	0.2727
Vietnamese Dong (1,000 units)	**5.3716**	6.2648	**5.3150**	5.9100

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

(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 right to receive payment is established.

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

(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 (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 CGU 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.

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 incidental 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Leases *(continued)*

(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. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(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.

(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.

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

(q) **Financial assets** *(continued)*

(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.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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.

(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, receivables 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.

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

(r) **Impairment of financial assets** *(continued)*

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

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, 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. 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.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(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.

(iii) Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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

(s) **Financial liabilities** *(continued)*

(iii) **Financial guarantee** *(continued)*

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for an associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

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) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(u) **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.

(v) **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.

(w) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

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

(w) **Equity instruments** *(continued)*

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.

While shares are held as treasury shares, the rights attached to them as to voting, dividend entitlement and participation in other distribution and otherwise are suspended.

(x) **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 Group.

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

(y) **Current versus non-current classification**

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is classified as current when it is:

(a) expected to be realised or intended to be sold or consumed in a normal operating cycle;

(b) held primarily for the purpose of trading;

(c) expected to be realised within twelve months after the reporting period; or

(d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) it is expected to be settled in a normal operating cycle;

(b) it is held primarily for the purpose of trading;

(c) it is due to be settled within twelve months after the reporting period; or

(d) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

(z) Fair value measurement

The Group and the Company measure financial instruments such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 32(b).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) in the principal market for the asset or liability; or

(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and by the Company.

The fair value of an asset or a liability is measured using the assumptions that a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured and disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(aa) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	**1,614**	1,905	**1,118**	1,298
Dividend income from:				
- Equity instruments (quoted in Malaysia)	**11**	10	**4**	3
- Subsidiaries	**-**	-	**13,448**	14,700
Fair value gains on financial instruments				
- Held for trading investments	**-**	5	**6**	-
- Bonus share warrants	**-**	15	**-**	-
Gain on disposal of property, plant and equipment (net)	**55**	4	**-**	-
Gain on winding up of a subsidiary	**-**	-	**-**	51
Realised gain on foreign exchange	**-**	89	**-**	583
Unrealised gain on foreign exchange	**253**	-	**223**	499
	1,933	2,028	**14,799**	17,134

5. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank borrowings	**6,919**	6,531	**1,440**	1,560
Advances from subsidiaries	**-**	-	**-**	70
	6,919	6,531	**1,440**	1,630

6. PROFIT BEFORE TAX

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
The following items have been included in arriving at profit before tax:				
Auditors' remuneration				
- Statutory audits				
- Current	**196**	408	**79**	102
- Under provision in prior year	**8**	3	**-**	4
- Other services	**10**	10	**10**	10
Depreciation of property, plant and equipment (Note 12)	**6,458**	5,743	**2,806**	3,029
Hire of equipment	**33**	67	**-**	-
Inventories written-down	**951**	2,345	**435**	918
Realised gain on foreign exchange	**(5,027)**	(788)	**(1,175)**	(583)
Unrealised gain on foreign exchange	**(1,560)**	(3,048)	**(244)**	(499)
Rent of premises	**1,296**	1,124	**-**	-
Rent of storage	**18,490**	17,852	**-**	-
Write-back of provision for warranties (Note 27(c))	**(70)**	(525)	**(70)**	(520)
Impairment loss/(Write-back) on financial assets				
- Trade and other receivables (Note 18(a)(iii))	**962**	958	**(115)**	136
Impairment loss on non-financial assets				
- Investments in subsidiaries	**-**	-	**150**	-
Loss on disposal of property, plant and equipment (net)	**-**	-	**30**	26
Fair value loss on financial instruments				
- Held for trading investments	**6**	-	**-**	10
- Derivatives	**-**	23	**-**	23

7. STAFF COSTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	**31,793**	28,495	**10,631**	9,283
Defined contribution plan and social security costs	**3,292**	2,740	**1,154**	1,068
Provision for retirement benefits (Note 26)	**552**	385	**278**	230
Other staff related expenses	**415**	383	**137**	131
	36,052	32,003	**12,200**	10,712

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM5,842,000 (2015: RM2,545,000) and RM3,426,000 (2015: RM1,882,000) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

(a) Total remuneration

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
Salaries	**2,196**	2,186	**1,680**	1,680
Bonuses	**3,165**	99	**1,504**	-
Defined contribution plan	**481**	260	**242**	202
	5,842	2,545	**3,426**	1,882
Benefit-in-kind	**56**	56	**56**	56
	5,898	2,601	**3,482**	1,938
Non-Executive Directors				
Fees	**368**	360	**368**	360
Allowances	**18**	15	**18**	15
	386	375	**386**	375
Total	**6,284**	2,976	**3,868**	2,313

8. DIRECTORS' REMUNERATION *(continued)*

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

	Number of Directors	
	2016	**2015**
Executive Directors		
RM800,001 to RM850,000	**-**	1
RM1,700,001 to RM1,750,000	**1**	-
RM1,750,001 to RM1,800,000	**-**	1
RM4,150,001 to RM4,200,000	**1**	-
	2	2
Non-Executive Directors		
Less than RM50,000	**1**	-
RM50,001 to RM100,000	**2**	2
RM100,001 to RM150,000	**2**	2
	5	4

9. TAXATION

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current income tax:				
- Malaysian income tax	**(6,263)**	(6,974)	**(102)**	-
- Foreign tax	**(2,826)**	(3,030)	**-**	-
	(9,089)	(10,004)	**(102)**	-
Over/(Under) provision in prior years:				
- Malaysian income tax	**160**	(145)	**-**	-
- Foreign tax	**(2)**	1	**-**	-
	(8,931)	(10,148)	**(102)**	-
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	**(150)**	(1,957)	**(969)**	(90)
(Under)/Over provision in prior years	**(254)**	(1,069)	**-**	90
	(404)	(3,026)	**(969)**	-
	(9,335)	(13,174)	**(1,071)**	-

9. TAXATION *(continued)*

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	**20,512**	18,383	**11,930**	9,680
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	**(4,923)**	(4,596)	**(2,863)**	(2,420)
Effect of different tax rates in other countries	**(658)**	(899)	**-**	-
Effect of changes in tax rates	**(964)**	-	**(969)**	-
Utilisation of tax incentives	**88**	33	**-**	-
Income not subject to tax	**199**	287	**3,305**	3,885
Utilisation of previously unrecognised tax losses	**87**	118	**-**	-
Expenses not deductible for tax purposes	**(1,252)**	(1,152)	**(338)**	(663)
Deferred tax assets not recognised	**(1,816)**	(5,752)	**(206)**	(892)
(Under)/Over provision of deferred tax in prior years	**(254)**	(1,069)	**-**	90
Over/(Under) provision of tax expense in prior years	**158**	(144)	**-**	-
Taxation for the year	**(9,335)**	(13,174)	**(1,071)**	-

Tax savings during the financial year arising from:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Utilisation of previously unrecognised tax losses	**87**	118	**-**	-
Utilisation of tax incentives	**88**	33	**-**	-

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 RM11,154,000 (2015: RM7,386,000) by the weighted average number of ordinary shares in issue during the financial year of 192,511,389 shares (2015: weighted average of 192,787,560 shares).

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share equals to basic earnings per share.

