

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

Directors' Report and Audited Financial Statements
31 May 2009

Ernst & Young
AF : 0039

Company No: 9378-T

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

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NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS : Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP
Dato' Johari Razak
Dato' Siew Ka Wei
Lim Hock Chye
Edmond Cheah Swee Leng

COMPANY SECRETARIES : Choo Se Eng
Stephen Geh Sim Whye

REGISTERED OFFICE : Unit C508, Block C, Kelana Square
Jalan SS 7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

**PRINCIPAL PLACE
OF BUSINESS** : Lot 16, Persiaran Selangor
Section 15
40200 Shah Alam
Selangor Darul Ehsan
Malaysia

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

SOLICITORS : Shearn Delamore & Co

AUDITORS : Ernst & Young
Chartered Accountants

DOMICILE : Malaysia

Company No: 9378-T

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

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 2009.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries comprise the following:

- (a) Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins;
- (b) Trading, manufacture and sale of petrochemical and industrial chemicals products;
- (c) Manufacture and trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets; and
- (d) Manufacture and marketing of roofing products.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year except for PT Indomalay Ekatana Roofing Industries which ceased production on 29 May 2009.

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	19,292	32,928
Finance costs	(8,101)	(5,326)
Share of results of associates	(815)	-
Profit before taxation	<u>10,376</u>	<u>27,602</u>
Taxation	242	4,304
Net profit for the year	<u><u>10,618</u></u>	<u><u>31,906</u></u>
Attributable to:		
Equity holders of the Company	14,706	31,906
Minority interests	(4,088)	-
	<u><u>10,618</u></u>	<u><u>31,906</u></u>

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RESULTS *(continued)*

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

At the 38th Annual General Meeting held on 20 November 2008, 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 purchased 375,200 of its ordinary shares of RM1.00 each from the open market at an average price of RM1.24 per share, pursuant to Section 67A of the Companies Act, 1965 ("Act"). The total consideration paid for the repurchases including transaction costs was RM464,383. The repurchased shares have been retained as treasury shares in accordance with Section 67A (3A) (b) of the Act.

On 16 January 2009, the Company distributed a total of 8,825,943 treasury shares, being payment of the final tax-exempt dividend for the financial year ended 31 May 2008.

As at 31 May 2009, a total of 8,988,457 treasury shares at a total cost of RM12,851,324 were held by the Company. Details of the shares repurchased in the financial year are disclosed in Note 28 to the financial statements.

DIVIDENDS

During the financial year, the Company has paid the following final dividends in respect of the financial year ended 31 May 2008, on 16 January 2009:

- (i) cash dividend of 4.5 sen per share, less 26% income tax, amounting to RM5,878,237; and
- (ii) tax-exempt dividend in the form of distribution of 8,825,943 treasury shares, as defined under Section 67A (3A) (b) of the Act, amounting to RM12,530,191.

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final dividend in the form of distribution of one (1) treasury share for every sixty (60) existing ordinary shares of RM1.00 each held, of which fraction of a treasury share is to be disregarded.

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 2010.

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DIRECTORS

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

Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP (*Non-Executive Chairman*)

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

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

Dato' Mohd Ismail bin Che Rus (*resigned on 20 July 2009*)

Lim Hock Chye

Edmond Cheah Swee Leng

Cheng Kwee Kiang (*resigned on 3 April 2009*)

In accordance with Article 109 of the Company's Articles of Association, Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP and Dato' Siew Ka Wei retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	No. of Ordinary Shares of RM1.00 Each				Balance at 31.5.2009
	Balance at 1.6.2008	Acquired	Share dividend received/ (distributed)	Disposed	
The Company					
<i>Direct interest</i>					
Dato' Johari Razak	75,000	-	50,292	-	125,292
Dato' Siew Ka Wei	-	-	1,451,735	-	1,451,735
<i>Deemed interest</i>					
Dato' Siew Ka Wei	109,031,518	-	(14,227,038)	-	94,804,480
Holding company, Ancom Berhad					
<i>Direct interest</i>					
Dato' Johari Razak	465,427	-	-	-	465,427
Dato' Siew Ka Wei	14,342,365	244,400	-	-	14,586,765
<i>Deemed interest</i>					
Dato' Siew Ka Wei	16,456,506	2,965,342	-	-	19,421,848

DIRECTORS' INTERESTS *(continued)*

	No. of Three (3) Year Warrants 2005/2008 of RM0.02 Each				Balance at 31.5.2009
	Balance at 1.6.2008	Granted / Acquired	Exercised	Expired	
Holding company, Ancom Berhad					
<i>Direct interest</i>					
Dato' Siew Ka Wei	11,249,700	1,000,000	-	(12,249,700)	-
<i>Deemed interest</i>					
Dato' Siew Ka Wei	4,113,713	-	(2,602,592)	(1,511,121)	-

	No. of Ordinary Shares of RM0.20 Each			Balance at 31.5.2009
	Balance at 1.6.2008	Share dividend received	Disposed	
Related company, Tamco Corporate Holdings Berhad				
<i>Direct interest</i>				
Dato' Johari Razak	150,000	23,271	(150,000)	23,271

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

The other Directors do not have any interest in the shares of the Company and of related companies at the end of the financial year.

DIRECTORS' BENEFITS

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.

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.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company 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.

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OTHER STATUTORY INFORMATION *(continued)*

(f) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

HOLDING COMPANY

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

SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events during the year and subsequent to the balance sheet date are disclosed in Note 37 to the financial statements.

AUDITORS

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

Signed for and on behalf of the Board in accordance with a resolution of the Directors dated 18 September 2009.

Datuk Haji Mohamed Al Amin
bin Haji Abdul Majid, JP
Director

Dato' Siew Ka Wei
Director

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NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

We, Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP and Dato' Siew Ka Wei, being two of the Directors of Nylex (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 10 to 72 are drawn up in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed for and on behalf of the Board in accordance with a resolution of the Directors dated 18 September 2009.

**Datuk Haji Mohamed Al Amin
bin Haji Abdul Majid, JP**

Dato' Siew Ka Wei

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

I, Dato' Siew Ka Wei, being the Director primarily responsible for the financial management of Nylex (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 72 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Dato' Siew Ka Wei
at Petaling Jaya on 18 September 2009.

Before me,

Dato' Siew Ka Wei

A. Rathnasamy, AMN (No. B348)
Pesuruhjaya Sumpah
Malaysia

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**Independent auditors' report to the members of
Nylex (Malaysia) Berhad
(Incorporated in Malaysia)**

Report of the Financial Statements

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the balance sheets as at 31 May 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 72.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 ("Act") in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's and the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and of the Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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**Independent auditors' report to the members of
Nylex (Malaysia) Berhad
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Act in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 38 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

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

Ernst & Young
AF:0039
Chartered Accountants

Kua Choh Leang
No. 2716/01/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
18 September 2009

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NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

INCOME STATEMENTS

For the financial year ended 31 May 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	3	1,366,030	1,742,062	85,866	105,996
Cost of sales	3	(1,234,473)	(1,576,508)	(73,732)	(90,971)
Gross profit		131,557	165,554	12,134	15,025
Other income	4	2,817	7,958	44,688	54,091
Selling and distribution expenses		(64,211)	(57,126)	(6,401)	(7,654)
Administrative expenses		(43,593)	(43,512)	(15,596)	(15,428)
Other expenses		(7,278)	(5,116)	(1,897)	(483)
Profit from operations		19,292	67,758	32,928	45,551
Finance costs	5	(8,101)	(9,612)	(5,326)	(5,336)
Share of results of associates		(815)	123	-	-
Profit before taxation	6	10,376	58,269	27,602	40,215
Taxation	9	242	(10,789)	4,304	(4,025)
Net profit for the year		10,618	47,480	31,906	36,190
Attributable to:					
Equity holders of the Company		14,706	47,763	31,906	36,190
Minority interests		(4,088)	(283)	-	-
		10,618	47,480	31,906	36,190
Earnings per share (sen)	10	8.2	25.2		
Net dividends per ordinary share (sen)	11	10.5	1.8		

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

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

BALANCE SHEETS

As at 31 May 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	60,211	62,064	35,058	37,478
Prepaid lease payments	13	18,490	18,806	7,108	7,224
Investments in subsidiaries	14	-	-	200,927	201,117
Investments in associates	15	-	815	-	-
Other investments	16	3,580	7,389	80	3,889
Intangible assets	17	199	403	162	353
Goodwill arising on consolidation	18	93,160	88,464	-	-
Deferred tax assets	29	16,574	996	11,709	-
		192,214	178,937	255,044	250,061
Current assets					
Inventories	19	90,175	132,964	20,142	24,736
Receivables	20	162,351	278,540	14,795	27,609
Marketable securities	21	790	1,137	-	-
Tax recoverable		5,372	8,694	4,968	7,957
Amount owing by group companies	22	54	180	41,885	49,539
Short-term deposits with licensed banks	32	33,774	24,998	4,800	-
Cash and bank balances	32	33,807	43,786	9,961	4,111
		326,323	490,299	96,551	113,952
TOTAL ASSETS		518,537	669,236	351,595	364,013

