



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



**TOGETHER**  
WE CAN MAKE A DIFFERENCE

ANNUAL REPORT 2018

# 48<sup>TH</sup> ANNUAL GENERAL MEETING

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

🕒 Thursday, 18 October 2018  
9:30 a.m.



## COVER RATIONALE

Through Nylex's diversity of industrial expertise, we are constantly finding and exploring ever more value-creating solutions for the industrial and consumer markets. The diamond elements on the cover represent our continued efforts to improve operational efficiencies, widen products range and expand our distribution network.

Together, we can make a difference, delivering value and achieving new heights of success.



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Form of Proxy

# CORPORATE INFORMATION

As at 27 August 2018

## BOARD OF DIRECTORS

### Dato' Tengku Mahamad bin Tengku Mahamut

*(Re-designated to Independent Non-Executive Chairman on 14 August 2018)*

### Dato' Siew Ka Wei

*(Group Managing Director)*

### Edmond Cheah Swee Leng

*(Independent Non-Executive Director)*

### Khamis bin Awal

*(Independent Non-Executive Director)*

### Datuk Anuar bin Ahmad

*(Independent Non-Executive Director)  
(Appointed on 14 August 2018)*

### Puan Sri Datuk Seri Rohani Parkash binti Abdullah

*(Independent Non-Executive Director)  
(Resigned on 31 May 2018)*

### Tan Sri Mohamed Al Amin Abdul Majid

*(Executive Chairman)  
(Resigned on 3 August 2018)*

### Lim Hock Chye

*(Independent Non-Executive Director)  
(Resigned on 21 August 2018)*

### Safrizal bin Mohd Said

*(Independent Non-Executive Director)  
(Resigned on 21 August 2018)*

## AUDIT COMMITTEE

Edmond Cheah Swee Leng  
*(Chairman)*  
Khamis bin Awal  
Datuk Anuar bin Ahmad  
*(Appointed on 21 August 2018)*  
Lim Hock Chye  
*(Resigned on 21 August 2018)*  
Safrizal bin Mohd Said  
*(Resigned on 21 August 2018)*

## REMUNERATION & NOMINATION COMMITTEE

Edmond Cheah Swee Leng  
*(Appointed as Chairman on 21 August 2018)*  
Khamis bin Awal  
*(Appointed on 21 August 2018)*  
Dato' Tengku Mahamad bin Tengku Mahamut  
*(Appointed on 21 August 2018)*  
Lim Hock Chye *(Chairman)*  
*(Resigned on 21 August 2018)*

## COMPANY SECRETARIES

Choo Se Eng (MIA 5876)  
*(Appointed on 17 April 2018)*  
Stephen Geh Sim Whye (MICPA 1810)  
Soo Shiow Fang (MAICSA 7044946)  
*(Resigned on 19 March 2018)*

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS

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

## WEBSITE

www.nylex.com

## REGISTRARS

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

## AUDITORS

BDO  
Chartered Accountants

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
- Industrial Products &  
Services Sector

## PRINCIPAL BANKERS

Malayan Banking Berhad  
HSBC Bank Malaysia Berhad  
RHB Bank Berhad  
OCBC Bank (Malaysia) Berhad  
Bangkok Bank Berhad

## SOLICITORS

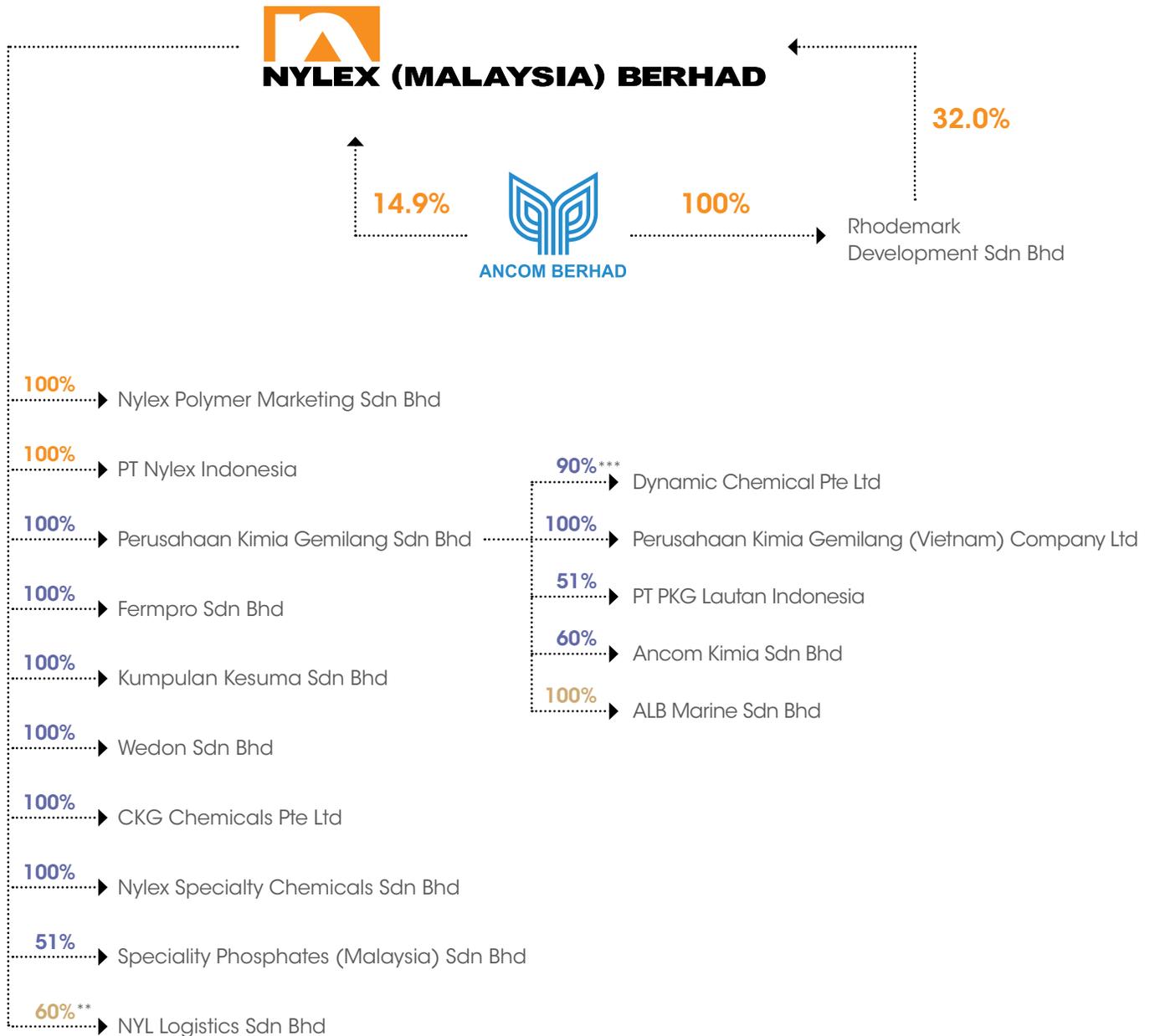
Shearn Delamore & Co  
Lee, Perara & Tan

## DOMICILE

Malaysia

# CORPORATE STRUCTURE

As at 31 May 2018



**Legend:**

- Polymer Division
- Industrial Chemical Division
- Logistics Division

\* Only major companies are shown in the Corporate Structure

\*\* Disposed off on 28 June 2018

\*\*\* Acquired the remaining 10% interest on 13 July 2018

# LIST OF PRINCIPAL OFFICES

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

Lot 16, Persiaran Selangor, Section 15  
40200 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
**Tel :** (603) 5519 1706  
**Fax:** (603) 5510 8291 / 5510 0088  
[www.nylex.com](http://www.nylex.com)  
[www.nylexpolymer.com](http://www.nylexpolymer.com)

## PT NYLEX INDONESIA

Desa Sumengko Km31  
Wringinanom, Gresik  
61176 Indonesia  
**Tel :** (6231) 898 2626  
**Fax:** (6231) 898 2623

## PERUSAHAAN KIMIA GEMILANG SDN BHD

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

## DYNAMIC CHEMICAL PTE LTD

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

## PERUSAHAAN KIMIA GEMILANG (VIETNAM) COMPANY LTD

7 Floor, 205B Hoang Hoa Tham Street  
Ward 06, Binh Thanh District  
Ho Chi Minh City  
Vietnam  
**Tel :** (848) 3516 3115  
**Fax:** (848) 3516 3098

## PT PKG LAUTAN INDONESIA

Gedung Graha Indramas  
Jl. AIPDA K.S.Tubun Raya No. 77  
Jakarta  
11410 Indonesia  
**Tel :** (6221) 5367 3269  
**Fax:** (6221) 5367 3278

## ANCOM KIMIA SDN BHD

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

## FERMPRO SDN BHD

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

## KUMPULAN KESUMA SDN BHD / WEDON SDN BHD

No. 6, Lorong SS13/6A  
Subang Jaya Industrial Estate  
47500 Subang Jaya  
Selangor Darul Ehsan  
Malaysia  
**Tel :** (603) 5633 6229  
**Fax:** (603) 5634 9915

## CKG CHEMICALS PTE LTD

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

## NYLEX SPECIALTY CHEMICALS SDN BHD / SPECIALITY PHOSPHATES (MALAYSIA) SDN BHD

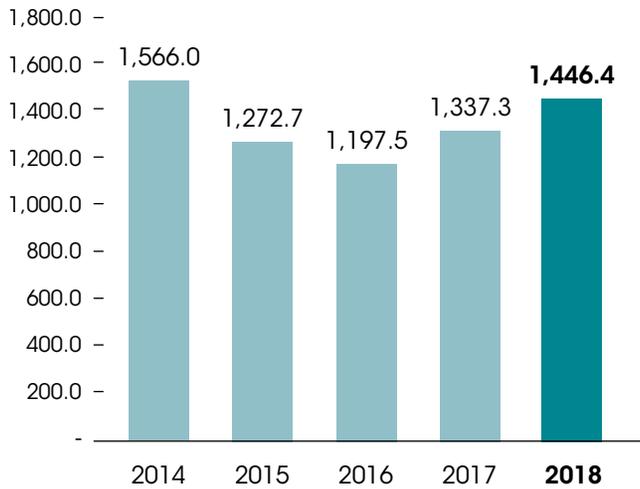
Lot 593, Persiaran Raja Lumu  
Kawasan Perusahaan Pandamaran  
42000 Port Klang  
Selangor Darul Ehsan  
Malaysia  
**Tel :** (603) 3168 8282  
**Fax:** (603) 3167 9115  
[www.nylexsc.com.my](http://www.nylexsc.com.my)

# FIVE-YEAR HIGHLIGHTS

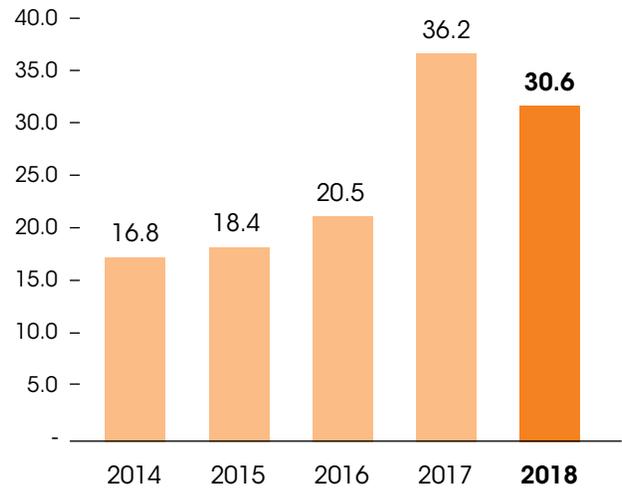
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	<b>1,446,375</b>	1,337,256	1,197,450	1,272,737	1,566,028
Earnings before interest, tax, depreciation and amortisation	<b>52,804</b>	53,426	33,889	30,657	30,715
Profit before tax	<b>30,576</b>	36,154	20,512	18,383	16,791
Net profit for the year	<b>20,075</b>	23,761	11,177	5,209	7,164
Net profit attributable to owners of the parent	<b>19,093</b>	20,386	11,154	7,386	7,959
<b>ASSETS</b>					
Property, plant and equipment	<b>146,197</b>	159,706	102,107	92,650	59,750
Investments	<b>1,640</b>	861	476	448	428
Other non-current assets	<b>127,864</b>	133,938	131,400	118,882	113,552
Other current assets	<b>503,750</b>	510,833	354,207	414,367	439,425
<b>TOTAL ASSETS</b>	<b>779,451</b>	805,338	588,190	626,347	613,155
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	<b>195,143</b>	194,338	194,338	194,338	194,338
Reserves	<b>18,612</b>	32,798	26,019	11,306	52
Retained earnings	<b>135,353</b>	120,127	103,567	96,403	95,385
Less: Treasury shares, at cost	<b>(4,883)</b>	(1,386)	(1,188)	(888)	(869)
	<b>344,225</b>	345,877	322,736	301,159	288,906
<b>Non-controlling interests</b>	<b>16,011</b>	16,586	13,103	10,877	12,320
<b>Total equity</b>	<b>360,236</b>	362,463	335,839	312,036	301,226
Borrowings	<b>254,059</b>	266,571	126,266	171,103	153,640
Other non-current liabilities	<b>6,077</b>	5,528	5,047	4,799	4,536
Other current liabilities	<b>159,079</b>	170,776	121,038	138,409	153,753
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>779,451</b>	805,338	588,190	626,347	613,155
<b>Financial indicators</b>					
Return on equity - percentage	<b>5.6</b>	6.6	3.3	1.7	2.4
Return on total assets - percentage	<b>5.3</b>	5.5	4.7	4.0	4.0
Net gearing ratio - percentage	<b>42.3</b>	45.5	19.0	25.0	26.8
Interest cover ratio - times	<b>3.7</b>	5.6	4.0	3.8	3.1
Price to earnings ratio - times	<b>6.2</b>	9.0	9.3	14.5	15.5
Earnings per share - sen	<b>10.1</b>	10.6	5.8	3.8	4.1
Gross dividend per share - sen	<b>2.0</b>	2.0	2.0	3.0	2.0
Net assets per share - sen	<b>183.5</b>	180.2	167.9	156.2	149.8
Share price - sen	<b>63.0</b>	95.5	54.0	55.5	64.0
<b>Other information</b>					
Depreciation and amortisation	<b>11,330</b>	9,266	6,458	5,743	6,100
Finance costs	<b>11,156</b>	7,921	6,919	6,531	7,824

## FIVE-YEAR HIGHLIGHTS

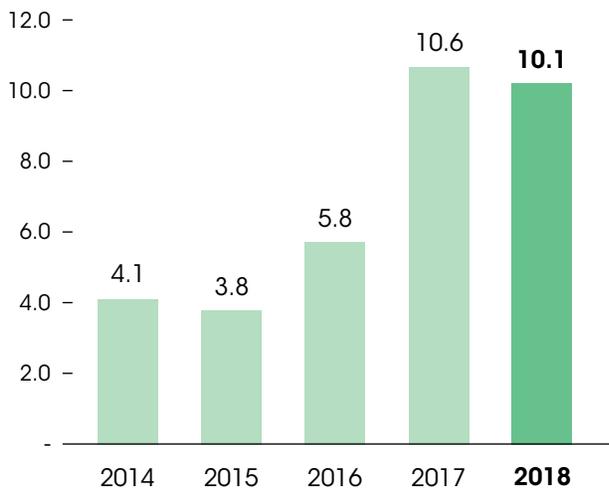
REVENUE - RM'million



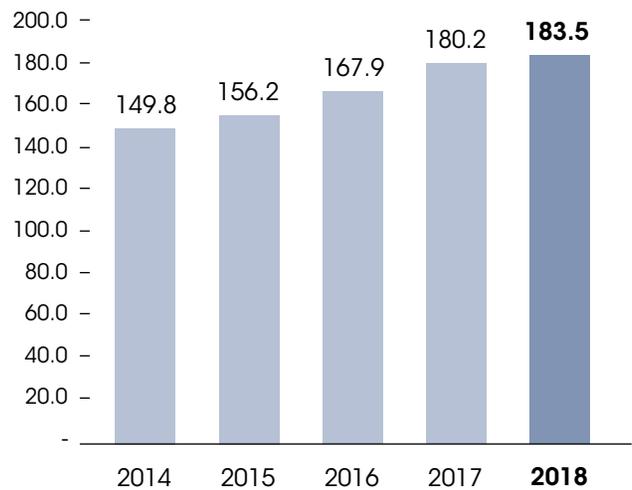
PROFIT BEFORE TAX - RM'million



EARNINGS PER SHARE - sen



NET ASSETS PER SHARE - sen



**BOARD OF DIRECTORS**

As at 27 August 2018



**DATO' TENGKU MAHAMAD BIN TENGKU MAHAMUT**  
*Age 63, Male, Malaysian,  
 Independent Non-Executive Chairman*

Joined the Board on 31 March 2016. He was re-designated as Independent Non-Executive Chairman on 14 August 2018 and was subsequently appointed as a member of the Remuneration and Nomination Committee on 21 August 2018.

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

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

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

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

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



**DATO' SIEW KA WEI**  
*Age 62, Male, Malaysian,  
 Group Managing Director*

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

Dato' Siew graduated with a Bachelor of Science (Hons) degree in Chemical Engineering and a Master of Science degree in Operational Research from the Imperial College of Science, Technology and Medicine, London, United Kingdom. He has extensive working experience of more than 30 years in the field of petrochemicals locally and internationally.

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

Dato' Siew was the Chairman of the Malaysian Chapter of the Young Presidents' Organization ("YPO"), an international grouping of more than 25,000 chief executive officers and leaders of major companies and organisations in more than 130 countries. He became a Director of the International Board of Directors of YPO in 2000 and served until 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. In April 2013, Dato' Siew was conferred an Honorary Doctorate Degree in Doctor of Business Administration honoris causa by HELP University.

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

## BOARD OF DIRECTORS



**EDMOND CHEAH SWEE LENG**  
Age 64, Male, Malaysian,  
Independent Non-Executive Director

Joined the Board on 26 August 2005. He is currently the Chairman of the Audit Committee. He was appointed as the Chairman of the Remuneration and Nomination Committee on 21 August 2018.

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

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

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



**KHAMIS BIN AWAL**  
Age 70, Male, Malaysian,  
Independent Non-Executive Director

Joined the Board on 9 April 2012 and is currently a member of the Audit Committee. He was appointed as a member of the Remuneration and Nomination Committee on 21 August 2018.

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

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

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



**DATUK ANUAR BIN AHMAD**

*Age 64, Male, Malaysian,  
Independent Non-Executive Director*

Joined the Board on 14 August 2018. He was appointed as a member of the Audit Committee on 21 August 2018.

Datuk Anuar graduated in 1977 with a Bachelor of Science (Econs) from the London School of Economics and Political Science from University of London.

He started his career in 1977 with Petroliaam Nasional Berhad ("PETRONAS"). During his 36 years of service with the PETRONAS Group, he held various senior managerial and leadership positions in marketing, trading, corporate planning and human resource management until his retirement in April 2014 where his last position held was the Executive Vice President of Gas and Power Business.

During his stint with PETRONAS Group, he was appointed as the Managing Director and Chief Executive Officer in PETRONAS Dagangan Berhad from 1998 to 2002. He was also a member of PETRONAS Management Committee and member of PETRONAS board from 2002 to April 2014. He also sat on the board of various companies within PETRONAS Group.

In 1997, between his years of service with the PETRONAS Group, he underwent a 3-month business management course under the Advanced Management Program at Harvard Business School.

Presently, he is an Independent Non-Executive Director of PETRONAS Dagangan Berhad, Independent Non-Executive Director of ENRA Group Berhad and Senior Independent Non-Executive Director of E.A. Technique (M) Berhad, all of which are companies listed on Bursa Malaysia Securities Berhad. He also holds directorships in a few private companies.

**Notes:**

- 1) The above Directors have no family relationship with any Directors and/or major shareholders of the Company.
- 2) Save for Dato' Siew Ka Wei who has interest in certain related party transactions as disclosed in the page 120 of this Annual Report, the Director does not have any business interest which conflict with his position in the Company.
- 3) Other than traffic offences (if any), none of the Directors has been convicted of any offence within the past five (5) years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
- 4) The attendance and securities holdings of the Directors are respectively disclosed in page 25 and page 122 of this Annual Report.

