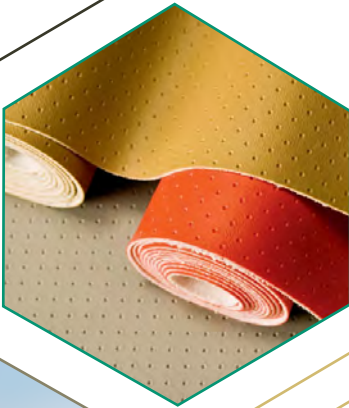




NYLEX (MALAYSIA) BERHAD (9378-T)
(Incorporated in Malaysia)



TOGETHER
WE CAN MAKE A
DIFFERENCE



ANNUAL
REPORT
2017



47th

ANNUAL GENERAL MEETING

VENUE: Selangor 1 Ballroom,
Dorsett Grand Subang,
Jalan SS12/1, 47500 Subang Jaya,
Selangor Darul Ehsan, Malaysia

DATE: Thursday, 19 October 2017

TIME: 9.30 a.m.



TABLE OF CONTENTS



COVER RATIONALE

Nylex has steered through the years by focusing on the Group's operational and economic efficiencies, it has led us to remain resilient. With the commitment of progressing towards a new level of quality, innovation and distribution network expansion, together we can make a difference as we pave the way for greater things to come.

02	Corporate Information
03	Corporate Structure
04	List of Principal Offices
05	Five-Year Highlights
07	Board of Directors
12	Key Senior Management
16	Chairman's Statement
19	Management Discussion and Analysis
23	Statement on Corporate Governance
36	Audit Committee Report
39	Statement on Risk Management and Internal Control
41	Corporate Social Responsibility Statement
43	Directors' Responsibilities Statement on Financial Statements
45	Financial Statements
116	Additional Information
117	List of Properties
118	Analysis of Shareholdings
120	Notice of Annual General Meeting <ul style="list-style-type: none">• Form of Proxy

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)

**Puan Sri Datuk Rohani Parkash
binti Abdullah**
*(Independent Non-Executive Director)
(Appointed on 1 November 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

Soo Shiow Fang (MAICSA 7044946)
(Appointed on 07 September 2017)
Stephen Geh Sim Whye (MICPA 1810)

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

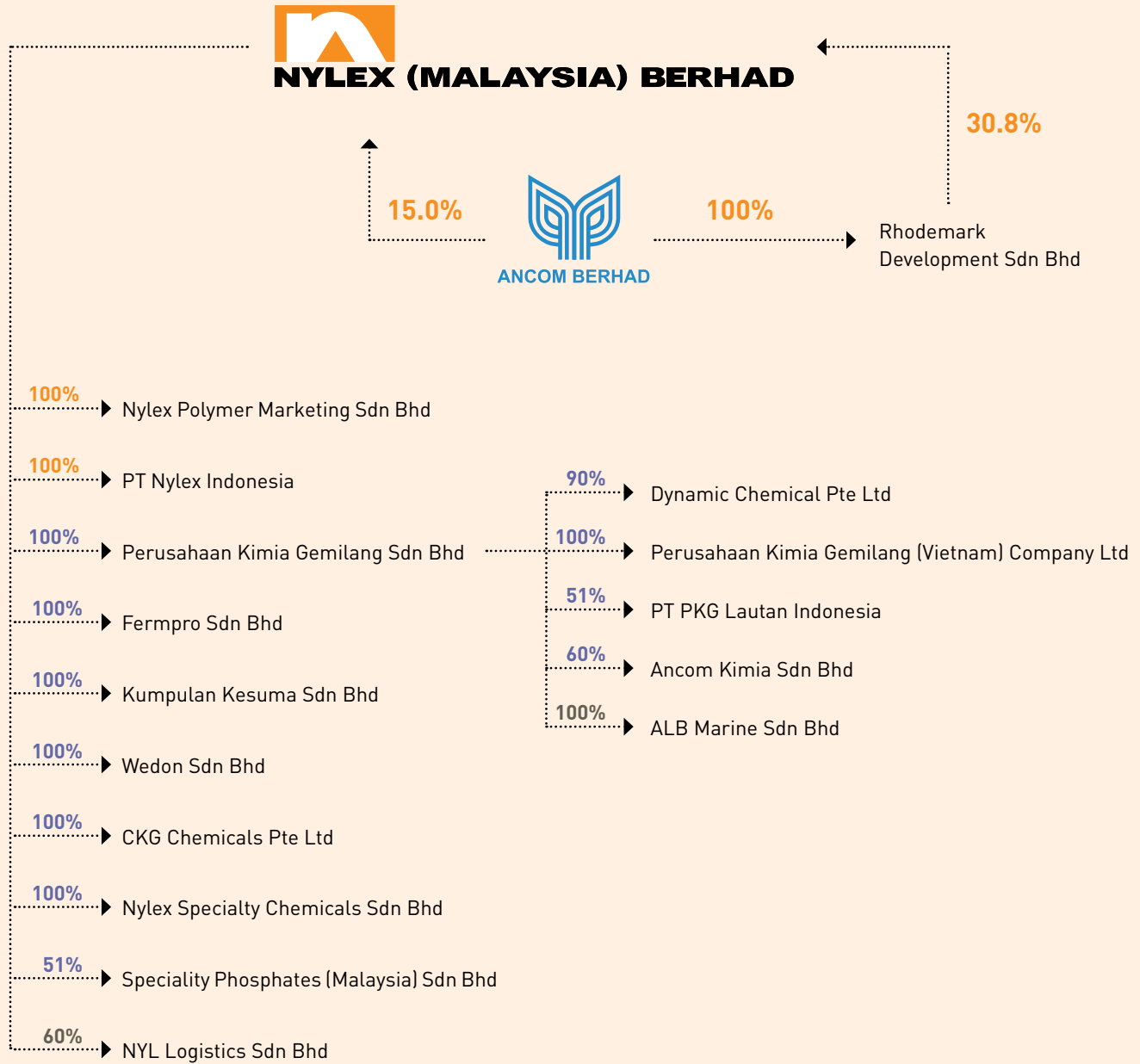
Shearn Delamore & Co

DOMICILE

Malaysia

CORPORATE STRUCTURE

As at 31 May 2017



Legend:

● Polymer Division

● Industrial Chemical Division

● Logistics Division

* Only major companies are shown in the Corporate Structure

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
Wringinanom, Gresik
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

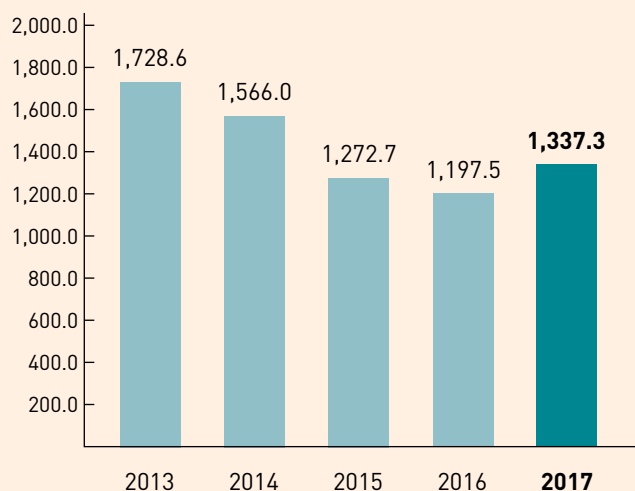
No. 72A-1, Jalan Temenggung 17/9
Bandar Mahkota Cheras
43200 Cheras
Selangor Darul Ehsan
Malaysia
Tel : (603) 9076 8222
Fax : (603) 9075 9288

FIVE-YEAR HIGHLIGHTS

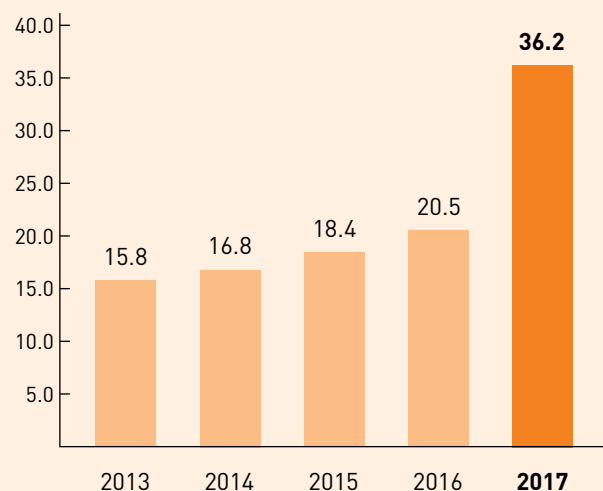
	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	1,337,256	1,197,450	1,272,737	1,566,028	1,728,625
Earnings before interest, tax, depreciation and amortisation	53,426	33,889	30,657	30,715	30,691
Profit before tax	36,154	20,512	18,383	16,791	15,776
Net profit for the year	23,761	11,177	5,209	7,164	7,023
Net profit attributable to owners of the parent	20,386	11,154	7,386	7,959	7,755
ASSETS					
Property, plant and equipment	159,706	102,107	92,650	59,750	65,498
Investments	861	476	448	428	415
Other non-current assets	133,938	131,400	118,882	113,552	119,711
Other current assets	510,833	354,207	414,367	439,425	498,484
TOTAL ASSETS	805,338	588,190	626,347	613,155	684,108
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	194,338	194,338	194,338	194,338	194,338
Reserves	32,798	26,019	11,306	52	669
Retained earnings	120,127	103,567	96,403	95,385	90,321
Less: Treasury shares, at cost	(1,386)	(1,188)	(888)	(869)	(735)
	345,877	322,736	301,159	288,906	284,593
Non-controlling interests	16,586	13,103	10,877	12,320	3,092
Total equity	362,463	335,839	312,036	301,226	287,685
Borrowings	266,571	126,266	171,103	153,640	198,320
Other non-current liabilities	5,528	5,047	4,799	4,536	4,285
Other current liabilities	170,776	121,038	138,409	153,753	193,818
TOTAL EQUITY AND LIABILITIES	805,338	588,190	626,347	613,155	684,108
Financial indicators					
Return on equity - percentage	6.6	3.3	1.7	2.4	2.4
Return on total assets - percentage	5.5	4.7	4.0	4.0	3.5
Net gearing ratio - percentage	45.5	19.0	25.0	26.8	53.4
Interest cover ratio - times	5.6	4.0	3.8	3.1	2.9
Price to earnings ratio - times	9.0	9.3	14.5	15.5	13.6
Earnings per share - sen	10.6	5.8	3.8	4.1	4.0
Gross dividend per share - sen	2.0	2.0	3.0	2.0	2.0
Net assets per share - sen	180.2	167.9	156.2	149.8	147.4
Share price - sen	95.5	54.0	55.5	64.0	54.5
Other information					
Depreciation and amortisation	9,266	6,458	5,743	6,100	6,677
Finance costs	7,921	6,919	6,531	7,824	8,238

FIVE-YEAR HIGHLIGHTS

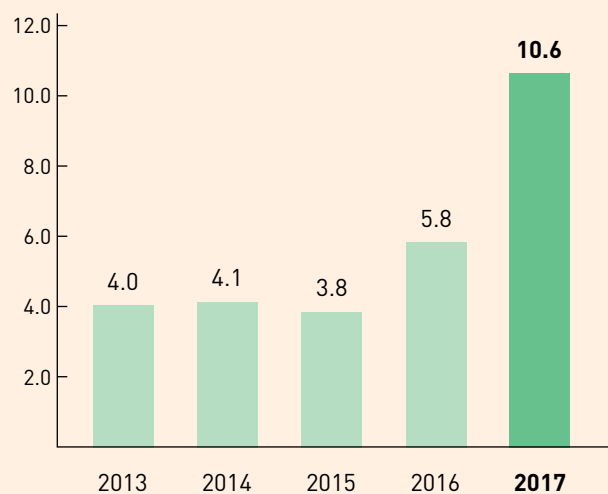
REVENUE - RM'million



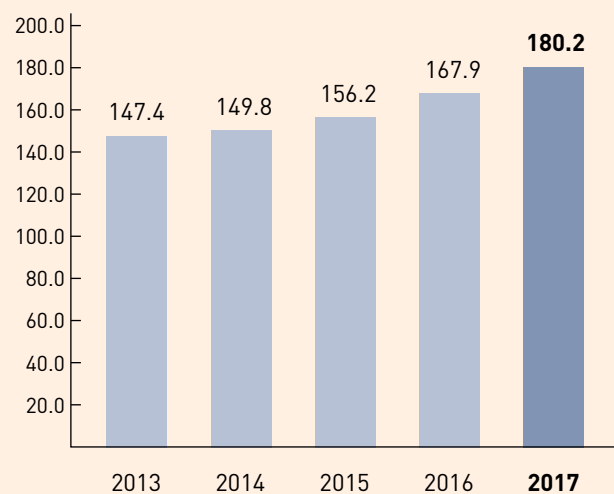
PROFIT BEFORE TAX - RM'million



EARNINGS PER SHARE - sen



NET ASSETS PER SHARE - sen



BOARD OF DIRECTORS



TAN SRI IR (DR) MOHAMED AL AMIN ABDUL MAJID
Age 62, 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.

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 61, 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 appointed as the Chairman of Tourism Malaysia on 21 September 2016. He was also 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.

BOARD OF DIRECTORS



LIM HOCK CHYE

Age 62, 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 63, 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 ("MIA") and Association of Chartered Accountants, England & Wales. He is also a Certified Financial Planner ("CFP").

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.

BOARD OF DIRECTORS



SAFRIZAL BIN MOHD SAID

Age 51, 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 ("CTIM"), 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 69, 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.

BOARD OF DIRECTORS



DATO' TENGKU MAHAMAD BIN TENGKU MAHAMUT

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

Joined the Board on 31 March 2016.

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 Petroliaam 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.



PUAN SRI DATUK ROHANI PARKASH BINTI ABDULLAH

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

Joined the Board on 1 November 2016.

Puan Sri Rohani obtained a Master of Business Administration, Oklahoma State University, USA.