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NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

BALANCE SHEETS

As at 31 May 2009 (continued)

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	194,338	194,338	194,338	194,338
Reserves	26	(4,577)	(14,218)	805	805
Retained earnings	27	59,393	63,096	47,796	34,299
Less: Treasury shares, at cost	28	(12,851)	(24,917)	(12,851)	(24,917)
		236,303	218,299	230,088	204,525
Minority interests		4,383	8,510	-	-
Total equity		240,686	226,809	230,088	204,525
Non-current liabilities					
Deferred tax liabilities	29	1,888	2,836	-	691
Borrowings	24	32,777	44,311	29,847	44,311
Provision for retirement benefits	31	3,774	4,534	3,561	4,186
		38,439	51,681	33,408	49,188
Current liabilities					
Payables	23	124,862	194,750	18,873	22,386
Amount owing to group companies	22	7,560	11,065	23,561	41,965
Borrowings	24	104,662	181,200	45,665	45,949
Provision for taxation		2,328	3,731	-	-
		239,412	390,746	88,099	110,300
Total liabilities		277,851	442,427	121,507	159,488
TOTAL EQUITY AND LIABILITIES		518,537	669,236	351,595	364,013

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2009

	← Attributable to Equity Holders of the Company →							
	← Non-distributable →							
	Share capital	Share premium	Translation reserve	Retained earnings	Treasury shares	Total	Minority interests	Total equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 June 2007	194,338	805	(10,418)	18,880	-	203,605	4,691	208,296
Currency translation differences, representing net expense recognised directly in equity	-	-	(4,605)	-	-	(4,605)	(112)	(4,717)
Net profit for the year	-	-	-	47,763	-	47,763	(283)	47,480
Total recognised income and expense for the year	-	-	(4,605)	47,763	-	43,158	(395)	42,763
Dividends	11	-	-	(3,547)	-	(3,547)	-	(3,547)
Repurchase of shares		-	-	-	(24,917)	(24,917)	-	(24,917)
Acquisition of subsidiaries		-	-	-	-	-	4,214	4,214
		-	(4,605)	44,216	(24,917)	14,694	3,819	18,513
Balance as at 31 May 2008	194,338	805	(15,023)	63,096	(24,917)	218,299	8,510	226,809
Currency translation differences, representing net income recognised directly in equity	-	-	9,641	-	-	9,641	(91)	9,550
Net profit for the year		-	-	14,706	-	14,706	(4,088)	10,618
Total recognised income and expense for the year		-	9,641	14,706	-	24,347	(4,179)	20,168
Dividends	11	-	-	(18,409)	12,530	(5,879)	-	(5,879)
Repurchase of shares		-	-	-	(464)	(464)	-	(464)
Additional interests in subsidiary *		-	-	-	-	-	52	52
		-	9,641	(3,703)	12,066	18,004	(4,127)	13,877
Balance as at 31 May 2009	194,338	805	(5,382)	59,393	(12,851)	236,303	4,383	240,686

* Being transaction costs paid by minority interests on acquisition of a subsidiary in prior year.

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

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NYLEX (MALAYSIA) BERHAD

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COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2009

		← Non-distributable →				
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Total RM'000
Balance as at 1 June 2007		194,338	805	1,656	-	196,799
Net profit for the year, representing total recognised income and expense for the year		-	-	36,190	-	36,190
Dividends	11	-	-	(3,547)	-	(3,547)
Repurchase of shares		-	-	-	(24,917)	(24,917)
Balance as at 31 May 2008		194,338	805	34,299	(24,917)	204,525
Net profit for the year, representing total recognised income and expense for the year		-	-	31,906	-	31,906
Dividends	11	-	-	(18,409)	12,530	(5,879)
Repurchase of shares		-	-	-	(464)	(464)
Balance as at 31 May 2009		194,338	805	47,796	(12,851)	230,088

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

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NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 May 2009

	2009 RM'000	2008 RM'000
Cash Flows From Operating Activities		
Profit before taxation	10,376	58,269
Adjustments for:		
Depreciation of property, plant and equipment	7,678	7,182
Interest expense	8,101	9,612
Amortisation of:		
Prepaid lease payments	316	315
Development expenditure	13	13
Rights	191	269
Impairment of investment	2,876	193
Bad debts recovered	(27)	(509)
Write-down of inventories	1,244	1,338
Allowance for doubtful debts	592	1,098
Unrealised (gain)/loss on foreign exchange	(1,597)	2,212
(Write-back)/provision for retirement benefits	(169)	348
Dividend income	(104)	(6,248)
Interest income	(921)	(1,670)
Gain on disposal of property, plant and equipment (net)	(185)	(40)
Share of results of associates	815	(123)
Operating profit before working capital changes	29,199	72,259
Working Capital Changes		
Receivables	126,544	(32,074)
Inventories	47,213	(24,146)
Payables	(87,137)	16,644
Group companies	2,801	10,905
Cash generated from operations	118,620	43,588
Income taxes paid	(14,460)	(12,662)
Retirement benefits paid	(605)	(354)
Net Cash Generated From Operating Activities	103,555	30,572

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NYLEX (MALAYSIA) BERHAD

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CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 May 2009 (continued)

	2009 RM'000	2008 RM'000
Net Cash Generated From Operating Activities	103,555	30,572
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	406	48
Purchase of property, plant and equipment	(6,050)	(11,971)
Acquisition of marketable securities	(32)	-
Disposal of quoted investment	3,809	-
Net cash flows on acquisition of subsidiaries (Note 14(a))	-	4,214
Transaction costs paid by minority interests arising from acquisition of subsidiary in prior year	52	-
Interest received	921	1,670
Dividend received from:		
- unquoted shares	-	4,480
- quoted shares	78	111
- marketable securities	26	26
Net Cash Used In Investing Activities	(790)	(1,422)
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	(5,879)	(3,547)
Repayment of hire-purchase creditors	(164)	(142)
Drawdown of term loan and advances	70,012	186,097
Repayment of term loan and advances	(161,997)	(163,083)
Purchase of Company's own shares	(464)	(24,804)
Interest paid	(8,101)	(9,612)
Net Cash Used In Financing Activities	(106,593)	(15,091)
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,828)	14,059
Effects of Exchange Rate Changes	5,254	(2,666)
Cash and Cash Equivalents at beginning of year	68,379	55,514
Effects of Exchange Rate Changes	(2,554)	1,472
	65,825	56,986
Cash and Cash Equivalents at end of year (Note 32)	67,251	68,379

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

Company No: 9378-T

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

COMPANY CASH FLOW STATEMENT

For the financial year ended 31 May 2009

	2009	2008
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	27,602	40,215
Adjustments for:		
Depreciation of property, plant and equipment	4,360	4,309
Interest expense	5,326	5,336
Amortisation of:		
Prepaid lease payments	116	116
Rights	191	269
Impairment of investment	189	-
Write-down of inventories	-	1,172
Allowance for doubtful debts	12	-
Unrealised (gain)/loss on foreign exchange	(1,171)	122
(Write-back)/provision for retirement benefits	(244)	285
Dividend income	(42,803)	(53,928)
Interest income	(56)	(56)
(Gain)/loss on disposal of property, plant and equipment	(19)	6
Operating loss before working capital changes	(6,497)	(2,154)
Working Capital Changes		
Receivables	12,802	(5,453)
Inventories	4,594	(2,294)
Payables	(3,512)	2,157
Group companies	12,549	41,556
Cash generated from operations	19,936	33,812
Income taxes paid	-	(87)
Retirement benefits paid	(381)	(354)
Net Cash Generated From Operating Activities	19,555	33,371

Company No: 9378-T

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

COMPANY CASH FLOW STATEMENT

For the financial year ended 31 May 2009 (continued)

	2009	2008
	RM'000	RM'000
Net Cash Generated From Operating Activities	19,555	33,371
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	130	-
Purchase of property, plant and equipment	(2,052)	(7,575)
Disposal of quoted investment	3,809	-
Interest received	56	56
Dividend income	15,570	4,591
Net Cash Generated From/(Used In) Investing Activities	17,513	(2,928)
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	(5,879)	(3,547)
Repayment of hire-purchase creditors	(149)	(133)
Drawdown of term loan and advances	6,800	17,600
Repayment of term loan and advances	(21,400)	(14,892)
Purchase of Company's own shares	(464)	(24,804)
Interest paid	(5,326)	(5,336)
Net Cash Used In Financing Activities	(26,418)	(31,112)
Net Increase/(Decrease) in Cash and Cash Equivalents	10,650	(669)
Cash and Cash Equivalents at beginning of year	4,111	4,780
Cash and Cash Equivalents at end of year (Note 32)	14,761	4,111

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

Company No: 9378-T

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 May 2009

1. Corporate information

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 September 2009.