# KEY SENIOR MANAGEMENT

As at 27 August 2018

## **DATO' SIEW KA WEI**

*Age 62, Male, Malaysian  
Group Managing Director*

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

## **ROBIN LING SENG CHIONG**

*Age 48, Male, Malaysian  
Deputy Chief Executive Officer  
- Nylex (Malaysia) Berhad  
Executive Director  
- Perusahaan Kimia Gemilang Sdn Bhd*

Robin was appointed as Deputy Chief Executive Officer on 2 January 2018. He is also the Executive Director in Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), a position he held since he joined the Group in 2007. Prior to joining PKG, he worked as Asia Pacific Regional Manager for a USA specialty chemicals company for 13 years.

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

Robin has no directorship in public companies and listed issuers.

## **MICHELLE CHEN TAI NGOH**

*Age 51, Female, Malaysian  
Chief Financial Officer*

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

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

Michelle has no directorship in public companies and listed issuers.

## KEY SENIOR MANAGEMENT

### CHOO SE ENG

*Age 57, Male, Malaysian  
Company Secretary*

Se Eng started his career as an Auditor in one of the big 4 firms in Malaysia in 1981 and qualified as a Chartered Accountant in 1988. During this period, he gained valuable working knowledge in accounting, taxation and secretarial practices.

He has worked in a merchant bank in the Corporate Finance division for 2 years and was with a public listed company as its Corporate Finance Manager for 4 years before joining Ancom Berhad (“Ancom”), the holding company in 1995 as its Senior Manager, Corporate Planning. He assumed the role of Company Secretary of Ancom in 1996 until his resignation in August 2016. He re-joined Ancom in April 2018.

He was appointed as the Company Secretary when Ancom became its holding company in 1999. He resigned in August 2016 and was re-appointed as the Company Secretary in April 2018.

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

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

### ERIC CHAN HEAN CHIN

*Age 58, Male, Malaysian  
Divisional Head  
– Nylex Polymer Division*

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

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

Eric has no directorship in public companies and listed issuers.

### KONG HWAI MING

*Age 58, Male, Singaporean  
Executive Director  
– CKG Chemicals Pte Ltd*

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

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

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

## KEY SENIOR MANAGEMENT

### WILLIAM TAN WEE LIAN

Age 51, Male, Malaysian  
 Deputy Managing Director  
 – Fermpro Sdn Bhd  
 Managing Director  
 – Nylex Specialty Chemicals Sdn Bhd

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

William graduated from The Institute of Chartered Secretaries and Administrators.

William has no directorship in public companies and listed issuers.

### WONG SIUT YIN

Age 50, Female, Malaysian  
 Director  
 – Kumpulan Kesuma Sdn Bhd  
 – Wedon Sdn Bhd

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

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

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

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### Notes:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

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

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

Nylex has three business divisions, namely the Polymer Division, Industrial Chemical Division and Logistics Division.

### Polymer Division

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

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

This Division manufactures and markets a wide range of products, namely polyvinyl chloride (PVC) and polyurethane (PU) leathercloth, films and sheets, pre-fabricated drains, bulk chemical containers, road barriers, rubbish bins, playground equipment, water tanks and other custom moulding. Its products serve diversified industries such as furniture, automotive, stationery, civil engineering, industrial chemical, road safety and landscaping.

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

### Industrial Chemical Division

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

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

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

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

The Manufacturing business segment consists of the following companies:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Logistics Division

There are two companies in this Division, namely:

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

NYL, a 60% owned subsidiary company, is involved in the provision of transport, cartage, and haulage contractors and agencies services. ALBM ventures into the business of ship owning, ship management and charter hire of tanker. ALBM owns a 6,800 dwt IMO type II chemical tanker, named *Nylex 7*.

Nylex had, on 30 March 2018, entered into a Share Sale Agreement for the disposal of its entire shares held in NYL, for a proportionate consideration of RM8,640,000 (“**Proposed Disposal**”).

Upon completion of the Proposed Disposal on 28 June 2018, NYL ceased to be a subsidiary of Nylex on the same date.

### REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

#### Group

For the current financial year ended 31 May 2018 (“**FY 2018**”), the Nylex Group posted higher revenue of RM1,446.4 million, which represents an increase of 8.2% from RM1,337.3 million recorded in the last financial year. The increase in revenue was largely attributable to higher contribution from the Industrial Chemical Division. The Group’s profit before tax (“**PBT**”) decline by 15.4% from RM36.2 million recorded in the last financial year, to RM30.6 million for the current financial year, due to higher finance costs and after taking into account the losses on foreign exchange of RM3.2 million and corporate expenses. The Group recorded gain on foreign exchange of RM3.1 million for the same period last financial year. The Group’s share of results of an associate was a profit of RM0.3 million for FY 2018. For the last financial year, the share of result was a loss of RM0.1 million due to the pre-operating expenses incurred by the associate.

After accounting for taxation and non-controlling interests, the profit attributable to shareholders was RM19.1 million (FY 2017: RM20.4 million).

The basic earnings per share was lower at 10.1 sen for FY 2018 compared with 10.6 sen in the last financial year. Net assets per share attributable to equity holders of the parent as at 31 May 2018 grew 1.8% to 183.5 sen, compared with 180.2 sen as at 31 May 2017.

As at 31 May 2018, total Trade Working Capital (“**TWC**”) decreased by 1.7% to RM208.8 million from RM212.4 million as at 31 May 2017, mainly attributable to lower inventories level.

Net Debt is lower at RM145.5 million compared with RM157.5 million as at 31 May 2017 and the net gearing ratio decreased to 42.3% from 45.5% as at 31 May 2017, mainly due to improved TWC management.

### Polymer Division

Polymer Division’s revenue improved slightly at RM125.8 million for FY 2018, compared with RM125.7 million in the last financial year.

Revenue generated by Shah Alam plant grew by 7.9%. The growth was spurred by demand in civil engineering projects for geosynthetic drainage products such as prefabricated vertical drains and horizontal drainage. These projects were located in Malaysia, ASEAN, Australia, Hong Kong and Middle East. There was also an increase in demand for the films and coated fabric (“**FCF**”) products in the export markets in Philippines and ASEAN in general. The FCF business unit saw a turnaround in its sales performance due to the higher export sales compared with last financial year. Rotomoulded plastic products recorded lower revenue than prior year due to weaker demand for its intermediate bulk containers (“**IBC**”).

PTNI experienced a decline in revenue of about 8.3%. In Indonesia, there was a temporary reduction in demand for furniture and automotive vinyl in the first half of FY 2018 owing to the introduction of Value Added Tax (“**VAT**”) on small and medium scale businesses. It affected the retail sellers who buy from our distributors. Competition from Chinese imports is also more prevalent during the current financial year compared with past years. These two factors combined caused our revenue to decline from prior year.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Division's PBT for FY 2018 was RM15.0 million, a decrease of RM3.0 million from the previous year's PBT of RM18.0 million, mainly impacted by lower average margins earned for some of its products and the weakening of Indonesian Rupiah.

Going forward, we are emphasising more product development for PVC vinyl synthetic leather. Key markets are original equipment manufacturer ("**OEM**") and retrim automotive segment and furniture. We shall sustain our penetration into the Singapore and Hong Kong market for the transportation (bus and train) segment. In particular, for the automotive OEM segment, we are continuing to work with a major auto maker to develop local seat cover materials. In 2018, we invested in new automotive vinyl test equipment in our laboratory for quality assurance and quality control. We fully complied with the new IATF 16949:2016 Automotive Standard. In furniture industry, we are responding to market trends such as fabric look-alike designs which are trendy. To cater for the green products, we have developed capabilities in water-based technology for the automotive industry. We shall be supplying vinyl with non-volatile organic compounds ("**non-VOC**") compliance to the automotive industry. For the long term, we are studying the introduction of environment friendly PU technology for imitation leather.

We continue to improve operational efficiencies and exploring alternative ways to process certain products while maintaining the desired quality.

### Industrial Chemical Division

The Industrial Chemical Division remains the largest revenue contributor for the Group. The Division posted revenue growth of 7.5% from RM1,200.5 million achieved last year to RM1,290.8 million for the current financial year, mainly due to higher average selling prices for its products. Despite higher revenue, the Division recorded lower PBT of RM24.9 million, compared with RM28.8 million achieved in FY 2017.

#### Distribution Business Segment

The Distribution business segment had another very challenging year with the fluctuation of regional currencies against United States (US) Dollar, in particular, the weakening of Indonesian Rupiah and the fluctuation of Ringgit Malaysia. Although the crude oil prices is on the upward trend for the last twelve months, the prices continue to change drastically within weeks and this has affected the stability of the chemical prices. The ongoing global trade tension particularly between US and China has also affected the commodity prices and global supply and demand situation, which would impact the business as well.

Despite all these challenges, the revenue from this business segment has increased to RM1,196.1 million from previous year of RM1,112.0 million due to generally higher average selling prices for all products. However, the PBT is lower by 18.5% to RM14.0 million due to foreign exchange losses and lower contribution from our Indonesia operation. Singapore operation has shown improvement on the profitability.

The biodiesel industry in Indonesia was weak during the first half of the financial year due to the delay of contract allocation of biodiesel from the government. The formaldehyde industry remains challenging in Malaysia, Vietnam, Philippines and Indonesia market due to continuity of shortage of wood supply.

The Distribution business segment would continue the strategy of expanding the market share in solvents market in Malaysia, Singapore, Vietnam and Indonesia. Besides adding and developing new products range, offering competitive pricing and maintaining the consistency of supply would be the primary focus to increase the solvents market share and volume.

During the last financial year, we have invested in an associate company, One Chem Terminal Sdn Bhd, for the construction of new storage tanks in Kuantan. These new tanks with storage capacity of 13,000 metric tons, was commissioned in March 2018. This new storage facility would provide added advantage to the supply situation to the domestic demand in the East and South regions of Peninsular Malaysia.

The expansion and growing of our regional reach to Thailand and Philippines remains in our plan and the Group will continue to explore prospects to deepen its presence.

The challenges in term of stability of crude oil prices and supply and demand uncertainty would continue in coming months. The control production of crude oil by Organisation of the Petroleum Exporting Countries (OPEC) and the intensified trade tensions between US and China would pose negative impact to the pricing as well as the supply and demand situation in China and affect other regions in Asia.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Manufacturing Business Segment

Our Manufacturing business segment has also shown improved revenue performance in this financial year with revenue increased by 7.0% to RM94.7 million from RM88.5 million recorded last financial year, lifted mainly by higher volume sold for phosphoric acid. Due to the lower margin earned on product mix, this business segment recorded lower PBT of RM10.8 million compared with RM11.5 million registered in last financial year.

Phosphoric acid business reaped the opportunities presented from the high palm oil prices and stable demand from the palm oil refineries throughout FY 2018.

Fermpro is Malaysia's leading manufacturer of high quality ethanol using sugar cane molasses and advanced US distillation technology. Fermpro faced a challenging year for FY 2018 since the imposition of new excise duty on one of its main products in late 2016. The demand for this product remains weak. Revenue from Fermpro fell 0.9% to RM29.3 million compared with RM29.5 million achieved in last financial year. To improve manufacturing efficiency, Fermpro is investing in a new plant of which is forecasted to commission by end of FY 2019. We expect the new plant to contribute positively in the quality of our range of products and reducing our unit cost of production.

Our sealants and adhesive products also contributed higher revenue to the Division. The revenue grew 5.6% assisted by higher demand from the automotive industry.

The Manufacturing business segment will continue to focus on enhancing our yield and quality of our products for next financial year ending 31 May 2019.

### **Logistics Division**

For the current financial year under review, the Logistics Division contributed higher revenue of RM29.8 million compared with RM11.1 million recorded in the last financial year. The Division managed to reverse the losses suffered last year of RM1.7 million and recorded PBT of RM2.7 million for FY 2018, attributed to improved performance of *Nylex 1*, and also higher foreign exchange gain recognised during the financial year.

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

### **RETURN TO SHAREHOLDERS**

Subject to the approval by the Company's shareholders at the forthcoming Annual General Meeting, the Board has recommended a final single-tier dividend of 2.0 sen per share for FY 2018. In the last financial year, the Company paid a final single-tier dividend of 2.0 sen per share amounting to RM3,837,578.72.

Representing approximately 18.7% of net profit for FY 2018, the final dividend translate to an annualise dividend yield of 3.2% based on its closing price of 63 sen as at 31 May 2018.

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

### **OUTLOOK AND PROSPECTS**

The uncertainty and risks associated with trade policies intensified amid the escalating trade disputes between US and its major trading partners. Such uncertainty and risks eventually could lead to an adverse impact on global trade and activities and greater market volatility may be expected in the regional economy. The uncertain market conditions may put downward pressure on product margins for the Group's operating divisions for the next financial year ending 31 May 2019.

We will continue to seek ways to safeguard and improve the Group's profitability.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

## INTRODUCTION

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

The new *Malaysian Code on Corporate Governance* (**"MCCG"**) issued in April 2017 supersedes the Malaysian Code on Corporate Governance 2012. The MCCG covers three (3) broad principles:

- (A) Board leadership and effectiveness;
- (B) Effective audit and risk management; and
- (C) Integrity in corporate reporting and meaningful relationship with stakeholders.

The Board is pleased to present this Corporate Governance Overview Statement (**"Statement"**) to provide an overview of the extent of compliance with these three principles of the MCCG under the stewardship of the Board throughout the financial year ended 31 May 2018 (**"FY 2018"**).

Pursuant to the Main Market Listing Requirements (**"Listing Requirements"**) of Bursa Malaysia Securities Berhad (**"Bursa Securities"**), the Company has completed the prescribed Corporate Governance Report for FY 2018, which is made available at the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### Clear roles and responsibilities of the Board

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

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

The Board plays an active role in formulating the Group's overall business direction and in reviewing the Group's business strategies and financial performances at regular intervals. In carrying out its duties, the Board ensures that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

The Board also reviews and approves key operational policies and initiatives, as well as major investments and funding decisions of the Group.

- Overseeing the conduct of business of the Group

The Board has established the Board Committees, namely the Audit Committee and the Remuneration and Nomination Committee (**"R&N Committee"**), which are entrusted with specific responsibilities to oversee the affairs of the Group with authority to act on behalf of the Board in accordance with their respective Terms of Reference (**"TOR"**). At each Board meeting, the Chairman of the respective Board Committees would report to the Board on the key matters discussed by the Board Committees at their respective meetings.

The activities of the Audit Committee and R&N Committee are detailed under separate sections of this Statement.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Overall, the Board's duties in overseeing the conduct of business of the Group includes monitoring and assessing Management's implementation of its business strategies, protecting the Group's assets and the integrity of its financial and non-financial reporting through the upholding of effective risk management and internal controls systems, setting Group values and promoting ethical and good corporate governance practices by building such values into internal procedures and policies, and maintaining procedures to enable effective communication with stakeholders.

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

The Board, through the Audit Committee, conducts periodic reviews on the risk management framework to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group. Authority levels, control procedures, reporting mechanisms and internal audit function are subject to periodic reviews by the Board.

- Succession planning

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

### Clear functions of the Board and Management

The Company is led by an experienced Board. For FY 2018, the Board comprised one (1) Executive Chairman, one (1) Group Managing Director and six (6) Independent Non-Executive Directors.

On 2 January 2018, a Deputy Chief Executive Officer, who is not a Board member, has been appointed.

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

The Management, under the guidance of the Group Managing Director and Deputy Chief Executive Officer, is accountable for the day-to-day operations of the Group and implementation of the Board's decisions and policies. At the quarterly Board meetings, the Group Managing Director provides the Board with an update on the Group's key strategic initiatives and key operational issues.

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Separation of the positions of the Chairman, the Group Managing Director and the Deputy Chief Executive Officer

The Group has adopted the practice of the MCCG whereby the positions of the Chairman, the Group Managing Director and the Deputy Chief Executive Officer are held by different individuals.

The roles of the Chairman, the Group Managing Director and the Deputy Chief Executive Officer are distinct and separate with individual responsibilities and clearly defined duties, power and authorities.

The Chairman is primarily responsible for instilling good corporate governance practices, providing leadership and ensuring the Board's effectiveness and conduct in discharging its responsibilities as well as leading the Board in the oversight of the Management.

The principal duties and responsibilities of the Chairman are, inter alia, as follows:

- Providing leadership for the Board so that the Board can perform its responsibilities effectively;
- Setting the Board agenda and ensuring that Board members receive adequate and accurate information in a timely manner;
- Leading Board meetings and discussions;
- Encouraging active participation and allowing dissenting views to be freely expressed;
- Managing the interface between Board and Management;
- Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- Leading the Board in establishing and monitoring good corporate governance practices in the Company.

On the other hand, the Group Managing Director and the Deputy Chief Executive Officer are accountable for the day-to-day management of the Group's business operations and implementation of the Board's decisions and policies.

The distinct and separate roles of the Chairman, the Group Managing Director and the Deputy Chief Executive Officer, with a clear division of responsibilities, ensure a balance of power and authorities, such that no one individual has unfettered powers of decision making.

### Qualified and competent Company Secretaries

The Board is supported by two (2) Company Secretaries. Both Company Secretaries have more than twenty (20) years of experience in company secretarial practices and are qualified to act as Company Secretary in accordance with the provisions of the Companies Act 2016 ("**Act**").

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the Act. The other roles and responsibilities of Company Secretaries include but not limited to facilitate the orientation of new Directors and assist in Directors' training and development; monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

The Company Secretaries work closely with the Chairman, the Group Managing Director/Deputy Chief Executive Officer to ensure that there are timely and appropriate information flows between the Management and the Board and Board committees.

### Access to information and advice

All Directors have unrestricted access to information of the Group and on an on-going basis, the Directors interact with the Management team to seek further information, updates or explanation on any aspect of the Group's operations or businesses. Furthermore, the Directors have access to the advice and services of the two (2) Company Secretaries, who are responsible for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with, and may engage independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate, at the Company's expense.

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

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain minutes of meetings, operational and financial performance reports, details of corporate proposals, the quarterly interim financial reports or the annual audited financial statements, reports of the Board Committees, Internal Audit Reports and other matters for the Directors' perusal before the Board/Committee meetings. The Company Secretaries will strive to provide these materials to the Directors seven (7) days prior to the Board/Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board/Committee meetings. Upon conclusion of the Board/Committee meetings, minutes are circulated for review by the attendees. The Board ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. The Company Secretaries ensure that the minutes are kept to record all proceedings at the Board/Committee meetings, the deliberations on the matters at hand and the decisions made thereto.

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

### Formalisation and review of Board Charter

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board Charter focuses on the following areas:

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

The Board Charter was last reviewed on 25 July 2018, and it will be updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

### Formalised ethical standard through Code of Conduct and Ethics

The Board, in discharging its oversight role, conducts its business in observation to the Company's Code of Conduct and Ethics for Directors.

A summary of the Code of Conduct and Ethics is available on the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section.

The Code of Conduct and Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the aim of achieving the following objectives:

- To establish a standard of conduct and ethical behaviour for Directors based on trustworthiness and value that can be accepted and upheld by the Directors;
- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations, and guidelines for administering a company; and
- To manage conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics requires all Directors to observe high ethical business standards, to apply these values in all aspects of the Directors' conduct in discharging the Board's oversight responsibilities and to act in good faith in the best interests of the Company and its shareholders.

### Strategies promoting sustainability

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

The Group continued to carry out activities which demonstrate its commitment towards creating a better environmental, social and sustainability agenda during FY 2018 as reported in the *Sustainability Statement* on pages 41 to 44 of this Annual Report.

## II. BOARD COMPOSITION

### Composition of the Board

As at 31 May 2018, the Board comprises one (1) Executive Chairman, one (1) Group Managing Director and six (6) Independent Non-Executive Directors. The composition of the Board is in compliance with the Listing Requirements which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Non-Executive Directors. It is also complied with the MCCG by having at least half of the Board that comprises Independent Non-Executive Directors.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The profile of the *Board of Directors* is set out in pages 7 to 9 of this Annual Report.