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	
	2016 RM'000	2015 RM'000	2016 sen	2015 sen
Final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2015, paid on 18 December 2015 (2015: final single-tier dividend of 3.0 sen per share in respect of the financial year ended 31 May 2014, paid on 19 December 2014)	**3,850**	5,784	**2.0**	3.0

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2016.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2017.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 June 2014	32,077	25,490	124,245	1,570	8,829	5,382	390	197,983
Additions	-	74	1,605	26	461	861	35,637	38,664
Disposals	-	-	(1,640)	(2)	(72)	(1,116)	-	(2,830)
Exchange differences	(21)	(13)	569	41	85	177	(2)	836
At 31 May 2015	32,056	25,551	124,779	1,635	9,303	5,304	36,025	234,653
At 1 June 2015	32,056	25,551	124,779	1,635	9,303	5,304	36,025	**234,653**
Additions	-	6,752	3,228	179	210	1,268	-	**11,637**
Disposals	-	-	(294)	(5)	(432)	(439)	-	**(1,170)**
Reclassification	-	-	21,571	-	-	-	(21,571)	**-**
Acquisition of subsidiary (Note 13(c))	-	-	-	116	121	739	-	**976**
Exchange differences	449	296	1,393	52	95	93	2,238	**4,616**
At 31 May 2016	**32,505**	**32,599**	**150,677**	**1,977**	**9,297**	**6,965**	**16,692**	**250,712**

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

Group	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture and 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 2014	5,123	11,926	107,903	1,339	8,432	3,510	-	138,233
Depreciation charge for the year, recognised in the profit or loss (Note 6)	317	779	3,715	68	231	633	-	5,743
Disposals	-	-	(1,618)	(2)	(72)	(928)	-	(2,620)
Exchange differences	-	(2)	399	34	68	148	-	647
At 31 May 2015	5,440	12,703	110,399	1,439	8,659	3,363	-	142,003
At 1 June 2015	5,440	12,703	110,399	1,439	8,659	3,363	-	**142,003**
Depreciation charge for the year, recognised in the profit or loss (Note 6)	318	949	4,189	81	251	670	-	**6,458**
Disposals	-	-	(257)	(5)	(430)	(431)	-	**(1,123)**
Exchange differences	-	57	1,024	42	83	61	-	**1,267**
At 31 May 2016	**5,758**	**13,709**	**115,355**	**1,557**	**8,563**	**3,663**	**-**	**148,605**
Net carrying amount								
At 31 May 2015	26,616	12,848	14,380	196	644	1,941	36,025	92,650
At 31 May 2016	**26,747**	**18,890**	**35,322**	**420**	**734**	**3,302**	**16,692**	**102,107**

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

Company	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 June 2014	15,045	15,474	100,376	780	3,946	2,772	11	138,404
Additions	-	-	1,045	10	61	622	-	1,738
Transfer of business operations (Note 13(h))	-	617	696	-	-	-	-	1,313
Disposals	-	-	(1,626)	(2)	(5)	(851)	-	(2,484)
Reclassification	-	-	11	-	-	-	(11)	-
At 31 May 2015	15,045	16,091	100,502	788	4,002	2,543	-	138,971
At 1 June 2015	15,045	16,091	100,502	788	4,002	2,543	-	**138,971**
Additions	-	43	638	38	54	301	150	**1,224**
Disposals	-	-	(294)	-	(321)	(13)	-	**(628)**
At 31 May 2016	**15,045**	**16,134**	**100,846**	**826**	**3,735**	**2,831**	**150**	**139,567**
Accumulated depreciation and impairment loss								
At 1 June 2014	3,355	8,313	90,575	723	3,778	1,736	-	108,480
Depreciation charge for the year, recognised in the profit or loss (Note 6)	126	382	2,154	12	45	310	-	3,029
Disposals	-	-	(1,605)	(2)	(5)	(662)	-	(2,274)
At 31 May 2015	3,481	8,695	91,124	733	3,818	1,384	-	109,235
At 1 June 2015	3,481	8,695	91,124	733	3,818	1,384	-	**109,235**
Depreciation charge for the year, recognised in the profit or loss (Note 6)	125	423	1,909	12	58	279	-	**2,806**
Disposals	-	-	(257)	-	(319)	(14)	-	**(590)**
At 31 May 2016	**3,606**	**9,118**	**92,776**	**745**	**3,557**	**1,649**	**-**	**111,451**
Net carrying amount								
At 31 May 2015	11,564	7,396	9,378	55	184	1,159	-	29,736
At 31 May 2016	**11,439**	**7,016**	**8,070**	**81**	**178**	**1,182**	**150**	**28,116**

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

(a) Certain leasehold land and buildings were revalued in 1985 based on the valuation reports of an independent firm of professional valuers. These assets were stated on the basis of their 1985 valuation as allowed by the transitional provisions in respect of IAS 16 (Revised), Property, Plant and Equipment adopted by MASB. Upon transition to MFRS 1 on 1 June 2011, the Group elected to use the previously revalued leasehold land and buildings carrying amounts as deemed cost.

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM11,637,000 (2015: RM38,664,000).

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Motor vehicles	**120**	161

(c) The Group's tank farms, land and factory building with carrying amount of RM30,032,000 & RM8,939,000 have been charged as security for borrowings (Note 25).

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	**2015**
	RM'000	**RM'000**
Unquoted shares - at cost	**206,702**	203,232
Investment in a subsidiary (Note 13(c) & (e))	**6,376**	9,036
Winding up of a subsidiary (Note 13(g))	**-**	(5,566)
	213,078	206,702
Less: Accumulated impairment losses	**(25,200)**	(25,050)
	187,878	181,652

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of subsidiaries

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group* 2016 %	2015 %
Direct subsidiaries				
Nycon Manufacturing Sdn Bhd	Malaysia	Dormant.	**100**	100
Nylex Polymer Marketing Sdn Bhd	Malaysia	Marketing of polyurethane (“PU”) and polyvinyl chloride (“PVC”) synthetic leather, films and sheets, geosynthetic and general trading.	**100**	100
PT Nylex Indonesia **	Indonesia	Manufacture, marketing and distribution of PU and PVC leathercloth.	**100**	100
Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	Trading in petrochemicals and industrial chemicals.	**100**	100
Fermpro Sdn Bhd	Malaysia	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.	**100**	100
Kumpulan Kesuma Sdn Bhd	Malaysia	Manufacture and marketing of sealants and adhesive products.	**100**	100
Wedon Sdn Bhd	Malaysia	Marketing of sealants and adhesive products.	**100**	100
Nylex Specialty Chemicals Sdn Bhd	Malaysia	Manufacture and sale of phosphoric acid.	**100**	100
Speciality Phosphates (Malaysia) Sdn Bhd	Malaysia	Manufacture and sale of chemicals.	**51**	51
CKG Chemicals Pte Ltd **	Singapore	Trading and distribution of industrial chemicals and gasoline blending components.	**100**	100
NYL Logistics Sdn Bhd	Malaysia	Provision of transport, cartage and haulage contractors and agencies services.	**60**	-

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of subsidiaries *(continued)*

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group* 2016 %	2015 %
Indirect subsidiaries				
Dynamic Chemical Pte Ltd **	Singapore	Blending, trading and distribution of industrial chemicals.	**90**	90
Perusahaan Kimia Gemilang (Vietnam) Company Ltd. **	Vietnam	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.	**100**	100
PT PKG Lautan Indonesia **	Indonesia	Importation and distribution of industrial chemicals.	**51**	51
Ancom Kimia Sdn Bhd	Malaysia	Distribution of petrochemicals and industrial chemicals.	**60**	60
ALB Marine Sdn Bhd	Malaysia	Dormant.	**100**	100

* Equals to the proportion of voting rights held.

** The financial statements of these subsidiaries are audited by firms other than BDO.

(b) Financial information of subsidiaries with non-controlling interests

The summarised financial information of PT PKG Lautan Indonesia (“PKI”), Speciality Phosphates (Malaysia) Sdn Bhd (“SPM”) and Ancom Kimia Sdn Bhd (“AKM”) which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

The non-controlling interests in respect of Dynamic Chemical Pte Ltd is not material to the Group.