2. Significant accounting policies

(a) Basis of preparation

Unless otherwise indicated in the significant accounting policies, the financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") issued in Malaysia.

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

(i) Adoption of new and revised FRSs

On 1 June 2008, the Group and the Company adopted the following applicable FRSs and amendments to FRSs which are mandatory for financial periods beginning on or after 1 July 2007:

FRSs

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 119 ₂₀₀₄	Employee Benefits

Amendments to

FRS 121	The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
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2. Significant accounting policies *(continued)*

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

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

The adoption of the new and revised FRSs does not have significant financial impact on the Group and the Company.

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

FRSs	Effective for financial periods beginning on or after
FRS 7 Financial Instruments - Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
FRS 123 Borrowing Costs	1 January 2010
FRS 139 Financial Instruments - Recognition and Measurement	1 January 2010
Amendments to FRSs	
FRS 1 First-time Adoption of Financial Reporting Standards	1 January 2010
FRS 127 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Interpretations	
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11 Group and Treasury Share Transactions	1 January 2010

It is anticipated that the adoption of these FRSs, amendments to FRSs and interpretations in future periods will not have a material impact on the financial statements of the Group and of the Company except for additional disclosure requirements.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

(iii) FRSs, amendments to FRSs and interpretations that are not applicable and not adopted

FRS	Effective for financial periods beginning on or after
FRS 4 Insurance Contracts	1 January 2010

2. Significant accounting policies *(continued)*

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

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

		Effective for financial periods beginning on or after
Amendments to FRSs		
FRS 2	Share-based Payments - Vesting Conditions and Cancellations	1 January 2010
Interpretations		
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The above FRSs and interpretations that are not yet effective are not applicable to the Group and the Company.

(c) Significant accounting judgements and estimates

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. 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 2009 was RM93,160,000 (2008: RM88,464,000). Further details are disclosed in Note 18.

2. Significant accounting policies *(continued)*

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

(ii) Income tax

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of the taxation and deferred tax are disclosed in Note 9 and Note 29 respectively.

(iii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful life. Management estimates of the useful lives of the assets are as disclosed in Note 2(f). Changes in 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 4% and 1% variances in net profit for the year of the Group and of the Company respectively.

(d) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

(ii) Basis of consolidation

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

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

2. Significant accounting policies *(continued)*

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

(ii) Basis of consolidation *(continued)*

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

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

Dividends from subsidiaries and other investee companies are recognised in the income statement as and when declared.

(e) Associates

An associate is a company in which the Group or the Company holds as long-term investment not less than 20% of the equity voting rights and in which the Group or the Company is in a position to exercise significant influence in its management.

Investment in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the latest audited and/or management financial statements of the associate. Under the equity method of accounting, the Group's share of post-acquisition profits less losses of associates is included in the consolidated income statement while dividend received is reflected as a reduction of the investment in the consolidated balance sheet. The Group's interest in the associates is stated at cost plus the Group's share of post-acquisition retained earnings or accumulated losses and other reserves in the associates.

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

2. Significant accounting policies *(continued)*

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o). Cost consists of purchase, commissioning, installation costs and in respect of construction of plant and machinery, interest expense incurred prior to commencement of production.

Certain leasehold buildings were stated on the basis of their previous revaluation in 1985 (subject to continuity in depreciation and the requirement to write assets down to their recoverable amounts) as allowed by the transitional provisions of the accounting standard on property, plant and equipment.

Depreciation is not provided for freehold land and capital work-in-progress.

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

	%
Buildings and improvements	2.0 - 33.3
Plant and machinery	6.7 - 33.3
Furniture and fittings	7.5 - 33.3
Office equipment	10.0 - 33.3
Motor vehicles	15.0 - 25.0

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings or accumulated losses.

(g) Investments in subsidiaries and associates

Investments in unquoted subsidiaries, which are eliminated on consolidation, and investment in unquoted associates are stated at cost less impairment losses in the Company's financial statements. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the income statement.

2. Significant accounting policies *(continued)*

(h) Inventories

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

(i) Provision for liabilities

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

(j) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o). Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Research and development expenditure

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

(iii) Rights

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

2. Significant accounting policies *(continued)*

(j) Intangible assets *(continued)*

(iii) Rights *(continued)*

Rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in the income statement on a straight-line basis over the estimated useful life of five years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

(k) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(iii) Retirement benefits obligation

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

(iv) Termination benefits

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

2. Significant accounting policies *(continued)*

(l) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount in excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

2. Significant accounting policies *(continued)*

(m) Foreign currencies *(continued)*

(ii) Foreign currency transactions *(continued)*

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary items, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(iii) Foreign operations

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- (b) income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (c) all resulting exchange differences are taken to the foreign currency translation reserve within equity.

2. Significant accounting policies (continued)

(m) Foreign currencies (continued)

(iii) Foreign operations (continued)

The principal average rates and closing rates were as follows:

	Average Rate		Closing Rate	
	2009	2008	2009	2008
RM1.00 =				
<i>Foreign currency</i>				
Australian Dollar	0.3789	0.3388	0.3603	0.3237
Chinese Renminbi	1.9709	2.2033	1.9593	2.1438
Hong Kong Dollar	2.2366	2.3450	2.2170	2.4096
Indonesian Rupiah (1,000 units)	2.9996	2.7683	2.9430	2.8760
Singapore Dollar	0.4169	0.4355	0.4134	0.4221
United States Dollar	0.2878	0.3009	0.2860	0.3087
Vietnamese Dong (1,000 units)	4.8875	-	4.8440	-

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 June 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 June 2006 are deemed to be assets and liabilities of the parent company and recorded in RM at the rates prevailing at the date of acquisition.

(n) Revenue recognition

(i) Sale of goods and 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.

(ii) Interest income

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

(iii) Dividend income

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

(o) Impairment of assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

2. Significant accounting policies *(continued)*

(o) Impairment of assets *(continued)*

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which this asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(p) Leases

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

2. Significant accounting policies *(continued)*

(p) Leases *(continued)*

(i) Finance leases

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

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(f).

(ii) Operating leases

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

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(q) Financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity instruments are charged directly to equity as a distribution of profits. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2. Significant accounting policies *(continued)*

(q) Financial instruments *(continued)*

(i) Cash and cash equivalents

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

(ii) Other non-current investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o). On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(iii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(iv) Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. Debts considered to be uncollectible are written off while allowances are made for debts considered to be doubtful of collection.

(v) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(vi) Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vii) Equity instruments

Ordinary shares are classified as equity. Dividend on ordinary shares are recognised in equity in the period in which they are declared.

2. Significant accounting policies *(continued)*

(q) Financial instruments *(continued)*

(viii) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts:

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

3. Revenue and cost of sales

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

4. Other income

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Interest income	921	1,670	56	56
Dividend income on equity investments				
- unquoted shares	-	6,099	-	6,099
- shares quoted outside Malaysia	78	123	78	123
- marketable securities	26	26	-	-
- subsidiaries	-	-	42,725	47,706
Gain on disposal of property, plant and equipment	185	40	19	-
Realised gain on foreign exchange	-	-	629	-
Unrealised gain on foreign exchange	1,597	-	1,171	-
Sundry income	10	-	10	107
	2,817	7,958	44,688	54,091

5. Finance costs

Bank borrowings	7,826	9,575	3,610	4,290
Advances from subsidiaries	-	-	1,716	1,046
Others	275	37	-	-
	8,101	9,612	5,326	5,336

6. Profit before taxation

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<i>This was arrived at after charging/(crediting):</i>				
Amortisation of prepaid lease payments (Note 13)	316	315	116	116
Amortisation of development expenditure (Note 17)	13	13	-	-
Amortisation of rights (Note 17)	191	269	191	269
Auditors' remuneration				
- Current	375	317	75	75
- Under provision in prior year	1	11	-	-
Bad debts recovered	(27)	(509)	-	-
Depreciation of property, plant and equipment (Note 12)	7,678	7,182	4,360	4,309
Hire of equipment	82	7	-	-
Allowance for doubtful debts	592	1,098	12	-
Write-down of inventories	1,244	1,338	-	1,172
Realised loss on foreign exchange	1,367	2,209	-	1
Unrealised loss on foreign exchange	-	2,212	-	122
Rent of premises	1,306	1,547	72	88
Impairment of investment	2,876	193	189	-
Loss on disposal of property, plant and equipment	-	-	-	6
Staff costs (Note 7)	47,146	46,276	22,695	22,586

7. Staff costs

Wages and salaries	40,623	42,089	19,133	19,927
EPF and social security costs	4,107	3,463	2,253	2,214
(Write-back)/provision for retirement benefits (Note 31)	(169)	348	(244)	285
Termination benefits	1,932	-	1,418	-
Other staff related expenses	653	376	135	160
	47,146	46,276	22,695	22,586

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM3,032,000 (2008: RM6,549,000) and RM2,912,000 (2008: RM6,149,000) respectively as further disclosed in Note 8.