Puan Sri Rohani completed 35 years of service in the Administrative and Diplomatic Service, Malaysia in 2015. She began her career in the Prime Minister's Department (1981) and has served in various capacities in the public sector. Her experience includes a 5 year stint handling budget and development in the Ministry of Land and Regional Development where she played a crucial role in establishing the basis for the issuance of Strata Titles under the National Land Code, rationalising issuance of individual titles to FELDA settlers; and monitoring the development of land development agencies such as FELDA, FELCRA and RISDA and multiple regional growth centres.

From 1991 until 2001, she served in the Ministry of Energy, Telecommunications & Posts which later evolved as the Ministry of Energy, Communications & Multimedia. During this period, she was actively involved in policy and international matters and led delegations to international conferences and negotiations in the telecommunications and posts sectors. She played an instrumental role in the creation and implementation of Malaysia's first Cyber Laws and various telecommunications regulations.

BOARD OF DIRECTORS

Puan Sri Rohani then served the Ministry of Human Resources in 2001 where she continued her role in international negotiations on labour matters and setting frameworks for foreign workers and the basis for what is now the Talent Corporation. She was part of the pioneer team to set up the Ministry of Higher Education in 2004. She headed the Policy and International Division and was actively engaged in all policy and international matters for the higher education sector. In 2010, Puan Sri Rohani became the Deputy Secretary General (Development) and thereafter served as a Senior Fellow at Universiti Teknologi Malaysia. Puan Sri Rohani is the current President of the Association of Women Civil Servants and Wives of Civil Servants ("PUSPANITA").

Currently, Puan Sri Rohani is a Director of CCM Duopharma Biotech Berhad and 7-Eleven Malaysia Holdings Berhad. Both of which are listed on the Main Market of Bursa Malaysia Securities 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 the page 116 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 pages 31 to 32 and pages 48 to 49 of this Annual Report.

KEY SENIOR MANAGEMENT

TAN SRI IR (DR) MOHAMED AL AMIN ABDUL MAJID

Age 62, Male, Malaysian

Executive Chairman

Details of Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid are disclosed in the Director's profile on page 7 of this Annual Report.

DATO' (DR) SIEW KA WEI

Age 61, Male, Malaysian

Group Managing Director

Details of Dato' (Dr) Siew Ka Wei are disclosed in the Director's profile on page 7 of this Annual Report.

CORPORATE DIVISION

MICHELLE CHEN TAI NGOH

Age 50, 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 as 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.

KEY SENIOR MANAGEMENT

POLYMER DIVISION

ERIC CHAN HEAN CHIN

Age 57, 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 47, 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 57, Male, Singaporean

Executive Director

– CKG Chemicals Pte Ltd

Hwai Ming started his career as a technician in Tankfarm and Shipping operations in ESSO Refinery 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 50, 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 49, 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 54, 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.





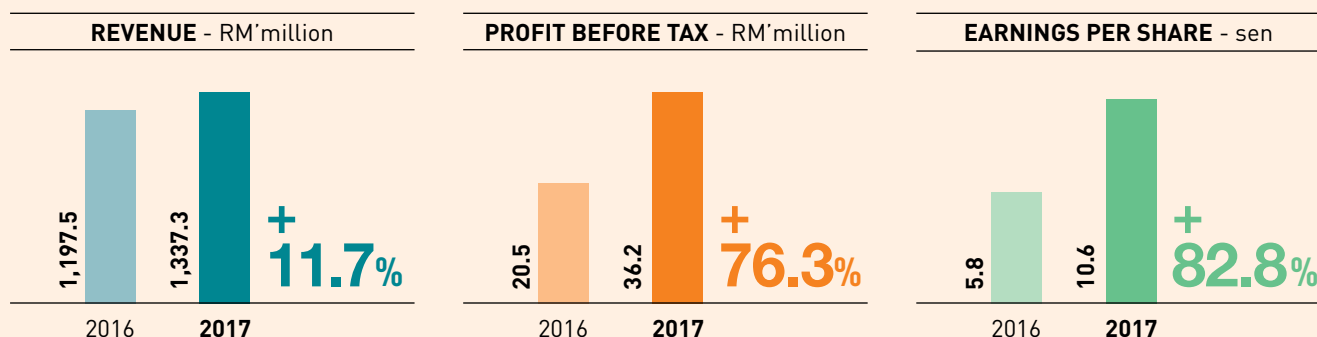
**TAN SRI IR (DR)
MOHAMED AL AMIN
ABDUL MAJID**
EXECUTIVE CHAIRMAN

CHAIRMAN'S STATEMENT

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 2017 (“FY 2017”).

CHAIRMAN'S STATEMENT



FINANCIAL PERFORMANCE

The Nylex Group has achieved creditable financial results for FY 2017.

For the current financial year under review, the Group's revenue grew 11.7% to RM1,337.3 million from RM1,197.5 million recorded in the last financial year. The increase in revenue was due to higher contribution from both the Industrial Chemical Division and Polymer Division and also the inclusion of the revenue from the newly set up Logistics Division. The Group's profit before tax ("PBT") rose 76.3% to RM36.2 million, from RM20.5 million recorded in the last financial year, driven by higher revenue and improved margins earned for certain products.

After accounting for taxation and non-controlling interests, the profit attributable to shareholders was RM20.4 million (FY 2016: RM11.2 million).

The basic earnings per share rose to 10.6 sen for FY 2017 from 5.8 sen in the last financial year. Net assets per share attributable to equity holders of the parent as at 31 May 2017 increased to 180.2 sen, compared with 167.9 sen as at 31 May 2016.

REVIEW OF OPERATIONS

Polymer Division

For the current financial year, the Polymer Division recorded higher revenue of RM125.7 million, compared with RM119.5 million achieved in FY 2016, mainly due to higher contribution by its manufacturing plant in Surabaya, Indonesia and also higher demand for its sub-soil drainage products.

The improved revenue leads to a higher PBT of RM18.0 million compared with RM15.8 million in FY 2016.

Industrial Chemical Division

The Industrial Chemical Division posted 11.4% higher revenue of RM1,200.5 million for the current financial year compared with RM1,078.0 million recorded in the last financial year, lifted by generally improved average selling prices and higher volume sold for its products.

The Division posted higher PBT of RM28.7 million for the year, as compared to RM11.9 million achieved in the last financial year.

CHAIRMAN'S STATEMENT

Logistics Division

For the current financial year under review, the newly set up Logistics Division contributed revenue of RM11.1 million while recorded a loss before tax of RM1.7 million. The loss was mainly attributed by the pre-operating expenses as well as the subsequent under-recovery of overheads by the newly delivered vessel. The new vessel was constructed and delivered by the Japanese builder in mid-January 2017. It was not fully operational as at the financial year end as it was undergoing certain procedural ship inspection by the relevant authorities during the year.

DIVIDEND

In appreciation of the continuing support from our shareholders, it is my pleasure to announce that 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 FY 2017.

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 RM3,839,418.7.

PROSPECTS FOR NEXT FINANCIAL YEAR

Global growth has shown some signs of improvement recently. However, the pace of recovery remains sluggish. The sustainability of the global demand outlook remains uncertain.

Amid the uncertainty surrounding the stability of the global economy, the Board expects the business environment to remain challenging. Nevertheless, the Board will continue its effort to build up the Group's growth momentum by continue to improve production efficiencies and lower costs of operations for its manufacturing activities, and to explore opportunities to expand the distribution network and product offerings for its distribution business, aims to achieve satisfactory results in the next financial year ending 31 May 2018.

CHANGE IN BOARDROOM

I would like to take this opportunity to extend a warm welcome to Puan Sri Datuk Rohani Parkash binti Abdullah, who has joined the Board of Directors as Independent Non-Executive Director, with effect from 1 November 2016.

APPRECIATION

On behalf of the Board, I wish to express our sincere appreciation to the management and all employees for their contribution, commitment and dedication 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 to the Group.

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

Petaling Jaya, Selangor Darul Ehsan
23 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Nylex (Malaysia) Berhad ("Nylex") 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.

Nylex's subsidiaries are involved in the manufacture, marketing and distribution of petrochemicals and industrial chemicals; the provision of transport, cartage, and haulage contractor services and also involved in the business of ship owning, ship management and charter hire of tanker.

Nylex has three business divisions, namely the Polymer Division, Industrial Chemical Division and a newly set up Logistics Division.

Polymer Division

The Polymer Division comprises Nylex (Malaysia) Berhad and the following companies:

- PT Nylex Indonesia ("PTNI")
- Nylex Polymer Marketing Sdn Bhd

This Division manufactures and markets a wide range of products, namely polyvinyl chloride (PVC) and polyurethane (PU) leathercloth, films and sheets, pre-fabricated drains, bulk chemical containers, road barriers, rubbish bins, playground equipment, water tanks and other custom moulding.

The Division has two (2) manufacturing plants of which one is located in Shah Alam, Selangor and the other one is located in Surabaya, Indonesia.

Industrial Chemical Division

The main revenue contributor of Nylex Group is the Industrial Chemical Division.

The Division comprises Distribution business segment and Manufacturing business segment. The Distribution business segment markets and distributes a wide range of petrochemicals and industrial chemicals into the Asia Pacific region. The Manufacturing business segment manufactures ethanol, phosphoric acid, adhesives and sealants.

This Distribution business segment is made up of the following companies:

- Perusahaan Kimia Gemilang Sdn Bhd and its subsidiaries
 - Dynamic Chemical Pte Ltd, Singapore
 - Perusahaan Kimia Gemilang (Vietnam) Company Ltd
 - PT PKG Lautan Indonesia
 - Ancom Kimia Sdn Bhd
- CKG Chemicals Pte Ltd, Singapore

The Manufacturing business segment consists of the following companies:

- Fermpro Sdn Bhd ("Fermpro")
- Nylex Specialty Chemicals Sdn Bhd ("NSC")
- Speciality Phosphates (Malaysia) Sdn Bhd
- Kumpulan Kesuma Sdn Bhd
- Wedon Sdn Bhd

MANAGEMENT DISCUSSION AND ANALYSIS

Logistics Division

There are two companies in this Division, namely:

- NYL Logistics Sdn Bhd (“NYL”); and
- ALB Marine Sdn Bhd (“ALBM”)

NYL is involved in the provision of transport, cartage, and haulage contractors and agencies services. ALBM ventures into the business of ship owning, ship management and charter hire of tanker. ALBM owns a 6,800 dwt IMO type II chemical tanker.

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

Group

For the current financial year (“FY 2017”) under review, the Group achieved double-digit revenue growth of 11.7% to RM1,337.3 million from RM1,197.5 million recorded in the last financial year. The increase in revenue was due to higher contribution from both the Industrial Chemical Division and Polymer Division and also the inclusion of the revenue from the newly set up Logistics Division. The Group’s profit before tax (“PBT”) grew 76.3% to RM36.2 million, from RM20.5 million recorded in the last financial year, after taking into account the corporate expenses of RM8.8 million. The improved earnings is driven by higher revenue and improved margins earned for certain products.

After accounting for taxation and non-controlling interests, the profit attributable to shareholders was RM20.4 million (FY 2016: RM11.2 million).

The basic earnings per share rose to 10.6 sen for FY 2017 from 5.8 sen in the last financial year. Net assets per share attributable to equity holders of the parent as at 31 May 2017 increased to 180.2 sen, compared with 167.9 sen as at 31 May 2016.

The share price of the Company climbed 76.9% or 41.5 sen to close at 95.5 sen as at 31 May 2017 from 54.0 sen recorded a year ago, with a market capitalization of RM185.6 million (31 May 2016: RM104.9 million).

As at 31 May 2017, total Trade Working Capital (“TWC”) increased by 25.3% to RM212.4 million from RM169.5 million as at 31 May 2016, mainly attributable to the increase in trade receivables and inventories as a result of higher revenue generated during the year as compared to collection.

Net Debt increased to RM157.5 million compared with RM61.2 million as at 31 May 2016 mainly due to higher TWC requirement and also the capital expenditure incurred for the purchase of the vessel for JPY1.9 billion.

Following the increase in bank borrowings for the purchase of vessel during the year, the Group’s net gearing ratio increased to 45.5% from 19.0% as at 31 May 2016.

Polymer Division

Polymer Division’s revenue was RM125.7 million for FY 2017, higher by RM6.2 million or 5.2% compared with RM119.5 million in the previous year. Revenue growth came from PTNI and geosynthetics drainage business (“GDB”). We experienced a decline in demand for our films and coated fabrics (“FCF”) products and rotomoulded plastic products.

The Division’s PBT for FY 2017 was RM18.0 million, an increase of RM2.2 million or 13.9% from the previous year’s PBT of RM15.8 million. Main profit contributors were PTNI, GDB and FCF businesses. The favourable USD exchange rate earned us better export margins.

Revenue generated by PTNI in Indonesia grew by more than 30%. Strong domestic demand spurred the growth in vinyl products in furniture and automotive sectors. Our new Calender line is running with low sales volume. Continuous efforts in marketing and product development are being made to increase the revenue from our new Calender line. We are penetrating secondary territories in smaller cities for our marketing network expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

In FY 2017, our GDB's revenue grew by 25.4% with PBT rose by 92.9%. The significant increase was due to several highways and reclamation projects secured and export sales delivered during the financial year. Notable projects were West Coast Expressway and Seri Tanjung Pinang 2. We also secured orders from Singapore, Australia, Indonesia, Middle East and Hong Kong.

The PBT for our FCF segment improved by 15.7% despite revenue declined by 12.7%. We focused on products with higher margins in the furniture and automotive industries.

Our Rotomould business saw a reduction of 25.9% in revenue with PBT declined by 48.0%. The weaker performance was due to a drop in demand for our intermediate bulk containers ("IBC") and road barriers. Imports of road barriers from China affected our market share in Singapore. The cost of raw materials such as steel pipes increased substantially. We have carried out cost reduction exercises to mitigate further decline in profits and to remain competitive.

Going forward, we are emphasising more on product development by investing in new test equipment and upgrading our laboratory for quality assurance and quality control. We also invest in people development by re-training our employees on ISO/TS16949 (*Automotive Quality Management*) compliance. These are the keys to sustain profits in the competitive industry.