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Financial information of subsidiaries with non-controlling interests *(continued)*

(i) Summarised statements of financial position

	PKI RM'000	SPM RM'000	AKM RM'000	Total RM'000
2016				
Non-current assets	1,968	39	6	2,013
Current assets	30,268	4,449	5,864	40,581
Total assets	32,236	4,488	5,870	42,594
Current liabilities	15,358	276	4,288	19,922
Non-current liabilities	242	-	2	244
Total liabilities	15,600	276	4,290	20,166
Net assets	**16,636**	**4,212**	**1,580**	**22,428**
Equity attributable to:				
Owners of the parent	8,484	2,148	948	11,580
Non-controlling interests	8,152	2,064	632	10,848
	16,636	**4,212**	**1,580**	**22,428**
2015				
Non-current assets	1,800	43	6	1,849
Current assets	21,525	4,062	11,366	36,953
Total assets	23,325	4,105	11,372	38,802
Current liabilities	7,982	205	9,822	18,009
Non-current liabilities	229	(9)	2	222
Total liabilities	8,211	196	9,824	18,231
Net assets	15,114	3,909	1,548	20,571
Equity attributable to:				
Owners of the parent	7,708	1,994	851	10,553
Non-controlling interests	7,406	1,915	697	10,018
	15,114	3,909	1,548	20,571

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Financial information of subsidiaries with non-controlling interests *(continued)*

(ii) Summarised income statements

	PKI RM'000	SPM RM'000	AKM RM'000	Total RM'000
2016				
Revenue	**42,037**	**1,974**	**82,700**	**126,711**
Net (loss)/profit for the year	**(408)**	**305**	**32**	**(71)**
Net (loss)/profit attributable to:				
Owners of the parent	(208)	156	19	(33)
Non-controlling interests	(200)	149	13	(38)
	(408)	**305**	**32**	**(71)**
2015				
Revenue	22,649	1,855	128,068	152,572
Net (loss)/profit for the year	(5,260)	63	876	(4,321)
Net (loss)/profit attributable to:				
Owners of the parent	(2,683)	32	493	(2,158)
Non-controlling interests	(2,577)	31	383	(2,163)
	(5,260)	63	876	(4,321)

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Financial information of subsidiaries with non-controlling interests *(continued)*

(iii) Summarised statements of comprehensive income

	PKI RM'000	SPM RM'000	AKM RM'000	Total RM'000
2016				
Net (loss)/profit for the year	(408)	305	32	(71)
Other comprehensive income attributable to owners of the parent	982	-	-	982
Other comprehensive income attributable to non-controlling interests	945	-	-	945
Other comprehensive income for the year	1,927	-	-	1,927
Total comprehensive income	**1,519**	**305**	**32**	**1,856**
Total comprehensive income attributable to:				
Owners of the parent	774	156	19	949
Non-controlling interests	745	149	13	907
	1,519	**305**	**32**	**1,856**
2015				
Net (loss)/profit for the year	(5,260)	63	876	(4,321)
Other comprehensive income attributable to owners of the parent	866	-	-	866
Other comprehensive income attributable to non-controlling interests	833	-	-	833
Other comprehensive income for the year	1,699	-	-	1,699
Total comprehensive (loss)/income	(3,561)	63	876	(2,622)
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(1,817)	32	493	(1,292)
Non-controlling interests	(1,744)	31	383	(1,330)
	(3,561)	63	876	(2,622)

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Financial information of subsidiaries with non-controlling interests *(continued)*

(iv) Summarised cash flows

	PKI RM'000	SPM RM'000	AKM RM'000	Total RM'000
2016				
Net cash flows used in operating activities	(3,179)	(977)	(1,235)	(5,391)
Net cash flows generated from investing activities	70	128	-	198
Net cash flows (used in)/generated from financing activities	(62)	-	979	917
Net decrease in cash and cash equivalents	(3,171)	(849)	(256)	(4,276)
Effects of exchange rate changes	-	-	-	-
Cash and cash equivalents at beginning of year	10,632	3,595	1,204	15,431
Effects of exchange rate changes	1,334	-	-	1,334
	11,966	3,595	1,204	16,765
Cash and cash equivalents at end of year	**8,795**	**2,746**	**948**	**12,489**
2015				
Net cash flows generated from/(used in) operating activities	3,821	(2)	630	4,449
Net cash flows generated from investing activities	49	108	3	160
Net cash flows used in financing activities	(96)	-	(2,135)	(2,231)
Net increase/(decrease) in cash and cash equivalents	3,774	106	(1,502)	2,378
Effects of exchange rate changes	(5)	-	-	(5)
Cash and cash equivalents at beginning of year	6,017	3,489	2,706	12,212
Effects of exchange rate changes	846	-	-	846
	6,863	3,489	2,706	13,058
Cash and cash equivalents at end of year	10,632	3,595	1,204	15,431

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(c) Acquisition of subsidiary

The Company had on 20 May 2016 entered into a share sale agreement for the acquisition of 1,320,000 ordinary shares in NYL Logistics Sdn Bhd ("NYL") representing 60% of the issued and paid-up share capital of NYL for a cash consideration of RM6,376,461.

NYL is in the business of transport, cartage and haulage contractors and agencies. The transaction was completed on 26 May 2016.

The acquisition of NYL would enhance Nylex's presence in logistics business to augment Nylex's strategy to emerge as an integrated chemical group involving manufacturing, distribution and transportation to meet its customers' needs.

The fair value of the identifiable assets and liabilities of NYL as at the date of acquisition are as follows:

	Carrying amount RM'000
Property, plant and equipment (Note 12)	976
Trade and other receivables	2,367
Cash and cash equivalents	488
Trade and other payables	(844)
Net identifiable assets	2,987
Less: Non-controlling interest (measured at fair value)	(1,195)
	1,792
Goodwill on acquisition (Note 15)	4,584
Cost of acquisition	6,376

Cash outflow arising on consolidation:

Cash consideration, representing cash outflow of the Company	6,376
Cash and cash equivalents of subsidiaries acquired	(488)
Net cash outflow of the Group	5,888

Impact of acquisition in statement of comprehensive income

From the date of acquisition, NYL has not contributed any profit to the Group's profit net of tax. If the acquisition had taken place at the beginning of the financial year, the Group's profit, net of tax would have been RM788,000 higher and revenue would have been RM3,298,000 higher.

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(d) Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount attributable to investment in Nycon Manufacturing Sdn Bhd, amounting to RM150,000 (2015: Nil) in the income statement.

(e) Increase of investment in CKG Chemicals Pte Ltd ("CKG")

In the previous financial year, the Company increased its shareholdings in CKG via conversion of shareholders' loan of RM9,036,145 into 2,700,000 ordinary shares in CKG.

The additional investments did not result in any change in the percentage of shareholding of the Group.

(f) Increase in shareholding

In the previous financial year, the Group via its wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), acquired additional 110,000 ordinary shares of RM1 each in Ancom Kimia Sdn Bhd ("AKM"), representing an additional equity interest of 5% in the issued and paid-up share capital of AKM for a cash consideration of RM650,000.

In relation thereto, PKG holds 60% equity interest in AKM.

(g) Winding up of subsidiary

On 29 February 2012, the Group commenced a members' voluntary winding up of its subsidiary, Malaysian Roofing Industries Sdn Bhd, a company incorporated in Malaysia.

The winding up process was completed following the final meeting held on 10 September 2014 and a gain on winding up of RM50,667 was recognised in the Company income statement for the financial year ended 31 May 2015.

(h) Transfer of business operations

On 12 March 2015, the business of Nycon Manufacturing Sdn Bhd ("NYC"), a wholly owned subsidiary of the Company had been transferred to the Company. The business operations of NYC were transferred at net book value.

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(h) Transfer of business operations *(continued)*

The carrying amount of the identifiable assets and liabilities of NYC as at the date of transfer were:

	Carrying amount RM'000
Property, plant and equipment (Note 12)	1,313
Inventories	1,878
Trade and other receivables	2,650
	5,841
Provision for retirement benefits (Note 26)	(80)
Trade and other payables	(1,948)
	(2,028)
Net identifiable assets	3,813

Total cost of business combination

	RM'000
Cash consideration	3,813
Identifiable assets transferred	(5,841)
Identifiable liabilities transferred	2,028
	-

Impact of acquisition in statement of comprehensive income

From the date of transfer of operations, NYC has contributed RM384,000 to the Company's profit net of tax for the financial year ended 31 May 2015. If the combination had taken place at the beginning of the financial year, the Company's profit, net of tax would have been RM1,441,000 higher and revenue would have been RM12,391,000 higher.

Impact of acquisition in statement of financial position

The transfer of business did not result in any change in the percentage of shareholding of the Group.