### Annual assessment

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

The annual assessment on individual Directors includes an evaluation of their:

- Will and ability to critically challenge and ask the right questions;
- Character and integrity in dealing with potential conflict of interest situations;
- Commitment to serve the Company, due diligence and integrity;
- Confidence to stand up for a point of view;
- Key strengths and/or weaknesses; and
- Steps or enhancements proposed to be undertaken to mitigate or address the weaknesses identified.

The R&N Committee does not engage independent expert for the annual assessment as suggested by the MCCG but the Board has taken note that the involvement of independent expert or party to facilitate the Board evaluation periodically will lend greater objectivity to the assessment by providing an unbiased perspective on a Director's performance and his ability to contribute effectively to the Board.

During FY 2018, the R&N Committee had two (2) meetings in July 2017 and October 2017 where all members were in attendance. The R&N Committee, after reviewing the current composition of the Board and the Board Committees, was satisfied that the Board and Board Committees comprised Directors who are persons of calibre and credibility with extensive expertise and a wealth of experience in legal, accounting, corporate finance, marketing, public services and business practice, as required under the Board Charter and the Terms of Reference of the Board Committees, to support the Group's continuous growth and prosperity. Accordingly, the R&N Committee recommended that the current composition of the Board and Board Committees be retained.

### Re-election of Directors

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

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

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

The R&N Committee is responsible for making recommendations to the Board on the re-election of Directors who retire pursuant to the Constitution. To assist shareholders in making decision in the re-election of Directors, sufficient information such as personal profile, attendance at Board and Board Committee meetings and shareholding in the Company of the Directors standing for re-election is furnished in the Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Assessment of independence

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

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

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

### Tenure of Independent Directors

Practice 4.2 of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Practice 4.2 of the MCCG further states that the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years. If the Board continues to retain the Independent Director after the twelfth (12<sup>th</sup>) year, the Board will need to seek annual shareholders' approval through a two-tier voting process.

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

Based on the recent assessment in FY 2018, the Board is generally satisfied with the level of independence demonstrated by the Independent Directors, i.e. they are independent of Management and free from any business dealing or other relationship with the Group that could reasonably be materially interfere with their exercise of independent judgement.

Further, the Board had, via the R&N Committee, conducted an annual performance evaluation and assessment of Lim Hock Chye and Edmond Cheah Swee Leng, who have served as the Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years, and recommend them to continue to act as the Independent Non-Executive Directors of the Company based on the following justifications:

- They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements and their ability to bring an element of objectivity to the Board;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

- They have been with the Company for more than twelve (12) years and therefore understand the Company's business operations which enable them to participate actively and contribute during the deliberations or discussions at the meetings;
- They are knowledgeable and have vast experience that could be shared with the Board; and
- They have exercised due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company. It should be noted that their long tenure notwithstanding, the remuneration for Lim Hock Chye and Edmond Cheah Swee Leng does not vary significantly from the other Independent Non-Executive Directors.

The Board will seek shareholders' approval at the forthcoming AGM, to retain both Lim Hock Chye and Edmond Cheah Swee Leng as Independent Directors of the Company based on the above justifications.

The Board has decided not to adopt the two-tier voting process for the approval to retain both Lim Hock Chye and Edmond Cheah Swee Leng as Independent Directors of the Company, on the basis that the two-tier voting process may not be compatible with the Constitution read together with the Act.

### Senior Independent Director

The Board has decided to dispense with the need to appoint a Senior Independent Non-Executive Director to whom any concerns should be conveyed. The Board operates in an open environment whereby opinions and information are freely exchanged and, in these circumstances, any concerns need not be focused on a single Director as all members of the Board fulfil this role individually and collectively.

### Diversity Policy

The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the Group in selection of Board members. In addition, the Group believes it is of utmost importance that the Board is composed of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions are effectively carried out and these individuals are able to discharge their duties in the best interests of the Company and its shareholders.

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

The Board has formalised a Diversity Policy on 25 July 2018 which is available on the Company website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section. The appointment of new Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than solely by their gender or ethnicity.

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

### Time commitment

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors are required to inform the Board the proportion of time they will commit to spend in performing their duties when accepting the Company's directorship. They are also required to inform the Board, including the proposed proportion of time to be committed to each of their appointments, should they wish to accept new board directorships in other public listed companies.

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

### Board meetings

During the financial year, the Board held four (4) Board meetings; the Audit Committee held five (5) meetings and the R&N Committee held two (2) meetings. The attendance record below indicates the level of time commitment of the Directors in carrying out their duties as Directors of the Company:

#### Attendance at Board meetings

Name of Directors	Attendance
Tan Sri Mohamed Al Amin Abdul Majid ( <i>resigned on 3 August 2018</i> )	4/4
Dato' Siew Ka Wei	3/4
Lim Hock Chye ( <i>resigned on 21 August 2018</i> )	4/4
Edmond Cheah Swee Leng	4/4
Safrizal bin Mohd Said ( <i>resigned on 21 August 2018</i> )	3/4
Khamis bin Awal	2/4
Dato' Tengku Mahamad bin Tengku Mahamut	4/4
Puan Sri Datuk Seri Rohani Parkash binti Abdullah ( <i>resigned on 31 May 2018</i> )	4/4

#### Attendance at Audit Committee meetings

Name of Directors	Attendance
Edmond Cheah Swee Leng	5/5
Lim Hock Chye ( <i>resigned on 21 August 2018</i> )	5/5
Safrizal bin Mohd Said ( <i>resigned on 21 August 2018</i> )	4/5
Khamis bin Awal	3/5

#### Attendance at R&N Committee meetings

Name of Directors	Attendance
Lim Hock Chye ( <i>resigned on 21 August 2018</i> )	2/2
Edmond Cheah Swee Leng	2/2

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Continuing Education Programme and Training

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

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

In May 2018, the Board organised an in-house workshop on "Key Amendments to Listing Requirements arising from Companies Act 2016", facilitated by a professional trainer, for the Directors of the Company.

All the Directors of the Company have attended the above workshop except for Lim Hock Chye. Lim Hock Chye has undertaken that he will attend at least one suitable course/workshop/seminar in the next financial year.

### III. REMUNERATION

#### Remuneration and Nomination Committee

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

The TOR of the R&N Committee, which was last reviewed on 25 July 2018, is available at the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section.

During FY 2018, the members of the R&N Committee, which comprises solely of Independent Non-Executive Directors, were as follows:

Lim Hock Chye (*Chairman*) (*resigned on 21 August 2018*)  
Edmond Cheah Swee Leng

The Chairman of the R&N Committee has assumed the following responsibilities:

- Lead the succession planning and appointment of board members; and
- Lead the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.

The R&N Committee is primarily responsible for reviewing and assessing the performance and effectiveness of the Board and the Board Committees as a whole as well as its Directors individually and collectively, and also to recommend the re-appointment of the retiring Directors. Should there be any Board vacancy or the need for new talent on the Board, the R&N Committee is responsible for identifying, assessing and recommending suitable candidates for Board memberships. The R&N Committee will take into consideration the Board structure, size, composition and the required mix of expertise and experience which the candidates should bring to the Board. In such an evaluation, the R&N Committee would consider the candidates' qualifications, skill, knowledge, expertise and experience, professionalism, integrity, and, in the case of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities and functions expected from them. In identifying suitable candidates for Board memberships, the R&N Committee relies on a range of sources, including recommendations from existing Board members, Management and major shareholders, as well as independent sources such as recruitment agencies and industry associations.

The final decision as to who shall be appointed a Director remains the responsibility of the Board, after considering the recommendations of the R&N Committee.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Remuneration of Directors

The R&N Committee is responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fees and benefits, and after considering a comparison with payments by similar companies, to the Board for its endorsement. The R&N Committee is also responsible for determining and recommending to the Board the remuneration packages of the Chairman and the Group Managing Director of the Company. During the financial year, the Board has approved the Remuneration Policy which maintain strong linkage between remuneration of Directors with performance, value and sustainability of the Company as well as skills and experienced required. The Remuneration Policy is available on the Company's website at [www.nylex.com](http://www.nylex.com).

It is the ultimate responsibility of the Board as a whole to decide the remuneration of the Directors as per the Remuneration Policy. The Directors' fees and benefits will be submitted to the shareholders for approval at the AGM of the Company. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

For the last financial year, the Non-Executive Directors of the Board received RM50,000 each as Directors' fee per annum. The members of the Audit Committee received RM30,000 each while the members of the R&N Committee received RM20,000 each per annum. These were as recommended by the R&N Committee and the total Directors' fees of RM439,000 was approved by the shareholders at the last AGM of the Company.

In addition, the Non-Executive Directors also received attendance allowances of RM416 for each Board and Board Committees meeting attended.

During financial year 2016, the R&N Committee of the Company's holding company, Ancom Berhad, has engaged a firm of consultants to provide a review of the Directors' fee for Non-Executive Directors of 30 Malaysian Public Listed Companies listed on the Main Market of Bursa Securities, based on their most recent annual reports as at 1 January 2016. The R&N Committee did not engage any study to review on the Directors' remuneration during the current financial year. However, based on the members of the R&N Committee's personal experience, the R&N Committee was of the opinion that there was no major development in the market place that have affected the level of Directors' remuneration significantly during the current financial year. As such, the R&N Committee was of the view that the amount of Directors' fee and allowances paid in the previous years were also reflective of the current market rates and had recommended the same amount of remuneration be paid to the Non-Executive Directors in the current financial year.

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

Subject to the approval of the Company's shareholders on the proposed Directors' fees at the forthcoming 48<sup>th</sup> AGM, the details of the remuneration paid or payable to the Directors by the Group during the financial year are disclosed in Note 8 to the financial statements on pages 73 to 74 of this Annual Report.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT COMMITTEE

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Under its TOR and External Auditors Assessment Policy, the Audit Committee has explicit authority to communicate directly with the External Auditors. Meetings with the External Auditors are held as appropriate to discuss audit plans, audit findings and the annual audited financial statements. Whenever required, the Audit Committee will hold private sessions with the External Auditors in the absence of the Management to discuss the issues affecting the Group, if any.

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

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

For FY 2018, the Audit Committee has assessed the External Auditors' performance and independence based on the above criteria and was satisfied with the External Auditors' competency and independence. The Audit Committee has also received written assurance from the External Auditors confirming that they have complied with the relevant ethical requirements regarding professional independence. The Audit Committee, upon satisfying itself with the independence of the External Auditors, has recommended to the Board on the re-appointment of the External Auditors. The Board concurred with the Audit Committee's recommendation and has recommended the re-appointment of the External Auditors for the approval of the Company's shareholders at the forthcoming 48<sup>th</sup> AGM.

The *Audit Committee Report* is set out on pages 32 to 35 of this Annual Report.

## II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

### Recognise and Manage Risks

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

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

Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) has been appointed as the Group's internal auditors to review the internal control system during the financial year. The internal auditors report to the Audit Committee who shall determine their remuneration.

The *Statement on Risk Management and Internal Control* is disclosed on pages 36 to 40 of this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. COMMUNICATION WITH STAKEHOLDERS

##### Procedures on corporate disclosure

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

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

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

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

##### Leverage on information technology for effective dissemination of information

The Company has established a website at [www.nylex.com](http://www.nylex.com) where shareholders, stakeholders and other investors can have access to the Company's latest annual report, quarterly interim financial reports, announcements, circulars to shareholders and press releases, as well as the Company's current share price.

##### Effective communication and proactive engagement with shareholders

The Board has set up the corporate website at [www.nylex.com](http://www.nylex.com) to encourage shareholders and investors to pose questions and queries to the Company. These questions and queries would be attended to by the Company's Senior Management or the Board, as the case may be.

Announcements on corporate developments are made on a timely basis to Bursa Securities and these are made available to the public via Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) as well as on the Company's website.

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

#### II. CONDUCT OF GENERAL MEETINGS

##### Encourage shareholder participation at general meetings

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Company held its 47<sup>th</sup> AGM at the Dorsett Grand Subang at Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on 19 October 2017. The Notice of AGM, Annual Report and the related circular were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice of AGM was also advertised in a national English newspaper within the prescribed deadlines. The current minimum notice period for general meeting is as prescribed in the Listing Requirements and the Board believes that such notice period is adequate. Notwithstanding this, the Board has noted the practices of the MCGG to serve the notice of meeting earlier than the minimum notice period and shall endeavour to do so whenever possible in future.

All the Directors and a total of 214 shareholders and proxies attended the AGM. During the AGM, the Group Managing Director gave a briefing on the performance for the financial year ended 31 May 2017 and his view and insights on the future prospects of the Group's businesses. There was active participation by the shareholders in the discussions. The Chairman, when presenting the agenda items for voting, also gave a brief description of the items to be voted and shareholders were invited to give their views and comments before voting commenced. The Chairmen of the Audit Committee and the R&N Committee were available to address any queries that may fall within their ambit of responsibilities.

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

Minutes were kept to record the proceedings of the AGM and shareholders may inspect the minutes in accordance with the provisions of the Act. The minutes are published on the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section, to allow easier access for shareholders to inspect the minutes.

The Notice for the forthcoming 48<sup>th</sup> AGM of the Company, which will be held on 18 October 2018, is on pages 124 to 130 of this Annual Report.

### Poll Voting

In line with Paragraph 8.29A of the amended Listing Requirements which mandates poll voting for all resolutions set out in the notice of any general meeting, effective for general meeting held on or after 1 July 2016, all resolutions tabled at the 47<sup>th</sup> AGM of the Company was decided by poll voting. The Company has appointed one (1) scrutineer to validate the votes cast at the AGM.

### Compliance with Applicable Financial Reporting Standards

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

The Directors are responsible for keeping proper accounting records which disclosed with reasonable accuracy on the financial position of the Group and of the Company, to enable them to ensure that the financial statements comply with the Act, the Listing Requirements, MFRSs, IFRSs and any other statutory or regulatory requirements.

The *Directors' Responsibilities Statement on Financial Statements* is set out on page 45 of this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

### CONCLUSION

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

# AUDIT COMMITTEE REPORT

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

The Board of Directors (**"the Board"**) is pleased to present its Audit Committee Report for the financial year ended 31 May 2018.

## TERMS OF REFERENCE ("TOR")

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

## MEMBERS AND MEETINGS

During the financial year, the Audit Committee comprised of four (4) members, which is in compliance with the TOR of the Audit Committee. Five (5) meetings were held in the financial year. The members and their attendance record are as follows:

Members	Attendance	
	No.	%
Edmond Cheah Swee Leng <i>Chairman, Independent Non-Executive Director</i>	5/5	100
Lim Hock Chye <i>Member, Independent Non-Executive Director (Resigned on 21 August 2018)</i>	5/5	100
Safrizal bin Mohd Said <i>Member, Independent Non-Executive Director (Resigned on 21 August 2018)</i>	4/5	80
Khamis bin Awal <i>Member, Independent Non-Executive Director</i>	3/5	60

The members of the Audit Committee are financially literate and are able to understand matters under the purview of the Audit Committee, including the financial reporting process. In particular, Audit Committee Chairman Edmond Cheah Swee Leng is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England & Wales. In addition, Safrizal bin Mohd Said is a member of CPA Australia and has over 20 years' experience in the field of taxation.

All members of the Audit Committee have undertaken continuous professional development during the financial year. The details of the training attended by the members of the Audit Committee can be found under the *Corporate Governance Overview Statement*, on pages 17 to 31 of this Annual Report.

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

During the financial year, five (5) Audit Committee/Management meetings were held which were attended by the Audit Committee members and Senior Management of the Group to discuss the operational issues in the Group.

## AUDIT COMMITTEE REPORT

### SUMMARY OF WORK

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

#### Financial results

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

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

- (i) changes in or implementation of major accounting policies;
- (ii) significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
- (iii) compliance with the provisions of the Companies Act 2016, the Listing Requirements, the Malaysian Financial Reporting Standards ("**MFRSs**"), the International Financial Reporting Standards ("**IFRSs**") and other statutory and regulatory requirements; and
- (iv) that all audit issues were satisfactorily resolved.

#### Internal audits

- Reviewed and approved the internal audit plan, including the scope of audit, and ensuring that all major and/or high-risk activities are covered;
- Reviewed the risk assessment reports and ensure effective implementation of risk management system across the Group;
- Reviewed the quarterly internal audit reports, which detailed the observations and recommendations of the Internal Auditors, and the Management's responses to these recommendations;
- Reviewed certain weaknesses noted in the internal audit or non-compliance of the internal control system to determine their possible impact on the effectiveness of the internal control system and their possible financial impact on the Group's financial results and the going concern assumptions;
- Reviewed the Management's remedial actions to be undertaken in relation to the weaknesses and/or non-compliances noted above and the follow-up actions undertaken by the Management thereof; and
- Reviewed the performance of the Internal Auditor in discharging its duties during the financial year, and upon being satisfied of their effectiveness, recommended to the Board that the Internal Auditors be re-appointed in the following financial year.

#### External audits

- Reviewed and approved the annual audit planning memorandum, which detailed the areas of audit emphasis and the multi-location scope of the audit;
- Apprised of and reviewed the updates on the MFRSs and the material effects on the Group's financial reporting on adoption of new and revised MFRSs by the Group for the current financial year;
- Reviewed with the External Auditors, the results of their audit, the annual audited financial statements and the internal control recommendations in respect of the weaknesses noted in the Group's internal control system, if any, in the course of their audit and the Management's responses and remedial actions to be undertaken in relation to the weaknesses noted therein; and

## AUDIT COMMITTEE REPORT

- Reviewed the External Auditors' performance, independence and suitability and made recommendation to the Board for their remuneration and re-appointment. The re-appointment is subject to the approval by shareholders. In reviewing the performance, independence and suitability of the External Auditors, the Audit Committee received feedback from Management on the professional working relationship with the External Auditors, the quality of the audit delivery and the quality of people and service. Pertaining to independence, the assessment would focus on whether there exists any relationship between the External Auditors and the Directors or Senior Management and major shareholders of the Group as well as any conflict of interest arising therefrom, including the extent of non-audit services performed and fees charged by the External Auditors during the financial year that will give rise to questions about the External Auditors' independence and objectivities in carrying out the responsibilities entrusted to them. The Audit Committee has obtained written assurance from the External Auditors that they have complied with the relevant ethical requirements regarding professional independence. The External Auditors' independence is further enhanced by the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants. As such, the Audit Committee has recommended to the Board to re-appoint BDO as the External Auditors for financial year ending 31 May 2019.

### Related party transactions

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

### Share issuance scheme

- The Company has not established any share issuance scheme and has no subsisting share issuance scheme during the financial year under review.

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

### INTERNAL AUDIT FUNCTION

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

In this regard, the Board has outsourced the internal audit function of the Group to an independent professional consulting firm of international standing, Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) ("**Deloitte**"), for the financial year ended 31 May 2018 for a fee of RM115,000. The budget for the internal audit function had been approved by the Board upon recommendation from the Audit Committee. The outsourced internal audit function reports to the Audit Committee and indirectly assists the Board in monitoring and managing risks and the Group's system of internal control.

Prior to the appointment of Deloitte, the Audit Committee had evaluated the firm, and had satisfied itself that the firm and the relevant personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The Audit Committee also ensured that Deloitte has sufficient resources and is appropriately qualified to conduct the internal audit function of the Group. During its evaluation of Deloitte, the Audit Committee was assured that the personnel from Deloitte received continuous training to keep abreast with developments in the profession, relevant industry and regulations. During the financial year, a team of 6 carried out internal audits on the Group. The team is led by the Executive Director, Ms Cheryl Khor, who has over 20 years' experience in the field. The internal audits were conducted in accordance with the *Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors*.

## AUDIT COMMITTEE REPORT

During the financial year, the Internal Auditors carried out the internal audit function based on the internal audit plan approved by the Audit Committee.

Amongst the responsibilities of the Internal Auditors were:

- (i) to review the adequacy, integrity and effectiveness of the Group's risk management and internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of management information system and consequently to determine the future requirements for internal control system and to co-develop a prioritised action plan;
- (ii) to perform a risk assessment of the Group's business operation and to identify the business processes within the Group that internal audit should focus on; and
- (iii) to allocate audit resources to areas within the Group that provide the Audit Committee and the Management with efficient and effective level of audit coverage.