Besides improving our topline, we continue to improve manufacturing efficiencies and lower costs of operations. We are finding ways to reformulate our recipes with cheaper alternative materials while maintaining the desired quality.

Industrial Chemical Division

The Industrial Chemical Division witnessed a commendable performance amidst intense competition registering improvement in profitability along with operational efficiencies for FY 2017. The Division posted 11.4% higher revenue of RM1,200.5 million for the current financial year compared with RM1,078.0 million recorded in the last financial year, lifted by generally improved average selling prices and higher volume sold for its products. The revenue growth was mainly contributed by operating units in Singapore, Indonesia and Malaysia. The improved revenue has driven higher PBT of RM28.7 million, as compared to RM11.9 million achieved in the last financial year.

Distribution Business Segment

The Distribution business segment has contributed higher revenue of RM1,112.0 million to the Industrial Chemical Division, compared with previous year of RM998.7 million. The PBT has increased significantly to RM17.2 million, from RM1.4 million previous year. The increase are contributed by higher volume of products sold and higher average unit selling price for the methanol, solvents and polymers products in particularly in Singapore, Indonesia and Malaysia. The higher volume sold was mainly contributed by growing biodiesel market in Indonesia and expanding solvents market share in Singapore, Indonesia and Malaysia.

The demand for biodiesel continues to grow in Indonesia with high domestic consumption with the success implementation of B20 and thus increased the demand for methanol. However, the demand for methanol in formaldehyde industry has dropped in South East Asia ("SEA") region and remains challenging due to shortage of woods particularly in East Malaysia market. Lower demand and reduced export volume of plywood and particle boards to North Asia has affected the formaldehyde industry as well.

Our efforts of expanding the market share in solvents by offering competitive and consistent supply with wide range of products, has boosted the demand for our products in Malaysia, Singapore and Indonesia.

During the financial year, we have invested in an associate company for the construction of new storage tanks in Kuantan, which would be commissioning by 2018. This investment would support and provide supply assurance to our customers. The expansion and growing our regional presence in Thailand and the Philippines remained in our plan to reach out and to be nearer to our customers.

The continuous production output of shale gas in America will continue to put pressure to Organisation of the Petroleum Exporting Countries (OPEC) crude oil production and thus expect crude oil prices to stay at current level. Higher volume of products from shale gas would be shipped to Asia region and thus create over supply situation and this will affect products prices to stay weak in the coming year. With the weaker demand of chemicals in China, most petrochemicals producers would move and supply to other region outside China. This will put pressure on the prices of the chemicals as well.

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacturing Business Segment

Our Manufacturing business segment has also performed well for this financial year with revenue increased by 11.7% to RM88.5 million and PBT rose 9.6% to RM11.5 million. This was achieved due to the combination of higher volume sold for certain products, better sourcing of our key raw materials, improved production efficiencies at our factories and higher sales of better margin products.

Phosphoric acid saw a shortage of supply during the second half of the financial year arising from lower exports from China. This has caused limited available supply situation, thus pushing product prices up. On the domestic front, the weaker Malaysian Ringgit has also contributed to higher domestic market prices for phosphoric acid. This favourable market conditions has benefited NSC's performance.

Fermpro is Malaysia's leading manufacturer of high quality ethanol using sugar cane molasses and advanced US distillation technology. Fermpro faced a very challenging year for FY 2017. The new excise duty ruling imposed on one of its main products has an adverse impact on the demand for this product. We expect the demand for this product to improve in the next financial year once the market accepts the new higher excise duty.

Our sealants and adhesive products also contributed higher revenue to the Division. The revenue grew 12.1% assisted by higher demand from automotive industry.

The Manufacturing business segment has been consistent with the quality of our products and will continue to ensure that this is maintained and propagate to potential customers through our marketing activities.

However, currency volatility and increasingly stringent foreign exchange control requirements in Malaysia will be a challenge. Heightened market competition and regulatory factors imposed negative pressure on our operating environment. Nevertheless, we will be focusing on enhancing our yield and quality of our products for next financial year ending 31 May 2018.

Logistics Division

For the current financial year under review, the newly set up Logistics Division contributed revenue of RM11.1 million while recorded a loss before tax of RM1.7 million. The loss was mainly attributed by the pre-operating expenses as well as the subsequent under-recovery of overheads by the newly delivered vessel. The new vessel was constructed and delivered by the Japanese builder in mid-January 2017. It was not fully operational as at the financial year end as it was undergoing certain procedural ship inspection by the relevant authorities during the year.

Moving forward, we would expect the Logistic Division to complement the Industrial Chemical Division by providing the intra group logistics support as well as to provide better services to our customers to move the bulk cargoes within SEA and South China region.

RETURN TO SHAREHOLDERS

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 FY 2017. In the last financial year, the Company paid a final single-tier dividend of 2.0 sen per share amounting to RM3,839,418.7.

There is no dividend policy adopted by the Company. The dividend recommendation will depend upon several factors, including amongst others, the profitability, cash flow position and capital commitments of the Group.

OUTLOOK AND PROSPECTS

The uncertainty surrounding the stability of the global economy and the volatility of commodity prices continues to exert pressure on the market. We will remain vigilant and responsive to changes in the external environment and take necessary action to safeguard the Group's profitability for the next financial year.

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 2017, 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 (9) 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 2017.

PRINCIPLE 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; and
- New issue of securities

STATEMENT ON CORPORATE GOVERNANCE

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.

STATEMENT ON CORPORATE GOVERNANCE

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 2017 as reported in the *Corporate Social Responsibility Statement* on page 41 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 qualified to act as company secretary in accordance with the provisions of the Companies Act, 2016.

The Company Secretaries play an advisory role to the Board in formulating the Company's Constitution ("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 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.

STATEMENT ON CORPORATE GOVERNANCE

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, 2016.

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 was last reviewed on 26 July 2017, and it will be updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Remuneration and Nomination Committee

The Board has combined the functions of the Remuneration Committee and Nomination Committee into a 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 26 July 2017, is available at the Company's website at www.nylex.com under the *Corporate Governance* section.

During the financial year ended 31 May 2017, 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.

STATEMENT ON CORPORATE GOVERNANCE

The Board is also responsible for reviewing and assessing the performance and effectiveness of the Board and the Board Committees as a whole, and of its Directors individually and collectively as well as the performance of the Group Managing Director.

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 2017, the R&N Committee had one (1) meeting in July 2016 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 1 November 2016, the Group Managing Director recommended to the R&N Committee to appoint Puan Sri Datuk Rohani Parkash binti Abdullah as an Independent Non-Executive Director of the Company to strengthen the Board's number of Independent Directors and also to support the policy on gender diversity in the boardroom as recommended by the Code to promote the representation of women in the composition of the Board.

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

Re-election of Directors

In accordance with the Constitution, a Director is subject to retire and be eligible for re-election at the first AGM of the Company after his/her appointment.

The Constitution 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.

STATEMENT ON CORPORATE GOVERNANCE

The R&N Committee is responsible for making recommendations to the Board on the re-election of Directors who retire pursuant to the Constitution. 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 Directors' 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 RM368,000 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 last financial year, 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. The R&N Committee did not engage any study to review on the Directors' remuneration during the financial year. However, based on the members of the R&N Committee's personal experience, the R&N Committee was of the opinion that there was no major development in the market place that have affected the level of Directors' remuneration significantly during the financial year. As such, the R&N Committee was of the view that the amount of Directors' fee and allowances paid in the previous year were also reflective of the current market rates and had recommended the same amount of remuneration be paid to the Non-Executive Directors in the current financial year.

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

Subject to the approval of the Company's shareholders on the proposed Directors' fees at the forthcoming 47th 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 72 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

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. 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.

On 1 November 2016, Puan Sri Datuk Rohani Parkash binti Abdullah was appointed as an Independent Non-Executive Director of the Company.

PRINCIPLE 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/she has fulfilled the above criteria of an Independent Director.

Tenure of Independent Directors

Recommendation 3.2 of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director’s re-designation as a Non-Independent Director. 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.

The Board is of the view that the length of service of the Independent Directors should not affect Directors’ independence. The important criteria that must be possessed by the Independent Directors are their independence from Management and their freedom from any business and other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Board also believes that valuable contributions can be obtained from Directors who have developed valuable insight of the Group and its business due to their long tenure of directorship in the Company. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision-making processes of the Board notwithstanding their tenure on the Board.

STATEMENT ON CORPORATE GOVERNANCE

Based on the recent assessment in year 2017, the Board is generally satisfied with the level of independency demonstrated by the Independent Directors, i.e. they are independent of Management and free from any business dealing or other relationship with the Group that could be reasonably be materially interfere with their exercise of independent judgement.

Further, the Board had via the R&N Committee conducted an annual performance evaluation and assessment of Lim Hock Chye and Edmond Cheah Swee Leng, who have served as the Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and recommend them to continue to act as the Independent Non-Executive Directors of the Company based on the following justifications:

- (a) They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements and their ability to bring an element of objectivity to the Board;
- (b) They have been with the Company for more than nine (9) years and therefore understand the company's business operations which enable them to participate actively and contribute during the deliberations or discussions at the meetings;
- (c) They are knowledgeable and have vast experience that could be shared with the Board; and
- (d) They have exercise due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company.

In line with Recommendation 3.3 of the MCCG, the Board will seek shareholders' approval at the forthcoming AGM, to retain both Lim Hock Chye and Edmond Cheah Swee Leng as Independent Directors of the Company.

Composition of the Board

As at 31 May 2017, the Board comprises eight (8) members, of whom the Chairman and Group Managing Director are Executive Directors and the remaining six (6) 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 *Board of Directors* is set out in pages 7 to 11 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.

STATEMENT ON CORPORATE GOVERNANCE

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.

PRINCIPLE 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	4/4
Lim Hock Chye	4/4
Edmond Cheah Swee Leng	4/4
Safrizal bin Mohd Said	3/4
Khamis bin Awal	2/4
Dato' Tengku Mahamad bin Tengku Mahamut	4/4
Puan Sri Datuk Rohani Parkash binti Abdullah <i>(Appointed on 1 November 2016)</i>	2/2

STATEMENT ON CORPORATE GOVERNANCE

Attendance at Audit Committee meetings

Name of Directors	Attendance
Edmond Cheah Swee Leng	5/5
Lim Hock Chye	5/5
Safrizal bin Mohd Said	4/5
Khamis bin Awal	3/5

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 2017, the Board organised an in-house workshop on "Dealing In Listed Securities, Closed Period and Insider Trading", facilitated by a professional trainer, for the Directors of the Company.

PRINCIPLE 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, 2016 in Malaysia ("Act"), the Listing Requirements, the Malaysian Financial Reporting Standards in Malaysia ("MFRSs"), the International Financial Reporting Standards ("IFRSs") 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, MFRSs, IFRSs and the Listing Requirements.

STATEMENT ON CORPORATE GOVERNANCE

The *Directors' Responsibilities Statement on Financial Statements* is set out on page 43 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 re-appointment of the External Auditors which is subject to the approval of the Company's shareholders at the AGM.

The *Audit Committee Report* is set out on pages 36 to 38 of this Annual Report.

PRINCIPLE 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.

STATEMENT ON CORPORATE GOVERNANCE

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 *Statement on Risk Management and Internal Control* is disclosed on pages 39 to 40 of this Annual Report.

PRINCIPLE 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.

PRINCIPLE 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.

STATEMENT ON CORPORATE GOVERNANCE

The Company held its 46th AGM at the Dorsett Grand Subang at Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on 19 October 2016. 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 175 shareholders and proxies attended the AGM. During the AGM, the Executive Chairman gave a briefing on the performance for the financial year ended 31 May 2016 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 47th AGM of the Company, which will be held on 19 October 2017, is on pages 120 to 124 of this Annual Report.

Poll Voting

In line with Paragraph 8.29A of the amended Listing Requirements which 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, all resolutions tabled at the 46th AGM of the Company was decided by poll voting. The Company has appointed one (1) scrutineer to validate the votes cast at the AGM.

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 2017.

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 <i>Chairman, Independent Non-Executive Director, member of MIA</i>	5	100
Lim Hock Chye <i>Member, Independent Non-Executive Director</i>	5	100
Safrizal bin Mohd Said <i>Member, Independent Non-Executive Director</i>	4	80
Khamis bin Awal <i>Member, Independent Non-Executive Director</i>	3	60

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.

AUDIT COMMITTEE REPORT

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 judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
- (iii) compliance with the provisions of the Companies Act, 2016, the Listing Requirements, the Malaysian Financial Reporting Standards in Malaysia ("MFRSs"), the International Financial Reporting Standards ("IFRSs") 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;
- Appraised of and reviewed the updates on the Malaysian Financial Reporting Standards ("MFRSs") and the material effects on the Group's financial reporting on adoption of new and revised MFRSs 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 Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants. As such, the Audit Committee has recommended to the Board to re-appoint BDO as the External Auditors.

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.

AUDIT COMMITTEE REPORT

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 2017 for a fee of RM130,000. 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 39 to 40 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 ("the Company") and its subsidiaries ("the Group") during the financial year under review.

For the purpose of this Statement, the Group means the Company and its subsidiaries, excluding the associate. This Statement does not cover the associate as the Company does not have control over the operations, management and internal control systems of this associate.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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 2017, and reported to the Board that nothing has come to their attention 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, in all material aspects, is operating adequately and effectively, 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 23 August 2017.

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 2017.

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



ENVIRONMENT

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

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

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

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 ("PPE") 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.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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 PPE, 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 three (3) students with duration from two to three months. These students are placed in various departments such as technical, production and engineering department.

Employees are encouraged to volunteer in community projects such as tree planting and blood donation campaigns. During the financial year, the Company conducted blood donation campaign to collect blood for Hospital Tengku Ampuan Rahimah, Klang, Selangor Darul Ehsan.