14. 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 2016				
Current				
Held for trading				
Equity instruments (quoted in Malaysia) (Note 19)	**476**	**476**	**132**	**132**
At 31 May 2015				
Current				
Held for trading				
Equity instruments (quoted in Malaysia) (Note 19)	448	448	125	125

15. GOODWILL ARISING ON CONSOLIDATION

	Group	
	2016 RM'000	2015 RM'000
At 1 June	**92,355**	84,065
Acquisition of a subsidiary (Note 13(c))	**4,584**	-
Exchange differences	**8,447**	8,290
At 31 May	**105,386**	92,355

(a) Allocation of goodwill

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

	Polymer RM'000	Industrial Chemical RM'000	Others RM'000	Total RM'000
31 May 2016	**99**	**100,703**	**4,584**	**105,386**
31 May 2015	90	92,265	-	92,355

15. GOODWILL ARISING ON CONSOLIDATION *(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 post-tax discount rate of 4.36% (2015: 4.8%) and growth rates of 0% - 4.2% (2015: 0% - 4.2%).

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.

(c) Sensitivity to changes in assumptions

With regard to the assessment of value in use of the polymer unit, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the industry chemicals unit, the estimated recoverable amount is higher than its carrying value. The implication of the key assumption for the recoverable amount is discussed below:

(i) Discount rate assumptions

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital which takes into account both debt and equity of the Group. The management has considered the possibility of greater than forecasted discount rate. Based on the sensitivity analysis performed by the management, increase of 100 basis point in the discount rate used would not result in any impairment.

(ii) Growth rate assumptions

Management has considered that a possibility of a weaker than the anticipated growth rate which may occur if the Group and its segments do not perform as per expected results. The effect of bearish future growth performance is not expected to have an adverse impact on forecasts included in the budget, where a reduction in 100 basis point of the growth rate used would not result in an impairment of the balance.

16. DEFERRED TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 June	**(24,926)**	(27,833)	**(24,230)**	(24,230)
Recognised in profit or loss (Note 9)	**404**	3,026	**969**	-
Exchange differences	**(253)**	(119)	**-**	-
At 31 May	**(24,775)**	(24,926)	**(23,261)**	(24,230)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(26,014)**	(26,527)	**(23,261)**	(24,230)
Deferred tax liabilities	**1,239**	1,601	**-**	-
	(24,775)	(24,926)	**(23,261)**	(24,230)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities

	Property, plant and equipment RM'000	Offsetting RM'000	Total RM'000
Group			
At 1 June 2015	3,176	(1,575)	1,601
Recognised in profit or loss	(86)	(276)	(362)
Exchange differences	(25)	25	-
At 31 May 2016	**3,065**	**(1,826)**	**1,239**
At 1 June 2014	3,740	(2,086)	1,654
Recognised in profit or loss	(564)	511	(53)
Exchange differences	-	-	-
At 31 May 2015	3,176	(1,575)	1,601
Company			
At 1 June 2015	2,085	(2,085)	-
Recognised in profit or loss	(245)	245	-
At 31 May 2016	**1,840**	**(1,840)**	**-**
At 1 June 2014	2,398	(2,398)	-
Recognised in profit or loss	(313)	313	-
At 31 May 2015	2,085	(2,085)	-

16. DEFERRED TAX *(continued)*

Deferred tax assets

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Offsetting RM'000	Total RM'000
Group					
At 1 June 2015	(799)	(2,183)	(25,120)	1,575	(26,527)
Recognised in profit or loss	(109)	(496)	1,095	276	766
Exchange differences	(16)	(5)	(207)	(25)	(253)
At 31 May 2016	**(924)**	**(2,684)**	**(24,232)**	**1,826**	**(26,014)**
At 1 June 2014	(720)	(2,675)	(28,178)	2,086	(29,487)
Recognised in profit or loss	(77)	490	3,177	(511)	3,079
Exchange differences	(2)	2	(119)	-	(119)
At 31 May 2015	(799)	(2,183)	(25,120)	1,575	(26,527)
Company					
At 1 June 2015	(644)	(2,129)	(23,542)	2,085	(24,230)
Recognised in profit or loss	(9)	137	1,086	(245)	969
At 31 May 2016	**(653)**	**(1,992)**	**(22,456)**	**1,840**	**(23,261)**
At 1 June 2014	(587)	(2,513)	(23,528)	2,398	(24,230)
Recognised in profit or loss	(57)	384	(14)	(313)	-
At 31 May 2015	(644)	(2,129)	(23,542)	2,085	(24,230)

Unrecognised tax losses

At the reporting date, the Group has tax losses of approximately RM32,524,000 (2015: RM33,399,000) 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 realisation. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to 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.

17. INVENTORIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost				
Finished goods	**19,657**	22,287	**-**	-
Work-in-progress	**1,461**	1,163	**-**	-
Raw materials and consumable stores	**10,334**	8,780	**2**	2
Inventory-in-transit	**-**	74	**-**	-
	31,452	32,304	**2**	2
Net realisable value				
Finished goods	**47,583**	46,946	**4,130**	4,852
Work-in-progress	**3,434**	5,194	**3,434**	5,194
Raw materials and consumable stores	**10,309**	12,526	**4,508**	5,014
	61,326	64,666	**12,072**	15,060
	92,778	96,970	**12,074**	15,062

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company was RM1,056,247,000 (2015: RM1,135,981,000) and RM39,242,000 (2015: RM39,823,000) respectively.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables				
Third parties	**178,887**	200,974	**10,698**	16,299
Related companies	**62**	38	**-**	-
	178,949	201,012	**10,698**	16,299
Less: Allowance for impairment	**(3,807)**	(2,917)	**(612)**	(825)
Trade receivables, net	**175,142**	198,095	**10,086**	15,474
Other receivables				
Amounts due from related companies	**53**	1	**52**	5
Amounts due from subsidiaries	**-**	-	**8,707**	2,257
Amount due from holding company	**10,727**	10,616	**10,733**	10,616
Sundry receivables	**3,701**	4,564	**461**	641
Deposits	**826**	575	**32**	32
Prepayments	**5,280**	5,792	**143**	730
	20,587	21,548	**20,128**	14,281
	195,729	219,643	**30,214**	29,755
Total trade and other receivables	**195,729**	219,643	**30,214**	29,755
Less: Prepayments	**(5,280)**	(5,792)	**(143)**	(730)
Add: Cash and cash equivalents (Note 20)	**65,052**	95,872	**11,746**	5,494
Total loans and receivables	**255,501**	309,723	**41,817**	34,519

18. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 90 days (2015: 30 to 90 days) 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**139,456**	151,330	**5,996**	9,598
Past due not impaired				
1 to 30 days	**24,929**	31,304	**2,875**	4,755
31 to 60 days	**7,114**	9,863	**605**	811
61 to 90 days	**2,105**	3,800	**164**	199
91 to 120 days	**526**	1,235	**11**	2
More than 121 days	**938**	543	**378**	107
	35,612	46,745	**4,033**	5,874
Past due and impaired	**3,881**	2,937	**669**	827
	178,949	201,012	**10,698**	16,299

(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 and the Company. None of the Group's and of the Company'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 RM35,612,000 (2015: RM46,745,000) and of the Company of RM4,033,000 (2015: RM5,874,000) that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

18. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

(iii) Receivables that are impaired

The Group's and the Company'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			
2016			
Impaired receivables	378	3,503	3,881
Less: Allowance for impairment	(378)	(3,429)	(3,807)
	-	**74**	**74**
2015			
Impaired receivables	190	2,747	2,937
Less: Allowance for impairment	(190)	(2,727)	(2,917)
	-	20	20
Company			
2016			
Impaired receivables	-	669	669
Less: Allowance for impairment	-	(612)	(612)
	-	**57**	**57**
2015			
Impaired receivables	-	827	827
Less: Allowance for impairment	-	(825)	(825)
	-	2	2

18. 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 June	**2,917**	2,007	**825**	601
Impairment loss/(Write-back) for the year (Note 6)	**962**	958	**(115)**	136
Written off	**(100)**	(51)	**(98)**	(51)
Transfer of business operations (Note 13(h))	**-**	-	**-**	139
Exchange differences	**28**	3	**-**	-
At 31 May	**3,807**	2,917	**612**	825

(b) Other receivables

Related companies refer to companies within Ancom Berhad 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 bore interest at rates ranging from 5.1% to 7.5% (2015: 5.0% to 7.5%) per annum at the reporting date.