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

### CONCLUSION

The Audit Committee is of the opinion that it has discharged its duties in accordance with the TOR as established above during the financial year under review, and that the Group's risk management and internal control system was effective and adequate.

Please refer to pages 36 to 40 of this Annual Report for the *Statement on Risk Management and Internal Control*.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

## INTRODUCTION

This Statement on Risk Management and Internal Control by the Board of Directors (**"the Board"**) is prepared in accordance with the *Malaysian Code on Corporate Governance 2017* issued by the Securities Commission Malaysia and the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia Securities Berhad. It outlines the nature and scope of risk management and internal control of Nylex (Malaysia) Berhad (**"the Company"**) and its subsidiaries (**"the Group"**) during the financial year under review.

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

## RESPONSIBILITY OF BOARD AND MANAGEMENT

Risk is factors that affects or prevents the Group from achieving its financial, operational or organisational targets. An effective risk management and internal control system should achieve the following objectives:

- Identify, assess and respond to risks so that overall risk does not exceed acceptable levels;
- Safeguard assets of the Group and shareholders' interests; and
- Ensure compliance with regulatory requirements.

The Board is responsible for setting the tone at the top and ensuring that the risk management and internal control framework is embedded into the culture, processes and structures of the Group. The Board determines the tolerable risk appetite for the Group and reviews the existing risk management framework, processes and structures of the Group to ensure that the systems are sufficient to provide reasonable assurance that the risk exposure of the Group can be kept within acceptable limits.

The Board is supported by the Management, which has been tasked with the implementation of an effective risk management framework. Management performs its role by designing, implementing and monitoring the risk management framework in accordance with the tolerable risk appetite approved by the Board. Where there are changes to the overall risk profile, Management takes the appropriate response to contain the risk and promptly informs the Board on the matter.

However, it should be noted that due to the limitations that are inherent in any risk management and internal control system, the Group's risk management and internal control system is designed to manage and mitigate, rather than to eliminate the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. Furthermore, consideration is given to the cost of implementation as compared to the expected benefits to be derived from the implementation of the internal control system.

## KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Key elements of risk management and internal control that the Board has established in reviewing the adequacy and integrity of the system of internal control are described below. During the financial year under review and up to the date of approval of this Statement, these elements were in place and review on the adequacy and effectiveness of the risk management and internal control system was carried out by the Audit Committee, which reported its findings to the Board.

### Organisational Structure

- The Audit Committee in its advisory capacity was established with specific terms of reference which include the overseeing and monitoring of the Group's financial reporting system and the review of the effectiveness of the Group's risk management framework and system of internal control periodically.
- A Risk Management Working Committee, which comprises the Group Managing Director, the Deputy Chief Executive Officer, Chief Financial Officer and selected committee members from the Corporate Office, was established by the Board to oversee and monitor all identified risks and assess the effectiveness and benefits of internal control in mitigating these risks based on the risk management framework adopted by the Group.
- The Group has in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

### Written Communication of Company Policies and Procedures

- Operational manuals and procedures on authority limits and day-to-day operations are provided to ensure compliance with the Group's risk management and internal control system and the relevant laws and regulations.
- The Board Charter sets out the authorities, roles, functions, compositions and responsibilities of the Board to assist the Directors to be aware of their duties and responsibilities to effectively discharge their fiduciary duty in managing the affairs of the Group. The Board Charter is complemented by the terms of reference of the Audit Committee and the Remuneration & Nomination Committee, which sets out the composition, responsibilities and administrative rights of the relevant board committees.

### Information and Communications Processes

- Limits of Authority have been established within the Group to define the necessary reporting procedures and appropriate authorised personnel to make decisions on operational matters, such as policy approval and capital and operational expenditure. These limits serve as a control whereby a cross-check system has been incorporated to minimise any abuse of authority.
- Each business unit within the Group prepares its own annual business plans and budgets, which is reviewed by Senior Management. The approved budget serves as a benchmark for the performance of the business units in the ensuing financial period. Monthly comparisons are made between the performance and budget, where significant variances are investigated and explained to the Senior Management so that corrective actions can be taken in a timely manner, if necessary.
- The computers and internal server of the Group are outfitted with antivirus systems to protect the Group's database from cybersecurity threats. All software programs used in the Group are sourced from authorised dealers only to ensure the authenticity and integrity of its information systems.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Protection of Employees and Physical Assets

- The Group has in place insurance and physical safeguards on major assets to prevent any theft or damage that may cause material losses for the Group. Management conducts annual policy renewal exercise to review the coverage of Group's assets against the prevailing market price for the similar assets.

### Internal Control

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

During the financial year under review, the internal audit function of the Group was outsourced to Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) ("**Deloitte**"). Prior to the appointment of Deloitte, the Audit Committee has satisfied itself of the independence, resources and qualification of the firm. The findings of the Audit Committee's evaluation on Deloitte can be found under the *Audit Committee Report* on pages 32 to 35 of this Annual Report.

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

For the financial year ended 31 May 2018, the following subsidiaries were audited by Deloitte:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
4 <sup>th</sup> Quarter 5/3/2018 to 19/3/2018	April 2018	Nylex Specialty Chemicals Sdn Bhd / Speciality Phosphates (Malaysia) Sdn Bhd	- Inventory and Logistics Management; - General Computer Controls; - Human Resources, Payroll and staff claims.
4 <sup>th</sup> Quarter 19/2/2018 to 2/3/2018	April 2018	PT PKG Lautan Indonesia	- Sales Order Management and Revenue Recognition; - Expenditure Management; - Credit and Receivable Management.
2 <sup>nd</sup> Quarter 7/8/2017 to 25/8/2017	October 2017	Nylex (Malaysia) Berhad - Polymer Division	- HR and Payroll Management; - Production Planning and Monitoring; - Sales Order Management and Revenue Recognition.
2 <sup>nd</sup> Quarter 17/7/2017 to 4/8/2017	October 2017	PT Nylex Indonesia	- Inventory and Logistics Management; - Procurement and Accounts Payable Management; - Fixed Asset Management.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The principal risks faced by the Group are outlined below:

Risks	Mitigation plan
Strategic risks due to long-term policies or strategic objectives taken by the organisation to maintain operational competitiveness	<ul style="list-style-type: none"> <li>• The Group actively maintains the efficacy of its risk management system to avoid being caught unawares by upcoming changes.</li> <li>• Regular information flow is provided to the Board to inform their decision-making process.</li> </ul>
Operational risks due to changes to the internal environment of the organisation arising from daily business activities	<ul style="list-style-type: none"> <li>• A strong corporate culture consistent with the values of the Group is instilled within the organisation to guide the behaviours and expectations of employees.</li> <li>• Regular maintenance of machineries and information hardware is conducted to prevent breakdown that would impede the operations of the Group.</li> </ul>
External / Market risks due to changes in the external economic environment of the organisation	<ul style="list-style-type: none"> <li>• The Group diligently monitors and evaluates market conditions and expected trends in deciding its product mix, suppliers and target markets.</li> <li>• The Group capitalises on its experience and synergy among its subsidiaries to achieve operational efficiency and maintain competitiveness.</li> </ul>
Financial risks which are associated with the effective management and control of the finances of the organisation and the effects of external factors such as availability of credit, foreign exchange rate fluctuations, interest rate movements, commodity prices and other market exposures	<ul style="list-style-type: none"> <li>• The Group maintains a natural hedge, whenever possible, by borrowing in the currency in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.</li> <li>• Financial performance of the Group is regularly benchmarked against the budget for the relevant period and significant variances are promptly addressed.</li> </ul>
Hazard risks, which include risks from fire and other property damage, windstorms and other natural perils, theft and other crime, personal injury, business interruption, disease and disability and liability claims	<ul style="list-style-type: none"> <li>• Safety training programs, certified safety equipment and medical check-ups are provided for employees working in hazardous areas.</li> <li>• Insurance and physical safeguards, including the employment of a security service, barriers and locks are installed in the Group's property to protect against theft and damage.</li> </ul>
Compliance risks such as occupational, health & safety, environmental, trade regulations, consumer protection, data and intellectual property protection, employment practices and regulatory requirements	<ul style="list-style-type: none"> <li>• Corporate secretary regularly updates the Board on any changes in regulatory requirements by the relevant authorities.</li> <li>• Senior Management and Board actively monitor the markets in which the Group operates. Any changes in compliance requirements detected by employees are also promptly escalated to the Board for swift decision-making.</li> </ul>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the scope set out in the Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 May 2018, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* to be set out, nor is the Statement on Risk Management and Internal Control factually inaccurate.

### CONCLUSION

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

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 20 August 2018.

# SUSTAINABILITY STATEMENT

Pursuant to Paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors (**"the Board"**) is pleased to present the Sustainability Statement of the Company and its subsidiaries (**"the Group"**) for the financial year ended 31 May 2018.

This Sustainability Statement has been prepared based on the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad.

## Governance Structure

At Nylex (Malaysia) Berhad (**"Nylex"**), we recognise the importance of integrating sustainability in the Group's operations when developing business strategy and management process.

The Group's sustainability strategy will be driven by the Board who is involved in formulating plans to identify, evaluate and manage sustainability matters within the Group. The Board will be assisted by Senior Management who oversees the implementation of sustainability at their respective operation units.

## Scope of Disclosure

This Statement covers the period from 1 June 2017 to 31 May 2018 (**"FY 2018"**) for the Group, excluding the associate. This Statement does not cover the associate as the Company does not have full management and control over the associate.

## ENVIRONMENT

As a manufacturer of polymers and industrial chemicals as well as a provider of transportation services, we are aware that many of our operations need to be managed carefully to minimise our impact on the environment. Our initiatives to address the environmental concerns in our operations include the management of energy and water inputs, responsible disposal of our effluent and other waste products and product stewardship.

### Energy and Water Consumption

Nylex takes an active approach to reduce energy and water consumption through the implementation of various energy saving initiatives and we aim to reduce our water footprint by fostering water conservation practices and habits among the water users. The Group is continuously exploring new measures to increase energy efficiency and to foster water conservation throughout the operations.

### Waste and Effluent Management

Some of the by-products of our manufacturing operations are hazardous. As a responsible corporate citizen, we strive to minimise the possibility of harm resulting from unintended contact with hazardous waste.

As part of our waste management process, we quantify and inventorise all hazardous wastes. Hazardous wastes which are pending for further treatment or disposal are temporarily kept in secure areas away from the manufacturing line. Access to these storage areas is restricted to authorised personnel only. Durable storage containers which are compatible with the nature of the hazardous waste stored are used. Lids on these storage containers are securely fastened at all times to avoid spillage. Prior to the transportation of hazardous waste, they are properly packaged and labelled.

Chemical wastes are sent to Kualiti Alam Waste Management Centre in Negeri Sembilan for proper disposal. Monthly reports on the scheduled waste are submitted to the Department of Environment (**"DOE"**) and the Majlis Bandaraya Shah Alam.

Other wastes or materials such as papers, plastics and wood are re-used where possible or sent to recycling centres.

Moving forward, we will continue to strive to reduce, reuse, recycle and recover our hazardous waste.

## SUSTAINABILITY STATEMENT

### Greenhouse Gas Emission

Greenhouse gases are the gases that trap heat in the atmosphere and cause climate change.

The Group employs Alam Sekitar Malaysia Sdn Bhd to carry out quarterly stack gas emission tests to ensure compliance with the Environmental Quality Act, 1974 ("**EQA**").

### Product Stewardship

Product stewardship is an environmental management strategy whereby the producer of a product takes responsibility for minimising the product's environmental impact throughout all stages of the products' life cycle, including end of life management.

Our priority areas on product stewardship are based on the following:

a) Product risk characterisation and management

With effect from January 2007, Material Safety Data Sheets were developed on the Group's products range for customers to ensure safe and proper usage and handling of our products.

b) Regulatory compliance

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

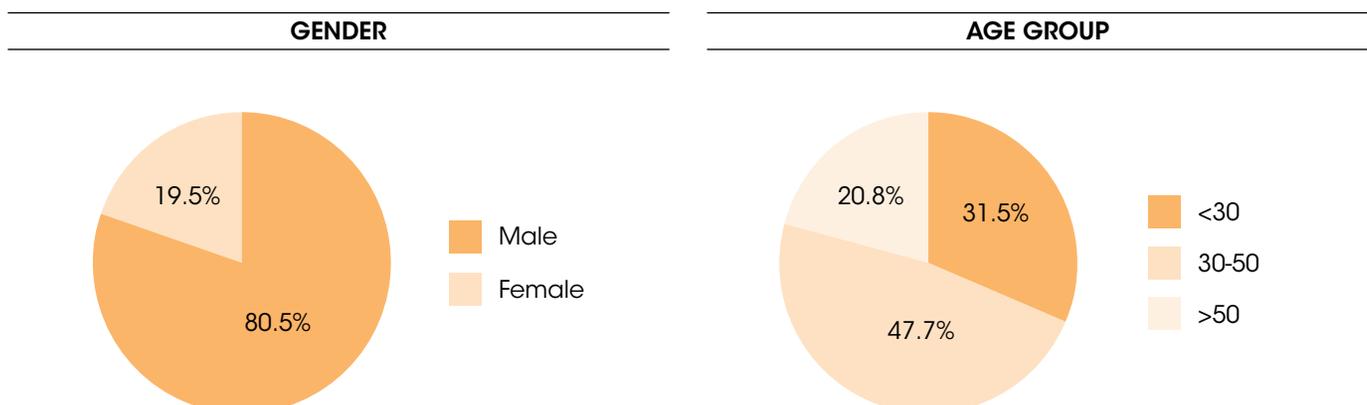
## SOCIAL

### Workplace Diversity and Inclusion

The Group values its employees and understands that the welfare of its employees is the linchpin to its success. We encourage our employees to perform the best of their ability by motivating and valuing their contribution. As part of the Group's hiring practice, we do not discriminate against any race, gender or nationality.

In FY 2018, the Group employed workers from more than 6 nationalities, most of whom are full time and permanent employees. We also employed contract staff to cope with peak manufacturing demand.

A breakdown of our employee data is provided in the following chart:



## SUSTAINABILITY STATEMENT

### Human Rights

Nylex's social compliance policy is in line with international social compliance policies against child labour and young workers, workplace discrimination and forced labour. We are against any forms of forced labour and underage workers, and we rigorously enforce these principles at all times. Employees profile is maintained in our database, and we continuously monitor compliance with the minimum legal working age requirements enforced by the local authorities in the countries where we operate. All employees work on their own free will and without coercion.

### Occupational Health and Safety

The Group instils a general culture of mutual accountability towards maintaining occupational health and safety. The idea is that everyone is responsible to maintain the safety of the workplace. The Group also takes a proactive approach towards mitigating occupational hazards and risks, by ensuring employees operate in a secure environment at all times. Towards this end, various activities and procedures focusing on safety and health were organised by the Group to promote a healthy and positive work environment for its employees, these include:

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

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

- launched Safety Campaigns, for its employees, which covered various topics on employee safety;
- briefing on PPE, for its employees; and
- medical check-up for operators working in hazardous areas.

### Workforce Training and Development

The Group believes that talent development and retention are important to a sustainable entity as it depends on the quality of its people to bring the Group forward. Various training has been carried out in-house or participated externally to aim for improvement in employees' knowledge, skillsets and competencies allowing them to excel in their work and meet challenges head-on. Management and Supervisory Development programmes which provide career advancement opportunities were also organised for certain employees to develop key talents and successors for key management positions.

### Supporting Education in the Chemical Industry

Consistent with one of the important focal area of its sustainability outlook, the Group makes it a point to provide industrial training or factory visits to undergraduates or technical students from local and international institutions. During the financial year, industrial training was provided for three (3) students with duration from two to three months. These students are placed in various departments such as technical and engineering department.

## SUSTAINABILITY STATEMENT

### Corporate Philanthropy

Employees are encouraged to volunteer in community projects such as tree planting and blood donation campaigns. The Company and/or its subsidiaries also made monetary donations to a number of secondary schools, a surau in Perlis, Selangor Youth Community, Orchid Run & Ride 2017, and others. A subsidiary made several donations to support various festivities organised by the village adjacent to its manufacturing plant.

### Compliance

An effective governance structure and risk management system forms the backbone of our business operations. Risk assessments are conducted quarterly to identify and mitigate significant risks that are affecting our business operations. Annually, we review the adequacy of insurance coverage of all our business operations to safeguard against potential threats.

With our strict adherence to our corporate governance principles and compliance to regulations, there were no incidents of non-compliance against regulatory requirements in FY 2018.

There were no incidences of non-compliance in FY 2018 with regard to any environmental laws and regulations.

Nylex does not hire any underage candidates and has no non-compliance cases with regard to labour and employment.

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

### CONCLUSION

Towards integrating sustainability into our business, the Group continues its efforts to strengthen the risk management framework and improve its sustainability related initiatives. The Group will work to build sustainability into an essential element of its corporate culture and business decision making, striving for transparent business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders.

# DIRECTORS' RESPONSIBILITIES STATEMENT ON FINANCIAL STATEMENTS

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

In accordance with the Companies Act 2016, the Directors of the Company are required to prepare the financial statements for each financial year which shall give a true and fair view of the state of affairs and financial position of the Company and of the Group and their financial performance and cash flows as at the end of the financial year.

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

The Directors hereby state that they are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company and the Group to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group as at 31 May 2018 and the statements of profit or loss and statements of cash flows of the Company and of the Group for the financial year ended on that date. The Directors are also responsible for ensuring that the financial statements comply with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Companies Act 2016 in Malaysia, the Listing Requirements, and other statutory and regulatory requirements.

In preparing the financial statements of the Company and of the Group for the financial year ended 31 May 2018, the Directors have:

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

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



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The Directors of Nylex (Malaysia) Berhad 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 2018.

## PRINCIPAL ACTIVITIES

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

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

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

## RESULTS

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

	Group RM'000	Company RM'000
Profit from operations	41,474	18,351
Finance costs	(11,156)	(3,093)
Share of results of an associate, net of tax	258	-
Profit before tax	30,576	15,258
Taxation	(10,501)	(1,036)
Net profit for the year	20,075	14,222
Attributable to:		
Owners of the parent	19,093	14,222
Non-controlling interests	982	-
	20,075	14,222

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

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

## ISSUE OF SHARES AND DEBENTURES

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

## TREASURY SHARES

At the 47<sup>th</sup> Annual General Meeting held on 19 October 2017, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares.

During the financial year, the Company repurchased 4,344,100 of its issued ordinary shares from the open market of Bursa Malaysia Securities Berhad at an average price of RM0.80 per share. The total consideration paid for the repurchases including transaction costs was RM3,496,233. The repurchased shares are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016 and listing requirements and applicable guideline of Bursa Malaysia.

As at 31 May 2018, a total of 6,781,024 treasury shares with a carrying amount of RM4,882,649 were held by the Company. Details of the shares repurchased in the financial year are disclosed in Note 24 to the financial statements.

## DIVIDENDS

During the financial year, the Company paid a final single-tier dividend of 2.0 sen per share, amounting to RM3,837,579, in respect of the financial year ended 31 May 2017, on 6 December 2017.

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2018.

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 2019.

## 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:

Dato' Tengku Mahamad bin Tengku Mahamut (*Re-designated to Independent Non-Executive Chairman on 14 August 2018*)

Tan Sri Mohamed Al Amin Abdul Majid (*Executive Chairman*)(*Resigned on 3 August 2018*)

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

Lim Hock Chye

Edmond Cheah Swee Leng

Safrizal bin Mohd Said

Khamis bin Awal

Puan Sri Datuk Seri Rohani Parkash binti Abdullah (*Resigned on 31 May 2018*)

Datuk Anuar bin Ahmad (*Appointed on 14 August 2018*)

In accordance with Article 109 of the Company's Constitution, Safrizal bin Mohd Said, Khamis bin Awal, and Dato' Tengku Mahamad bin Tengku Mahamut retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

In accordance with Article 93 of the Company's Constitution, Datuk Anuar bin Ahmad retires at the forthcoming annual general meeting and being eligible, offers himself for re-election.