The Company and/or its subsidiaries made donation of water tanks to those who are affected by the prolonged water disruption due to the contaminated water treatment plant in October 2016. The Company and/or its subsidiaries also made monetary donations to the Habitat Foundation Indonesia to build home for homeless, Persatuan Bolasepak Melaka, a secondary school in Ipoh and another in Johor, Yayasan Pendidikan Maahad Tahfiz Al-Quran Addin Perak, Orchid Run & Ride 2016, Dow Chemical Charity Golf Tournament, MyKasih Foundation Charity Golf, Charity Golf Tournament in Indonesia, and others.

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, 2016, 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 2017 and the statements of profit or loss and statements 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, 2016 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 2017, 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

- 46** Directors' Report
- 52** Statement by Directors
- 52** Statutory Declaration
- 53** Independent Auditors' Report
- 58** Statements of Profit or Loss
- 59** Statements of Comprehensive Income
- 60** Statements of Financial Position
- 61** Consolidated Statement of Changes in Equity
- 62** Company Statement of Changes in Equity
- 63** Consolidated Statement of Cash Flows
- 65** Company Statement of Cash Flows
- 67** Notes to the Financial Statements
- 115** Supplementary Information

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 2017.

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 RM'000	Company RM'000
Profit from operations	44,160	16,976
Finance costs	(7,921)	(2,144)
Share of results of an associate	(85)	-
Profit before tax	36,154	14,832
Taxation	(12,393)	(92)
Net profit for the year	23,761	14,740
Attributable to:		
Owners of the parent	20,386	14,740
Non-controlling interests	3,375	-
	23,761	14,740

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.

DIRECTORS' REPORT

TREASURY SHARES

At the 46th Annual General Meeting held on 19 October 2016, 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.

During the financial year, the Company repurchased 341,400 of its issued ordinary shares from the open market of Bursa Malaysia Securities Berhad at an average price of RM0.57 per share. The total consideration paid for the repurchases including transaction costs was RM198,114. The repurchased shares are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016.

As at 31 May 2017, a total of 2,436,924 treasury shares with a carrying amount of RM1,386,416 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 RM3,839,419, in respect of the financial year ended 31 May 2016, on 16 December 2016.

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 2017.

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 2018.

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
Puan Sri Datuk Rohani Parkash binti Abdullah (*Appointed on 1 November 2016*)

In accordance with Article 109 of the Company's Constitution, Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid and Dato' (Dr) Siew Ka Wei 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 Constitution, Puan Sri Datuk Rohani Parkash binti Abdullah retires at the forthcoming annual general meeting and being eligible, offers herself for re-election.

DIRECTORS' REPORT

DIRECTORS (continued)

The Directors of subsidiaries who held for office since the date of the last report and at the date of this report, not including those Directors listed above are:

Bon Kok Meng
 Chan Ying Wai
 Chen Tai Ngoh
 Chow Keen Seng
 Datuk Azizan bin Abdul Rahman
 Eric Chan Hean Chin
 Indrawan Masrin
 Jimmy Masrin
 Kong Hwai Ming
 Liew Tet Seng
 Lim Liang Tan
 Lim Wee Beng
 Masahiko Otomo
 Mohamad Ruslan bin Ali
 Mohd Azlan bin Mohammed
 Norzain bin Abdul Wahab
 Robin Ling Seng Chiong
 Sabli bin Sibil
 Shigeo Fuji
 Suzuki Masayuki
 Tan Wee Lian
 Toh Puan Norella binti Talib
 Wong Siut Yin
 Yuhei Sogabe

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 59 of the Companies Act, 2016, were as follows:

	Number of Ordinary Shares		
	Balance at 1.6.2016	Acquired	Balance at 31.5.2017
The Company			
<i>Direct interest</i>			
Dato' (Dr) Siew Ka Wei	1,522,049	574,411	-
			2,096,460
<i>Deemed interest</i>			
Dato' (Dr) Siew Ka Wei	93,671,435	5,960,000	(6,023,076)
			93,608,359

**DIRECTORS'
REPORT****DIRECTORS' INTERESTS** *(continued)*

	Balance at 1.6.2016	Number of Ordinary Shares		Balance at 31.5.2017
		Acquired	Disposed	
Holding Company, Ancom Berhad				
<i>Direct interest</i>				
Dato' (Dr) Siew Ka Wei	22,808,865	519,500	-	23,328,365
<i>Deemed interest</i>				
Dato' (Dr) Siew Ka Wei	20,611,748	-	(140,000)	20,471,748
Subsidiary, Ancom Kimia Sdn Bhd				
<i>Direct interest</i>				
Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid	660,000	-	-	660,000
Related Company, Ancom Logistics Berhad				
<i>Direct interest</i>				
Dato' (Dr) Siew Ka Wei	725,867	24,000	-	749,867
<i>Deemed interest</i>				
Dato' (Dr) Siew Ka Wei	215,473,196	-	-	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.

DIRECTORS' REPORT

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company effected Directors' and officers' liability insurance during the financial year to protect the Directors and officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. The total amount of insurance premium effected for the Directors and officers of the Group and of the Company as at the financial year end was RM16,394.

There were no indemnity given to or insurance effected for the auditors of the Group and the Company during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were prepared, 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.
- (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.

**DIRECTORS'
REPORT****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.

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2017 were as follows:

	Group RM'000	Company RM'000
Statutory audit	448	84
Other services	10	10
	458	94

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 August 2017.

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

Dato' (Dr) Siew Ka Wei
Director

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

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 58 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 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 115 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 Disclosures 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 23 August 2017.

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid

Dato' (Dr) Siew Ka Wei

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

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 58 to 115 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 23 August 2017

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the statements of financial position as at 31 May 2017 of the Group and of the Company, and the statements of profit or loss, statements of 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 114.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2017, and of their financial performance and their 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, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Impairment assessment of the carrying amount of goodwill*

The carrying amount of goodwill arising on consolidation as at 31 May 2017 amounted to RM108.3 million, as disclosed in Note 15 to the financial statements.

We have focused on the impairment assessment as the process is complex and it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGU") in determining the recoverable amount. These key assumptions include projected growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad

Key Audit Matters *(continued)*

1. **Impairment assessment of the carrying amount of goodwill** *(continued)*

Audit response

Our audit procedures performed include:

- a. Compared short-term cash flow projections against recent performance and historical accuracy of budgets/forecasts and challenged assumptions in projections to available sources of data, where applicable;
- b. Evaluated the reasonableness of projected profit margins, growth rates and terminal values by assessing evidence available to support these assumptions and their consistency with findings from other areas of our audit;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing to the market data, weighted average cost of capital of the Group and relevant risk factors; and
- d. Performed sensitivity analysis to stress test the key assumptions used in the projections to evaluate the impact on the impairment assessment.

2. **Recoverability of trade receivables**

As at 31 May 2017, the Group has trade receivables of RM232.2 million which include debts that are past due but not impaired of RM51.3 million. The details of trade receivables and their credit risk have been disclosed in Note 18 and Note 33(d) respectively to the financial statements.

We have focused on the recoverability of trade receivables as it requires a high level of management judgement and the amounts are material.

Management recognised impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

Audit response

Our audit procedures performed include:

- a. Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables by the Group;
- b. Assessed recoverability of receivables that were past due but not impaired by reviewing their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- c. Assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad

Information Other than the Financial Statements and Auditors' Report Thereon *(continued)*

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad

Auditors' Responsibilities for the Audit of the Financial Statements *(continued)*

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also *(continued)*:

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13(b) to the financial statements.

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 Disclosures 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.

**INDEPENDENT
AUDITORS' REPORT**

To the members of Nylex (Malaysia) Berhad

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 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

Kuala Lumpur
23 August 2017**Lum Chiew Mun**

03039/04/2019 J

Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 May 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	1,337,256	1,197,450	63,480	70,432
Cost of sales	4	(1,192,901)	(1,083,920)	(51,236)	(57,127)
Gross profit		144,355	113,530	12,244	13,305
Other income	5	3,202	1,933	20,479	14,799
Selling and distribution expenses		(57,497)	(51,874)	(5,049)	(5,821)
Administrative expenses		(45,623)	(36,063)	(10,656)	(8,713)
Other expenses		(277)	(95)	(42)	(200)
Profit from operations		44,160	27,431	16,976	13,370
Finance costs	6	(7,921)	(6,919)	(2,144)	(1,440)
Share of results of an associate, net of tax	14	(85)	-	-	-
Profit before tax		36,154	20,512	14,832	11,930
Taxation	9	(12,393)	(9,335)	(92)	(1,071)
Net profit for the year		23,761	11,177	14,740	10,859
Profit attributable to:					
Owners of the parent		20,386	11,154	14,740	10,859
Non-controlling interests		3,375	23	-	-
		23,761	11,177	14,740	10,859
Basic and diluted:					
Earnings per share (sen)	10	10.6	5.8		
Net dividends per ordinary share (sen)	11	2.0	2.0		

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 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net profit for the year	23,761	11,177	14,740	10,859
Other comprehensive income, net of tax				
Item to be reclassified subsequently to profit or loss				
Foreign currency translation	7,101	15,721	-	-
Item not to be reclassified subsequently to profit or loss				
Re-measurement of defined benefit liability	13	(140)	-	-
Total comprehensive income for the year	30,875	26,758	14,740	10,859
Total comprehensive income attributable to:				
Owners of the parent	27,178	25,727	14,740	10,859
Non-controlling interests	3,697	1,031	-	-
	30,875	26,758	14,740	10,859

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

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	159,706	102,107	26,790	28,116
Investments in subsidiaries	13	-	-	187,878	187,878
Investment in an associate	14	315	-	400	-
Goodwill arising on consolidation	15	108,348	105,386	-	-
Deferred tax assets	16	25,590	26,014	23,261	23,261
		293,959	233,507	238,329	239,255
Current assets					
Inventories	17	118,586	92,778	11,608	12,074
Trade and other receivables	18	282,371	195,729	75,143	30,214
Investment securities	19	546	476	147	132
Income tax recoverable		827	648	112	-
Short-term deposits with licensed banks	20	26,371	14,783	-	-
Cash and bank balances	20	82,678	50,269	12,532	11,746
		511,379	354,683	99,542	54,166
TOTAL ASSETS		805,338	588,190	337,871	293,421
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	21	194,338	194,338	194,338	194,338
Reserves	22	32,798	26,019	805	805
Retained earnings	23	120,127	103,567	68,084	57,183
Treasury shares, at cost	24	(1,386)	(1,188)	(1,386)	(1,188)
		345,877	322,736	261,841	251,138
Non-controlling interests		16,586	13,103	-	-
Total equity		362,463	335,839	261,841	251,138
Non-current liabilities					
Deferred tax liabilities	16	1,307	1,239	-	-
Borrowings	25	49,658	2,466	-	-
Provision for retirement benefits	26	4,221	3,808	2,736	2,723
		55,186	7,513	2,736	2,723
Current liabilities					
Trade and other payables	27	166,746	118,659	20,432	18,957
Borrowings	25	216,913	123,800	52,862	20,600
Income tax payable		4,030	2,379	-	3
		387,689	244,838	73,294	39,560
Total liabilities		442,875	252,351	76,030	42,283
TOTAL EQUITY AND LIABILITIES		805,338	588,190	337,871	293,421

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 2017

Note	Attributable to owners of the parent					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Distributable retained earnings RM'000			
Opening balance as at 1 June 2016	194,338	805	25,214	(1,188)	103,567	322,736	13,103	335,839
Net profit for the year	-	-	-	-	20,386	20,386	3,375	23,761
Other comprehensive income, net of tax	-	-	6,779	-	13	6,792	322	7,114
Total comprehensive income for the year	-	-	6,779	-	20,399	27,178	3,697	30,875
Transactions with owners								
Dividends	-	-	-	-	(3,839)	(3,839)	-	(3,839)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(95)	(95)
Remeasurement of acquisition of a subsidiary	-	-	-	-	-	-	(119)	(119)
Purchase of treasury shares	-	-	-	(198)	-	(198)	-	(198)
Total transactions with owners	-	-	-	(198)	(3,839)	(4,037)	(214)	(4,251)
Closing balance as at 31 May 2017	194,338	805	31,993	(1,386)	120,127	345,877	16,586	362,463
Opening balance as at 1 June 2015	194,338	805	10,501	(888)	96,403	301,159	10,877	312,036
Net profit for the year	-	-	-	-	11,154	11,154	23	11,177
Other comprehensive income, net of tax	-	-	14,713	-	(140)	14,573	1,008	15,581
Total comprehensive income for the year	-	-	14,713	-	11,014	25,727	1,031	26,758
Transactions with owners								
Dividends	-	-	-	-	(3,850)	(3,850)	-	(3,850)
Acquisition of a subsidiary	-	-	-	-	-	-	1,195	1,195
Purchase of treasury 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

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 2017

	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 2016		194,338	805	(1,188)	57,183	251,138
Net profit for the year		-	-	-	14,740	14,740
Total comprehensive income for the year		-	-	-	14,740	14,740
Transactions with owners						
Dividends	11	-	-	-	(3,839)	(3,839)
Purchase of treasury shares		-	-	(198)	-	(198)
Total transactions with owners		-	-	(198)	(3,839)	(4,037)
Closing balance as at 31 May 2017		194,338	805	(1,386)	68,084	261,841
Opening balance as at 1 June 2015		194,338	805	(888)	50,174	244,429
Net profit for the year		-	-	-	10,859	10,859
Total comprehensive income for the year		-	-	-	10,859	10,859
Transactions with owners						
Dividends	11	-	-	-	(3,850)	(3,850)
Purchase of treasury shares		-	-	(300)	-	(300)
Total transactions with owners		-	-	(300)	(3,850)	(4,150)
Closing balance as at 31 May 2016		194,338	805	(1,188)	57,183	251,138