19. DERIVATIVES

The Group and the Company use forward currency derivatives to manage some of the foreign transaction exposure. These derivatives 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 were entered into as hedges for sales and purchases denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to the Group's foreign currency denominated financial assets and financial liabilities.

19. DERIVATIVES *(continued)*

As at the reporting date, the Group and the Company have entered into the following derivatives:

	Group					
	2016			2015		
	Contract / notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract / notional amount RM'000	Assets RM'000	Liabilities RM'000
Current						
Forward currency contracts						
United States Dollar	-	-	-	2,422	-	(23)
Total derivatives		-	-		-	(23)
Add: Held for trading investments (Note 14)		476	-		448	-
Total held for trading financial assets/(liabilities)		476	-		448	(23)

	Company					
	2016			2015		
	Contract / notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract / notional amount RM'000	Assets RM'000	Liabilities RM'000
Current						
Forward currency contracts						
United States Dollar	-	-	-	2,422	-	(23)
Total derivatives		-	-		-	(23)
Add: Held for trading investments (Note 14)		132	-		125	-
Total held for trading financial assets/(liabilities)		132	-		125	(23)

20. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Short-term deposits with licensed banks	**14,783**	30,293	**-**	-
Cash and bank balances	**50,269**	65,579	**11,746**	5,494
Cash and cash equivalents (Note 18)	**65,052**	95,872	**11,746**	5,494

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates.

The average interest rate of deposits as at the reporting date is 4.6% (2015: 4.3%).

21. SHARE CAPITAL

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Authorised:				
At beginning/end of year	**300,000**	300,000	**300,000**	300,000
Issued and fully paid:				
At beginning/end of year	**194,338**	194,338	**194,338**	194,338

Of the total 194,337,860 (2015: 194,337,860) issued and paid-up ordinary shares of RM1.00 each as at 31 May 2016, 2,095,524 (2015: 1,561,124) shares are held as treasury shares by the Company (Note 24). Consequently, as at 31 May 2016, the number of ordinary shares in issue after deduction of the treasury shares is 192,242,336 (2015: 192,776,736) ordinary shares of RM1.00 each.

22. RESERVES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Share premium	**805**	805	**805**	805
Translation reserves	**25,214**	10,501	**-**	-
	26,019	11,306	**805**	805

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

23. RETAINED EARNINGS

The balance of the entire retained earnings of the Company may be distributed as dividends under the single-tier system. Dividends paid under this system are tax-exempt in the hands of shareholders.

In addition, as at 31 May 2016, the Company has tax-exempt income accounts of approximately RM25,251,000 (2015: RM25,251,000) of which the Company can distribute tax-exempt dividends of up to the same amount, subject to the agreement of the Inland Revenue Board.

24. TREASURY SHARES

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
At 1 June	**1,561**	1,530	**888**	869
Repurchase of shares	**535**	31	**300**	19
At 31 May	**2,096**	1,561	**1,188**	888

24. TREASURY SHARES *(continued)*

The details of the shares repurchased during the financial year are as follows:

	No. of shares	Cost RM	Purchase price per share Highest RM	Lowest RM	Average RM
Month					
July 2015	32,300	18,424	0.5900	0.5300	0.5630
August 2015	112,400	59,520	0.5600	0.4700	0.5243
September 2015	64,000	32,954	0.5400	0.4800	0.5089
October 2015	23,200	12,558	0.5500	0.5200	0.5295
November 2015	44,900	26,269	0.5900	0.5650	0.5817
December 2015	48,200	28,220	0.6050	0.5550	0.5776
January 2016	15,000	8,798	0.6600	0.5650	0.5800
February 2016	45,000	26,808	0.6250	0.5700	0.5883
March 2016	60,000	35,133	0.6100	0.5650	0.5791
April 2016	39,400	23,030	0.5900	0.5650	0.5762
May 2016	50,000	28,303	0.5750	0.5400	0.5585
	534,400	**300,017**			

There were no shares resold or cancelled during the financial year.

25. BORROWINGS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Short-term borrowings				
Secured				
Trust receipts	**27,771**	30,466	**-**	-
Revolving credits	**-**	3,319	**-**	-
Term loans	**2,368**	2,302	**-**	-
Hire-purchase and finance lease payables (Note 28)	**8**	41	**-**	-
Unsecured				
Short-term loans	**93,653**	124,465	**20,600**	17,000
	123,800	160,593	**20,600**	17,000

25. BORROWINGS *(continued)*

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Long-term borrowings				
Secured				
Term loans	**2,466**	10,503	**-**	-
Hire-purchase and finance lease payables (Note 28)	**-**	7	**-**	-
	2,466	10,510	**-**	-
Total borrowings (Note 27)	**126,266**	171,103	**20,600**	17,000
Maturity of borrowings				
On demand or within one year	**123,800**	160,593	**20,600**	17,000
More than 1 year and less than 2 years	**1,085**	2,309	**-**	-
More than 2 years and less than 5 years	**1,381**	8,201	**-**	-
Total undiscounted borrowings	**126,266**	171,103	**20,600**	17,000

The borrowings bore interest at rates ranging from 1.85% to 11.5% (2015: 1.55% to 11.5%) per annum at the reporting date.

The secured term loans, trust receipts and revolving credits are for foreign subsidiaries and secured by the mortgage of tank farms and a land and factory building, assignment of insurance policies covering stock in trade in favour of the bank and/or corporate guarantees by their shareholders (Note 12(c)).

The unsecured short term loans were in relation to bankers' acceptance, revolving credit and onshore foreign currency loan obtained from various financial institution.

26. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 June	**3,198**	2,882	**2,576**	2,347
Benefits paid	**(131)**	(81)	**(131)**	(81)
Transfer of business operations (Note 13(h))	**-**	-	**-**	80
Expense recognised in the profit or loss (Note 7)	**552**	385	**278**	230
Actuarial loss from re-measurement	**140**	-	**-**	-
Exchange fluctuation	**49**	12	**-**	-
At 31 May	**3,808**	3,198	**2,723**	2,576

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 average annual 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.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables				
Third parties	**97,416**	110,243	**7,039**	10,422
Related companies	**998**	883	**-**	-
	98,414	111,126	**7,039**	10,422
Other payables				
Amounts due to related companies	**59**	708	**1**	1
Amounts due to subsidiaries	**-**	-	**3,838**	3,786
Provision for warranties	**-**	70	**-**	70
Other payables	**8,799**	9,296	**3,261**	2,900
Accruals	**11,387**	16,108	**4,818**	4,913
	20,245	26,182	**11,918**	11,670
	118,659	137,308	**18,957**	22,092
Total trade and other payables	**118,659**	137,308	**18,957**	22,092
Less: Provision for warranties	**-**	(70)	**-**	(70)
Add: Borrowings (Note 25)	**126,266**	171,103	**20,600**	17,000
Total financial liabilities carried at amortised cost	**244,925**	308,341	**39,557**	39,022

27. TRADE AND OTHER PAYABLES *(continued)*

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2015: 30 to 90 days).

(b) Amounts due to related companies and subsidiaries

Related companies refer to companies within Ancom Berhad group.

The amounts due to related companies and subsidiaries are trade and non-trade transactions. The trade transactions are granted with normal credit terms and non-interest bearing, and non-trade transactions are mainly intercompany advances and expenses paid on behalf. All balances are unsecured, repayable on demand, and non-interest bearing as at reporting date.