8. Directors' remuneration

(a) Total remuneration

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
Salaries	720	720	600	600
Bonuses	2,000	5,140	2,000	4,890
EPF	312	689	312	659
	<u>3,032</u>	<u>6,549</u>	<u>2,912</u>	<u>6,149</u>
Non-Executive Directors				
Fees	382	435	382	435
Allowances	22	28	22	28
	<u>404</u>	<u>463</u>	<u>404</u>	<u>463</u>
Total	<u>3,436</u>	<u>7,012</u>	<u>3,316</u>	<u>6,612</u>

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

	No. of Directors	
	2009	2008
Executive Directors		
RM2,000,001 to RM6,600,000	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>
Non-Executive Directors		
Less than RM60,000	3	3
RM60,001 to RM100,000	4	4
	<u>7</u>	<u>7</u>

9. Taxation

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	(13,383)	(10,711)	(5,108)	(5,331)
- Foreign tax	253	(1,437)	-	-
	(13,130)	(12,148)	(5,108)	(5,331)
Under provision in prior years:				
- Malaysian income tax	(3,130)	(174)	(2,988)	(162)
- Foreign tax	-	(105)	-	-
	(16,260)	(12,427)	(8,096)	(5,493)
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	11,351	1,491	7,224	1,420
Relating to changes in tax rates	(213)	68	-	28
Over provision in prior years	5,364	79	5,176	20
	16,502	1,638	12,400	1,468
	242	(10,789)	4,304	(4,025)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income	: 20%
In excess of RM500,000 of chargeable income	: 26%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

Taxation for other jurisdictions is calculated at the prevailing rate of the respective jurisdictions.

9. Taxation *(continued)*

A reconciliation of the income tax expense applicable to profit before taxation 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	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	10,376	58,269	27,602	40,215
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	(2,594)	(15,150)	(6,901)	(10,456)
Effect of different tax rates in other countries	308	1,180	-	338
Effect of changes in tax rates	(213)	68	-	28
Effect of tax savings in small and medium scale companies	-	123	-	-
Effect of other tax incentives	4,718	6,128	4,700	4,888
Income not subject to tax	313	35	5,592	2,741
Expenses not deductible for tax purposes	(3,534)	(2,602)	(1,276)	(1,422)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	-	86	-	-
Deferred tax assets not recognised	(990)	(457)	-	-
Over provision of deferred tax in prior years	5,364	79	5,176	20
Under provision of tax expense in prior years	(3,130)	(279)	(2,988)	(162)
Tax expense for the year	242	(10,789)	4,304	(4,025)

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 RM14,706,000 (2008: RM47,763,000) by the weighted average number of ordinary shares in issue during the financial year of 179,850,688 shares (2008: weighted average of 189,823,261 shares).

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

11. Dividends

	Amount		Net dividends per ordinary share	
	2009 RM'000	2008 RM'000	2009 sen	2008 sen
Final dividend of 4.5 sen per share less tax in respect of financial year ended 31 May 2008, paid on 16 January 2009 (2008: second interim dividend of 2.5 sen per share less tax in respect of financial year ended 31 May 2007)	5,879	3,547	3.4	1.8
Final tax-exempt dividend in the form of distribution of one (1) treasury share for every twenty (20) ordinary shares held in respect of financial year ended 31 May 2008, on 16 January 2009	12,530	-	7.1	-
	18,409	3,547	10.5	1.8

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final dividend in the form of distribution of one (1) treasury share for every sixty (60) existing ordinary shares of RM1.00 each held, of which fraction of a treasury share is to be disregarded.

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 2010.

12. Property, plant and equipment

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 May 2009									
Cost or valuation									
At 1 June 2008									
Cost	250	353	17,161	125,471	1,450	5,485	4,732	8,462	163,364
Valuation	-	-	5,020	-	-	-	-	-	5,020
	250	353	22,181	125,471	1,450	5,485	4,732	8,462	168,384
Additions	-	-	-	2,052	41	120	589	3,326	6,128
Disposals	-	-	-	(1,759)	-	(61)	(1,124)	-	(2,944)
Reclassification	-	-	-	6,635	(70)	70	-	(6,635)	-
Exchange differences	-	-	-	(260)	14	14	(4)	108	(128)
At 31 May 2009	250	353	22,181	132,139	1,435	5,628	4,193	5,261	171,440
Representing:									
At cost	250	353	17,161	132,139	1,435	5,628	4,193	5,261	166,420
At valuation	-	-	5,020	-	-	-	-	-	5,020
At 31 May 2009	250	353	22,181	132,139	1,435	5,628	4,193	5,261	171,440
Accumulated depreciation									
At 1 June 2008	-	31	7,375	91,600	915	3,246	3,153	-	106,320
Depreciation charge for the year, recognised in the income statement (Note 6)	-	7	702	5,505	110	774	580	-	7,678
Disposals	-	-	-	(1,699)	-	(50)	(974)	-	(2,723)
Exchange differences	-	1	-	(56)	4	6	(1)	-	(46)
At 31 May 2009	-	39	8,077	95,350	1,029	3,976	2,758	-	111,229
Net carrying amount									
At cost	250	314	12,021	36,789	406	1,652	1,435	5,261	58,128
At valuation	-	-	2,083	-	-	-	-	-	2,083
At 31 May 2009	250	314	14,104	36,789	406	1,652	1,435	5,261	60,211

12. Property, plant and equipment *(continued)*

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
At 31 May 2008									
Cost or valuation									
At 1 June 2007									
Cost	250	354	16,751	121,642	1,395	4,150	4,488	3,886	152,916
Valuation	-	-	5,020	-	-	-	-	-	5,020
	250	354	21,771	121,642	1,395	4,150	4,488	3,886	157,936
Additions	-	-	72	2,273	85	822	311	8,408	11,971
Disposals	-	-	-	(137)	-	(66)	(35)	-	(238)
Reclassification	-	-	338	2,897	-	597	-	(3,832)	-
Exchange differences	-	(1)	-	(1,204)	(30)	(18)	(32)	-	(1,285)
At 31 May 2008	250	353	22,181	125,471	1,450	5,485	4,732	8,462	168,384
Representing:									
At cost	250	353	17,161	125,471	1,450	5,485	4,732	8,462	163,364
At valuation	-	-	5,020	-	-	-	-	-	5,020
At 31 May 2008	250	353	22,181	125,471	1,450	5,485	4,732	8,462	168,384
Accumulated depreciation									
At 1 June 2007									
Depreciation charge for the year, recognised in the income statement (Note 6)	-	25	6,676	86,946	813	2,593	2,643	-	99,696
Disposals	-	-	-	(135)	-	(60)	(35)	-	(230)
Exchange differences	-	-	-	(297)	(6)	(11)	(14)	-	(328)
At 31 May 2008	-	31	7,375	91,600	915	3,246	3,153	-	106,320
Net carrying amount									
At cost									
At valuation	250	322	12,598	33,871	535	2,239	1,579	8,462	59,856
	-	-	2,208	-	-	-	-	-	2,208
At 31 May 2008	250	322	14,806	33,871	535	2,239	1,579	8,462	62,064

12. Property, plant and equipment (continued)

Company	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
At 31 May 2009							
Cost or valuation							
At 1 June 2008							
Cost	10,398	103,226	723	4,022	2,322	5,227	125,918
Valuation	5,020	-	-	-	-	-	5,020
	15,418	103,226	723	4,022	2,322	5,227	130,938
Additions	-	1,881	6	25	98	42	2,052
Disposals	-	(1,713)	-	(50)	(572)	-	(2,335)
Reclassification	-	12	-	-	-	(12)	-
At 31 May 2009	15,418	103,406	729	3,997	1,848	5,257	130,655
Representing:							
At cost	10,398	103,406	729	3,997	1,848	5,257	125,635
At valuation	5,020	-	-	-	-	-	5,020
At 31 May 2009	15,418	103,406	729	3,997	1,848	5,257	130,655
Accumulated depreciation							
At 1 June 2008	6,001	82,684	654	2,430	1,691	-	93,460
Depreciation charge for the year, recognised in the income statement (Note 6)	385	3,271	23	475	206	-	4,360
Disposals	-	(1,654)	-	(47)	(522)	-	(2,223)
At 31 May 2009	6,386	84,301	677	2,858	1,375	-	95,597
Net carrying amount							
At cost	6,949	19,105	52	1,139	473	5,257	32,975
At valuation	2,083	-	-	-	-	-	2,083
At 31 May 2009	9,032	19,105	52	1,139	473	5,257	35,058