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 2017

	2017 RM'000	2016 RM'000
Cash Flows From Operating Activities		
Profit before tax	36,154	20,512
Adjustments for:		
Depreciation of property, plant and equipment	9,266	6,458
Dividend income	(11)	(11)
Finance costs	7,921	6,919
Fair value (gain)/loss on investment securities	(70)	6
Gain on disposal of property, plant and equipment (net)	(192)	(55)
Impairment loss on trade and other receivables	1,169	962
Inventories written-down	3,054	951
Interest income	(1,936)	(1,614)
Provision for retirement benefits	590	552
Share of results of an associate	85	-
Unrealised loss/(gain) on foreign exchange	494	(1,560)
Write-back of provision for warranties	-	(70)
Operating cash flows before working capital changes	56,524	33,050
Working Capital Changes		
Receivables	(75,970)	33,496
Inventories	(26,838)	9,461
Payables	46,968	(24,316)
Related companies	(12,120)	(2,979)
Cash flows (used in)/generated from operations	(11,436)	48,712
Income taxes paid	(10,385)	(6,531)
Retirement benefits paid	(239)	(131)
Net Cash Flows (Used In)/From Operating Activities (carried forward)	(22,060)	42,050

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2017

	2017 RM'000	2016 RM'000
Net Cash Flows (Used In)/From Operating Activities (brought forward)	(22,060)	42,050
Cash Flows From Investing Activities		
Acquisition of interest in an associate	(400)	-
Acquisition of investment securities	-	(34)
Dividend received from equity instruments	11	11
Interest received	1,697	1,614
Net cash flows on acquisition of subsidiary (Note 13(d))	-	(5,888)
Proceeds from disposal of property, plant and equipment	476	102
Purchase of property, plant and equipment	(64,404)	(11,637)
Net Cash Flows Used In Investing Activities	(62,620)	(15,832)
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	(3,839)	(3,850)
Dividends paid to non-controlling interests of subsidiaries	(95)	-
Drawdown of term loan and advances	194,993	87,512
Repayment of term loan and advances	(55,079)	(137,694)
Repayment of hire-purchase creditors	(8)	(46)
Purchase of treasury shares	(198)	(300)
Interest paid	(7,921)	(6,919)
Net Cash Flows From/(Used In) Financing Activities	127,853	(61,297)
Net Increase/(Decrease) in Cash and Cash Equivalents	43,173	(35,079)
Effects of Exchange Rate Changes	2,214	6,322
Cash and Cash Equivalents at Beginning of Year	65,052	95,872
Effects of Exchange Rate Changes	(1,390)	(2,063)
	63,662	93,809
Cash and Cash Equivalents at End of Year (Note 20)	109,049	65,052

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 2017

	2017 RM'000	2016 RM'000
Cash Flows From Operating Activities		
Profit before tax	14,832	11,930
Adjustments for:		
Depreciation of property, plant and equipment	2,666	2,806
Dividend income	(17,017)	(13,452)
Fair value gain on investment securities	(15)	(6)
Finance costs	2,144	1,440
(Gain)/Loss on disposal of property, plant and equipment	(142)	30
Impairment loss on investment in subsidiary (Note 13(e))	-	150
Interest income	(2,253)	(1,118)
Inventories written-down	329	435
Provision for retirement benefits	250	278
Unrealised gain on foreign exchange	(262)	(244)
Write-back on trade and other receivables (Note 18(a)(iii))	(126)	(115)
Write-back of provision for warranties	-	(70)
Operating cash flows before working capital changes	406	2,064
Working Capital Changes		
Receivables	(7,976)	6,325
Inventories	137	2,553
Payables	1,626	(3,176)
Related companies	(34,786)	(6,561)
Cash flows (used in)/generated from operations	(40,593)	1,205
Income taxes paid	(207)	(33)
Retirement benefits paid	(237)	(131)
Net Cash Flows (Used In)/From Operating Activities (carried forward)	(41,037)	1,041

COMPANY STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2017

	2017 RM'000	2016 RM'000
Net Cash Flows (Used In)/From Operating Activities (brought forward)	(41,037)	1,041
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	399	8
Purchase of property, plant and equipment	(1,597)	(1,224)
Investment in an associate	(400)	-
Acquisition of subsidiary (Note 13(d))	-	(6,376)
Interest received	2,253	1,118
Dividend received from subsidiaries	15,076	13,448
Dividend received from equity instruments	4	4
Net Cash Flows From Investing Activities	15,735	6,978
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	(3,839)	(3,850)
Drawdown of term loan and advances	55,162	26,300
Repayment of term loan and advances	(22,900)	(22,700)
Purchase of treasury shares	(198)	(300)
Interest paid	(2,144)	(1,440)
Net Cash Flows From/(Used In) Financing Activities	26,081	(1,990)
Net Increase in Cash and Cash Equivalents	779	6,029
Cash and Cash Equivalents at Beginning of Year	11,746	5,494
Effects of Exchange Rate Changes	7	223
Cash and Cash Equivalents at End of Year (Note 20)	12,532	11,746

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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 23 August 2017.

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 ("MFRSs"), International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

The information set out in Note 37 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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in accounting policies

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

On 1 June 2016, 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 2016.

MFRS and amendments to MFRSs	Effective date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

Adoption of the above standards did not have any material effect on the financial performance or position of the Group and of the Company, other than the adoption of Amendment to MFRS101 *Disclosure Initiative*, which resulted in the following:

- (i) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.
- (ii) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

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

MFRSs and amendments to MFRSs	Effective date
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Clarifications to MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 9 <i>Financial Instruments</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 2017 was RM108,348,000 (2016: RM105,386,000). Further details are disclosed in Note 15.

(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 RM22,457,000 (2016: RM24,232,000) 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 assets are 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 2% variances in net profit for the year of the Group and 1% variances in net profit for the year of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(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.

3. COMPANIES ACT 2016

Companies Act, 2016 (the "Act") was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016 to replace the Companies Act, 1965. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which the Act comes into operation except Section 241 and Division 8 of Part III of the Act.

Consequently, the Group and the Company effected the following changes as at 31 January 2017:

- (a) Authorised share capital has been removed; and
- (b) Par or nominal value of ordinary shares have been removed.

4. REVENUE AND COST OF SALES

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.

(a) Sale of goods or services

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

(b) Interest income

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

(c) Dividend income

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

Cost of sales represents the cost of products sold or services provided.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

5. OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	1,936	1,614	2,253	1,118
Dividend income from:				
- Equity instruments (quoted in Malaysia)	11	11	4	4
- Subsidiaries	-	-	17,013	13,448
Fair value gains on financial instruments				
- Held for trading investments	70	-	15	6
Gain on disposal of property, plant and equipment (net)	192	55	142	-
Realised gain on foreign exchange	-	-	790	-
Unrealised gain on foreign exchange	993	253	262	223
	3,202	1,933	20,479	14,799

6. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Bank borrowings	7,921	6,919	2,144	1,440

7. STAFF COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	42,910	31,793	12,057	10,631
Defined contribution plan and social security costs	3,608	3,292	1,247	1,154
Provision for retirement benefits (Note 26)	590	552	250	278
Other staff related expenses	567	415	130	137
	47,675	36,052	13,684	12,200

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM6,638,000 (2016: RM5,842,000) and RM2,578,000 (2016: RM3,426,000) respectively as further disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

8. DIRECTORS' REMUNERATION

(a) Total remuneration

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
Salaries	2,196	2,196	1,680	1,680
Bonuses	4,062	3,165	752	1,504
Defined contribution plan	380	481	146	242
	6,638	5,842	2,578	3,426
Benefits-in-kind	56	56	56	56
	6,694	5,898	2,634	3,482
Non-Executive Directors				
Fees	579	368	439	368
Allowances	17	18	17	18
	596	386	456	386
Total	7,290	6,284	3,090	3,868

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

	Number of Directors	
	2017	2016
Executive Directors		
RM1,700,001 to RM1,750,000	-	1
RM1,900,001 to RM1,950,000	1	-
RM4,150,001 to RM4,200,000	-	1
RM4,750,001 to RM4,800,000	1	-
	2	2
Non-Executive Directors		
Less than RM50,000	-	1
RM50,001 to RM100,000	3	2
RM100,001 to RM150,000	2	2
RM150,001 to RM200,000	1	-
	6	5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

9. TAXATION

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	(7,928)	(6,263)	(70)	(102)
- Foreign tax	(4,874)	(2,826)	-	-
	(12,802)	(9,089)	(70)	(102)
Over/(Under) provision in prior years:				
- Malaysian income tax	980	160	(22)	-
- Foreign tax	(1)	(2)	-	-
	(11,823)	(8,931)	(92)	(102)
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(734)	(150)	-	(969)
Over/(Under) provision in prior years	164	(254)	-	-
	(570)	(404)	-	(969)
	(12,393)	(9,335)	(92)	(1,071)

- (a) Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.
- (b) 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax	36,154	20,512	14,832	11,930
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	(8,677)	(4,923)	(3,560)	(2,863)
Effect of different tax rates in other countries	(484)	(658)	-	-
Effect of changes in tax rates	-	(964)	-	(969)
Utilisation of tax incentives	65	88	-	-
Income not subject to tax	457	199	4,249	3,305
Utilisation of previously unrecognised tax losses	29	87	-	-
Expenses not deductible for tax purposes	(3,714)	(1,252)	(370)	(338)
Deferred tax assets not recognised	(1,212)	(1,816)	(389)	(206)
Over/(Under) provision of deferred tax in prior years	164	(254)	-	-
Over/(Under) provision of tax expense in prior years	979	158	(22)	-
Taxation for the year	(12,393)	(9,335)	(92)	(1,071)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

9. TAXATION (continued)

(c) Tax savings during the financial year arising from:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Utilisation of previously unrecognised tax losses	29	87	-	-
Utilisation of tax incentives	65	88	-	-

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 RM20,386,000 (2016: RM11,154,000) by the weighted average number of ordinary shares in issue during the financial year of 191,996,189 shares (2016: weighted average of 192,511,389 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	
	2017	2016	2017	2016
	RM'000	RM'000	sen	sen
Final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2016, paid on 16 December 2016 (2016: 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)	3,839	3,850	2.0	2.0

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 2017.

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 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Leasehold buildings RM'000	Vessel and equipment 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 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(d))	-	-	-	-	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
At 1 June 2016	32,505	32,599	-	150,677	1,977	9,297	6,965	16,692	250,712
Additions	-	541	146	671	33	533	1,239	61,241	64,404
Disposals	-	-	-	(578)	(6)	(95)	(938)	-	(1,617)
Reclassification	-	-	77,767	150	(17)	17	149	(78,066)	-
Exchange differences	327	640	-	2,113	120	(62)	46	300	3,484
At 31 May 2017	32,832	33,780	77,913	153,033	2,107	9,690	7,461	167	316,983
Accumulated depreciation and impairment loss									
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	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
At 1 June 2016	5,758	13,709	-	115,355	1,557	8,563	3,663	-	148,605
Depreciation charge for the year, recognised in the profit or loss	320	1,184	1,301	5,095	102	315	949	-	9,266
Disposals	-	-	-	(338)	(6)	(93)	(896)	-	(1,333)
Exchange differences	-	60	-	603	20	29	27	-	739
At 31 May 2017	6,078	14,953	1,301	120,715	1,673	8,814	3,743	-	157,277
Net carrying amount									
At 31 May 2016	26,747	18,890	-	35,322	420	734	3,302	16,692	102,107
At 31 May 2017	26,754	18,827	76,612	32,318	434	876	3,718	167	159,706

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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 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
At 1 June 2016	15,045	16,134	100,846	826	3,735	2,831	150	139,567
Additions	-	91	351	5	350	796	4	1,597
Reclassification	-	-	150	-	-	-	(150)	-
Disposals	-	-	(527)	(4)	(39)	(558)	-	(1,128)
At 31 May 2017	15,045	16,225	100,820	827	4,046	3,069	4	140,036
Accumulated depreciation and impairment loss								
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	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
At 1 June 2016	3,606	9,118	92,776	745	3,557	1,649	-	111,451
Depreciation charge for the year, recognised in the profit or loss	126	420	1,673	13	104	330	-	2,666
Disposals	-	-	(286)	(4)	(39)	(542)	-	(871)
At 31 May 2017	3,732	9,538	94,163	754	3,622	1,437	-	113,246
Net carrying amount								
At 31 May 2016	11,439	7,016	8,070	81	178	1,182	150	28,116
At 31 May 2017	11,313	6,687	6,657	73	424	1,632	4	26,790

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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

- (a) Property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

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

	%
Leasehold land and buildings	1.0 - 5.0
Vessel and equipment	5.0 - 10.0
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

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

- (b) 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 the Malaysian Accounting Standards Board ("MASB"). Upon transition to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* on 1 June 2011, the Group elected to use the carrying amount of previously revalued leasehold land and buildings as deemed cost.
- (c) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM64,404,000 (2016: RM11,637,000).

Carrying amount of property, plant and equipment held under hire-purchase and finance lease arrangements are as follows:

	Group	
	2017 RM'000	2016 RM'000
Motor vehicles	-	120

- (d) The Group's vessel, tank farms, land and factory building with carrying amount of RM76,471,000 (2016: RM30,032,000) have been charged as security for borrowings (Note 25).

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares - at cost	213,078	206,702
Investment in a subsidiary (Note 13(d))	-	6,376
	213,078	213,078
Less: Accumulated impairment losses	(25,200)	(25,200)
	187,878	187,878

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

- (a) 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.

(b) Details of subsidiaries

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2017 %	2016 %
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	60

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Details of subsidiaries *(continued)*

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2017 %	2016 %
Subsidiaries of Perusahaan Kimia Gemilang Sdn Bhd				
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	Carrying out business of ship owning, ship management and charter hire of tanker.	100	100

* Equals to the proportion of voting rights held.