(c) Provision for warranties

The Company and one of its subsidiaries have provided for defects liability warranties for two separate projects. The defects liability warranties given are conditions of the contracts awarded and 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 June	**70**	796	**70**	590
Cash payment	**-**	(201)	**-**	-
Write-back for the year (Note 6)	**(70)**	(525)	**(70)**	(520)
At 31 May	**-**	70	**-**	70

28. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	Group 2016 RM'000	Group 2015 RM'000
Minimum lease payments:		
Not later than one year	**8**	44
Later than one year and not later than two years	**-**	7
	8	51
Future finance charges	**-**	(3)
Present value of finance lease liabilities	**8**	48
Present value of finance lease liabilities:		
Not later than one year	**8**	41
Later than one year and not later than two years	**-**	7
	8	48
Analysed as:		
Due within 12 months (Note 25)	**8**	41
Due after 12 months (Note 25)	**-**	7
	8	48

The hire-purchase and lease liabilities bore interest rate at 6.0% (2015: 5.75% to 6.0%) per annum at the reporting date.

29. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Approved and contracted				
Property, plant and equipment	**43,250**	50,660	**244**	371
Approved but not contracted				
Property, plant and equipment	**297**	29	**297**	29
	43,547	50,689	**541**	400

(b) Operating lease commitments - as lessee

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

	Group	
	2016	2015
	RM'000	RM'000
Not later than one year	**15,421**	2,940
Later than one year and not later than two years	**17,193**	424
Later than two years and not later than five years	**1,855**	528
Later than five years	**1,408**	1,299
	35,877	5,191

(c) Guarantees

The Company has provided the following guarantees at 31 May 2016 :

	Company	
	2016	2015
	RM'000	RM'000
Unsecured		
Guarantees given to financial institutions in respect of credit facilities granted to its subsidiaries	**111,478**	135,680

30. CONTINGENT LIABILITIES

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

31. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Sales to related company	(i)				
Ancom Crop Care Sdn Bhd		**278**	135	**61**	-
Timber Preservatives Sdn Bhd		**11**	-	**11**	-
Purchases from subsidiary	(i)				
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**1,190**	3,212
Freight/transport charges paid to related company	(i)				
Pengangkutan Cogent Sdn Bhd		**2,736**	1,851	**-**	-
Storage rental paid to related companies	(i)				
Ancom-ChemQuest Terminals Sdn Bhd		**4,406**	4,078	**-**	-
Interest received from subsidiaries	(ii)				
CKG Chemicals Pte Ltd		**-**	-	**-**	173
ALB Marine Sdn Bhd		**-**	-	**209**	5
Interest received from holding company	(iii)				
Ancom Berhad		**818**	933	**818**	933
Interest paid to subsidiaries	(iv)				
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**-**	70
Advertisement expenses paid to related company	(v)				
Redberry Sdn Bhd		**1,503**	2,276	**583**	417
Gross dividend fromn subsidiaries					
Fermpro Sdn Bhd		**-**	-	**2,800**	2,000
Kumpulan Kesuma Sdn Bhd		**-**	-	**3,506**	1,230
Nylex Specialty Chemicals Sdn Bhd		**-**	-	**2,052**	1,642
Nycon Manufacturing Sdn Bhd		**-**	-	**-**	3,300
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**5,090**	6,528

31. RELATED PARTY DISCLOSURES *(continued)*

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

Note

(i) The Directors are of the opinion that the sales, purchases, freight/transport and storage charges to/from subsidiaries 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. The outstanding balances as at 31 May 2016 are disclosed in Note 18 and Note 27.

(ii) Interest received arose from advances to subsidiaries. The outstanding balances as at 31 May 2016 are disclosed in Note 18.

(iii) Interest received arose from term loan given to holding company. The outstanding balances as at 31 May 2016 are disclosed in Note 18.

(iv) Interest paid arose from advances from subsidiaries. There was no outstanding balances as at 31 May 2016.

(v) Advertisement expenses are contracted for the period from 1 January 2015 to 31 December 2015 and from 1 June 2015 to 31 May 2016. The expenses incurred from June 2015 to May 2016 were recognised in the profit or loss.

(b) 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 Directors of the Company and its subsidiaries.

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fees	**368**	360	**368**	360
Wages and salaries	**12,107**	8,713	**4,340**	2,598
Defined contribution plan and social security costs	**1,075**	757	**370**	297
Other emoluments	**250**	313	**95**	94
	13,800	10,143	**5,173**	3,349

Included in the total remuneration of key management personnel are:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Directors' remuneration (Note 8)	**6,284**	2,976	**3,868**	2,313

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values.

The following methods and assumptions are used to estimate fair values of the following classes of financial instruments:

(i) Current receivables, cash and bank balances and current payables

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.

(ii) Current borrowings

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

(iii) Non-current receivables and non-current borrowings

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

(iv) Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

(v) Derivatives

Forward currency derivatives are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, using present value calculations. The models incorporate various inputs such as the foreign exchange spot and forward rates.

(vi) Financial guarantees

The fair values of financial guarantees are determined based on probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

(a) The likelihood of the guaranteed party defaulting within the guaranteed period;

(b) The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and

(c) The estimated loss exposure if the parties guaranteed were to default.

Upon the adoption of MFRS 139, all unexpired financial guarantees issued were not recognised as no value has been placed on the guarantees provided by the Group as based on the current and past repayment trends of the guaranteed parties, the likelihood of the guaranteed parties defaulting within the guaranteed period were assessed to be remote.

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

(b) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at the financial year end, the Group and the Company held the following financial instruments carried at fair value in the statements of financial position:

	Level	2016 RM'000	2015 RM'000
Group			
Financial assets/(liabilities) at fair value through profit or loss:			
Equity instruments (quoted in Malaysia)	1	**476**	448
Forward currency contracts	2	**-**	(23)
Company			
Financial assets/(liabilities) at fair value through profit or loss:			
Equity instruments (quoted in Malaysia)	1	**132**	125
Forward currency contracts	2	**-**	(23)

During the financial years ended 31 May 2016 and 31 May 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

33. 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 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 the 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 of 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.

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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Financial assets				
Fixed rate	**17,712**	14,700	**14,910**	9,000
Floating rate	**14,041**	44,223	**-**	-
Interest free	**224,224**	251,248	**27,039**	25,644
	255,977	310,171	**41,949**	34,644
Financial liabilities				
Fixed rate	**8**	48	**-**	-
Floating rate	**126,107**	171,084	**20,600**	17,000
Interest free	**118,810**	137,232	**18,957**	22,045
	244,925	308,364	**39,557**	39,045

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

(a) Interest rate risk *(continued)*

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

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Financial assets				
Fixed rate	**4.95**	4.70	**6.23**	6.30
Floating rate	**4.45**	4.45	**-**	-
Financial liabilities				
Fixed rate	**6.00**	6.00	**-**	7.50
Floating rate	**4.44**	4.77	**5.09**	5.01

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's net profit for the year would have been higher/lower by approximately RM85,000 (2015: RM95,000) 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.

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.

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

(b) Foreign currency risk *(continued)*

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 net profit for the year would have been higher/lower as follows:

	2016 RM'000	2015 RM'000
USD/RM	**228**	858
SGD/RM	**59**	176
JPY/RM	**1**	4
USD/SGD	**10**	2
USD/VND	**(19)**	(138)
USD/IDR	**114**	183

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 2016					
Receivables					
Ringgit Malaysia	-	-	63	-	63
United States Dollar	8,843	176	-	-	9,019
Singapore Dollar	1,305	-	2,494	-	3,799
Japanese Yen	48	-	-	-	48
	10,196	**176**	**2,557**	**-**	**12,929**
Cash and bank balances					
Ringgit Malaysia	-	1	56	-	57
United States Dollar	17,932	5,045	-	63	23,040
Singapore Dollar	1,261	9	294	-	1,564
	19,193	**5,055**	**350**	**63**	**24,661**

33. 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 2016					
Borrowings					
United States Dollar	**744**	**-**	**-**	**896**	**1,640**
Payables					
Ringgit Malaysia	-	-	366	-	366
United States Dollar	15,780	228	-	-	16,008
Singapore Dollar	-	-	2,364	-	2,364
	15,780	**228**	**2,730**	**-**	**18,738**
At 31 May 2015					
Receivables					
Ringgit Malaysia	-	-	26	-	26
United States Dollar	16,272	1,596	-	-	17,868
Singapore Dollar	6,671	-	2,120	-	8,791
Japanese Yen	178	-	-	-	178
	23,121	1,596	2,146	-	26,863
Cash and bank balances					
Ringgit Malaysia	-	-	10	-	10
United States Dollar	27,280	9,165	-	12	36,457
Singapore Dollar	1,148	-	350	-	1,498
	28,428	9,165	360	12	37,965
Borrowings					
United States Dollar	-	-	-	6,147	6,147
Payables					
Ringgit Malaysia	-	-	382	-	382
United States Dollar	5,082	2,612	-	-	7,694
Singapore Dollar	-	-	2,359	-	2,359
Euro	-	4	-	-	4
	5,082	2,616	2,741	-	10,439

33. 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 table below summarises the maturity profile of the liabilities of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations.