12. Property, plant and equipment *(continued)*

Company	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
At 31 May 2008							
Cost or valuation							
At 1 June 2007							
Cost	10,035	98,615	711	2,874	2,308	3,863	118,406
Valuation	5,020	-	-	-	-	-	5,020
	15,055	98,615	711	2,874	2,308	3,863	123,426
Additions	64	1,735	12	604	14	5,146	7,575
Disposals	-	(10)	-	(53)	-	-	(63)
Reclassification	299	2,886	-	597	-	(3,782)	-
At 31 May 2008	15,418	103,226	723	4,022	2,322	5,227	130,938
Representing:							
At cost	10,398	103,226	723	4,022	2,322	5,227	125,918
At valuation	5,020	-	-	-	-	-	5,020
At 31 May 2008	15,418	103,226	723	4,022	2,322	5,227	130,938
Accumulated depreciation							
At 1 June 2007							
	5,618	79,512	643	1,988	1,447	-	89,208
Depreciation charge for the year, recognised in the income statement (Note 6)							
	383	3,180	11	491	244	-	4,309
Disposals	-	(8)	-	(49)	-	-	(57)
At 31 May 2008	6,001	82,684	654	2,430	1,691	-	93,460
Net carrying amount							
At cost							
	7,209	20,542	69	1,592	631	5,227	35,270
At valuation							
	2,208	-	-	-	-	-	2,208
At 31 May 2008	9,417	20,542	69	1,592	631	5,227	37,478

12. Property, plant and equipment (continued)

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

The net book value of assets stated at 1985 valuation had they been stated at cost would have been approximately RM351,987 (2008: RM399,307) in respect of both the Group and the Company.

- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM6,128,000 of which RM78,000 were acquired by means of finance lease arrangements.

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	388	561	321	462
13. Prepaid lease payments				
At 1 June				
Cost	11,582	11,781	-	-
Valuation	7,224	7,340	7,224	7,340
	18,806	19,121	7,224	7,340
Amortisation during the year (Note 6)	(316)	(315)	(116)	(116)
At 31 May 2009	18,490	18,806	7,108	7,224
Net carrying amount				
At cost	11,382	11,582	-	-
At valuation	7,108	7,224	7,108	7,224
	18,490	18,806	7,108	7,224
Analysed as:				
Long-term leasehold land	17,786	18,081	7,108	7,224
Short-term leasehold land	704	725	-	-
	18,490	18,806	7,108	7,224

13. Prepaid lease payments (continued)

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

The net book value of assets stated at 1985 valuation had they been stated at cost would have been approximately RM247,708 (2008: RM252,859) in respect of both the Group and the Company.

14. Investments in subsidiaries

	Company	
	2009	2008
	RM'000	RM'000
Unquoted shares - at cost	207,984	207,984
Less: Accumulated impairment losses	(7,057)	(6,867)
	<u>200,927</u>	<u>201,117</u>

Details of the subsidiaries are disclosed in Note 38.

(a) Acquisition of subsidiaries

(i) Joint ventures

During the last financial year, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn Bhd ("PKG") entered into two Joint Venture Contracts ("JVCs") as follows:

(a) Perusahaan Kimia Gemilang (Vietnam) Company Ltd

On 28 June 2007, a joint venture with Long Thanh Chemicals Company Ltd to set up a new company named Perusahaan Kimia Gemilang (Vietnam) Company Ltd. ("PKG Vietnam"), in the Socialist Republic of Vietnam, for the purpose of building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.

The charter capital of PKG Vietnam is USD200,000, of which PKG contributed USD102,000 representing 51% participating interest.

On 6 September 2007, all conditions precedent to the joint venture were fulfilled and PKG Vietnam became a 51% owned subsidiary of the Company.

14. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries (continued)

(i) Joint ventures (continued)

(a) Perusahaan Kimia Gemilang (Vietnam) Company Ltd (continued)

The joint venture had the following effect on the Group's financial results for the previous financial year:

	2008 RM'000
Revenue	1,978
Loss from operations	796
Net loss for the year	<u>908</u>

(b) PT PKG Lautan Indonesia

On 10 September 2007, a joint venture with PT Lautan Luas Tbk to set up a new company named PT PKG Lautan Indonesia ("PKG Indonesia"), in the Republic of Indonesia, for the purpose of importation and distribution of industrial chemicals.

The authorised capital of PKG Indonesia consists of USD10,000,000 divided into 10,000,000 ordinary registered shares with a nominal value of USD1.00 per share, of which 2,500,000 shares with the total nominal value of USD2,500,000 is issued and fully paid up.

The investment in PKG Indonesia by PKG was USD1,275,000 for the subscription of 1,275,000 ordinary shares, representing 51% of the equity in PKG Indonesia.

As at 31 May 2008, PKG Indonesia had yet to begin operations. Hence, it had no effect on the Group's financial results for the financial year ended 31 May 2008.

The fair values of the assets acquired from the acquisition of the above joint ventures were as follows:

	2008 RM'000
Cash and bank balances	8,600
Less: Minority interests	<u>(4,214)</u>
Group's share of net assets	<u>4,386</u>

The cash outflow/(inflow) on acquisition is as follows:

Purchase consideration satisfied by cash	4,386
Cash and cash equivalents of subsidiaries acquired	<u>(8,600)</u>
Net cash inflow of the Group	<u>(4,214)</u>

15. Investments in associates

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Investment in unquoted associates				
- At cost	1,116	1,116	-	-
- Share of post-acquisition results	(1,116)	(301)	-	-
	<u>-</u>	<u>815</u>	<u>-</u>	<u>-</u>

The summarised financial statements of the associates are as follows:

	2009	2008
	RM'000	RM'000
Assets and liabilities		
Current assets	7,457	18,788
Non-current assets	635	803
Total assets	<u>8,092</u>	<u>19,591</u>
Current liabilities	8,481	16,874
Total liabilities	<u>8,481</u>	<u>16,874</u>
Results		
Revenue	183,839	271,928
(Loss)/profit for the year	<u>(3,107)</u>	<u>409</u>

Details of the associates are disclosed in Note 39.

16. Other investments

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	3,580	3,580	80	80
Quoted shares at cost	-	3,809	-	3,809
	<u>3,580</u>	<u>7,389</u>	<u>80</u>	<u>3,889</u>
Market value of quoted shares				
- As at 30 May 2008	-	3,790	-	3,790
- As at 15 September 2008	-	3,840	-	3,840

17. Intangible assets

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Development expenditure				
At 1 June	50	63	-	-
Amortisation during the year (Note 6)	(13)	(13)	-	-
At 31 May	37	50	-	-
Rights				
At 1 June	353	622	353	622
Amortisation during the year (Note 6)	(191)	(269)	(191)	(269)
At 31 May	162	353	162	353
Total	199	403	162	353

18. Goodwill arising on consolidation

	Group	
	2009	2008
	RM'000	RM'000
At 1 June	88,464	91,330
Exchange differences	4,696	(2,866)
At 31 May	93,160	88,464

Impairment test of goodwill**(i) Allocation of goodwill**

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

	Polymer	Industrial	Total
	RM'000	Chemical	RM'000
		RM'000	RM'000
31 May 2009	111	93,049	93,160
31 May 2008	114	88,350	88,464

18. Goodwill arising on consolidation *(continued)*

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

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the directors are of the opinion that all the CGUs are held on a long-term basis, the value-in-use would best reflect its recoverable amount. The value-in-use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plan, which is the best estimate of future performance. Cash flows beyond the five-year period are extrapolated using the growth rate stated below. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each CGU.

There remains a risk that the ability to achieve management's business plan will be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions. In computing the value-in-use for each CGU, the management has applied a discount rate of 8.43% and average growth rates of 6%.

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:

- (a) The discount rate used reflected the management's best estimate of return on capital employed.
- (b) Growth rate used has been based on historical trend of each segment taking into account industry outlook for that segment.
- (c) The profit margin applied to the projections are based on the historical profit margin trend for the individual CGU.