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

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

The summarised financial information of PT PKG Lautan Indonesia ("PKI"), Speciality Phosphates (Malaysia) Sdn Bhd ("SPM"), Ancom Kimia Sdn Bhd ("AKM") and NYL Logistics Sdn Bhd ("NYL") 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 intercompany elimination.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

(i) Summarised statements of financial position

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
2017					
Non-current assets	280	38	3	1,092	1,413
Current assets	53,538	4,915	10,069	4,151	72,673
Total assets	53,818	4,953	10,072	5,243	74,086
Current liabilities	31,549	381	7,893	1,145	40,968
Non-current liabilities	319	-	1	-	320
Total liabilities	31,868	381	7,894	1,145	41,288
Net assets	21,950	4,572	2,178	4,098	32,798
Equity attributable to:					
Owners of the parent	11,194	2,332	1,307	2,459	17,292
Non-controlling interests	10,756	2,240	871	1,639	15,506
	21,950	4,572	2,178	4,098	32,798
2016					
Non-current assets	1,968	39	6	976	2,989
Current assets	30,268	4,449	5,864	2,855	43,436
Total assets	32,236	4,488	5,870	3,831	46,425
Current liabilities	15,358	276	4,288	843	20,765
Non-current liabilities	242	-	2	-	244
Total liabilities	15,600	276	4,290	843	21,009
Net assets	16,636	4,212	1,580	2,988	25,416
Equity attributable to:					
Owners of the parent	8,484	2,148	948	1,793	13,373
Non-controlling interests	8,152	2,064	632	1,195	12,043
	16,636	4,212	1,580	2,988	25,416

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

(ii) Summarised statements of profit or loss

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
2017					
Revenue	79,697	2,695	115,027	8,335	205,754
Net profit for the year	4,687	359	598	1,540	7,184
Net profit attributable to:					
Owners of the parent	2,391	183	359	924	3,857
Non-controlling interests	2,296	176	239	616	3,327
	4,687	359	598	1,540	7,184
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)

(iii) Summarised statements of comprehensive income

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
2017					
Net profit for the year	4,687	359	598	1,540	7,184
Other comprehensive income attributable to:					
Owners of the parent	320	-	-	-	320
Non-controlling interests	307	-	-	-	307
Other comprehensive income for the year	627	-	-	-	627
Total comprehensive income	5,314	359	598	1,540	7,811
Total comprehensive income attributable to:					
Owners of the parent	2,711	183	359	924	4,177
Non-controlling interests	2,603	176	239	616	3,634
	5,314	359	598	1,540	7,811

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

(iii) Summarised statements of comprehensive income *(continued)*

	PKI RM'000	SPM RM'000	AKM RM'000	NYL 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
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

(iv) Summarised cash flows

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
2017					
Net cash flows from operating activities	6,303	1,206	1,459	2,142	11,110
Net cash flows from/(used in) investing activities	184	108	4	(20)	276
Net cash flows used in financing activities	(8)	-	(1,020)	(132)	(1,160)
Net increase in cash and cash equivalents	6,479	1,314	443	1,990	10,226
Cash and cash equivalents at beginning of year	8,795	2,746	948	489	12,978
Effects of exchange rate changes	324	-	-	-	324
	9,119	2,746	948	489	13,302
Cash and cash equivalents at end of year	15,598	4,060	1,391	2,479	23,528

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

(iv) Summarised cash flows *(continued)*

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
2016					
Net cash flows used in operating activities	(3,179)	(977)	(1,235)	(357)	(5,748)
Net cash flows from/(used in) investing activities	70	128	-	(1,354)	(1,156)
Net cash flows (used in)/from financing activities	(62)	-	979	2,200	3,117
Net (decrease)/increase in cash and cash equivalents	(3,171)	(849)	(256)	489	(3,787)
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	489	12,978

(d) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

(d) Acquisition of subsidiary *(continued)*

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 until 31 May 2016, 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 2016, the Group's profit, net of tax would have been RM788,000 higher and revenue would have been RM3,298,000 higher.

(e) Impairment loss recognised

In the previous financial year, an impairment loss was recognised to write-down the carrying amount attributable to investment in Nycon Manufacturing Sdn Bhd ("NYC"), amounting to RM150,000 in the profit or loss.

14. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares - at cost	400	-	400	-
Share of post-acquisition reserves, net of dividends received	(85)	-	-	-
	315	-	400	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

14. INVESTMENT IN AN ASSOCIATE *(continued)*

- (a) Investment in an associate is measured at cost in the separate financial statements and accounted for using the equity method in the consolidated financial statements.

(b) Details of associate

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group	
			2017 %	2016 %
One Chem Terminal Sdn Bhd <i>(formerly known as Naluri Pancar Sdn Bhd)</i> ("OCT")	Malaysia	Dormant.	40	-

- (c) On 31 October 2016, the Company subscribed for 400,000 ordinary shares in OCT representing 40% of the issued and paid-up share capital of OCT for a cash consideration of RM400,000.

OCT has a financial year end of 31 December. Therefore, the financial statements of OCT are not coterminous with the Group. In applying the equity method of accounting, the unaudited financial statements of OCT for financial period ended 31 May 2017 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.

- (d) The summarised financial information of the associate is as follows:

	2017 RM'000	2016 RM'000
Assets and liabilities		
Non-current assets	1,685	-
Current assets	503	-
Total assets	2,188	-
Current liabilities	1,401	-
Total liabilities	1,401	-
Results		
Revenue	-	-
Loss for the year	(212)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

14. INVESTMENT IN AN ASSOCIATE *(continued)*

(e) The reconciliation of share of net assets of the associate to the carrying amount of investment in an associate is as follows:

	2017 RM'000	2016 RM'000
Share of net assets of the Group	315	-
Carrying amount in the statement of financial position	315	-
Share of results of the Group		
Share of loss of the Group	(85)	-
Share of total comprehensive loss of the Group	(85)	-
Other information		
Dividend received	-	-

15. GOODWILL ARISING ON CONSOLIDATION

	Group 2017 RM'000	2016 RM'000
At 1 June	105,386	92,355
Acquisition of a subsidiary (Note 13(d))	-	4,584
Exchange differences	2,962	8,447
At 31 May	108,348	105,386

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

For the purpose of impairment testing, goodwill 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.

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 for foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

15. GOODWILL ARISING ON CONSOLIDATION *(continued)*

(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	Logistics RM'000	Total RM'000
31 May 2017	105	103,481	4,762	108,348
31 May 2016	99	100,703	4,584	105,386

(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 pre-tax discount rate of 4.4% (2016: 4.4%) and average growth rates of 3.4% (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

15. GOODWILL ARISING ON CONSOLIDATION *(continued)*

(c) Sensitivity to changes in assumptions *(continued)*

For the industrial chemical 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 June 2016/ 1 June 2015	(24,775)	(24,926)	(23,261)	(24,230)
Recognised in profit or loss (Note 9)	570	404	-	969
Exchange differences	(78)	(253)	-	-
At 31 May 2017/ 31 May 2016	(24,283)	(24,775)	(23,261)	(23,261)
<i>Presented after appropriate offsetting as follows:</i>				
Deferred tax assets	(25,590)	(26,014)	(23,261)	(23,261)
Deferred tax liabilities	1,307	1,239	-	-
	(24,283)	(24,775)	(23,261)	(23,261)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

16. DEFERRED TAX (continued)

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 2016	3,065	(1,826)	1,239
Recognised in profit or loss	(120)	188	68
Exchange differences	(23)	23	-
At 31 May 2017	2,922	(1,615)	1,307
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
Company			
At 1 June 2016	1,840	(1,840)	-
Recognised in profit or loss	(212)	212	-
At 31 May 2017	1,628	(1,628)	-
At 1 June 2015	2,085	(2,085)	-
Recognised in profit or loss	(245)	245	-
At 31 May 2016	1,840	(1,840)	-

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 2016	(924)	(2,684)	(24,232)	1,826	(26,014)
Recognised in profit or loss	(86)	(1,036)	1,812	(188)	502
Exchange differences	(18)	-	(37)	(23)	(78)
At 31 May 2017	(1,028)	(3,720)	(22,457)	1,615	(25,590)
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)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

16. DEFERRED TAX (continued)

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

Deferred tax assets (continued)

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Offsetting RM'000	Total RM'000
Company					
At 1 June 2016	(653)	(1,992)	(22,456)	1,840	(23,261)
Recognised in profit or loss	(4)	78	138	(212)	-
At 31 May 2017	(657)	(1,914)	(22,318)	1,628	(23,261)
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)

Unrecognised tax losses

At the reporting date, the Group has tax losses of approximately RM24,855,000 (2016: RM19,927,000) 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost				
Finished goods	24,235	19,657	-	-
Work-in-progress	1,076	1,461	-	-
Raw materials and consumable stores	10,678	10,334	3	2
Inventory-in-transit	2,578	-	-	-
	38,567	31,452	3	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

17. INVENTORIES (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net realisable value				
Finished goods	65,822	47,583	4,684	4,130
Work-in-progress	3,566	3,434	3,566	3,434
Raw materials and consumable stores	10,631	10,309	3,355	4,508
	80,019	61,326	11,605	12,072
	118,586	92,778	11,608	12,074

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.

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company was RM1,146,411,000 (2016: RM1,056,247,000) and RM32,829,000 (2016: RM39,242,000) respectively.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
Third parties	234,939	178,887	10,521	10,698
Related companies	2,288	62	4	-
	237,227	178,949	10,525	10,698
Less: Allowance for impairment	(4,987)	(3,807)	(482)	(612)
Trade receivables, net	232,240	175,142	10,043	10,086
Other receivables				
Amounts due from related companies	305	53	105	52
Amount due from an associate	803	-	803	-
Amounts due from subsidiaries	-	-	36,182	8,707
Amount due from holding company	19,244	10,727	19,244	10,733
Sundry receivables	8,817	3,701	538	461
Deposits	8,734	826	8,045	32
Prepayments	12,228	5,280	183	143
	50,131	20,587	65,100	20,128
	282,371	195,729	75,143	30,214
Total trade and other receivables	282,371	195,729	75,143	30,214
Less: Prepayments	(12,228)	(5,280)	(183)	(143)
Add: Cash and cash equivalents (Note 20)	109,049	65,052	12,532	11,746
Total loans and receivables	379,192	255,501	87,492	41,817

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

18. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 90 days (2016: 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	180,983	139,456	5,436	5,996
Past due not impaired				
1 to 30 days	37,288	24,929	3,684	2,875
31 to 60 days	12,631	7,114	401	605
61 to 90 days	1,162	2,105	41	164
91 to 120 days	169	526	353	11
More than 121 days	-	938	128	378
	51,250	35,612	4,607	4,033
Past due and impaired	4,994	3,881	482	669
	237,227	178,949	10,525	10,698

(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 RM51,250,000 (2016: RM35,612,000) and of the Company of RM4,607,000 (2016: RM4,033,000) that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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			
2017			
Impaired receivables	393	4,601	4,994
Less: Allowance for impairment	(393)	(4,594)	(4,987)
	-	7	7
2016			
Impaired receivables	378	3,503	3,881
Less: Allowance for impairment	(378)	(3,429)	(3,807)
	-	74	74
Company			
2017			
Impaired receivables	-	482	482
Less: Allowance for impairment	-	(482)	(482)
	-	-	-
2016			
Impaired receivables	-	669	669
Less: Allowance for impairment	-	(612)	(612)
	-	57	57

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At 1 June	3,807	2,917	612	825
Impairment loss/(Write-back) for the year	1,169	962	(126)	(115)
Written off	(5)	(100)	(4)	(98)
Exchange differences	16	28	-	-
At 31 May	4,987	3,807	482	612

(b) Other receivables

Related companies refer to companies within the Ancom Berhad group.

The amounts due from related companies, associate, 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 5.0% to 7.5% (2016: 5.1% to 7.5%) per annum at the reporting date.

19. INVESTMENT SECURITIES

	Group		Company	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
	RM'000	RM'000	RM'000	RM'000
At 31 May 2017				
Current				
<i>Held for trading</i>				
Equity instruments (quoted in Malaysia)	546	546	147	147
At 31 May 2016				
Current				
<i>Held for trading</i>				
Equity instruments (quoted in Malaysia)	476	476	132	132

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

20. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Short-term deposits with licensed banks	26,371	14,783	-	-
Cash and bank balances	82,678	50,269	12,532	11,746
Cash and cash equivalents (Note 18)	109,049	65,052	12,532	11,746

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 3.7% (2016: 4.6%) per annum.

21. SHARE CAPITAL

	Group / Company			
	Number of ordinary shares		Amount	
	2017	2016	2017	2016
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At beginning/end of year	194,338	194,338	194,338	194,338

Owners of the parent of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

Of the total 194,337,860 (2016: 194,337,860) issued and paid-up ordinary shares as at 31 May 2017, 2,436,924 (2016: 2,095,524) shares are held as treasury shares by the Company (Note 24). Consequently, as at 31 May 2017, the number of ordinary shares in issue after deduction of the treasury shares is 191,900,936 (2016: 192,242,336) ordinary shares.

With the introduction of the new Companies Act, 2016 (the "Act") effective 31 January 2017, the concept of authorised share capital and par value of share capital has been abolished. The balances within the share premium account shall be transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the new Act. Notwithstanding this provision, Section 618 of the new Act provides transitional period of twenty four (24) months to utilise the amounts in the share premium account. The Company has not utilise the balance in share premium account during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

22. RESERVES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Share premium	805	805	805	805
Translation reserves	31,993	25,214	-	-
	32,798	26,019	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.