## DIRECTORS' REPORT

### DIRECTORS (continued)

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

Bon Kok Meng (*Resigned on 28 June 2018*)  
 Chan Ying Wai (*Resigned on 31 July 2018*)  
 Chen Tai Ngoh  
 Chow Keen Seng (*Deceased on 14 February 2018*)  
 Datuk Azizan bin Abdul Rahman (*Resigned on 1 August 2018*)  
 Eric Chan Hean Chin  
 Indrawan Masrin  
 Jimmy Masrin  
 Kong Hwai Ming  
 Liew Tet Seng  
 Lim Liang Tan  
 Lim Wee Beng  
 Masahiko Otomo  
 Mohamad Ruslan bin Ali  
 Mohd Azlan bin Mohammed  
 Norzain bin Abdul Wahab  
 Robin Ling Seng Chiong  
 Sabli bin Sibil  
 Shigeo Fuji  
 Suzuki Masayuki  
 Tan Wee Lian  
 Toh Puan Norella binti Talib  
 Wong Kah Pun (*Appointed on 13 February 2018*)  
 Wong Siut Yin  
 Yuhei Sogabe

### DIRECTORS' INTERESTS

The interests in shares in the Company and its related companies of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, were as follows:

	Number of Ordinary Shares			Balance as at 31.5.2018
	Balance as at 1.6.2017	Acquired	Disposed	
<b>The Company</b>				
<i>Direct interest</i>				
Dato' Siew Ka Wei	2,096,460	-	-	2,096,460
<i>Deemed interest</i>				
Dato' Siew Ka Wei	93,608,359	-	-	93,608,359

**DIRECTORS' INTERESTS** (continued)

	Number of Ordinary Shares			Balance as at 31.5.2018
	Balance as at 1.6.2017	Acquired	Disposed	
<b>Holding Company, Ancom Berhad</b>				
<i>Direct interest</i>				
Dato' Siew Ka Wei	23,328,365	688,800	-	24,017,165
<i>Deemed interest</i>				
Dato' Siew Ka Wei	20,471,748	-	-	20,471,748
<b>Subsidiary, Ancom Kimia Sdn Bhd</b>				
<i>Direct interest</i>				
Tan Sri Mohamed Al Amin Abdul Majid	660,000	-	-	660,000
<b>Related Company, Ancom Logistics Berhad</b>				
<i>Direct interest</i>				
Dato' Siew Ka Wei	749,867	-	-	749,867
<i>Deemed interest</i>				
Dato' Siew Ka Wei	215,473,196	-	-	215,473,196

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

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

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, or the fixed salary received in his capacity as a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or by a related corporation with a Director; or with a firm of which the Director is a member; or with a company in which the Director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

## DIRECTORS' REPORT

### INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company effected Directors' and officers' liability insurance during the financial year to protect the Directors and officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. The total amount of insurance premium paid for the Directors and officers of the Group and of the Company during the financial year was RM15,337.

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

### OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that 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 amounts written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

**OTHER STATUTORY INFORMATION** *(continued)*

(f) In the opinion of the Directors:

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

**HOLDING COMPANY**

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

**SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Significant event during the year and significant events between the end of the reporting period and the date when the financial statements are authorised for issue are disclosed in Note 34 to the financial statements.

**AUDITORS**

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

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2018 are as follows:

	<b>Group</b> <b>RM'000</b>	<b>Company</b> <b>RM'000</b>
Statutory audit	443	85
Other services	10	10
	<b>453</b>	<b>95</b>

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 August 2018.

**Dato' Siew Ka Wei**  
Director

**Edmond Cheah Swee Leng**  
Director

## STATEMENT BY DIRECTORS

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

We, Dato' Siew Ka Wei and Edmond Cheah Swee Leng, 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 60 to 119 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 August 2018.

**Dato' Siew Ka Wei**

**Edmond Cheah Swee Leng**

## STATUTORY DECLARATION

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

I, Chen Tai Ngoh (CA 32025), being the officer primarily responsible for the financial management of Nylex (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 119 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Chen Tai Ngoh  
at Kuala Lumpur  
on 20 August 2018

Before me,

**Chen Tai Ngoh**

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

# INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad  
(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the statements of financial position as at 31 May 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 119.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

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

The carrying amount of goodwill arising on consolidation as at 31 May 2018 amounted to RM102,798,000, as disclosed in Note 15 to the financial statements.

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

## INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad  
(Incorporated in Malaysia)

### Key Audit Matters *(continued)*

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

##### **Audit response**

Our audit procedures performed include:

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

#### 2. **Recoverability of trade receivables**

As at 31 May 2018, the Group has trade receivables of RM246,079,000 which include debts that are past due but not impaired of RM45,086,000. The details of trade receivables and their credit risk have been disclosed in Note 18 and Note 32(d) respectively to the financial statements.

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

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

##### **Audit response**

Our audit procedures performed include:

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

We have determined that there are no key audit matters to communicate in our report in respect to the audit of the financial statements of the Company.

**INDEPENDENT AUDITORS' REPORT**

To the members of Nylex (Malaysia) Berhad  
(Incorporated in Malaysia)

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

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

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

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

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

**Responsibilities of the Directors for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad  
(Incorporated in Malaysia)

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

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

- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

## INDEPENDENT AUDITORS' REPORT

To the members of Nylex (Malaysia) Berhad  
(Incorporated in Malaysia)

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **BDO**

AF: 0206

Chartered Accountants

Kuala Lumpur

20 August 2018

#### **Lum Chiew Mun**

03039/04/2019 J

Chartered Accountant

# STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 May 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	4	1,446,375	1,337,256	70,391	63,480
Cost of sales	4	(1,304,335)	(1,192,901)	(56,574)	(51,236)
<b>Gross profit</b>		<b>142,040</b>	144,355	<b>13,817</b>	12,244
Other income	5	4,614	3,202	24,148	20,479
Selling and distribution expenses		(58,818)	(57,497)	(5,605)	(5,049)
Administrative expenses		(45,884)	(45,623)	(12,867)	(10,656)
Other expenses		(478)	(277)	(1,142)	(42)
<b>Profit from operations</b>		<b>41,474</b>	44,160	<b>18,351</b>	16,976
Finance costs	6	(11,156)	(7,921)	(3,093)	(2,144)
Share of results of an associate, net of tax		258	(85)	-	-
<b>Profit before tax</b>		<b>30,576</b>	36,154	<b>15,258</b>	14,832
Taxation	9	(10,501)	(12,393)	(1,036)	(92)
<b>Net profit for the year</b>		<b>20,075</b>	23,761	<b>14,222</b>	14,740
Net profit attributable to:					
Owners of the parent		19,093	20,386	14,222	14,740
Non-controlling interests		982	3,375	-	-
		<b>20,075</b>	23,761	<b>14,222</b>	14,740
<b>Basic and diluted:</b>					
Earnings per share (sen)	10	10.1	10.6		
Net dividends per ordinary share (sen)	11	2.0	2.0		

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

# STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 May 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Net profit for the year</b>	<b>20,075</b>	23,761	<b>14,222</b>	14,740
<b>Other comprehensive (loss)/income, net of tax</b>				
Item to be reclassified subsequently to profit or loss				
Foreign currency translation	<b>(14,218)</b>	7,101	-	-
Item not to be reclassified subsequently to profit or loss				
Re-measurement of defined benefit liability	<b>(29)</b>	13	-	-
<b>Total comprehensive income for the year</b>	<b>5,828</b>	30,875	<b>14,222</b>	14,740
Total comprehensive income attributable to:				
Owners of the parent	<b>5,683</b>	27,178	<b>14,222</b>	14,740
Non-controlling interests	<b>145</b>	3,697	-	-
	<b>5,828</b>	30,875	<b>14,222</b>	14,740

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 May 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	<b>146,197</b>	159,706	<b>25,309</b>	26,790
Investments in subsidiaries	13	-	-	<b>187,878</b>	187,878
Investment in an associate	14	<b>573</b>	315	<b>400</b>	400
Goodwill arising on consolidation	15	<b>102,798</b>	108,348	-	-
Deferred tax assets	16	<b>25,066</b>	25,590	<b>23,261</b>	23,261
		<b>274,634</b>	293,959	<b>236,848</b>	238,329
<b>Current assets</b>					
Inventories	17	<b>90,363</b>	118,586	<b>11,325</b>	11,608
Trade and other receivables	18	<b>303,977</b>	282,371	<b>90,333</b>	75,143
Investment securities	19	<b>1,067</b>	546	<b>161</b>	147
Income tax recoverable		<b>892</b>	827	-	112
Short-term deposits with licensed banks	20	<b>33,259</b>	26,371	-	-
Cash and bank balances	20	<b>75,259</b>	82,678	<b>10,034</b>	12,532
		<b>504,817</b>	511,379	<b>111,853</b>	99,542
<b>TOTAL ASSETS</b>		<b>779,451</b>	805,338	<b>348,701</b>	337,871

**STATEMENTS OF FINANCIAL POSITION**

As at 31 May 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	21	<b>195,143</b>	194,338	<b>195,143</b>	194,338
Reserves	22	<b>18,612</b>	32,798	-	805
Retained earnings	23	<b>135,353</b>	120,127	<b>78,468</b>	68,084
Treasury shares, at cost	24	<b>(4,883)</b>	(1,386)	<b>(4,883)</b>	(1,386)
		<b>344,225</b>	345,877	<b>268,728</b>	261,841
<b>Non-controlling interests</b>		<b>16,011</b>	16,586	-	-
<b>Total equity</b>		<b>360,236</b>	362,463	<b>268,728</b>	261,841
<b>Non-current liabilities</b>					
Deferred tax liabilities	16	<b>1,405</b>	1,307	-	-
Borrowings	25	<b>41,368</b>	49,658	-	-
Provision for retirement benefits	26	<b>4,672</b>	4,221	<b>2,945</b>	2,736
		<b>47,445</b>	55,186	<b>2,945</b>	2,736
<b>Current liabilities</b>					
Trade and other payables	27	<b>157,712</b>	166,746	<b>20,150</b>	20,432
Borrowings	25	<b>212,691</b>	216,913	<b>56,840</b>	52,862
Income tax payable		<b>1,367</b>	4,030	<b>38</b>	-
		<b>371,770</b>	387,689	<b>77,028</b>	73,294
<b>Total liabilities</b>		<b>419,215</b>	442,875	<b>79,973</b>	76,030
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>779,451</b>	805,338	<b>348,701</b>	337,871

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2018

	Note	Attributable to owners of the parent							Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable →			Distributable		Total RM'000			
		Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000				
Balance as at 1 June 2017		194,338	805	31,993	(1,386)	120,127	345,877	16,586	362,463	
Net profit for the year		-	-	-	-	19,093	19,093	982	20,075	
Other comprehensive loss, net of tax		-	-	(13,381)	-	(29)	(13,410)	(837)	(14,247)	
<b>Total comprehensive (loss)/income for the year</b>		-	-	(13,381)	-	19,064	5,683	145	5,828	
<b>Transactions with owners</b>										
Dividends	11	-	-	-	-	(3,838)	(3,838)	-	(3,838)	
Dividends paid to non-controlling interests of a subsidiary		-	-	-	-	-	-	(720)	(720)	
Purchase of treasury shares	24	-	-	-	(3,497)	-	(3,497)	-	(3,497)	
<b>Total transactions with owners</b>		-	-	-	(3,497)	(3,838)	(7,335)	(720)	(8,055)	
Transfer pursuant to Companies Act 2016	21	805	(805)	-	-	-	-	-	-	
<b>Balance as at 31 May 2018</b>		<b>195,143</b>	<b>-</b>	<b>18,612</b>	<b>(4,883)</b>	<b>135,353</b>	<b>344,225</b>	<b>16,011</b>	<b>360,236</b>	
Balance as at 1 June 2016		194,338	805	25,214	(1,188)	103,567	322,736	13,103	335,839	
Net profit for the year		-	-	-	-	20,386	20,386	3,375	23,761	
Other comprehensive income, net of tax		-	-	6,779	-	13	6,792	322	7,114	
<b>Total comprehensive income for the year</b>		-	-	6,779	-	20,399	27,178	3,697	30,875	
<b>Transactions with owners</b>										
Dividends	11	-	-	-	-	(3,839)	(3,839)	-	(3,839)	
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	(95)	(95)	
Remeasurement of acquisition of a subsidiary		-	-	-	-	-	-	(119)	(119)	
Purchase of treasury shares	24	-	-	-	(198)	-	(198)	-	(198)	
<b>Total transactions with owners</b>		-	-	-	(198)	(3,839)	(4,037)	(214)	(4,251)	
Balance as at 31 May 2017		194,338	805	31,993	(1,386)	120,127	345,877	16,586	362,463	

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

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2018

	Note	Non-distributable		Distributable		Total equity RM'000
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	
Balance as at 1 June 2017		194,338	805	(1,386)	68,084	261,841
Net profit for the year		-	-	-	14,222	14,222
<b>Total comprehensive income for the year</b>		-	-	-	14,222	14,222
<b>Transactions with owners</b>						
Dividends	11	-	-	-	(3,838)	(3,838)
Purchase of treasury shares	24	-	-	(3,497)	-	(3,497)
<b>Total transactions with owners</b>		-	-	(3,497)	(3,838)	(7,335)
Transfer pursuant to Companies Act 2016	21	805	(805)	-	-	-
<b>Balance as at 31 May 2018</b>		<b>195,143</b>	<b>-</b>	<b>(4,883)</b>	<b>78,468</b>	<b>268,728</b>
Balance as at 1 June 2016		194,338	805	(1,188)	57,183	251,138
Net profit for the year		-	-	-	14,740	14,740
<b>Total comprehensive income for the year</b>		-	-	-	14,740	14,740
<b>Transactions with owners</b>						
Dividends	11	-	-	-	(3,839)	(3,839)
Purchase of treasury shares	24	-	-	(198)	-	(198)
<b>Total transactions with owners</b>		-	-	(198)	(3,839)	(4,037)
Balance as at 31 May 2017		194,338	805	(1,386)	68,084	261,841

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

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 May 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cash Flows From Operating Activities</b>					
Profit before tax		<b>30,576</b>	36,154	<b>15,258</b>	14,832
Adjustments for:					
Depreciation of property, plant and equipment	12	<b>11,330</b>	9,266	<b>2,391</b>	2,666
Dividend income		<b>(17)</b>	(11)	<b>(20,298)</b>	(17,017)
Finance costs	6	<b>11,156</b>	7,921	<b>3,093</b>	2,144
Fair value loss/(gain) on investment securities		<b>129</b>	(70)	<b>(14)</b>	(15)
Bad debts written off		<b>6</b>	-	-	-
Gain on disposal of property, plant and equipment		<b>(140)</b>	(192)	<b>(40)</b>	(142)
Impairment loss/(Write-back) on trade and other receivables	18(a)(iii)	<b>778</b>	1,169	<b>(328)</b>	(126)
Inventories written-down	17	<b>844</b>	3,054	<b>135</b>	329
Interest income		<b>(2,808)</b>	(1,936)	<b>(3,280)</b>	(2,253)
Provision for retirement benefits	26	<b>568</b>	590	<b>249</b>	250
Share of results of an associate		<b>(258)</b>	85	-	-
Unrealised (gain)/loss on foreign exchange		<b>(808)</b>	494	<b>1,081</b>	(262)
Operating cash flows before working capital changes		<b>51,356</b>	56,524	<b>(1,753)</b>	406
<b>Working Capital Changes</b>					
Receivables		<b>(25,891)</b>	(75,970)	<b>(12,635)</b>	(7,976)
Inventories		<b>22,493</b>	(26,838)	<b>148</b>	137
Payables		<b>(4,069)</b>	46,968	<b>3,078</b>	1,626
Related companies		<b>569</b>	(12,120)	<b>(4,745)</b>	(34,786)
Associate		<b>(1,874)</b>	-	<b>(1,874)</b>	-
Cash flows generated from/(used in) operations		<b>42,584</b>	(11,436)	<b>(17,781)</b>	(40,593)
Tax paid		<b>(12,420)</b>	(10,385)	<b>(886)</b>	(207)
Retirement benefits paid		<b>(2)</b>	(239)	<b>(40)</b>	(237)
<b>Net Cash Flows From/(Used In)</b>					
<b>Operating Activities (carried forward)</b>		<b>30,162</b>	(22,060)	<b>(18,707)</b>	(41,037)

**STATEMENTS OF CASH FLOWS**

For the financial year ended 31 May 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Net Cash Flows From/(Used In)</b>					
<b>Operating Activities (brought forward)</b>		<b>30,162</b>	(22,060)	<b>(18,707)</b>	(41,037)
<b>Cash Flows From Investing Activities</b>					
Acquisition of interest in an associate		-	(400)	-	(400)
Acquisition of investment securities		(650)	-	-	-
Dividends received from equity instruments		17	11	5	4
Dividends received from subsidiaries		-	-	20,293	15,076
Interest received		2,468	1,697	3,280	2,253
Placement of short-term deposits					
- pledged with a licensed bank		(5,966)	-	-	-
- with maturity of more than three months		(3,514)	-	-	-
Proceeds from disposal of property, plant and equipment		268	476	112	399
Purchase of property, plant and equipment	12	(2,166)	(64,404)	(982)	(1,597)
<b>Net Cash Flows (Used In)/From Investing Activities</b>		<b>(9,543)</b>	(62,620)	<b>22,708</b>	15,735
<b>Cash Flows From Financing Activities</b>					
Dividends paid to shareholders of the Company	11	(3,838)	(3,839)	(3,838)	(3,839)
Dividends paid to non-controlling interests of subsidiaries		(720)	(95)	-	-
Drawdown of borrowings		173,649	194,993	75,440	55,162
Repayment of borrowings		(179,886)	(55,079)	(71,462)	(22,900)
Repayment of hire-purchase creditors		-	(8)	-	-
Purchase of treasury shares	24	(3,492)	(198)	(3,492)	(198)
Interest paid		(11,156)	(7,921)	(3,093)	(2,144)
<b>Net Cash Flows (Used In)/From Financing Activities</b>		<b>(25,443)</b>	127,853	<b>(6,445)</b>	26,081
<b>Net (Decrease)/Increase in Cash and Cash Equivalents (carried forward)</b>		<b>(4,824)</b>	43,173	<b>(2,444)</b>	779

**STATEMENTS OF CASH FLOWS**

For the financial year ended 31 May 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (Decrease)/Increase in Cash and Cash Equivalents (brought forward)		(4,824)	43,173	(2,444)	779
Effects of Exchange Rate Changes		(9,552)	2,214	-	-
Cash and Cash Equivalents at Beginning of Year		109,049	65,052	12,532	11,746
Effects of Exchange Rate Changes		4,365	(1,390)	(54)	7
		113,414	63,662	12,478	11,753
Cash and Cash Equivalents at End of Year	20	99,038	109,049	10,034	12,532

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Borrowings as at 1 June		266,571	126,266	52,862	20,600
Cash flows		(6,237)	139,914	3,978	32,262
Non-cash flows:					
- Effect of foreign exchange		(6,275)	391	-	-
Borrowings as at 31 May	25	254,059	266,571	56,840	52,862

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

## 1. CORPORATE INFORMATION

Nylex (Malaysia) Berhad (“the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”). The registered office of the Company is located at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, while the principal place of business is located at Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan.

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

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting, rotomoulded plastic products, and other plastic products, including geotextiles, prefabricated sub-soil drainage systems, bulk chemical containers, road barriers, playground equipment and disposal bins. The principal activities and the details of the subsidiaries are indicated in Note 13 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company 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 20 August 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the requirements of the Companies Act 2016 in Malaysia.

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

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

### (b) New MFRSs adopted during the financial year

On 1 June 2017, the Group and the Company adopted the following applicable MFRS and amendments to MFRS which are mandatory for financial periods beginning on or after 1 June 2017.