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

19. Inventories

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cost				
Finished goods	16,898	19,934	-	-
Work-in-progress	929	1,556	-	-
Raw materials and consumable stores	6,549	10,972	365	434
Inventory-in-transit	2,801	-	-	-
	27,177	32,462	365	434

19. Inventories *(continued)*

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Net realisable value				
Finished goods	51,436	85,763	7,715	10,508
Work-in-progress	3,694	3,407	3,656	3,203
Raw materials and consumable stores	7,868	11,332	8,406	10,591
	62,998	100,502	19,777	24,302
	90,175	132,964	20,142	24,736

20. Receivables

Trade receivables	158,429	275,610	14,740	26,970
Allowance for doubtful debts	(2,105)	(1,719)	(422)	(410)
	156,324	273,891	14,318	26,560
Other receivables	4,370	3,298	368	903
Deposits	368	301	17	11
Prepayments	1,289	1,050	92	135
	6,027	4,649	477	1,049
	162,351	278,540	14,795	27,609

The Group's normal trade credit term ranges from 30 - 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

21. Marketable securities

	Group	
	2009	2008
	RM'000	RM'000
Shares quoted in Malaysia, at cost	1,581	1,549
Less: Accumulated impairment losses	(791)	(412)
	790	1,137
Market value of quoted shares	790	1,137

22. Amount owing by/to group companies

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Amount owing by group companies:				
Trade				
Related companies	54	180	-	4
Subsidiaries	-	-	-	182
	54	180	-	186
Non-trade				
Subsidiaries	-	-	41,885	49,353
	54	180	41,885	49,539
Amount owing to group companies:				
Trade				
Related companies	1,576	905	-	-
Non-trade				
Related companies	4,322	8,451	14	21
Subsidiaries	-	-	21,882	40,239
Holding company	1,662	1,709	1,665	1,705
	5,984	10,160	23,561	41,965
	7,560	11,065	23,561	41,965

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

Related companies refer to companies within Ancom.

The account balances with the holding company, subsidiaries and other related companies consists of the following:

- (i) trade balances which are subject to normal trade credit terms; and
- (ii) non-trade balances which arose mainly from intercompany advances which bore interest at rates ranging from 2.7% to 3.8% (2008: 3.5% to 4.9%) per annum, interest-free advances by/to other related companies, expenses paid on behalf and other intercompany charges which are negotiated on a basis determined within the Group.

23. Payables

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Trade payables	88,623	176,523	8,559	16,378
Other payables	18,845	9,685	3,046	2,370
Accruals	17,394	8,542	7,268	3,638
	124,862	194,750	18,873	22,386

The normal trade credit terms granted to the Group range from 30 to 90 days.

24. Borrowings

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Short-term borrowings				
<u>Secured</u>				
Trust receipts	1,507	51,322	-	-
Revolving credits	1,696	-	-	-
Term loan	15,066	14,400	14,400	14,400
<u>Unsecured</u>				
Bank overdrafts (Note 32)	330	405	-	-
Short-term loan and advances	85,980	114,924	31,200	31,400
Hire-purchase creditors (Note 30)	83	149	65	149
	104,662	181,200	45,665	45,949
Long-term borrowings				
<u>Secured</u>				
Term loans	32,731	44,247	29,847	44,247
<u>Unsecured</u>				
Hire-purchase creditors (Note 30)	46	64	-	64
	32,777	44,311	29,847	44,311
Total borrowings	137,439	225,511	75,512	90,260
<i>Maturity of borrowings</i>				
Within one year	104,662	181,200	45,665	45,949
More than 1 year and less than 2 years	18,805	14,464	17,900	14,464
More than 2 years and less than 5 years	13,972	29,847	11,947	29,847
	137,439	225,511	75,512	90,260

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24. Borrowings (continued)

The borrowings bore interest at rates ranging from 2.5% to 8.0% (2008: 3.3% to 5.0%) per annum.

The short-term secured trust receipts and revolving credits together with the long-term secured term loan of RM3,550,000 are for a foreign subsidiary and secured by the mortgage of tank farms, corporate guarantee by its shareholders and the assignment of insurance policies covering stock in trade in favour of the Bank.

The short-term secured term loan of RM14,400,000 and the long-term secured term loan of RM29,847,000 are secured by assignment of dividends received or receivable from a subsidiary of the Company.

25. Share capital

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
Authorised:				
At 1 June/31 May	300,000	300,000	300,000	300,000
Issued and fully paid:				
At 1 June	194,338	194,338	194,338	194,338
At 31 May	194,338	194,338	194,338	194,338

Of the total 194,337,860 (2008: 194,337,860) issued and paid-up ordinary shares of RM1.00 each as at 31 May 2009, 8,988,457 (2008: 17,439,200) shares are held as treasury shares by the Company. Consequently, as at 31 May 2009, the number of ordinary shares in issue after deduction of the treasury shares is 185,349,403 (2008: 176,898,660) ordinary shares of RM1.00 each.

26. Reserves

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-distributable:				
Share premium	805	805	805	805
Translation reserves	(5,382)	(15,023)	-	-
	(4,577)	(14,218)	805	805

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

27. Retained earnings

As at 31 May 2009, the Company has tax-exempt income accounts of approximately RM27,344,000 (2008: RM23,240,000) of which the Company can distribute tax-exempt dividends of up to the same amount, subject to the agreement of the Inland Revenue Board.

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

The Company did not elect for the irrevocable option to disregard the Section 108 tax credit balances. Accordingly, during the transitional period, the Company may utilise the credit in 108 balance and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 May 2009.

28. Treasury shares

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2009	2008	2009	2008
	'000	'000	RM'000	RM'000
At 1 June	17,439	-	24,917	-
Repurchase of shares	375	17,439	464	24,917
Distribution of share dividend	(8,826)	-	(12,530)	-
At 31 May	8,988	17,439	12,851	24,917

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

Month	No. of shares	Cost RM	Purchase price per share		
			Highest RM	Lowest RM	Average RM
June 2008	269,600	360,406	1.3800	1.2700	1.3307
July 2008	41,000	47,630	1.1700	1.1300	1.1513
October 2008	40,500	35,419	1.0200	0.7900	0.8689
November 2008	24,000	20,824	0.8900	0.8050	0.8598
May 2009	100	103	0.6200	0.6200	0.6200
	375,200	464,382			

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

29. Deferred tax

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 June	1,840	3,354	691	2,159
Recognised in the income statement (Note 9)	(16,502)	(1,638)	(12,400)	(1,468)
Exchange differences	(24)	124	-	-
At 31 May	(14,686)	1,840	(11,709)	691
<i>Presented after appropriate offsetting as follows:</i>				
Deferred tax assets	(16,574)	(996)	(11,709)	-
Deferred tax liabilities	1,888	2,836	-	691
	(14,686)	1,840	(11,709)	691

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

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Total RM'000
At 1 June 2008	7,236	7,236
Recognised in the income statement	(451)	(451)
Exchange differences	3	3
At 31 May 2009	6,788	6,788
At 1 June 2007	7,828	7,828
Recognised in the income statement	(606)	(606)
Exchange differences	14	14
At 31 May 2008	7,236	7,236

29. Deferred tax (continued)**Deferred tax assets of the Group**

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2008	(1,144)	(1,659)	(2,593)	(5,396)
Recognised in the income statement	196	(2,900)	(13,347)	(16,051)
Exchange differences	2	(1)	(28)	(27)
At 31 May 2009	(946)	(4,560)	(15,968)	(21,474)
At 1 June 2007	(1,194)	(1,026)	(2,254)	(4,474)
Recognised in the income statement	43	(639)	(436)	(1,032)
Exchange differences	7	6	97	110
At 31 May 2008	(1,144)	(1,659)	(2,593)	(5,396)

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000	Total RM'000
At 1 June 2008	4,767	4,767
Recognised in the income statement	(208)	(208)
At 31 May 2009	4,559	4,559
At 1 June 2007	5,223	5,223
Recognised in the income statement	(456)	(456)
At 31 May 2008	4,767	4,767

Deferred tax assets of the Company

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2008	(1,046)	(1,175)	(1,855)	(4,076)
Recognised in the income statement	156	(1,519)	(10,829)	(12,192)
At 31 May 2009	(890)	(2,694)	(12,684)	(16,268)

29. Deferred tax (continued)**Deferred tax assets of the Company**

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2007	(1,106)	(798)	(1,160)	(3,064)
Recognised in the income statement	60	(377)	(695)	(1,012)
At 31 May 2008	<u>(1,046)</u>	<u>(1,175)</u>	<u>(1,855)</u>	<u>(4,076)</u>

30. Hire-purchase and finance lease payables

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Minimum lease payments				
Not later than one year	89	158	66	158
Later than one year and not later than two years	23	65	-	65
Later than two years and not later than five years	36	-	-	-
	148	223	66	223
Future finance charges	(19)	(10)	(1)	(10)
Present value of finance lease liabilities	129	213	65	213

Present value of finance lease liabilities

Not later than one year	83	149	65	149
Later than one year and not later than two years	18	64	-	64
Later than two years and not later than five years	28	-	-	-
	129	213	65	213

Analysed as:

Due within 12 months (Note 24)	83	149	65	149
Due after 12 months (Note 24)	46	64	-	64
	129	213	65	213

The hire-purchase and lease liabilities bore flat interest rates at the balance sheet date of 3.30% to 8.00% (2008: 3.30%) per annum.