24. TREASURY SHARES

	Group / Company			
	Number of ordinary shares		Amount	
	2017	2016	2017	2016
	'000	'000	RM'000	RM'000
At 1 June	2,096	1,561	1,188	888
Purchase of treasury shares	341	535	198	300
At 31 May	2,437	2,096	1,386	1,188

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

Month	Number of shares	Cost RM	Purchase price per share		
			Highest RM	Lowest RM	Average RM
June 2016	80,200	43,395	0.5500	0.5200	0.5350
July 2016	10,300	5,645	0.5450	0.5150	0.5349
August 2016	111,900	66,231	0.6050	0.5550	0.5860
September 2016	34,000	19,927	0.6100	0.5600	0.5790
October 2016	5,000	3,698	0.7400	0.7250	0.7300
November 2016	30,000	17,428	0.5900	0.5600	0.5717
December 2016	30,000	16,635	0.5600	0.5350	0.5467
January 2017	25,000	14,481	0.5850	0.5400	0.5700
February 2017	15,000	10,674	0.7500	0.6950	0.7050
	341,400	198,114			

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

25. BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Short-term borrowings				
<i>Secured</i>				
Trust receipts	34,041	27,771	-	-
Revolving credits	1,708	-	-	-
Term loans	1,712	2,368	-	-
Hire-purchase and finance lease payables (Note 28)	-	8	-	-
<i>Unsecured</i>				
Short-term loans	179,452	93,653	52,862	20,600
	216,913	123,800	52,862	20,600
Long-term borrowings				
<i>Secured</i>				
Term loans	49,658	2,466	-	-
Total borrowings (Note 27)	266,571	126,266	52,862	20,600
<i>Maturity of borrowings</i>				
On demand or within one year	216,913	123,800	52,862	20,600
One to two years	5,369	1,210	-	-
Two to five years	16,106	1,540	-	-
More than five years	30,423	-	-	-
Total undiscounted borrowings	268,811	126,550	52,862	20,600

The borrowings bore interest at rates ranging from 3.2% to 6.4% (2016: 1.9% 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 vessel, 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(d)).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

26. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At 1 June	3,808	3,198	2,723	2,576
Benefits paid	(239)	(131)	(237)	(131)
Expense recognised in the profit or loss (Note 7)	590	552	250	278
Actuarial (gain)/loss from re-measurement	(13)	140	-	-
Exchange fluctuation	75	49	-	-
At 31 May	4,221	3,808	2,736	2,723

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	137,361	97,416	7,488	7,039
Related companies	1,109	998	-	-
	138,470	98,414	7,488	7,039
Other payables				
Amounts due to related companies	27	59	27	1
Amounts due to subsidiaries	-	-	3,710	3,838
Other payables	16,846	8,799	4,151	3,261
Accruals	11,403	11,387	5,056	4,818
	28,276	20,245	12,944	11,918
	166,746	118,659	20,432	18,957
Total trade and other payables	166,746	118,659	20,432	18,957
Add: Borrowings (Note 25)	266,571	126,266	52,862	20,600
Total financial liabilities carried at amortised cost	433,317	244,925	73,294	39,557

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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 (2016: 30 to 90 days).

(b) Amounts due to related companies and subsidiaries

Related companies refer to companies within the 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.

28. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	Group 2017 RM'000	2016 RM'000
Minimum lease payments:		
Within one year	-	8
Present value of finance lease liabilities	-	8
Present value of finance lease liabilities:		
Within one year	-	8
	-	8
Analysed as:		
Due within 12 months (Note 25)	-	8

The hire-purchase and lease liabilities bore interest rate at Nil (2016: 6.0%) per annum at the reporting date.

29. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group 2017 RM'000	2016 RM'000	Company 2017 RM'000	2016 RM'000
<i>Approved and contracted</i>				
Property, plant and equipment	400	43,250	375	244
<i>Approved but not contracted</i>				
Property, plant and equipment	75	297	76	297
	475	43,547	451	541

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

29. COMMITMENTS *(continued)*

(b) Operating lease commitments - as lessee

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

	Group	
	2017	2016
	RM'000	RM'000
Within one year	15,935	15,421
One to two years	3,872	17,193
Two to five years	749	1,855
More than five years	1,210	1,408
	21,766	35,877

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.

(c) Guarantees

The Company has provided the following guarantees:

	Company	
	2017	2016
	RM'000	RM'000
Unsecured		
Guarantees given to financial institutions in respect of credit facilities granted to its subsidiaries	115,582	111,478

30. CONTINGENT LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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:

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Sales to related companies</i>	(i)				
Ancom Crop Care Sdn Bhd		2,492	278	27	61
Timber Preservatives Sdn Bhd		4	11	4	11
<i>Purchases from a subsidiary</i>	(i)				
Perusahaan Kimia Gemilang Sdn Bhd		-	-	411	1,190
<i>Freight/transport charges paid to a related company</i>	(i)				
Pengangkutan Cogent Sdn Bhd		3,881	2,736	-	-
<i>Storage rental paid to a related company</i>	(i)				
Ancom-ChemQuest Terminals Sdn Bhd		4,468	4,406	-	-
<i>Interest income from holding company, subsidiaries, and an associate</i>	(ii)				
Ancom Berhad		1,011	818	1,011	818
CKG Chemicals Pte Ltd		-	-	253	-
ALB Marine Sdn Bhd		-	-	843	209
One Chem Terminal Sdn Bhd		3	-	3	-
<i>Advertisement expenses paid to a related company</i>	(iii)				
Redberry Sdn Bhd		-	1,503	-	583
<i>Bulk sponsorship and advertisement expenses paid to a related party</i>	(iii)				
Malay Mail Sdn Bhd		1,658	-	147	-
<i>Gross dividend from subsidiaries</i>					
Ferpro Sdn Bhd		-	-	2,800	2,800
Kumpulan Kesuma Sdn Bhd		-	-	1,230	3,506
Nylex Specialty Chemicals Sdn Bhd		-	-	2,052	2,052
Perusahaan Kimia Gemilang Sdn Bhd		-	-	8,852	5,090
NYL Logistics Sdn Bhd		-	-	79	-
PT Nylex Indonesia		-	-	2,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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 2017 are disclosed in Note 18 and Note 27.
- (ii) Interest income arose from advances or loan to holding company, subsidiaries, and associate. The outstanding balances as at 31 May 2017 are disclosed in Note 18.
- (iii) Bulk sponsorship and advertisement expenses are contracted for certain period or incurred upon each advertisement. The expenses incurred and utilised for the financial year 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 personnel was as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fees	579	368	439	368
Wages and salaries	14,366	12,107	3,727	4,340
Defined contribution plan and social security costs	994	1,075	290	370
Other emoluments	467	250	98	95
	16,406	13,800	4,554	5,173

Included in the total remuneration of key management personnel are:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 8)	7,290	6,284	3,090	3,868

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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

(a) Determination of fair values *(continued)*

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) Financial guarantees

Upon the adoption of MFRS 139, all unexpired financial guarantees issued were not recognised as the Directors are of the view that the fair value of such corporate guarantees given by the Company is negligible.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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

(b) Fair value hierarchy *(continued)*

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	2017 RM'000	2016 RM'000
Group			
Financial assets at fair value through profit or loss:			
Equity instruments (quoted in Malaysia)	1	546	476
Company			
Financial assets at fair value through profit or loss:			
Equity instruments (quoted in Malaysia)	1	147	132

During the financial years ended 31 May 2017 and 31 May 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Fixed rate	44,313	17,712	48,165	14,910
Floating rate	28,153	14,041	-	-
Interest free	307,272	224,224	39,474	27,039
	379,738	255,977	87,639	41,949
Financial liabilities				
Fixed rate	-	8	-	-
Floating rate	266,571	126,107	52,862	20,600
Interest free	166,746	118,810	20,432	18,957
	433,317	244,925	73,294	39,557

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

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Financial assets				
Fixed rate	4.2	5.0	5.7	6.2
Floating rate	5.4	4.5	-	-
Financial liabilities				
Fixed rate	-	6.0	-	-
Floating rate	4.2	4.4	4.8	5.1

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 RM181,000 (2016: RM85,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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

(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.

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:

	2017 RM'000	2016 RM'000
USD/RM	(555)	228
SGD/RM	22	59
JPY/RM	13	1
USD/SGD	(107)	10
USD/VND	(219)	(19)
USD/IDR	153	114

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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

(b) Foreign currency risk *(continued)*

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 2017					
Receivables					
Ringgit Malaysia	-	-	32	-	32
United States Dollar	14,881	-	-	-	14,881
Singapore Dollar	682	-	1,859	-	2,541
Japanese Yen	323	-	-	-	323
Brunei Dollar	16	-	-	-	16
	15,902	-	1,891	-	17,793
Cash and bank balances					
Ringgit Malaysia	-	1	25	-	26
United States Dollar	16,856	9,565	-	74	26,495
Singapore Dollar	298	2	134	-	434
Japanese Yen	242	5	-	-	247
	17,396	9,573	159	74	27,202
Borrowings					
United States Dollar	51,370	-	-	7,112	58,482
Payables					
Ringgit Malaysia	-	-	383	-	383
United States Dollar	4,401	2,852	-	2,578	9,831
Singapore Dollar	-	-	6,670	-	6,670
New Zealand Dollar	63	-	-	-	63
Euro	69	-	-	-	69
	4,533	2,852	7,053	2,578	17,016

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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

(b) Foreign currency risk *(continued)*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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.

		2017 RM'000		
	On demand or within one year	One to five years	More than five years	Total
Group				
Financial liabilities				
Trade and other payables	166,746	-	-	166,746
Loans and borrowings	216,913	21,475	30,423	268,811
Total undiscounted financial liabilities	383,659	21,475	30,423	435,557
Company				
Financial liabilities				
Trade and other payables	20,432	-	-	20,432
Loans and borrowings	52,862	-	-	52,862
Financial guarantee contract	26,960	21,475	30,423	78,858
Total undiscounted financial liabilities	100,254	21,475	30,423	152,152

		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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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

(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 RM115,582,000 (2016: RM111,478,000) 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 net 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 net gearing ratio as at 31 May is computed as follows:

		Group	
	Note	2017 RM'000	2016 RM'000
Borrowings	25	266,571	126,266
Short-term deposits with licensed banks	20	(26,371)	(14,783)
Cash and bank balances	20	(82,678)	(50,269)
Net debt		157,522	61,214
Total equity attributable to owners of the parent		345,877	322,736
Net gearing ratio		45.5%	19.0%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

34. CAPITAL MANAGEMENT *(continued)*

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year.

The Group is not subject to any other externally imposed capital requirements.

35. SIGNIFICANT EVENT DURING THE YEAR

On 31 October 2016, the Company subscribed for 400,000 ordinary shares in OCT representing 40% of the issued and paid-up share capital of OCT for a cash consideration of RM400,000.

OCT has a financial year end of 31 December. Therefore, the financial statements of OCT are not coterminous with the Group. In applying the equity method of accounting, the unaudited financial statements of OCT for financial period ended 31 May 2017 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.

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.

(iii) Logistics

Carrying out business of transport, cartage and haulage contractors and agencies, ship owning, ship management and charter hire of tanker.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

36. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Polymer		Industrial chemical		Logistics		Investment holding		Adjustments and eliminations		Note		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue														
External sales	125,682	119,475	1,200,489	1,077,975	11,085	-	-	-	-	-	-	-	1,337,256	1,197,450
Inter-segment sales	-	-	411	1,190	319	-	-	-	(730)	(1,190)	(a)	-	-	-
Total revenue	125,682	119,475	1,200,900	1,079,165	11,404	-	-	-	(730)	(1,190)			1,337,256	1,197,450
Results														
Interest income	282	246	638	550	-	-	1,016	818	-	-	-	-	1,936	1,614
Depreciation	5,634	4,347	1,912	1,904	1,506	-	214	207	-	-	-	-	9,266	6,458
Other non-cash expenses/(income)	3,289	1,533	2,814	(604)	(731)	-	(257)	(79)	-	-	(b)	-	5,115	850
Segment profit/(loss)	17,944	15,800	28,752	11,872	(1,738)	-	(8,804)	(7,160)	-	-	-	-	36,154	20,512
Assets														
Investment in an associate	-	-	-	-	-	-	-	-	315	-	(d)	-	315	-
Goodwill arising on consolidation	105	99	103,481	100,703	4,762	4,584	-	-	-	-	(d)	-	108,348	105,386
Additions to non-current assets	1,595	4,897	590	2,705	61,414	-	805	4,035	-	-	(c)	-	64,404	11,637
Segment assets	126,869	120,630	434,286	310,058	88,646	-	92,340	69,518	(45,466)	(17,402)	(d)	-	696,675	482,804
Segment liabilities														
	21,420	24,250	314,139	198,283	89,365	-	63,417	47,220	(45,466)	(17,402)	(e)	-	442,875	252,351

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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:

		Group	
	Notes	2017 RM'000	2016 RM'000
Gain on disposal of non-financial assets	5	(192)	(55)
Inventories written-down		3,054	951
Unrealised loss/(gain) on foreign exchange		494	(1,560)
Impairment loss on financial assets		1,169	962
Provision for retirement benefits	26	590	552
		5,115	850

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	625,462	581,096	431,390	297,575
Singapore	294,673	275,283	122,711	77,317
Indonesia	174,154	100,896	120,088	90,548
Vietnam	84,378	94,867	22,486	17,364
Philippines	54,444	37,652	-	-
Australia	23,702	23,535	-	-
Thailand	19,290	12,315	-	-
Bangladesh	11,938	7,069	-	-
Sri Lanka	11,466	9,013	-	-
Africa	8,472	9,656	-	-
New Zealand	8,195	10,568	-	-
Taiwan	8,041	6,631	-	-
Middle East	3,697	2,213	-	-
Japan	2,413	1,126	-	-
China	1,771	2,010	-	-
Pakistan	1,379	1,178	-	-
Hong Kong	1,368	6,224	-	-
Nepal	1,269	1,235	-	-
India	377	293	-	-
The Americas	297	10,489	-	-
Europe	276	4,073	-	-
Brunei	114	-	-	-
Korea	80	28	-	-
	1,337,256	1,197,450	696,675	482,804

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2017

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, into realised and unrealised profits, is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Retained earnings				
Realised	161,732	134,219	45,102	34,157
Unrealised	24,447	26,312	22,982	23,026
	186,179	160,531	68,084	57,183
Less: Consolidation adjustments	(66,052)	(56,964)	-	-
Total retained earnings	120,127	103,567	68,084	57,183

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.

AUDIT AND NON-AUDIT FEES

The audit and non-audit fees of the Group and of the Company are disclosed in Directors' Report on page 51 of this Annual Report. 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 2017.