<b>Amendments to MFRSs</b>	<b>Effective date</b>
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<b>MFRSs and amendments to MFRSs</b>	<b>Effective date</b>
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Clarifications to MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

#### (d) Significant accounting judgements and estimates

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

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

##### (i) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 May 2018 was RM102,798,000 (2017: RM108,348,000). Further details are disclosed in Note 15 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(d) Significant accounting judgements and estimates** *(continued)***(ii) Deferred tax assets**

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

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

At the reporting date, the Group has recognised RM21,733,000 (2017: RM22,457,000) of unused tax losses and unabsorbed capital allowances as management considered that it is probable that taxable profits will be available against which the losses and allowances can be utilised. Variance from future taxable profits estimated will result in changes in the deferred tax assets recognised. Details of the deferred tax assets are disclosed in Note 16 to the financial statements.

**(iii) Depreciation of property, plant and equipment**

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' estimated useful lives up to their residual values. Changes in the expected level of usage could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the current year depreciation charge will result in approximately 3% (2017: 2%) variances in net profit for the year of the Group and 1% (2017: 1%) variances in net profit for the year of the Company.

**(iv) Impairment of loans and receivables**

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 18 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 3. COMPANIES ACT 2016

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

Consequently, balances in the share premium account for the Group and for the Company have been transferred into the share capital account as at 31 May 2018.

### 4. REVENUE AND COST OF SALES

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

#### Sale of goods or services

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

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

### 5. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income	2,808	1,936	3,280	2,253
Dividend income from:				
- Equity instruments (quoted in Malaysia)	17	11	5	4
- Subsidiaries	-	-	20,293	17,013
Fair value gains on financial instruments				
- Held for trading investments	-	70	14	15
Gain on disposal of property, plant and equipment	140	192	40	142
Realised gain on foreign exchange	30	-	481	790
Unrealised gain on foreign exchange	1,619	993	35	262
	4,614	3,202	24,148	20,479

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**6. FINANCE COSTS**

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Borrowings	11,156	7,921	3,093	2,144

**7. STAFF COSTS**

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	38,137	41,799	12,890	12,057
Defined contribution plan and social security costs	4,117	3,608	1,411	1,247
Provision for retirement benefits (Note 26)	568	590	249	250
Other staff related expenses	680	567	137	130
	43,502	46,564	14,687	13,684

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM4,714,000 (2017: RM6,638,000) and RM2,976,000 (2017: RM2,578,000) respectively as further disclosed in Note 8 to the financial statements.

**8. DIRECTORS' REMUNERATION**
**(a) Total remuneration**

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Executive Directors</b>				
Salaries	2,196	2,196	1,680	1,680
Bonuses	2,256	4,062	1,128	752
Defined contribution plan	262	380	168	146
	4,714	6,638	2,976	2,578
Benefits-in-kind	56	56	56	56
	4,770	6,694	3,032	2,634

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**8. DIRECTORS' REMUNERATION** (continued)**(a) Total remuneration** (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-Executive Directors</b>				
Fees	700	579	460	439
Allowances	20	17	20	17
	720	596	480	456
Benefits-in-kind	3	-	-	-
	723	596	480	456
<b>Total</b>	<b>5,493</b>	<b>7,290</b>	<b>3,512</b>	<b>3,090</b>

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

	Number of Directors	
	2018	2017
<b>Executive Directors</b>		
RM1,550,001 to RM1,600,000	1	-
RM1,900,001 to RM1,950,000	-	1
RM3,150,001 to RM3,200,000	1	-
RM4,750,001 to RM4,800,000	-	1
	2	2
<b>Non-Executive Directors</b>		
RM50,001 to RM100,000	3	3
RM100,001 to RM150,000	2	2
RM150,001 to RM200,000	-	1
RM250,001 to RM300,000	1	-
	6	6

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**9. TAXATION**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax:				
- Malaysian income tax	<b>(6,784)</b>	(7,928)	<b>(925)</b>	(70)
- Foreign income tax	<b>(3,105)</b>	(4,874)	-	-
	<b>(9,889)</b>	(12,802)	<b>(925)</b>	(70)
(Under)/Over provision in prior years:				
- Malaysian income tax	<b>(131)</b>	980	<b>(111)</b>	(22)
- Foreign income tax	<b>5</b>	(1)	-	-
	<b>(10,015)</b>	(11,823)	<b>(1,036)</b>	(92)
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	<b>(488)</b>	(734)	-	-
Over provision in prior years	<b>2</b>	164	-	-
	<b>(486)</b>	(570)	-	-
	<b>(10,501)</b>	(12,393)	<b>(1,036)</b>	(92)

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 9. TAXATION (continued)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	<b>30,576</b>	36,154	<b>15,258</b>	14,832
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	<b>(7,338)</b>	(8,677)	<b>(3,662)</b>	(3,560)
Effect of different tax rates in other countries	<b>7</b>	(484)	-	-
Utilisation of tax incentives	<b>76</b>	65	-	-
Income not subject to tax	<b>986</b>	457	<b>5,057</b>	4,249
Utilisation of previously unrecognised tax losses	<b>232</b>	29	-	-
Expenses not deductible for tax purposes	<b>(2,544)</b>	(3,714)	<b>(1,467)</b>	(370)
Deferred tax assets not recognised	<b>(1,796)</b>	(1,212)	<b>(853)</b>	(389)
Over provision of deferred tax in prior years	<b>2</b>	164	-	-
(Under)/Over provision of tax expense in prior years	<b>(126)</b>	979	<b>(111)</b>	(22)
Taxation for the year	<b>(10,501)</b>	(12,393)	<b>(1,036)</b>	(92)

- (d) Tax savings during the financial year arising from:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Utilisation of previously unrecognised tax losses	<b>232</b>	29	-	-
Utilisation of tax incentives	<b>76</b>	65	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 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 RM19,093,000 (2017: RM20,386,000) by the weighted average number of ordinary shares in issue during the financial year of 190,057,978 shares (2017: weighted average of 191,996,189 shares).

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

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

### 11. DIVIDENDS

	Amount		Net dividends per ordinary share	
	2018	2017	2018	2017
	RM'000	RM'000	sen	sen
Final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2017, paid on 6 December 2017 (2017: final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2016, paid on 16 December 2016)	<b>3,838</b>	3,839	<b>2.0</b>	2.0

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 May 2018.

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 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Leasehold buildings RM'000	Vessel and equipment RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>									
As at 1 June 2016	32,505	32,599	-	150,677	1,977	9,297	6,965	16,692	250,712
Additions	-	541	146	671	33	533	1,239	61,241	64,404
Disposals	-	-	-	(578)	(6)	(95)	(938)	-	(1,617)
Reclassification	-	-	77,767	150	(17)	17	149	(78,066)	-
Exchange differences	327	640	-	2,113	120	(62)	46	300	3,484
As at 31 May 2017	32,832	33,780	77,913	153,033	2,107	9,690	7,461	167	316,983
<b>As at 1 June 2017</b>	32,832	33,780	77,913	153,033	2,107	9,690	7,461	167	<b>316,983</b>
Additions	-	116	-	1,336	211	164	221	118	<b>2,166</b>
Disposals	-	-	-	(215)	(23)	(86)	(994)	-	<b>(1,318)</b>
Reclassification	-	4	-	-	-	-	150	(154)	-
Exchange differences	(622)	(1,268)	-	(4,335)	(44)	(76)	(111)	(1)	<b>(6,457)</b>
<b>As at 31 May 2018</b>	<b>32,210</b>	<b>32,632</b>	<b>77,913</b>	<b>149,819</b>	<b>2,251</b>	<b>9,692</b>	<b>6,727</b>	<b>130</b>	<b>311,374</b>
<b>Accumulated depreciation and impairment loss</b>									
As at 1 June 2016	5,758	13,709	-	115,355	1,557	8,563	3,663	-	148,605
Charge for the year	320	1,184	1,301	5,095	102	315	949	-	9,266
Disposals	-	-	-	(338)	(6)	(93)	(896)	-	(1,333)
Exchange differences	-	60	-	603	20	29	27	-	739
As at 31 May 2017	6,078	14,953	1,301	120,715	1,673	8,814	3,743	-	157,277
<b>As at 1 June 2017</b>	6,078	14,953	1,301	120,715	1,673	8,814	3,743	-	<b>157,277</b>
Charge for the year	322	1,199	3,903	4,606	51	279	970	-	<b>11,330</b>
Disposals	-	-	-	(202)	(23)	(85)	(880)	-	<b>(1,190)</b>
Exchange differences	-	(205)	-	(1,850)	(38)	(71)	(76)	-	<b>(2,240)</b>
<b>As at 31 May 2018</b>	<b>6,400</b>	<b>15,947</b>	<b>5,204</b>	<b>123,269</b>	<b>1,663</b>	<b>8,937</b>	<b>3,757</b>	<b>-</b>	<b>165,177</b>
<b>Carrying amount</b>									
As at 31 May 2017	26,754	18,827	76,612	32,318	434	876	3,718	167	159,706
<b>As at 31 May 2018</b>	<b>25,810</b>	<b>16,685</b>	<b>72,709</b>	<b>26,550</b>	<b>588</b>	<b>755</b>	<b>2,970</b>	<b>130</b>	<b>146,197</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

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

Company	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>								
As at 1 June 2016	15,045	16,134	100,846	826	3,735	2,831	150	139,567
Additions	-	91	351	5	350	796	4	1,597
Reclassification	-	-	150	-	-	-	(150)	-
Disposals	-	-	(527)	(4)	(39)	(558)	-	(1,128)
As at 31 May 2017	15,045	16,225	100,820	827	4,046	3,069	4	140,036
<b>As at 1 June 2017</b>	15,045	16,225	100,820	827	4,046	3,069	4	<b>140,036</b>
Additions	-	76	641	204	59	2	-	<b>982</b>
Reclassification	-	4	-	-	-	-	(4)	-
Disposals	-	-	(92)	(22)	(50)	(670)	-	<b>(834)</b>
<b>As at 31 May 2018</b>	<b>15,045</b>	<b>16,305</b>	<b>101,369</b>	<b>1,009</b>	<b>4,055</b>	<b>2,401</b>	-	<b>140,184</b>
<b>Accumulated depreciation and impairment loss</b>								
As at 1 June 2016	3,606	9,118	92,776	745	3,557	1,649	-	111,451
Charge for the year	126	420	1,673	13	104	330	-	2,666
Disposals	-	-	(286)	(4)	(39)	(542)	-	(871)
As at 31 May 2017	3,732	9,538	94,163	754	3,622	1,437	-	113,246
<b>As at 1 June 2017</b>	3,732	9,538	94,163	754	3,622	1,437	-	<b>113,246</b>
Charge for the year	126	422	1,386	14	122	321	-	<b>2,391</b>
Disposals	-	-	(79)	(23)	(50)	(610)	-	<b>(762)</b>
<b>As at 31 May 2018</b>	<b>3,858</b>	<b>9,960</b>	<b>95,470</b>	<b>745</b>	<b>3,694</b>	<b>1,148</b>	-	<b>114,875</b>
<b>Carrying amount</b>								
As at 31 May 2017	11,313	6,687	6,657	73	424	1,632	4	26,790
<b>As at 31 May 2018</b>	<b>11,187</b>	<b>6,345</b>	<b>5,899</b>	<b>264</b>	<b>361</b>	<b>1,253</b>	-	<b>25,309</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

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

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

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

	%
Leasehold land and buildings	1.0 - 5.0
Vessel and equipment	5.0 - 10.0
Plant and machinery	6.7 - 20.0
Furniture and fittings	10.0 - 33.3
Office equipment	7.0 - 33.3
Motor vehicles	15.0 - 25.0

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

- (b) Certain leasehold land and buildings were revalued in 1985 based on the valuation reports of an independent firm of professional valuers. These assets were stated on the basis of their 1985 valuation as allowed by the transitional provisions in respect of IAS 16 (Revised), *Property, Plant and Equipment* adopted by the Malaysian Accounting Standards Board ("MASB"). Upon transition to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* on 1 June 2011, the Group elected to use the carrying amount of previously revalued leasehold land and buildings as deemed cost.
- (c) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM2,166,000 (2017: RM64,404,000).
- (d) The Group's vessel with carrying amount of RM72,582,000 (2017: RM76,471,000) have been charged as security for borrowings (Note 25).

### 13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Unquoted shares - at cost	<b>213,078</b>	213,078
Less: Accumulated impairment losses	<b>(25,200)</b>	(25,200)
	<b>187,878</b>	187,878

- (a) Investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**13. INVESTMENTS IN SUBSIDIARIES** *(continued)*
**(b) Details of subsidiaries**

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2018 %	2017 %
<b>Direct subsidiaries</b>				
Nycon Manufacturing Sdn Bhd	Malaysia	Dormant.	100	100
Nylex Polymer Marketing Sdn Bhd	Malaysia	Marketing of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets, geosynthetic and general trading.	100	100
PT Nylex Indonesia**	Indonesia	Manufacture, marketing and distribution of PU and PVC leathercloth.	100	100
Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	Trading in petrochemicals and industrial chemicals.	100	100
Fermpo Sdn Bhd	Malaysia	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.	100	100
Kumpulan Kesuma Sdn Bhd	Malaysia	Manufacture and marketing of sealants and adhesive products.	100	100
Wedon Sdn Bhd	Malaysia	Marketing of sealants and adhesive products.	100	100
Nylex Specialty Chemicals Sdn Bhd	Malaysia	Manufacture and sale of phosphoric acid.	100	100
Speciality Phosphates (Malaysia) Sdn Bhd	Malaysia	Manufacture and sale of chemicals.	51	51
CKG Chemicals Pte Ltd**	Singapore	Trading and distribution of industrial chemicals and gasoline blending components.	100	100
NYL Logistics Sdn Bhd***	Malaysia	Provision of transport, cartage and haulage contractors and agencies services.	60	60

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 13. INVESTMENTS IN SUBSIDIARIES (continued)

#### (b) Details of subsidiaries (continued)

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2018 %	2017 %
<b>Subsidiaries of Perusahaan Kimia Gemilang Sdn Bhd</b>				
Dynamic Chemical Pte Ltd**	Singapore	Blending, trading and distribution of industrial chemicals.	<b>90</b>	90
Perusahaan Kimia Gemilang (Vietnam) Company Ltd**	Vietnam	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.	<b>100</b>	100
PT PKG Lautan Indonesia**	Indonesia	Importation and distribution of industrial chemicals.	<b>51</b>	51
Ancom Kimia Sdn Bhd	Malaysia	Distribution of petrochemicals and industrial chemicals.	<b>60</b>	60
ALB Marine Sdn Bhd	Malaysia	Carrying out business of ship owning, ship management and charter hire of tanker.	<b>100</b>	100

\* Equals to the proportion of voting rights held.

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

\*\*\* Management accounts have been used in the consolidated financial statements of the Group. The use of the management accounts is not expected to have any significant effects on the consolidated financial statements of the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**13. INVESTMENTS IN SUBSIDIARIES (continued)**
**(c) Financial information of subsidiaries with non-controlling interests**

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

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

**(i) Summarised statements of financial position**

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
<b>2018</b>					
Non-current assets	245	34	2	845	1,126
Current assets	39,884	4,669	12,324	4,414	61,291
Total assets	40,129	4,703	12,326	5,259	62,417
Current liabilities	19,385	163	9,507	1,288	30,343
Non-current liabilities	391	-	3	-	394
Total liabilities	19,776	163	9,510	1,288	30,737
Net assets	<b>20,353</b>	<b>4,540</b>	<b>2,816</b>	<b>3,971</b>	<b>31,680</b>
Equity attributable to:					
Owners of the parent	10,380	2,315	1,689	2,383	16,767
Non-controlling interests	9,973	2,225	1,127	1,588	14,913
	<b>20,353</b>	<b>4,540</b>	<b>2,816</b>	<b>3,971</b>	<b>31,680</b>
<b>2017</b>					
Non-current assets	280	38	3	1,092	1,413
Current assets	53,538	4,915	10,069	4,151	72,673
Total assets	53,818	4,953	10,072	5,243	74,086
Current liabilities	31,549	381	7,893	1,145	40,968
Non-current liabilities	319	-	1	-	320
Total liabilities	31,868	381	7,894	1,145	41,288
Net assets	21,950	4,572	2,178	4,098	32,798
Equity attributable to:					
Owners of the parent	11,194	2,332	1,307	2,459	17,292
Non-controlling interests	10,756	2,240	871	1,639	15,506
	21,950	4,572	2,178	4,098	32,798

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**13. INVESTMENTS IN SUBSIDIARIES** *(continued)***(c) Financial information of subsidiaries with non-controlling interests** *(continued)***(ii) Summarised statements of profit or loss**

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
<b>2018</b>					
Revenue	<b>67,290</b>	<b>2,303</b>	<b>145,673</b>	<b>9,999</b>	<b>225,265</b>
Net profit/(loss) for the year	<b>46</b>	<b>(32)</b>	<b>639</b>	<b>1,673</b>	<b>2,326</b>
Net profit/(loss) attributable to:					
Owners of the parent	23	(16)	383	1,004	1,394
Non-controlling interests	23	(16)	256	669	932
	<b>46</b>	<b>(32)</b>	<b>639</b>	<b>1,673</b>	<b>2,326</b>
Dividends paid to non-controlling interests	-	-	-	<b>720</b>	<b>720</b>
<b>2017</b>					
Revenue	79,697	2,695	115,027	8,335	205,754
Net profit for the year	4,687	359	598	1,540	7,184
Net profit attributable to:					
Owners of the parent	2,391	183	359	924	3,857
Non-controlling interests	2,296	176	239	616	3,327
	4,687	359	598	1,540	7,184
Dividends paid to non-controlling interests	-	-	-	53	53

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**13. INVESTMENTS IN SUBSIDIARIES (continued)**
**(c) Financial information of subsidiaries with non-controlling interests (continued)**
**(iii) Summarised statements of comprehensive income**

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
<b>2018</b>					
Net profit/(loss) for the year	46	(32)	639	1,673	2,326
Other comprehensive loss attributable to:					
Owners of the parent	(837)	-	-	-	(837)
Non-controlling interests	(805)	-	-	-	(805)
Other comprehensive loss, net of tax	(1,642)	-	-	-	(1,642)
Total comprehensive (loss)/income for the year	<b>(1,596)</b>	<b>(32)</b>	<b>639</b>	<b>1,673</b>	<b>684</b>
Total comprehensive (loss)/income attributable to:					
Owners of the parent	(814)	(16)	383	1,004	557
Non-controlling interests	(782)	(16)	256	669	127
	<b>(1,596)</b>	<b>(32)</b>	<b>639</b>	<b>1,673</b>	<b>684</b>
<b>2017</b>					
Net profit for the year	4,687	359	598	1,540	7,184
Other comprehensive income attributable to:					
Owners of the parent	320	-	-	-	320
Non-controlling interests	307	-	-	-	307
Other comprehensive income, net of tax	627	-	-	-	627
Total comprehensive income for the year	5,314	359	598	1,540	7,811
Total comprehensive income attributable to:					
Owners of the parent	2,711	183	359	924	4,177
Non-controlling interests	2,603	176	239	616	3,634
	5,314	359	598	1,540	7,811

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 13. INVESTMENTS IN SUBSIDIARIES (continued)

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

##### (iv) Summarised cash flows

	PKI RM'000	SPM RM'000	AKM RM'000	NYL RM'000	Total RM'000
<b>2018</b>					
Net cash flows (used in)/from operating activities	(16,400)	(576)	560	2,132	(14,284)
Net cash flows from investing activities	80	117	5	3	205
Net cash flows from/ (used in) financing activities	5,954	(8)	(13)	(1,800)	4,133
Net (decrease)/ increase in cash and cash equivalents	(10,366)	(467)	552	335	(9,946)
Cash and cash equivalents at beginning of year	15,598	4,060	1,391	2,479	23,528
Effects of exchange rate changes	(1,133)	(34)	(2)	-	(1,169)
	14,465	4,026	1,389	2,479	22,359
Cash and cash equivalents at end of year	<b>4,099</b>	<b>3,559</b>	<b>1,941</b>	<b>2,814</b>	<b>12,413</b>
<b>2017</b>					
Net cash flows from operating activities	6,303	1,206	1,459	2,142	11,110
Net cash flows from/ (used in) investing activities	184	108	4	(20)	276
Net cash flows used in financing activities	(8)	-	(1,020)	(132)	(1,160)
Net increase in cash and cash equivalents	6,479	1,314	443	1,990	10,226
Cash and cash equivalents at beginning of year	8,795	2,746	948	489	12,978
Effects of exchange rate changes	324	-	-	-	324
	9,119	2,746	948	489	13,302
Cash and cash equivalents at end of year	15,598	4,060	1,391	2,479	23,528

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 13. INVESTMENTS IN SUBSIDIARIES (continued)

#### (d) Disposal of a subsidiary

The Company had on 30 March 2018 entered into a Share Sale Agreement with Bon Kok Meng and Astachem Holdings Sdn. Bhd. ("ASCH") for disposal of the total 2,200,000 ordinary shares, representing 100% of the issued and paid-up share capital, in NYL Logistics Sdn. Bhd. ("NYL"), a 60% owned subsidiary of the Company, to ASCH for a total consideration of RM14,400,000 ("Proposed Disposal").