31. Provision for retirement benefits

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 June	4,534	4,561	4,186	4,255
Benefits paid	(605)	(354)	(381)	(354)
(Income)/expense recognised in the income statements (Note 7)	(169)	348	(244)	285
Exchange fluctuation	14	(21)	-	-
At 31 May	3,774	4,534	3,561	4,186

32. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	33,807	43,786	9,961	4,111
Short-term deposits with licensed banks	33,774	24,998	4,800	-
	67,581	68,784	14,761	4,111
Bank overdrafts (Note 24)	(330)	(405)	-	-
Cash and cash equivalents	67,251	68,379	14,761	4,111

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2009	2008	2009	2008
	Days	Days	Days	Days
Short-term deposits with licensed banks	81	104	6	-

The average interest rate of deposits as at the end of the financial year is 2.59% (2008: 2.55%).

33. Commitments

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Capital commitments				
Approved and contracted				
- property, plant and equipment	275	1,941	237	1,795
- acquisition of investment	-	15,152	-	15,152
	275	17,093	237	16,947

34. Contingent liabilities

There are no contingent liabilities for the Group and the Company for the financial year ended 31 May 2009 (2008: Nil).

35. Related party disclosures

(a) Significant related party transactions

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sales to associates and related companies:	(i)				
- Ancom Crop Care Sdn Bhd		153	149	-	-
- Ancom Kimia Sdn Bhd		23	2,196	-	-
- Timber Preservatives Sdn Bhd		-	259	-	-
Purchases from subsidiaries/ associates/related companies:	(i)				
- Ancom Kimia Sdn Bhd		148,675	215,091	-	-
- Perusahaan Kimia Gemilang Sdn Bhd		-	-	350	668
Freight/transport charges paid to related company:	(i)				
- Pengangkutan Cogent Sdn Bhd Sdn Bhd		3,841	1,604	101	-
Storage rental paid to related companies:	(i)				
- Ancom-ChemQuest Terminals Sdn Bhd		2,487	2,392	-	-
- Sinsenmoh Transportation Pte Ltd		433	-	-	-
- SM Integrated Transware Pte Ltd		-	425	-	-
Interest paid to subsidiaries:	(ii)				
- Malaysian Roofing Industries Sdn Bhd		-	-	183	167
- Perusahaan Kimia Gemilang Sdn Bhd		-	-	1,533	879
Consultation charges paid to holding company:	(iii)				
- Ancom Berhad		-	207	-	-

35. Related party disclosures *(continued)***(a) Significant related party transactions** *(continued)*

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross dividend from subsidiaries:					
- CKG Chemicals Pte Ltd		-	-	-	10,769
- Fermpro Sdn Bhd		-	-	4,240	6,047
- Kumpulan Kesuma Sdn Bhd		-	-	410	-
- Nycon Manufacturing Sdn Bhd		-	-	570	6,113
- Nylex Specialty Chemicals Sdn Bhd		-	-	5,027	13,614
- Perusahaan Kimia Gemilang Sdn Bhd		-	-	32,310	11,163
- Wedon Sdn Bhd		-	-	168	-

- (i) The Directors are of the opinion that the sales, purchases, freight/transport and storage charges to/from subsidiaries, associates and related companies are entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.
- (ii) Interest paid arose from advances from subsidiaries. Further details are disclosed in Note 22.
- (iii) Consultancy fees charged were based on the nature and type of services performed. The Directors consider that the charges are substantially in line with the market prices.

The outstanding balances as at 31 May 2009 are disclosed in Note 22.

(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 director of the Company and its subsidiaries.

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fees	394	477	382	435
Wages and salaries	17,863	19,068	5,989	8,851
EPF and social security costs	1,502	2,081	716	1,062
Other emoluments	243	214	33	39
	20,002	21,840	7,120	10,387

35. Related party disclosures *(continued)*

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

Included in the total remuneration of key management personnel are:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 8)	3,436	7,012	3,316	6,612

36. Financial instruments

The daily operations of the Group require the use of financial instruments. Financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, contractual right to exchange financial instruments from other enterprises under conditions that are potentially favourable or an equity instrument of another enterprise, whilst financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to other enterprises or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The use of financial instruments exposes the Group to financial risks which are categorised as interest rate, foreign exchange, liquidity and credit risks.

(i) Financial risk management objectives and policies

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

(ii) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt. The investments in financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

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.

36. Financial instruments (continued)**(ii) Interest rate risk** (continued)

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Fixed rate	16,344	18,398	-	-
Floating rate	31,473	24,839	4,800	-
Interest free	186,539	313,609	266,358	286,275
	234,356	356,846	271,158	286,275
Financial liabilities				
Fixed rate	129	51,657	19,235	39,414
Floating rate	137,312	173,976	75,447	90,047
Interest free	101,730	193,789	25,536	29,345
	239,171	419,422	120,218	158,806

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

	Group		Company	
	2009	2008	2009	2008
	%	%	%	%
Financial assets				
Fixed rate	3.89	3.20	-	-
Floating rate	2.39	1.99	1.30	-
Financial liabilities				
Fixed rate	5.67	3.34	3.60	3.91
Floating rate	4.84	4.32	3.25	4.52

(iii) Foreign exchange risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Singapore Dollar, Japanese Yen, Indonesian Rupiah and Vietnamese Dong. 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.

36. Financial instruments (continued)**(iii) Foreign exchange risk** (continued)

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 foreign exchange contracts.

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 2009					
Receivables					
United States Dollar	7,944	1,569	-	-	9,513
Singapore Dollar	1,298	-	1,830	-	3,128
Japanese Yen	178	-	-	-	178
Pound Sterling	103	-	-	-	103
Hong Kong Dollar	-	-	160	-	160
Euro	52	-	-	-	52
	9,575	1,569	1,990	-	13,134
Cash and bank balances					
United States Dollar	5,211	1,218	-	3	6,432
Singapore Dollar	3,983	-	367	-	4,350
Hong Kong Dollar	-	-	48	-	48
	9,194	1,218	415	3	10,830
Borrowings					
United States Dollar	-	330	-	-	330
Payables					
Ringgit Malaysia	-	-	333	-	333
United States Dollar	9,304	6,934	-	-	16,238
Singapore Dollar	-	-	3,614	-	3,614
Euro	-	-	-	-	-
	9,304	6,934	3,947	-	20,185

36. Financial instruments (continued)**(iii) Foreign exchange risk** (continued)

	Functional currency of group companies			
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Total RM'000
At 31 May 2008				
Receivables				
United States Dollar	17,274	96	-	17,370
Singapore Dollar	1,108	-	2,499	3,607
Japanese Yen	520	-	-	520
Brunei Dollar	25	-	-	25
Hong Kong Dollar	-	-	176	176
Vietnamese Dong	-	-	1,432	1,432
	<u>18,927</u>	<u>96</u>	<u>4,107</u>	<u>23,130</u>
Cash and bank balances				
United States Dollar	7,838	64	-	7,902
Singapore Dollar	71	-	264	335
Hong Kong Dollar	-	-	370	370
Vietnamese Dong	-	-	246	246
	<u>7,909</u>	<u>64</u>	<u>880</u>	<u>8,853</u>
Borrowings				
Singapore Dollar	-	-	405	405
Payables				
Ringgit Malaysia	-	-	386	386
United States Dollar	4,844	2,141	-	6,985
Singapore Dollar	71	-	3,118	3,189
Vietnamese Dong	-	-	680	680
Euro	5	-	-	5
	<u>4,920</u>	<u>2,141</u>	<u>4,184</u>	<u>11,245</u>

36. Financial instruments *(continued)***(iii) Foreign exchange risk** *(continued)*

As at balance sheet date, the Group and the Company have entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Group		Company	
	Maturity Less than 1 year RM'000	Notional amount RM'000	Maturity Less than 1 year RM'000	Notional amount RM'000
At 31 May 2009				
Forward contract used to hedge trade receivables				
United States Dollar	<u>808</u>	<u>808</u>	<u>808</u>	<u>808</u>
Forward contract used to hedge future sales				
United States Dollar	<u>1,835</u>	<u>1,835</u>	<u>1,835</u>	<u>1,835</u>
At 31 May 2008				
Forward contract used to hedge trade receivables				
United States Dollar	<u>6,403</u>	<u>6,403</u>	<u>6,403</u>	<u>6,403</u>

(iv) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group maintains available banking facilities at a reasonable level to its overall debt position.

(v) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored 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.

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.