	2016 RM'000		
	On demand or within one year	**One to five years**	**Total**
Group			
Financial liabilities			
Trade and other payables	118,659	-	118,659
Loans and borrowings	123,800	2,750	126,550
Total undiscounted financial liabilities	**242,459**	**2,750**	**245,209**
Company			
Financial liabilities			
Trade and other payables	18,957	-	18,957
Loans and borrowings	20,600	-	20,600
Financial guarantee contract	21,236	-	21,236
Total undiscounted financial liabilities	**60,793**	**-**	**60,793**

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

(c) Liquidity risk *(continued)*

	2015 RM'000		
	On demand or within one year	**One to five years**	**Total**
Group			
Financial liabilities			
Trade and other payables	137,308	-	137,308
Loans and borrowings	160,593	11,719	172,312
Total undiscounted financial liabilities	297,901	11,719	309,620
Company			
Financial liabilities			
Trade and other payables	22,092	-	22,092
Loans and borrowings	17,000	-	17,000
Financial guarantee contract	25,867	-	25,867
Total undiscounted financial liabilities	64,959	-	64,959

(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 18. 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.

A nominal amount of RM111,478,000 (2015: RM135,680,000) relating to corporate guarantees is provided by the Company to financial institutions for credit facilities granted to its subsidiaries.

34. 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 pay-out 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.

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

	Note	2016 RM'000	2015 RM'000
Borrowings	25	**126,266**	171,103
Short-term deposits with licensed banks	20	**(14,783)**	(30,293)
Cash and bank balances	20	**(50,269)**	(65,579)
Net debt		**61,214**	75,231
Total equity attributable to owners of the parent		**322,736**	301,159
Gearing ratio		**19.0%**	25.0%

35. SIGNIFICANT EVENT DURING THE YEAR

The Company had on 20 May 2016 entered into a share sale agreement for the acquisition of 1,320,000 ordinary shares in NYL representing 60% of the issued and paid-up share capital of NYL for a cash consideration of RM6,376,461.

NYL is in the business of transport, cartage and haulage contractors and agencies. The transaction was completed on 26 May 2016.

36. 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.

36. **SEGMENT INFORMATION** *(continued)*

(a) **Business segments** *(continued)*

	Polymer		Industrial Chemical		Investment Holding and Others		Adjustments and eliminations		Note	Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000		2016 RM'000	2015 RM'000
Revenue											
External sales	**119,475**	128,385	**1,077,975**	1,144,352	**-**	-	**-**	-		**1,197,450**	1,272,737
Inter-segment sales	**-**	1	**1,190**	3,219	**-**	-	**(1,190)**	(3,220)	(a)	**-**	-
Total revenue	**119,475**	128,386	**1,079,165**	1,147,571	**-**	-	**(1,190)**	(3,220)		**1,197,450**	1,272,737
Results											
Interest income	**246**	475	**550**	497	**818**	933	**-**	-		**1,614**	1,905
Depreciation	**4,347**	3,815	**1,904**	1,696	**207**	232	**-**	-		**6,458**	5,743
Other non-cash expenses/ (income)	**1,533**	1,601	**(604)**	(732)	**(79)**	(210)	**-**	-	(b)	**850**	659
Segment profit/ (loss)	**15,800**	14,149	**11,872**	10,566	**(7,160)**	(6,332)	**-**	-		**20,512**	18,383
Assets											
Goodwill on consolidation	**99**	90	**100,703**	92,265	**4,584**	-	**-**	-	(d)	**105,386**	92,355
Additions to non-current assets	**4,897**	24,587	**2,705**	13,543	**4,035**	534	**-**	-	(c)	**11,637**	38,664
Segment assets	**120,630**	121,185	**310,058**	369,450	**69,518**	46,357	**(17,402)**	(3,000)	(d)	**482,804**	533,992
Segment liabilities	**24,250**	35,152	**198,283**	256,821	**47,220**	25,338	**(17,402)**	(3,000)	(e)	**252,351**	314,311

36. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Note

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

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

	Notes	2016 RM'000	2015 RM'000
Gain on disposal of non-financial assets	4	**(55)**	(4)
Fair value loss on derivatives	6	**-**	23
Inventories written-down	6	**951**	2,345
Unrealised gain on foreign exchange	6	**(1,560)**	(3,048)
Impairment loss on financial assets	6	**962**	958
Provision for retirement benefits	26	**552**	385
		850	659

(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.

36. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

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

	Revenue		Segment assets	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**581,096**	620,778	**297,575**	351,074
Singapore	**275,283**	329,116	**77,317**	90,163
Indonesia	**100,896**	85,212	**90,548**	79,487
Vietnam	**94,867**	64,214	**17,364**	13,268
Philippines	**37,652**	38,207	**-**	-
Australia	**23,535**	19,595	**-**	-
Thailand	**12,315**	17,097	**-**	-
New Zealand	**10,568**	19,851	**-**	-
United States of America	**10,390**	19,697	**-**	-
Africa	**9,656**	10,256	**-**	-
Sri Lanka	**9,013**	10,683	**-**	-
Bangladesh	**7,069**	8,589	**-**	-
Taiwan	**6,631**	268	**-**	-
Hong Kong	**6,224**	12,594	**-**	-
Europe	**4,073**	176	**-**	-
Middle East	**2,213**	1,588	**-**	-
China	**2,010**	1,914	**-**	-
Nepal	**1,235**	2,110	**-**	-
Pakistan	**1,178**	4,335	**-**	-
Japan	**1,126**	1,631	**-**	-
India	**293**	2,851	**-**	-
South America	**99**	-	**-**	-
Korea	**28**	1,703	**-**	-
Other North and South East Asia	**-**	148	**-**	-
Brunei	**-**	124	**-**	-
	1,197,450	1,272,737	**482,804**	533,992

37. SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 May 2016, into realised and unrealised profits, is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Retained earnings				
Realised	**134,219**	122,934	**34,157**	25,481
Unrealised	**26,312**	29,073	**23,026**	24,693
	160,531	152,007	**57,183**	50,174
Less: Consolidation adjustments	**(56,964)**	(55,604)	**-**	-
Total retained earnings	**103,567**	96,403	**57,183**	50,174

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

UTILISATION OF PROCEEDS

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

NON-AUDIT FEES

The Company paid RM10,000 to the external auditors for review of the Statement on Risk Management and Internal Control for the financial year ended 31 May 2016.

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.