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	4,468	1) Ancom Berhad 2) Rhodemark Development Sdn Bhd 3) Dato' (Dr) Siew Ka Wei
Pengangkutan Cogent Sdn Bhd	Transportation of industrial chemicals	3,881	
Ancom Crop Care Sdn Bhd	Sale of industrial chemicals	2,492	
Malay Mail Sdn Bhd	Bulk sponsorship of Malay Mail and advertisement expenses	1,658	1) Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid 2) Dato' (Dr) Siew Ka Wei
Ancom Kimia Sdn Bhd	Sale and purchase of industrial chemicals	71,531	Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid

LIST OF PROPERTIES

As at 31 May 2017

Location / Address	Title	Age of Building (Years)	Land Area (sq. m.)	Existing Use	Date of Acquisition / Revaluation	Tenure	Net Carrying Amount as at 31.05.17 (RM'000)
a) Proprietor:							
Nylex (Malaysia) Berhad							
Lot 16 Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan	HS (D) 256546	46	30,224	Office building and factory.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	18,000
	HS (D) 256546	37	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	26	28,491	Office building and factory.	01 July 2004	Leasehold, expiring on 09 June 2086.	5,823
c) Proprietor:							
Fermpro Sdn Bhd							
Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	29	16,190	Office building and factory.	01 July 2004	Leasehold, expiring on 22 November 2046.	1,520
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.	878
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	15	8,100	Office building and factory.	01 July 2004	Leasehold, expiring on 07 February 2059.	369
d) Proprietor:							
Nylex Specialty Chemicals Sdn Bhd							
Lot 593 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 5507	42	8,093	Office building and factory.	01 March 2005	Leasehold, expiring on 01 September 2074.	1,685
Lot 624 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 6588	40	8,298	Office building and warehouse.	01 March 2005	Leasehold, expiring on 19 February 2076.	2,136

The above buildings are in good condition.

ANALYSIS OF SHAREHOLDINGS

As at 5 September 2017

No. of holders of each class of equity securities

Class of securities	:	Ordinary shares
Total no. issued	:	194,337,860
No. of holders	:	12,767
Voting rights	:	One vote per ordinary share on a poll

Distribution schedule

Holdings	No. of holders	No. of shares	%
Less than 100	2,419	57,382	0.03
100 to 1,000	4,921	1,929,295	1.00
1,001 to 10,000	3,962	14,999,345	7.82
10,001 to 100,000	1,324	37,916,883	19.76
100,001 to less than 5% of issued shares	138	56,039,023	29.20
5% and above of issued shares	3	80,959,008	42.19
	12,767	191,900,936	100.00

Note:

- Excludes a total of 2,436,924 ordinary shares of the Company bought back by the Company and retained as treasury shares pursuant to Section 127 of the Companies Act, 2016 as at 5 September 2017.

Substantial holders

	Direct No. of shares	%	Indirect No. of shares	%
1. Dato' (Dr) Siew Ka Wei	2,096,460	1.09	93,608,359 ⁽¹⁾	48.78
2. Ancom Berhad	27,949,700	14.57	59,985,888 ⁽²⁾	31.26
3. Rhodemark Development Sdn Bhd	59,985,888	31.26	-	-
4. Chan Thye Seng	-	-	87,935,588 ⁽³⁾	45.82
5. Pacific & Orient Berhad	-	-	87,935,588 ⁽⁴⁾	45.82
6. Mah Wing Holdings Sdn Bhd	-	-	87,935,588 ⁽³⁾	45.82
7. Mah Wing Investments Limited	-	-	87,935,588 ⁽³⁾	45.82

Note:

- 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 and Datin Young Ka Mun.
- Deemed interested by virtue of its direct interest in Rhodemark Development Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
- Deemed interested by virtue of his/their direct and indirect interest in Pacific & Orient Berhad.
- Deemed interested by virtue of their direct and indirect interest in Ancom Berhad.

Directors' holdings

	Direct No. of shares	%	Indirect No. of shares	%
1. Dato' (Dr) Siew Ka Wei	2,096,460	1.09	93,608,359 ⁽¹⁾	48.78

Note:

- 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 and Datin Young Ka Mun.

ANALYSIS OF SHAREHOLDINGS

As at 5 September 2017

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	19.02
2. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rhodemark Development Sdn Bhd	23,460,000	12.23
3. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ancom Berhad (01-00846-000)	21,000,000	10.94
4. Pacific & Orient Insurance Co Berhad	8,500,000	4.43
5. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	4,316,983	2.25
6. Ancom Berhad	3,695,700	1.93
7. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ancom Berhad (3 rd Party)	3,254,000	1.70
8. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hilary Fernandez	1,716,600	0.90
9. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,677,469	0.87
10. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	1,270,803	0.66
11. Terengganu Incorporated Sdn Bhd	1,110,215	0.58
12. Cheung Kwong Kwan	1,100,859	0.57
13. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Choy (8092812)	960,000	0.50
14. Lim Chin Tong	774,923	0.40
15. Lim Jit Hai	750,000	0.39
16. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (CEB)	727,031	0.38
17. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	690,537	0.36
18. Tan Aik Choon	540,900	0.28
19. Lim Soon Heng	525,000	0.27
20. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Silver Dollars Sdn Bhd (01-00198-001)	495,667	0.26
21. Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	478,556	0.25
22. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Siew Nim Chee & Sons Sdn Bhd (01-00195-001)	467,739	0.24
23. Loh Lip Teck	400,000	0.21
24. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Lai Chai	395,000	0.21
25. Pacific & Orient Insurance Co Berhad	387,070	0.20
26. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for E & O Developers Sdn Bhd (PJCAC)	382,024	0.20
27. Lok Choon Hong	362,000	0.19
28. Tan Kok Teong	350,040	0.18
29. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Choy (SRB/PMS)	350,000	0.18
30. Tan Kai Sum	350,000	0.18
Total	116,988,124	60.96

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 47th 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 Thursday, 19 October 2017 at 9.30 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

- | | |
|---|--------------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 May 2017 together with the Reports of the Directors and the Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. To approve the payment of a final single-tier dividend of 2.0 sen for the financial year ended 31 May 2017. | [Ordinary Resolution 1] |
| 3. To re-elect the following Directors, who retire pursuant to Article 109 of the Constitution of the Company: | |
| (a) Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid; | [Ordinary Resolution 2] |
| (b) Dato' (Dr) Siew Ka Wei. | [Ordinary Resolution 3] |
| 4. To re-elect Puan Sri Datuk Rohani Parkash binti Abdullah, who retires pursuant to Article 93 of the Company's Constitution. | [Ordinary Resolution 4] |
| 5. To approve the payment of the Directors' fees of RM439,041 for the financial year ended 31 May 2017. | [Ordinary Resolution 5] |
| 6. To approve the payment of Directors' benefits (excluding Directors' fees) of up to RM60,000 from 1 February 2017 until the next annual general meeting of the Company. | [Ordinary Resolution 6] |
| 7. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | [Ordinary Resolution 7] |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:

- | | |
|--|-------------------------|
| 8. PROPOSED NEW AND PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RRPT MANDATE") | [Ordinary Resolution 8] |
|--|-------------------------|

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.4 of the Circular to Shareholders dated 26 September 2017, provided that such transactions are necessary for day-to-day operations and carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the authority conferred by such Mandate shall continue to be in force until:

- (a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
- (c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution."

9. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

[Ordinary Resolution 9]

"THAT subject always to the provisions of the Companies Act, 2016 ("Act"), the Constitution of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given for the Company to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may in their absolute discretion deem fit and expedient in the interest of the Company ("Share Buy-Back Mandate") provided that:

- (a) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company at any point of time pursuant to the Share Buy-Back Mandate shall not exceed ten per centum (10%) of the total number of issued ordinary shares of the Company as at the point of purchase;
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase; and
- (c) the Directors of the Company may decide either to retain the shares so purchased as treasury shares or cancel the shares so purchased or retain part of the shares so purchased and cancel the remainder or resell the shares on Bursa Securities or distribute the shares as dividends or transfer the shares under an employees' share scheme or as purchase consideration or otherwise use the shares for such other purpose as the Minister by order prescribe.

THAT the authority conferred by this resolution will be effective upon passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next annual general meeting, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

NOTICE OF ANNUAL GENERAL MEETING

(b) the expiration of the period within which the next annual general meeting of the Company after that date is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps to implement finalise and to give full effect to the Share Buy-back Mandate with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as they deem fit and expedient at their discretion in the best interest of the Company in accordance with the Act, regulations and guidelines.”

10. AUTHORITY TO ISSUE AND ALLOT SHARES

[Ordinary Resolution 10]

“THAT subject always to the Companies Act, 2016 (“Act”), the Constitution of the Company and the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 of the Act to issue and allot shares 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 shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company pursuant to Section 76 of the Act, AND THAT the Directors are further authorised 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 to give effect to the issuance of new shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad pursuant to this resolution.”

11. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

(a) “THAT authority be and is hereby given to Edmond Cheah Swee Leng, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company.”

[Ordinary Resolution 11]

(b) “THAT authority be and is hereby given to Lim Hock Chye, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company.”

[Ordinary Resolution 12]

12. OTHER ORDINARY BUSINESS

To transact any other business which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act, 2016.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the shareholders' approval at the 47th Annual General Meeting of the Company, the final single-tier dividend of 2.0 sen per ordinary share for the financial year ended 31 May 2017 if approved, will be paid on 6 December 2017 to shareholders whose names appear in the Record of Depositors on 22 November 2017.

A depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 22 November 2017 in respect of transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Securities.

By order of the Board,

SOO SHIOW FANG (MAICSA 7044946)
STEPHEN GEH SIM WHYIE (MICPA 1810)
 Secretaries

Petaling Jaya
 26 September 2017

NOTES

- a. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2017 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- b. 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. There shall be no restriction as to the qualification of the proxy.
- c. 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.
- d. 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.
- e. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
- f. 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 – Audited Financial Statements for the financial year ended 31 May 2017

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 5 – Directors' fees

The Directors' fees for the Non-Executive Directors ("NED") had not been increased for the financial year ended ("FY") 2017 as compared with the Directors' fees for the FY 2016, following an independent Board remuneration review conducted by an external consultant in 2016. The Board decided that the Directors' fees for FY 2017 be maintained as FY 2016 given the recent review by the external consultant. The Board approved the Remuneration & Nomination Committee's recommendation for the Directors' fees to remain unchanged in respect of FY 2017 as the same is still competitive.

NOTICE OF ANNUAL GENERAL MEETING

3. Ordinary Resolution 6 – Directors’ benefits

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the Directors and any benefits payable to the Directors of the listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that shareholders’ approval shall be sought at the 47th Annual General Meeting on the Directors’ benefits (excluding Directors’ fee) payable for the period from 1 February 2017 until the next annual general meeting.

The Directors’ benefits comprise mainly the meeting attendance allowance of RM416 per meeting and other benefits (allowance and other benefits) payable to the NEDs.

In determining the estimated total amount of benefits (excluding Directors’ fees) for the NEDs, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees as well as the number of Directors involved.

4. Ordinary Resolution 8 – Proposed New and Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed RRPT Mandate”)

This proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related party in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

Further details relating to this proposed resolution are set out in the Company’s Circular to Shareholders dated 26 September 2017, which is circulated together with the Company’s 2017 Annual Report.

5. Ordinary Resolution 9 – Proposed Renewal of Share Buy-Back Authority

This proposed resolution, if passed, will empower the Company to purchase its own shares up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

Further details relating to this proposed resolution are set out in the Share Buy-Back Statement dated 26 September 2017, which is circulated together with the Company’s 2017 Annual Report.

6. Ordinary Resolution 10 – Authority to Issue and Allot Shares

This proposed resolution, if passed, will authorise the Directors to issue and allot up to a maximum of 10% of the total number of issued shares (excluding treasury shares) in the Company for the time being for such purposes as the Directors deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

This is the renewal of the mandate obtained from the shareholders of the Company at the last annual general meeting (“Previous Mandate”). The Previous Mandate was not utilised and accordingly no proceeds were raised. This general mandate will give flexibility to the Company for any possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit and in the best interest of the Company.

7. Ordinary Resolutions 11 and 12 – Continuing in Office as Independent Non-Executive Directors

The proposed Ordinary Resolutions 11 and 12, if passed, will enable Edmond Cheah Swee Leng and Lim Hock Chye to continue serving as the Independent Non-Executive Directors of the Company as recommended under Malaysian Code on Corporate Governance.

The Remuneration & Nomination Committee and the Board had assessed the independence of Edmond Cheah Swee Leng and Lim Hock Chye, who had served as the Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years, and recommended them to continue to act as the Independent Non-Executive Directors of the Company on the ground that:

- (a) they fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and their ability to bring an element of objectivity to the Board.
- (b) have vast experience that could be shared with the Board; and
- (c) they have exercise due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company.

FORM OF PROXY

CDS A/C. No.	No. of shares held

I/We _____ NRIC 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	NRIC No	Full Address	Proportion of shareholdings ³
1				%
2				%
				100 %

failing *him/ her, the Chairman of the Meeting as *my/ our *proxy/ proxies to attend and to vote for *me/ us on *my/ our behalf at the 47th Annual General Meeting of the Company to held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 19 October 2017 at 9.30 a.m. and at any adjournment thereof and to vote as indicated below:

ORDINARY RESOLUTION			FOR	AGAINST
1	To approve payment of a final single-tier dividend.			
2	To re-elect Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid as a Director of the Company.			
3	To re-elect Dato' (Dr) Siew Ka Wei as a Director of the Company.			
4	To re-elect Puan Sri Datuk Rohani Parkash binti Abdullah as a Director of the Company.			
5	To approve the payment of the Directors' fees.			
6	To approve the payment of Directors' benefits.			
7	To re-appoint Messrs BDO as Auditors of the Company.			
8	Proposed new and proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.			
9	Proposed renewal of share buy-back authority.			
10	Authority to issue and allot shares.			
11	Continuing in office as an Independent Non-Executive Director – Edmond Cheah Swee Leng.			
12	Continuing in office as an Independent Non-Executive Director – Lim Hock Chye.			

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

Dated this _____ day of _____ 2017

Telephone number _____
during office hours: _____

[Signature/ Common Seal of Shareholder(s)]

[*Delete if not applicable]

Notes:

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2017 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- 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. There shall be no restriction as to the qualification of the proxy.
- 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.
- 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.
- In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
- 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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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

Affix
Stamp

Then fold here