36. Financial instruments (continued)**(vi) Fair values**

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the following:

	Note	Group		Company	
		Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
At 31 May 2009					
Investment in subsidiaries	14	-	-	200,927	#
Non-current unquoted shares	16	3,580	#	80	#
Hire-purchase and finance lease payables	30	129	129	65	65
Forward foreign exchange contracts	36(iii)	-	2,172	-	2,172
At 31 May 2008					
Investment in subsidiaries	14	-	-	201,117	#
Investment in associates	15	815	#	-	#
Non-current unquoted shares	16	3,580	#	80	#
Non-current quoted shares	16	3,809	3,790	3,809	3,790
Hire-purchase and finance lease payables	30	213	213	213	213
Forward foreign exchange contracts	36(iii)	-	6,479	-	6,479

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

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Hire purchase and finance lease creditors

The fair value of hire purchase payables is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

36. Financial instruments *(continued)*

(vi) Fair values *(continued)*

(ii) Forward foreign exchange contracts

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

37. Significant events during the year and subsequent to the balance sheet date

(a) Megachem Limited ("Megachem")

Pursuant to the sale and option agreement ("Agreement") entered into on 24 May 2006 with Mr Lim Yee Hoe ("Vendor") for the acquisition of 39,976,670 issued shares in Megachem Limited ("Megachem") representing 29.99% of the issued share capital in Megachem at S\$0.20 per share, Nylex had on 22 May 2009 exercised the put option (granted by the Vendor) to require the Vendor to purchase from Nylex the 39,976,670 Megachem shares at the option price of S\$0.20 per share. On even date, the Vendor has settled the aggregate cash consideration.

(b) PT Indomalay Ekatana Roofing Industries ("IRI")

IRI, a 49% indirect subsidiary of Nylex, ceased production on 29 May 2009. Following its cessation of production, an impairment loss on the carrying value in IRI amounting to RM2.5 million has been accordingly accounted for in the consolidated income statement for the current financial year.

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

The Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG") currently owns 51% interest in PKG Vietnam. On 6 July 2009, PKG entered into a conditional capital transfer agreement with Long Thanh Chemicals Company Ltd ("LTCC") for the acquisition of the remaining 49% interest in PKG Vietnam from LTCC for a purchase consideration of USD500,000.

As at the date of this report, the transaction has not been completed.

38. Subsidiaries

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective % ownership in		Principal activities
		2009 %	2008 %	
Direct subsidiaries				
Nycon Manufacturing Sdn Bhd	Malaysia	100	100	Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins.
Malaysian Roofing Industries Sdn Bhd	Malaysia	70	70	Dormant.
Nylex Polymer Marketing Sdn Bhd	Malaysia	100	100	Trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets.
* PT Nylex Indonesia	Indonesia	100	100	Manufacture, marketing and distribution of PU and PVC leathercloth.
Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	100	100	Trading in petrochemicals and industrial chemicals.
Fermpro Sdn Bhd	Malaysia	100	100	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.
Kumpulan Kesuma Sdn Bhd	Malaysia	100	100	Manufacture and marketing of sealants and adhesive products.
Wedon Sdn Bhd	Malaysia	100	100	Marketing of sealants and adhesive products.
Nylex Specialty Chemicals Sdn Bhd	Malaysia	100	100	Manufacture and sale of phosphoric acid.

38. Subsidiaries *(continued)*

Name of company	Country of incorporation	Effective % ownership in		Principal activities
		2009	2008	
		%	%	
Direct subsidiaries <i>(continued)</i>				
Speciality Phosphates (Malaysia) Sdn Bhd	Malaysia	51	51	Manufacture and sale of chemicals.
CKG Chemicals Pte Ltd	Singapore	100	100	Trading and distribution of industrial chemicals and gasoline blending components.
Indirect subsidiaries				
* PT Indomalay Ekatana Roofing Industries	Indonesia	49	49	Manufacture and marketing of metal roofing tiles.
* Dynamic Chemical Trading Pte Ltd	Singapore	90	90	Trading in industrial chemicals.
Perusahaan Kimia Gemilang (Vietnam) Company Ltd.	Vietnam	51	51	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.
* PT PKG Lautan Indonesia	Indonesia	51	51	Importation and distribution of industrial chemicals.

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

39. Associates

Details of associates are as follows:

Name of company	Country of incorporation	Effective % ownership in		Principal activities
		2009	2008	
		%	%	
Ancom Kimia Sdn Bhd	Malaysia	30	30	Distribution of petrochemicals and industrial chemicals.

40. 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:

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.

Industrial chemical - Trading, manufacture and sale of petrochemical and industrial chemical products.

Building products - Manufacture and marketing of roofing products.

	Industrial Building				
	Polymer	Chemical	Products	Eliminations	Consolidated
2009	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External sales	111,532	1,250,306	4,192	-	1,366,030
Inter-segment sales	6	350	-	(356)	-
Total revenue	<u>111,538</u>	<u>1,250,656</u>	<u>4,192</u>	<u>(356)</u>	<u>1,366,030</u>
Results					
Segment results	4,376	30,146	(1,309)	-	33,213
Unallocated corporate expenses					<u>(13,921)</u>
Profit from operations					19,292
Finance cost					(8,101)
Share of results of associates					<u>(815)</u>
Profit before taxation					10,376
Taxation					<u>242</u>
Profit after taxation					10,618
Minority interests					<u>4,088</u>
Net profit after minority interests					<u><u>14,706</u></u>
Assets					
Segment assets	110,038	306,046	9,275	(70,433)	354,926
Goodwill on consolidation					93,160
Unallocated corporate assets					<u>70,451</u>
Consolidated total assets					<u><u>518,537</u></u>

40. Segment information (continued)**(a) Business segments** (continued)

2009	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Liabilities					
Segment liabilities	31,895	136,163	652	(62,063)	106,647
Borrowings					137,439
Unallocated corporate liabilities					33,765
Consolidated total liabilities					<u>277,851</u>
Other information					
Capital expenditure	2,131	3,997	-	-	6,128
Depreciation and amortisation	5,794	2,300	82	-	8,176
Unallocated corporate depreciation and amortisation					22
Impairment losses	-	379	-	-	379
Unallocated corporate impairment losses					2,497
Non-cash expenses other than depreciation, amortisation and impairment losses	476	(205)	740	-	1,011
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					(1,153)
2008					
Revenue					
External sales	133,742	1,599,566	8,754	-	1,742,062
Inter-segment sales	19	668	-	(687)	-
Total revenue	<u>133,761</u>	<u>1,600,234</u>	<u>8,754</u>	<u>(687)</u>	<u>1,742,062</u>
Results					
Segment results	5,949	67,700	354	-	74,003
Unallocated corporate expenses					(6,245)
Profit from operations					67,758
Finance cost					(9,612)
Share of results of associates					123
Profit before taxation					58,269
Taxation					(10,789)
Profit after taxation					47,480
Minority interests					283
Net profit after minority interests					<u>47,763</u>

40. Segment information *(continued)***(a) Business segments** *(continued)*

2008	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Assets					
Segment assets	125,033	466,210	11,469	(88,577)	514,135
Investment in associates	-	815	-	-	815
Goodwill on consolidation					88,464
Unallocated corporate assets					65,822
Consolidated total assets					<u>669,236</u>
Liabilities					
Segment liabilities	44,152	209,634	1,510	(88,577)	166,719
Borrowings					225,511
Unallocated corporate liabilities					50,197
Consolidated total liabilities					<u>442,427</u>
Other information					
Capital expenditure	7,916	3,972	73	-	11,961
Unallocated corporate capital expenditure					10
Depreciation and amortisation	5,865	1,801	89	-	7,755
Unallocated corporate depreciation and amortisation					24
Impairment losses	-	193	-	-	193
Non-cash expenses other than depreciation, amortisation and impairment losses	2,670	1,711	28	-	4,409
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					(129)

40. Segment information (continued)**(b) Geographical Segments**

	Total revenue from external customers (Based on location of customers)		Segment assets (Based on location of assets)		Capital expenditure (Based on location of assets)	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Singapore	556,453	736,827	135,396	234,731	19	78
Malaysia	465,610	522,158	181,738	253,078	2,600	8,330
Philippines	88,156	111,148	-	-	-	-
Indonesia	60,465	40,065	25,538	19,732	242	254
Vietnam	56,152	55,842	12,254	6,594	3,267	3,309
Australia	37,880	41,027	-	-	-	-
Sri Lanka	25,266	31,317	-	-	-	-
China	13,246	82,019	-	-	-	-
Japan	12,232	3,803	-	-	-	-
Bangladesh	11,697	6,818	-	-	-	-
Africa	7,942	6,513	-	-	-	-
Thailand	7,517	17,399	-	-	-	-
Hong Kong	5,529	9,238	-	-	-	-
New Zealand	4,264	3,137	-	-	-	-
Pakistan	3,932	4,195	-	-	-	-
Middle East	3,893	6,374	-	-	-	-
India	1,896	2,202	-	-	-	-
Taiwan	263	32,121	-	-	-	-
Korea	36	24,693	-	-	-	-
Other Asian countries	2,212	2,394	-	-	-	-
Other countries	1,389	2,772	-	-	-	-
Consolidated	1,366,030	1,742,062	354,926	514,135	6,128	11,971