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 of industrial chemicals for storage	4,406	1) Ancom Berhad 2) Rhodemark Development Sdn Bhd 3) Dato' (Dr) Siew Ka Wei
Pengangkutan Cogent Sdn Bhd	Transportation of industrial chemicals	2,736	
Ancom Crop Care Sdn Bhd	Sale of industrial chemicals	278	
Redberry Sdn Bhd	Provision of media services and sponsorship	1,503	
Ancom Kimia Sdn Bhd	Sale and purchase of industrial chemicals	53,341	Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid

LIST OF PROPERTIES

As at 31 May 2016

Location / Address	Title	Age of Building (Years)	Land Area (sq. m.)	Existing Use	Date of Acquisition / Revaluation	Tenure	Net Book Value as at 31.05.16 (RM'000)
a) Proprietor:							
Nylex (Malaysia) Berhad							
Lot 16 Persiaran Selangor Section 15 40200 Shah Alam	HS (D) 256546	45	30,224	Office building and factory.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	18,455
Selangor Darul Ehsan	HS (D) 256546	36	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	25	28,491	Office building and factory.	01 July 2004	Leasehold, expiring on 09 June 2086.	5,915
c) Proprietor:							
Fermpro Sdn Bhd							
Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	28	16,190	Office building and factory.	01 July 2004	Leasehold, expiring on 22 November 2046.	1,574
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.	906
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	14	8,100	Office building and factory.	01 July 2004	Leasehold, expiring on 07 February 2059.	381
d) Proprietor:							
Nylex Specialty Chemicals Sdn Bhd							
Lot 593 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 5507	41	8,093	Office building and factory.	01 March 2005	Leasehold, expiring on 01 September 2074.	1,752
Lot 624 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 6588	39	8,298	Office building and warehouse.	01 March 2005	Leasehold, expiring on 19 February 2076.	2,298

The above buildings are in good condition.

ANALYSIS OF SHAREHOLDINGS

As at 5 September 2016

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	:	12,509
Voting rights	:	One vote per ordinary share on a poll

Distribution schedule

Holdings	**No. of holders**	**No. of shares**	**%**
Less than 100	2,302	53,090	0.03
100 to 1,000	5,197	2,011,592	1.05
1,001 to 10,000	3,599	11,921,106	6.20
10,001 to 100,000	1,259	35,869,189	18.68
100,001 to less than 5% of issued shares	149	68,085,951	35.45
5% and above of issued shares	3	74,099,008	38.59
	12,509	**192,039,936**	**100.00**

Note:

1 Excludes a total of 2,297,924 ordinary shares of the Company bought back by the Company and retained as treasury shares pursuant to Section 67A of the Companies Act, 1965 as at 5 September 2016.

Substantial holders

	Direct		**Indirect**	
	No. of shares	**%**	**No. of shares**	**%**
1. Dato' (Dr) Siew Ka Wei	1,522,049	0.79	93,671,435(1)	48.78
2. Ancom Berhad	34,809,700	18.13	53,125,888(2)	27.66
3. Rhodemark Development Sdn Bhd	53,125,888	27.66	-	-
4. Chan Thye Seng	-	-	87,935,588(3)	45.79
5. Pacific & Orient Berhad	-	-	87,935,588(4)	45.79
6. Mah Wing Holdings Sdn Bhd	-	-	87,935,588(3)	45.79
7. Mah Wing Investments Limited	-	-	87,935,588(3)	45.79

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.

3 Deemed interested by virtue of his/their direct and indirect interest in Pacific & Orient Berhad.

4 Deemed interested by virtue of their direct and indirect interest in Ancom Berhad.

Directors' holdings

	Direct		**Indirect**	
	No. of shares	**%**	**No. of shares**	**%**
1. Dato' (Dr) Siew Ka Wei	1,522,049	0.79	93,671,435(1)	48.78

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.

As at 5 September 2016

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

	Name	No. of shares	%
1.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Rhodemark Development Sdn Bhd (01-00845-000)	36,499,008	19.01
2.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ancom Berhad (01-00846-000)	21,000,000	10.94
3.	Kenanga Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Rhodemark Development Sdn Bhd	16,600,000	8.64
4.	Kenanga Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Ancom Berhad (3rd Party)	8,854,000	4.61
5.	Pacific & Orient Insurance Co Berhad	8,500,000	4.43
6.	Ancom Berhad	4,955,700	2.58
7.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	4,316,983	2.25
8.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,677,469	0.87
9.	Loh Lai Kim	1,318,534	0.69
10.	Terengganu Incorporated Sdn Bhd	1,110,215	0.58
11.	Cheung Kwong Kwan	1,100,859	0.57
12.	Dynaquest Sdn Berhad	1,100,000	0.57
13.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (KLC/KEN)	954,100	0.50
14.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Eng Ho Wa'a @ Chua Eng Wah (029)	802,725	0.42
15.	Chan Che San	766,500	0.40
16.	Kenanga Nominees (Tempatan) Sdn Bhd Heah Sieu Lay (PCS)	765,882	0.40
17.	Lim Chui Kui @ Lim Chooi Kui	741,898	0.39
18.	Lim Jit Hai	740,000	0.38
19.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (CEB)	727,031	0.38
20.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	700,000	0.36
21.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	696,392	0.36
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	690,537	0.36
23.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Bank Julius Baer & Co Ltd (Singapore Bch)	565,021	0.29
24.	Lim Soon Heng	525,000	0.27
25.	Lim Ying Ying	523,163	0.27
26.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Silver Dollars Sdn Bhd (01-00198-001)	495,667	0.26
27.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Siew Nim Chee & Soans Sdn Bhd (01-00195-001)	467,739	0.24
28.	Yeoh Phek Leng	451,352	0.24
29.	Ng Swee Seong	420,000	0.22
30.	John Neo Wui Seng	405,000	0.21
	Total	**118,470,775**	**61.69**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of the Company will be held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 October 2016 at 9.30 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Group and of the Company and Reports of the Directors and the Auditors thereon for the financial year ended 31 May 2016; **(Please refer Explanatory Note1)**

2. To approve the payment of a final single-tier dividend of 2.0 sen for the financial year ended 31 May 2016; **(Resolution 1)**

3. To approve Directors' fees for the financial year ended 31 May 2016; **(Resolution 2)**

4. To re-elect YM Dato' Tengku Mahamad bin Tengku Mahamut who retires pursuant to Article 93 of the Company's Articles of Association; **(Resolution 3)**

5. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:
   5.1 Lim Hock Chye; **(Resolution 4)**
   5.2 Edmond Cheah Swee Leng; **(Resolution 5)**

6. To re-appoint Messrs BDO as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

7. Proposed Issuance Of New Ordinary Shares Of RM1.00 Each Pursuant To Section 132D Of The Companies Act, 1965 **(Resolution 7)**

   "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."

8. Proposed New and Proposed Renewal Of The Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed RRPT Mandate") **(Resolution 8)**

   "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 of Part A of the Circular to Shareholders/ Statement dated 27 September 2016 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."

9. Proposed Renewal Of Shareholders' Mandate On Share Buy-Back ("Proposed Share Buy-Back Mandate") **(Resolution 9)**

"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."

10. 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,

STEPHEN GEH SIM WHYE
Secretary

Petaling Jaya
27 September 2016

Notes

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2016 shall be entitled to attend, speak and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
6. 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 7**
   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") for such purposes as the Directors consider would be in the best interest of the Company. 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.

   As at the date of this Notice, no new shares were issued pursuant to the Share Issue Mandate obtained at the 45^{th} Annual General Meeting held on 19 November 2015 which will lapse at the conclusion of this Annual General Meeting.

   The renewal of 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 8**
   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 27 September 2016 which is despatched together with this Annual Report.

4. **Resolution 9**
   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 Mandate is set out in the Statement in relation to Proposed Renewal of Shareholders' Mandate on Share Buy-Back dated 27 September 2016 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 ____ I.C. No ______________________
(Full Name in Block Letters)

of ____
(Full Address)

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

No.	Full Name in Block Letters	I.C. No.	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 46th Annual General Meeting of the Company to be held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 October 2016, at 9.30 a.m. 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 final dividend.	1		
3.	To approve the payment of Directors' fees.	2		
4.	To re-elect YM Dato' Tengku Mahamad bin Tengku Mahamut who retires pursuant to Article 93 of the Company's Articles of Association.	3		
5.	To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association: 5.1 Lim Hock Chye	4		
	5.2 Edmond Cheah Swee Leng	5		
6.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.	6		
7.	To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.	7		
8.	To approve the new and renewal of recurring related party transaction mandate.	8		
9.	To approve the renewal of share buy-back mandate.	9		

(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 ________________ 2016

Telephone no.
during office hours: ______________________

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

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2016 shall be entitled to attend, speak and vote at the Meeting.
2. A member entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
6. 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.

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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

Then fold here

www.**nylex**.com