Upon completion of the Proposed Disposal on 28 June 2018, NYL ceased to be a subsidiary of the Company on the same date.

### 14. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unquoted shares - at cost	400	400	400	400
Share of post-acquisition reserves, net of dividends received	173	(85)	-	-
	573	315	400	400

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

#### (b) Details of the associate

Name of company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group	
			2018	2017
			%	%
One Chem Terminal Sdn Bhd ("OCT")*	Malaysia	To operate, lease and manage chemical tank farm and warehouse.	40	40

\* The financial statements are audited by firms other than BDO.

(c) OCT has a financial year end of 31 December. Therefore, the financial statements of OCT are not coterminous with the Group. In applying the equity method of accounting, the unaudited financial statements of OCT for financial period ended 31 May 2018 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.

In the previous financial year, the Company subscribed for 400,000 ordinary shares in OCT representing 40% of the issued and paid-up share capital of OCT for a cash consideration of RM400,000.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**14. INVESTMENT IN AN ASSOCIATE** *(continued)*

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and liabilities</b>		
Non-current assets	25,741	1,685
Current assets	3,208	503
<b>Total assets</b>	<b>28,949</b>	2,188
Current liabilities	5,130	1,401
Non-current liabilities	22,387	-
<b>Total liabilities</b>	<b>27,517</b>	1,401
<b>Results</b>		
Revenue	<b>1,389</b>	-
Profit/(Loss) for the year	<b>644</b>	(212)

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Share of net assets	573	315
Carrying amount in the statement of financial position	<b>573</b>	315
<b>Share of results</b>		
Share of profit/(loss)	258	(85)
Share of total comprehensive income/(loss)	<b>258</b>	(85)
<b>Other information</b>		
Dividend received	-	-

**15. GOODWILL ARISING ON CONSOLIDATION**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 June	<b>108,348</b>	105,386
Exchange differences	<b>(5,550)</b>	2,962
As at 31 May	<b>102,798</b>	108,348

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 15. GOODWILL ARISING ON CONSOLIDATION (continued)

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

For the purpose of impairment testing, goodwill is allocated from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy for foreign currencies.

#### (a) Allocation of goodwill

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

	Polymer RM'000	Industrial chemical RM'000	Logistics RM'000	Total RM'000
<b>31 May 2018</b>	<b>93</b>	<b>97,943</b>	<b>4,762</b>	<b>102,798</b>
31 May 2017	105	103,481	4,762	108,348

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

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the Directors are of the opinion that all the CGUs are held on a long-term basis, the value-in-use would best reflect its recoverable amount.

The value-in-use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plan, which is the best estimate of future performance. Cash flows beyond the five-year period are extrapolated using the growth rate stated below. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each CGU.

There remains a risk that the ability to achieve management's business plan will be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions. In computing the value-in-use for each CGU, the management has applied a pre-tax discount rate of 4.9% (2017: 4.4%) and average growth rates of 3.7% (2017: 3.4%).

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 15. GOODWILL ARISING ON CONSOLIDATION (continued)

#### (c) Sensitivity to changes in assumptions

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

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

#### (i) Discount rate assumptions

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

#### (ii) Growth rate assumptions

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

### 16. DEFERRED TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 1 June	(24,283)	(24,775)	(23,261)	(23,261)
Recognised in profit or loss (Note 9)	486	570	-	-
Exchange differences	136	(78)	-	-
As at 31 May	(23,661)	(24,283)	(23,261)	(23,261)
<i>Presented after appropriate offsetting as follows:</i>				
Deferred tax assets	(25,066)	(25,590)	(23,261)	(23,261)
Deferred tax liabilities	1,405	1,307	-	-
	(23,661)	(24,283)	(23,261)	(23,261)

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**16. DEFERRED TAX (continued)**

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

**Deferred tax liabilities**

	Property, plant and equipment RM'000	Offsetting RM'000	Total RM'000
<b>Group</b>			
As at 1 June 2017	2,922	(1,615)	1,307
Recognised in profit or loss	(197)	295	98
Exchange differences	54	(54)	-
<b>As at 31 May 2018</b>	<b>2,779</b>	<b>(1,374)</b>	<b>1,405</b>
As at 1 June 2016	3,065	(1,826)	1,239
Recognised in profit or loss	(120)	188	68
Exchange differences	(23)	23	-
As at 31 May 2017	2,922	(1,615)	1,307
<b>Company</b>			
As at 1 June 2017	1,628	(1,628)	-
Recognised in profit or loss	(134)	134	-
<b>As at 31 May 2018</b>	<b>1,494</b>	<b>(1,494)</b>	<b>-</b>
As at 1 June 2016	1,840	(1,840)	-
Recognised in profit or loss	(212)	212	-
As at 31 May 2017	1,628	(1,628)	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**16. DEFERRED TAX (continued)**

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

**Deferred tax assets**

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Offsetting RM'000	Total RM'000
<b>Group</b>					
As at 1 June 2017	(1,028)	(3,720)	(22,457)	1,615	(25,590)
Recognised in profit or loss	(154)	123	714	(295)	388
Exchange differences	43	29	10	54	136
<b>As at 31 May 2018</b>	<b>(1,139)</b>	<b>(3,568)</b>	<b>(21,733)</b>	<b>1,374</b>	<b>(25,066)</b>
As at 1 June 2016	(924)	(2,684)	(24,232)	1,826	(26,014)
Recognised in profit or loss	(86)	(1,036)	1,812	(188)	502
Exchange differences	(18)	-	(37)	(23)	(78)
As at 31 May 2017	(1,028)	(3,720)	(22,457)	1,615	(25,590)
<b>Company</b>					
As at 1 June 2017	(657)	(1,914)	(22,318)	1,628	(23,261)
Recognised in profit or loss	(50)	(542)	726	(134)	-
<b>As at 31 May 2018</b>	<b>(707)</b>	<b>(2,456)</b>	<b>(21,592)</b>	<b>1,494</b>	<b>(23,261)</b>
As at 1 June 2016	(653)	(1,992)	(22,456)	1,840	(23,261)
Recognised in profit or loss	(4)	78	138	(212)	-
As at 31 May 2017	(657)	(1,914)	(22,318)	1,628	(23,261)

**Unrecognised tax losses**

At the reporting date, the Group and the Company has tax losses of approximately RM66,810,000 (2017: RM60,292,000) and RM12,703,000 (2017: RM9,150,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its realisation. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**17. INVENTORIES**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cost</b>				
Finished goods	<b>30,234</b>	24,235	-	-
Work-in-progress	<b>878</b>	1,076	-	-
Raw materials and consumable stores	<b>9,889</b>	10,678	<b>5</b>	3
Inventory-in-transit	<b>3,259</b>	2,578	-	-
	<b>44,260</b>	38,567	<b>5</b>	3
<b>Net realisable value</b>				
Finished goods	<b>30,898</b>	65,822	<b>4,726</b>	4,684
Work-in-progress	<b>3,037</b>	3,566	<b>3,037</b>	3,566
Raw materials and consumable stores	<b>12,168</b>	10,631	<b>3,557</b>	3,355
	<b>46,103</b>	80,019	<b>11,320</b>	11,605
	<b>90,363</b>	118,586	<b>11,325</b>	11,608

Raw materials and consumable stores, work-in-progress, finished goods and inventory-in-transit are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials determined using weighted average cost, standard cost and an applicable portion of labour and manufacturing overheads for work-in-progress and finished goods.

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company was RM1,240,535,000 (2017: RM1,146,411,000) and RM38,243,000 (2017: RM32,829,000) respectively.

The Group and the Company also write down inventories to net realisable value by RM844,000 (2017: RM3,054,000) and RM135,000 (2017: RM329,000) respectively.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**18. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Trade receivables</b>				
Third parties	251,417	234,939	10,860	10,521
Related companies	358	2,288	-	4
	<b>251,775</b>	237,227	<b>10,860</b>	10,525
Less: Allowance for impairment	(5,696)	(4,987)	(119)	(482)
Trade receivables, net	<b>246,079</b>	232,240	<b>10,741</b>	10,043
<b>Other receivables</b>				
Amounts due from related companies	328	305	128	105
Amount due from an associate	2,678	803	2,678	803
Amounts due from subsidiaries	-	-	35,234	36,182
Amount due from holding company	20,472	19,244	20,481	19,244
Sundry receivables	6,648	8,817	300	538
Deposits	19,282	8,734	20,547	8,045
Prepayments	8,490	12,228	224	183
	<b>57,898</b>	50,131	<b>79,592</b>	65,100
	<b>303,977</b>	282,371	<b>90,333</b>	75,143
Total trade and other receivables	<b>303,977</b>	282,371	<b>90,333</b>	75,143
Less: Prepayments	(8,490)	(12,228)	(224)	(183)
Add: Short-term deposits with licensed banks (Note 20)	33,259	26,371	-	-
Cash and bank balances (Note 20)	75,259	82,678	10,034	12,532
Total loans and receivables	<b>404,005</b>	379,192	<b>100,143</b>	87,492

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**18. TRADE AND OTHER RECEIVABLES (continued)**
**(a) Trade receivables**

Trade receivables are non-interest bearing and generally on 30 to 90 days (2017: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Neither past due nor impaired	<b>200,986</b>	180,983	<b>6,296</b>	5,436
Past due but not impaired				
1 to 30 days	<b>32,122</b>	37,288	<b>2,945</b>	3,684
31 to 60 days	<b>11,523</b>	12,631	<b>920</b>	401
61 to 90 days	<b>1,441</b>	1,162	<b>311</b>	41
91 to 120 days	-	169	<b>235</b>	353
More than 121 days	-	-	<b>34</b>	128
	<b>45,086</b>	51,250	<b>4,445</b>	4,607
Past due and impaired	<b>5,703</b>	4,994	<b>119</b>	482
	<b>251,775</b>	237,227	<b>10,860</b>	10,525

**(i) Receivables that are neither past due nor impaired**

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

**(ii) Receivables that are past due but not impaired**

The trade receivables of the Group of RM45,086,000 (2017: RM51,250,000) and of the Company of RM4,445,000 (2017: RM4,607,000) that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**18. TRADE AND OTHER RECEIVABLES** (continued)**(a) Trade receivables** (continued)**(iii) Receivables that are past due and impaired**

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

	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
<b>Group</b>			
<b>2018</b>			
Impaired receivables	379	5,324	5,703
Less: Allowance for impairment	(379)	(5,317)	(5,696)
	-	7	7
<b>2017</b>			
Impaired receivables	393	4,601	4,994
Less: Allowance for impairment	(393)	(4,594)	(4,987)
	-	7	7
<b>Company</b>			
<b>2018</b>			
Impaired receivables	-	119	119
Less: Allowance for impairment	-	(119)	(119)
	-	-	-
<b>2017</b>			
Impaired receivables	-	482	482
Less: Allowance for impairment	-	(482)	(482)
	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**18. TRADE AND OTHER RECEIVABLES (continued)**
**(a) Trade receivables (continued)**
**(iii) Receivables that are past due and impaired (continued)**

The movement in the allowance account is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 1 June	4,987	3,807	482	612
Impairment loss/(Write-back) for the year	778	1,169	(328)	(126)
Written off	(35)	(5)	(35)	(4)
Exchange differences	(34)	16	-	-
As at 31 May	5,696	4,987	119	482

**(b) Other receivables**

Related companies refer to companies within the Ancom Berhad group.

The amounts due from related companies, associate, subsidiaries and holding company are non-trade balances which arose mainly from intercompany advances, expenses paid on behalf and other intercompany charges which are negotiated on a mutually agreed basis. All intercompany advances are unsecured, repayable on demand and bore interest at rates ranging from 5.2% to 7.5% (2017: 5.0% to 7.5%) per annum at the reporting date.

**19. INVESTMENT SECURITIES**

	Group		Company	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
<b>As at 31 May 2018</b>				
<b>Current</b>				
<i>Held for trading</i>				
Equity instruments (quoted in Malaysia)	1,067	1,067	161	161
As at 31 May 2017				
Current				
<i>Held for trading</i>				
Equity instruments (quoted in Malaysia)	546	546	147	147

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**20. CASH AND CASH EQUIVALENTS**

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term deposits with licensed banks (Note 18)	<b>33,259</b>	26,371	-	-
Cash and bank balances (Note 18)	<b>75,259</b>	82,678	<b>10,034</b>	12,532
	<b>108,518</b>	109,049	<b>10,034</b>	12,532
Less:				
Short-term deposit pledged with a licensed bank	<b>(5,966)</b>	-	-	-
Short-term deposits with maturity of more than three months	<b>(3,514)</b>	-	-	-
Cash and cash equivalents	<b>99,038</b>	109,049	<b>10,034</b>	12,532

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

The average interest rate of deposits as at the reporting date is 3.2% (2017: 3.7%) per annum.

Short-term deposit pledged with a licensed bank is for bank facilities granted to a subsidiary as disclosed in Note 25 to the financial statements.

**21. SHARE CAPITAL**

	Group / Company			
	Number of ordinary shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
<b>Issued and fully paid:</b>				
As at 1 June	<b>194,338</b>	194,338	<b>194,338</b>	194,338
Transfer from share premium account pursuant to the Companies Act 2016	-	-	<b>805</b>	-
As at 31 May	<b>194,338</b>	194,338	<b>195,143</b>	194,338

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 21. SHARE CAPITAL (continued)

Of the total 194,337,860 (2017: 194,337,860) issued and paid-up ordinary shares as at 31 May 2018, 6,781,024 (2017: 2,436,924) shares are held as treasury shares by the Company (Note 24). Consequently, as at 31 May 2018, the number of ordinary shares in issue after deduction of the treasury shares is 187,556,836 (2017: 191,900,936) ordinary shares.

With the introduction of the new Companies Act 2016 (the "Act") effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. As at 31 May 2018, the balances within the share premium account of RM805,000 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the new Act. There is no impact on the number of ordinary shares in issued or the relative entitlement of any shareholder as a result of this transfer.

### 22. RESERVES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-distributable</b>				
Share premium	-	805	-	805
Translation reserves	<b>18,612</b>	31,993	-	-
	<b>18,612</b>	32,798	-	805

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

The translation reserve is used to record foreign currency exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

### 23. RETAINED EARNINGS

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 24. TREASURY SHARES

	Group / Company			
	Number of ordinary shares		Amount	
	2018	2017	2018	2017
	'000	'000	RM'000	RM'000
As at 1 June	2,437	2,096	1,386	1,188
Purchase of treasury shares	4,344	341	3,497	198
As at 31 May	6,781	2,437	4,883	1,386

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

Month	Number of shares	Cost RM	Purchase price per share		
			Highest RM	Lowest RM	Average RM
November 2017	1,573,800	1,295,206	0.8900	0.8000	0.8194
December 2017	1,588,100	1,270,874	0.8650	0.7800	0.7968
January 2018	45,000	36,922	0.8400	0.8050	0.8161
February 2018	320,500	256,216	0.8400	0.7700	0.7956
March 2018	706,800	559,443	0.8000	0.7550	0.7877
April 2018	53,900	40,007	0.7650	0.7050	0.7349
May 2018	56,000	37,565	0.6800	0.6200	0.6657
	<b>4,344,100</b>	<b>3,496,233</b>			

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

### 25. BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Short-term borrowings</b>				
<i>Secured</i>				
Trust receipts	33,595	34,041	-	-
Revolving credits	-	1,708	-	-
Term loans	10,878	1,712	-	-
<i>Unsecured</i>				
Short-term loans	168,218	179,452	56,840	52,862
	<b>212,691</b>	216,913	<b>56,840</b>	52,862

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**25. BORROWINGS (continued)**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Long-term borrowings</b>				
<i>Secured</i>				
Term loans	<b>41,368</b>	49,658	-	-
Total borrowings (Note 27)	<b>254,059</b>	266,571	<b>56,840</b>	52,862
<i>Maturity of borrowings</i>				
On demand or within one year	<b>212,691</b>	216,913	<b>56,840</b>	52,862
One to five years	<b>26,061</b>	21,475	-	-
More than five years	<b>23,600</b>	30,423	-	-
Total undiscounted borrowings	<b>262,352</b>	268,811	<b>56,840</b>	52,862

The borrowings bore interest at rates ranging from 3.3% to 5.8% (2017: 3.2% to 6.4%) per annum at the reporting date.

The secured term loans, trust receipts and revolving credits are for subsidiaries and secured by the mortgage of vessel, assignment of insurance policies covering stock in trade in favour of the bank and/or corporate guarantees by their shareholders and short-term deposit pledged with a licensed bank as disclosed in Note 12(d) and Note 20 to the financial statements respectively.

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

**26. PROVISION FOR RETIREMENT BENEFITS**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 1 June	<b>4,221</b>	3,808	<b>2,736</b>	2,723
Benefits paid	<b>(2)</b>	(239)	<b>(40)</b>	(237)
Expense recognised in the profit or loss (Note 7)	<b>568</b>	590	<b>249</b>	250
Actuarial loss/(gain) from re-measurement	<b>29</b>	(13)	-	-
Exchange fluctuation	<b>(144)</b>	75	-	-
As at 31 May	<b>4,672</b>	4,221	<b>2,945</b>	2,736

Retirement benefits obligation is a post-employment benefit plan under which the Company and certain subsidiaries are obligated to pay eligible employees a fixed percentage on the average annual salary for each completed year of service. For the Company, the retirement benefits obligation is payable to employees employed prior to 1 July 2005 who has more than 10 years of continuous working experience with the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 27. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Trade payables</b>				
Third parties	126,550	137,361	5,744	7,488
Related companies	1,060	1,109	-	-
	<b>127,610</b>	138,470	<b>5,744</b>	7,488
<b>Other payables</b>				
Amounts due to related companies	3	27	3	27
Amounts due to subsidiaries	-	-	369	3,710
Other payables	17,120	16,846	5,619	4,151
Accruals	12,979	11,403	8,415	5,056
	<b>30,102</b>	28,276	<b>14,406</b>	12,944
	<b>157,712</b>	166,746	<b>20,150</b>	20,432
Total trade and other payables	<b>157,712</b>	166,746	<b>20,150</b>	20,432
Add: Borrowings (Note 25)	<b>254,059</b>	266,571	<b>56,840</b>	52,862
Total financial liabilities carried at amortised cost	<b>411,771</b>	433,317	<b>76,990</b>	73,294

#### (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2017: 30 to 90 days).

#### (b) Amounts due to related companies and subsidiaries

Related companies refer to companies within the Ancom Berhad group.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**28. COMMITMENTS**
**(a) Capital commitments**

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<i>Approved and contracted</i>				
Property, plant and equipment	221	400	214	375
<i>Approved but not contracted</i>				
Property, plant and equipment	118	75	118	76
	<b>339</b>	475	<b>332</b>	451

**(b) Operating lease commitments - as lessee**

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

	Group	
	2018 RM'000	2017 RM'000
Within one year	3,881	15,935
One to five years	1,198	4,621
More than five years	963	1,210
	<b>6,042</b>	21,766

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(c) Guarantees**

The Company has provided the following guarantees:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unsecured				
Corporate guarantees given to financial institutions in respect of credit facilities granted to its subsidiaries and an associate	-	-	119,449	127,632
Guarantees given by financial institutions in respect of third parties	20,386	8,824	1,649	1,504

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 28. COMMITMENTS (continued)

#### (c) Guarantees (continued)

The Group designates corporate guarantees given to financial institutions for credit facilities granted to certain subsidiaries and associate as financial liabilities at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of amount determined in accordance with MFRS 137.

The Company monitors on an ongoing basis the results of the subsidiaries and associate and repayment made by the subsidiaries and associate. As at the end of the reporting period, there were no indication that the subsidiaries and associate would default on repayment and no values are ascribed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries and associate. The Directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

### 29. CONTINGENT LIABILITIES

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

### 30. RELATED PARTY DISCLOSURES

#### (a) Significant related party transactions

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

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<i>Sales to related companies</i>	(i)				
Ancom Crop Care Sdn Bhd		500	2,492	35	27
Timber Preservatives Sdn Bhd		14	4	14	4
<i>Purchases from a subsidiary</i>	(i)				
Perusahaan Kimia Gemilang Sdn Bhd		-	-	2,286	411
<i>Freight/transport charges paid to a related company</i>	(i)				
Pengangkutan Cogent Sdn Bhd		3,209	3,881	-	-
<i>Pest control service paid to a related company</i>	(i)				
Entopest Environmental Services Sdn Bhd		11	-	11	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**30. RELATED PARTY DISCLOSURES** *(continued)*
**(a) Significant related party transactions** *(continued)*

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

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<i>Storage rental paid to a related company</i>	(i)				
Ancom-ChemQuest Terminals Sdn Bhd		<b>4,542</b>	4,468	-	-
<i>Interest income from holding company, subsidiaries, and an associate</i>	(ii)				
Ancom Berhad		<b>1,486</b>	1,011	<b>1,486</b>	1,011
CKG Chemicals Pte Ltd		-	-	<b>460</b>	253
ALB Marine Sdn Bhd		-	-	<b>1,028</b>	843
One Chem Terminal Sdn Bhd		<b>94</b>	3	<b>94</b>	3
<i>Interest expenses to a subsidiary</i>	(iii)				
Perusahaan Kimia Gemilang Sdn Bhd		-	-	<b>154</b>	-
<i>Bulk sponsorship and advertisement expenses paid to a related party</i>	(iv)				
Malay Mail Sdn Bhd		<b>2,082</b>	1,658	<b>176</b>	147
<i>Gross dividend from subsidiaries</i>					
Fermprow Sdn Bhd		-	-	-	2,800
Kumpulan Kesuma Sdn Bhd		-	-	<b>1,230</b>	1,230
Nyflex Specialty Chemicals Sdn Bhd		-	-	-	2,052
Nycon Manufacturing Sdn Bhd		-	-	<b>3,500</b>	-
Perusahaan Kimia Gemilang Sdn Bhd		-	-	<b>8,409</b>	8,852
NYL Logistics Sdn Bhd		-	-	<b>1,080</b>	79
PT Nyflex Indonesia		-	-	<b>6,074</b>	2,000

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 30. RELATED PARTY DISCLOSURES (continued)

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

##### Note

- (i) The Directors are of the opinion that the sales, purchases, freight/transport, pest control service and storage charges to/from subsidiaries and related companies are entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. The outstanding balances as at 31 May 2018 are disclosed in Note 18 and Note 27 to the financial statements respectively.
- (ii) Interest income arose from advances or loan to holding company, subsidiaries, and associate. The outstanding balances as at 31 May 2018 are disclosed in Note 18 to the financial statements.
- (iii) Interest expenses arose from advances from a subsidiary. There was no outstanding balances as at 31 May 2018.
- (iv) Bulk sponsorship and advertisement expenses are contracted for certain period or incurred upon each advertisement. The expenses incurred and utilised for the financial year were recognised in the profit or loss.

#### (b) Compensation of key management personnel

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

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fees	700	579	460	439
Wages and salaries	13,470	14,366	4,204	3,727
Defined contribution plan and social security costs	1,226	994	325	290
Other emoluments	515	467	107	98
	<b>15,911</b>	16,406	<b>5,096</b>	4,554

Included in the total remuneration of key management personnel are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 8)	<b>5,493</b>	7,290	<b>3,512</b>	3,090

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### (a) Determination of fair values

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

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

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

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

#### (ii) Current borrowings

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

#### (iii) Non-current borrowings

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

#### (iv) Quoted equity instruments

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

#### (v) Financial guarantees

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

#### (b) Fair value hierarchy

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**31. FAIR VALUE OF FINANCIAL INSTRUMENTS** *(continued)***(b) Fair value hierarchy** *(continued)*

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

	Level	2018 RM'000	2017 RM'000
<b>Group</b>			
Financial assets at fair value through profit or loss:			
Equity instruments (quoted in Malaysia)	1	1,067	546
<b>Company</b>			
Financial assets at fair value through profit or loss:			
Equity instruments (quoted in Malaysia)	1	161	147

During the financial years ended 31 May 2018 and 31 May 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

**(a) Interest rate risk**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*
**(a) Interest rate risk** *(continued)*

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Fixed rate	<b>38,131</b>	44,313	<b>50,185</b>	48,165
Floating rate	<b>21,279</b>	28,153	-	-
Interest free	<b>345,662</b>	307,272	<b>50,119</b>	39,474
	<b>405,072</b>	379,738	<b>100,304</b>	87,639
<b>Financial liabilities</b>				
Floating rate	<b>254,059</b>	266,571	<b>56,840</b>	52,862
Interest free	<b>157,712</b>	166,746	<b>20,150</b>	20,432
	<b>411,771</b>	433,317	<b>76,990</b>	73,294

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

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
<b>Financial assets</b>				
Fixed rate	<b>4.1</b>	4.2	<b>6.0</b>	5.7
Floating rate	<b>4.3</b>	5.4	-	-
<b>Financial liabilities</b>				
Floating rate	<b>4.7</b>	4.2	<b>5.1</b>	4.8

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's net profit for the year would have been higher/lower by approximately RM177,000 (2017: RM181,000) arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate deposits and savings with licensed banks.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)***(b) Foreign currency risk**

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

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

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

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

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
USD/RM	<b>(536)</b>	(555)
SGD/RM	<b>32</b>	22
JPY/RM	<b>13</b>	13
USD/SGD	<b>(56)</b>	(107)
USD/VND	<b>(335)</b>	(219)
USD/IDR	<b>609</b>	153

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (b) Foreign currency risk (continued)

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

	Functional currency of group companies				Total RM'000
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	
<b>At 31 May 2018</b>					
<b>Receivables</b>					
Ringgit Malaysia	-	-	90	-	90
United States Dollar	24,206	-	-	-	24,206
Singapore Dollar	811	-	3,361	-	4,172
Japanese Yen	330	-	-	-	330
Indonesian Rupiah	-	-	27,513	-	27,513
	<b>25,347</b>	<b>-</b>	<b>30,964</b>	<b>-</b>	<b>56,311</b>
<b>Cash and bank balances</b>					
Ringgit Malaysia	-	-	25	-	25
United States Dollar	22,072	249	-	160	22,481
Singapore Dollar	688	-	364	-	1,052
Japanese Yen	229	-	1	-	230
Indonesian Rupiah	-	-	265	-	265
	<b>22,989</b>	<b>249</b>	<b>655</b>	<b>160</b>	<b>24,053</b>
<b>Borrowings</b>					
United States Dollar	<b>46,142</b>	<b>-</b>	<b>-</b>	<b>14,849</b>	<b>60,991</b>
<b>Payables</b>					
Ringgit Malaysia	-	-	368	-	368
United States Dollar	23,403	724	-	-	24,127
Singapore Dollar	94	-	6,195	-	6,289
New Zealand Dollar	6	-	-	-	6
Swiss Franc	17	-	-	-	17
Indonesian Rupiah	-	-	607	-	607
	<b>23,520</b>	<b>724</b>	<b>7,170</b>	<b>-</b>	<b>31,414</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**(b) Foreign currency risk** (continued)

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

	Functional currency of group companies				Total RM'000
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	
<b>At 31 May 2017</b>					
<b>Receivables</b>					
Ringgit Malaysia	-	-	32	-	32
United States Dollar	14,881	-	-	-	14,881
Singapore Dollar	682	-	1,859	-	2,541
Japanese Yen	323	-	-	-	323
Brunei Dollar	16	-	-	-	16
	15,902	-	1,891	-	17,793
<b>Cash and bank balances</b>					
Ringgit Malaysia	-	1	25	-	26
United States Dollar	16,856	9,565	-	74	26,495
Singapore Dollar	298	2	134	-	434
Japanese Yen	242	5	-	-	247
	17,396	9,573	159	74	27,202
<b>Borrowings</b>					
United States Dollar	51,370	-	-	7,112	58,482
<b>Payables</b>					
Ringgit Malaysia	-	-	383	-	383
United States Dollar	4,401	2,852	-	2,578	9,831
Singapore Dollar	-	-	6,670	-	6,670
New Zealand Dollar	63	-	-	-	63
Euro	69	-	-	-	69
	4,533	2,852	7,053	2,578	17,016

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*
**(c) Liquidity risk**

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

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

	<b>2018</b>			<b>Total</b>
	<b>RM'000</b>			
	<b>On demand or within one year</b>	<b>One to five years</b>	<b>More than five years</b>	
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	157,712	-	-	<b>157,712</b>
Loans and borrowings	212,691	26,061	23,600	<b>262,352</b>
Total undiscounted financial liabilities	<b>370,403</b>	<b>26,061</b>	<b>23,600</b>	<b>420,064</b>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	20,150	-	-	<b>20,150</b>
Loans and borrowings	56,840	-	-	<b>56,840</b>
Financial guarantee contract	89,970	-	-	<b>89,970</b>
Total undiscounted financial liabilities	<b>166,960</b>	-	-	<b>166,960</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (c) Liquidity risk (continued)

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

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

#### (d) Credit risk

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

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments. Information regarding trade and other receivables is disclosed in Note 18 to the financial statements. Deposits with banks and other financial institutions and investment securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

A nominal amount of RM119,449,000 (2017: RM127,632,000) relating to corporate guarantees is provided by the Company to financial institutions for credit facilities granted to its subsidiaries. Nominal amount for guarantees given by financial institutions in respect of third parties for the Group and for the Company was RM20,386,000 (2017: RM8,824,000) and RM1,649,000 (2017: RM1,504,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

**33. CAPITAL MANAGEMENT**

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

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

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

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

	Note	Group	
		2018 RM'000	2017 RM'000
Borrowings	25	254,059	266,571
Short-term deposits with licensed banks	20	(33,259)	(26,371)
Cash and bank balances	20	(75,259)	(82,678)
<b>Net debt</b>		<b>145,541</b>	157,522
<b>Total equity attributable to owners of the parent</b>		<b>344,225</b>	345,877
<b>Net gearing ratio</b>		<b>42.3%</b>	45.5%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement for the financial year ended 31 May 2018.

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

**34. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

- (a) The Company had on 30 March 2018 entered into a Share Sale Agreement with Bon Kok Meng and Astachem Holdings Sdn. Bhd. ("ASCH") for disposal of the total 2,200,000 ordinary shares, representing 100% of the issued and paid-up share capital, in NYL Logistics Sdn. Bhd. ("NYL"), a 60% owned subsidiary of the Company, to ASCH for a total consideration of RM14,400,000 ("Proposed Disposal").

Upon completion of the Proposed Disposal on 28 June 2018, NYL ceased to be a subsidiary of the Company on the same date.

- (b) On 13 July 2018, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn. Bhd. ("PKG") has acquired the remaining 100,000 shares in Dynamic Chemical Pte. Ltd. ("DYM"), representing 10% equity interest in DYM, for a cash consideration of USD170,000 (equivalent to RM686,314). As a result, DYM became a wholly-owned subsidiary of PKG on the same date.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2018

### 35. SEGMENT INFORMATION

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

#### (a) Business segments

The Group comprises the following main business segments:

##### (i) Polymer

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

##### (ii) Industrial chemical

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

##### (iii) Logistics

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**35. SEGMENT INFORMATION (continued)**
**(a) Business segments (continued)**

	Polymer		Industrial chemical		Logistics		Investment holding		Adjustments and eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>												
External sales	125,825	125,682	1,290,799	1,200,489	29,751	11,085	-	-	-	-	1,446,375	1,337,256
Inter-segment sales	-	-	2,286	411	-	319	-	-	(2,286)	(730)	-	-
Total revenue	125,825	125,682	1,293,085	1,200,900	29,751	11,404	-	-	(2,286)	(730)	1,446,375	1,337,256
<b>Results</b>												
Interest income	544	282	674	638	9	-	1,581	1,016	-	-	2,808	1,936
Depreciation	5,144	5,634	1,821	1,912	4,159	1,506	206	214	-	-	11,330	9,266
Other non-cash expenses/ (income)	1,982	3,289	1,059	2,814	(2,865)	(731)	1,066	(257)	-	-	1,242	5,115
Segment profit/ (loss)	14,978	17,944	24,879	28,752	2,733	(1,738)	(12,014)	(8,804)	-	-	30,576	36,154
<b>Assets</b>												
Investment in an associate	-	-	-	-	-	-	573	315	-	-	573	315
Goodwill arising on consolidation	93	105	97,943	103,481	4,762	4,762	-	-	-	-	102,798	108,348
Additions to non-current assets	1,047	1,595	939	590	136	61,414	44	805	-	-	2,166	64,404
Segment assets	118,197	126,869	415,305	434,286	82,829	88,646	104,379	92,340	(44,630)	(45,466)	676,080	696,675
<b>Segment liabilities</b>	23,562	21,420	288,996	314,139	83,295	89,365	67,992	63,417	(44,630)	(45,466)	419,215	442,875

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**35. SEGMENT INFORMATION** *(continued)***(a) Business segments** *(continued)***Note**

- (a) Inter-segment sales are eliminated on consolidation.
- (b) Other material non-cash (income)/expenses consist of the following items as presented in the respective notes:

	Note	Group	
		2018 RM'000	2017 RM'000
Gain on disposal of non-financial assets	5	(140)	(192)
Inventories written-down		844	3,054
Unrealised (gain)/loss on foreign exchange		(808)	494
Impairment loss on financial assets		778	1,169
Provision for retirement benefits	26	568	590
		<b>1,242</b>	<b>5,115</b>

- (c) Additions to non-current assets consist of property, plant and equipment.
- (d) The inter-segment assets are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.
- (e) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2018

**35. SEGMENT INFORMATION** *(continued)*
**(b) Geographical segments**

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

	Revenue		Segment assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	<b>788,452</b>	625,462	<b>468,071</b>	431,390
Singapore	<b>246,035</b>	294,673	<b>80,924</b>	122,711
Indonesia	<b>161,906</b>	174,154	<b>103,173</b>	120,088
Vietnam	<b>71,787</b>	84,378	<b>23,912</b>	22,486
Philippines	<b>50,475</b>	54,444	-	-
Thailand	<b>30,991</b>	19,290	-	-
Australia	<b>25,272</b>	23,702	-	-
Taiwan	<b>13,438</b>	8,041	-	-
Sri Lanka	<b>12,698</b>	11,466	-	-
Bangladesh	<b>11,359</b>	11,938	-	-
New Zealand	<b>9,792</b>	8,195	-	-
Africa	<b>9,234</b>	8,472	-	-
Middle East	<b>3,619</b>	3,697	-	-
China	<b>2,545</b>	1,771	-	-
Europe	<b>2,461</b>	276	-	-
Japan	<b>1,683</b>	2,413	-	-
Hong Kong	<b>1,243</b>	1,368	-	-
India	<b>1,183</b>	377	-	-
Pakistan	<b>952</b>	1,379	-	-
Nepal	<b>830</b>	1,269	-	-
Korea	<b>380</b>	80	-	-
The Americas	<b>29</b>	297	-	-
Brunei	<b>11</b>	114	-	-
	<b>1,446,375</b>	1,337,256	<b>676,080</b>	696,675

## ADDITIONAL INFORMATION

### UTILISATION OF PROCEEDS

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

### AUDIT AND NON-AUDIT FEES

The audit and non-audit fees of the Group and of the Company are disclosed in Directors' Report on page 53 of this Annual Report. The Company paid RM10,000 to the external auditors for review of the Statement on Risk Management and Internal Control for the financial year ended 31 May 2018.

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

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

### RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

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

Related party	Nature of transaction	Value of RRPT (RM'000)	Interested Directors, major shareholders and connected person
Ancom-Chemquest Terminals Sdn Bhd	Storage rental and handling of industrial chemicals for storage	4,542	1) Ancom Berhad 2) Rhodemark Development Sdn Bhd 3) Dato' Siew Ka Wei
Pengangkutan Cogent Sdn Bhd	Transportation of industrial chemicals	3,209	
Ancom Crop Care Sdn Bhd	Sale of industrial chemicals	500	
Malay Mail Sdn Bhd	Bulk sponsorship of Malay Mail and advertisement expenses	2,082	1) Tan Sri Mohamed Al Amin Abdul Majid 2) Dato' Siew Ka Wei
Ancom Kimia Sdn Bhd	Sale and purchase of industrial chemicals	90,718	Tan Sri Mohamed Al Amin Abdul Majid

# LIST OF PROPERTIES

As at 31 May 2018

Location/Address	Title	Age of Building (Years)	Land Area (sq. m.)	Existing Use	Date of Acquisition/ Revaluation	Tenure	Carrying Amount as at 31.05.18 (RM'000)
<b>a) Proprietor:</b>							
<b>Nylex (Malaysia) Berhad</b>							
Lot 16 Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan	HS (D) 256546	47	30,224	Office building and factory.	26 Nov 1985	Leasehold, expiring on 29 Jun 2108.	17,532
	HS (D) 256546	38	12,140	Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 29 Jun 2108.	
<b>b) Proprietor:</b>							
<b>Perusahaan Kimia Gemilang Sdn Bhd</b>							
PT 4228 Mukim of Kapar Daerah Klang Selangor Darul Ehsan	HS (M) 6259	27	28,491	Office building and factory.	01 Jul 2004	Leasehold, expiring on 09 Jun 2086.	5,730
<b>c) Proprietor:</b>							
<b>Fermpro Sdn Bhd</b>							
Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	30	16,190	Office building and factory.	01 Jul 2004	Leasehold, expiring on 22 Nov 2046.	1,465
Plot 3 & 4, PT 924A Mukim of Chuping Perlis Indera Kayangan	HS (M) 1804	-	24,280	Spent molasses treatment pond.	01 Jul 2004	Leasehold, expiring on 07 Feb 2059.	849
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	16	8,100	Office building and factory.	01 Jul 2004	Leasehold, expiring on 07 Feb 2059.	357
<b>d) Proprietor:</b>							
<b>Nylex Specialty Chemicals Sdn Bhd</b>							
Lot 593 Persiaran Raja Lumu Kawasan Perusahaan Pandamaran 42000 Port Klang Selangor Darul Ehsan	HS (M) 5507	43	8,093	Office building and factory.	01 Mar 2005	Leasehold, expiring on 01 Sep 2074.	1,620
Lot 624 Persiaran Raja Lumu Kawasan Perusahaan Pandamaran 42000 Port Klang Selangor Darul Ehsan	HS (M) 6588	41	8,298	Office building and warehouse.	01 Mar 2005	Leasehold, expiring on 19 Feb 2076.	1,973

The above buildings are in good condition.

# ANALYSIS OF SHAREHOLDINGS

As at 27 August 2018

## No. of holders of each class of equity securities

Class of securities	:	Ordinary shares
Total no. issued	:	194,337,860
No. of holders	:	12,180
Voting rights	:	One vote per ordinary share on a poll

## Distribution schedule

Holdings	No. of holders	No. of shares	%
Less than 100	2,421	57,252	0.03
100 to 1,000	4,788	1,871,473	1.00
1,001 to 10,000	3,659	13,522,814	7.21
10,001 to 100,000	1,165	33,759,566	18.01
100,001 to less than 5% of issued shares	144	57,255,123	30.55
5% and above of issued shares	3	80,959,008	43.20
	<b>12,180</b>	<b>187,425,236</b>	<b>100.00</b>

### Note:

1 Excludes a total of 6,912,624 ordinary shares of the Company bought back by the Company and retained as treasury shares pursuant to Section 127 of the Companies Act 2016 as at 27 August 2018.

## Substantial holders

	Direct No. of shares	%	Indirect No. of shares	%
1. Dato' Siew Ka Wei	2,096,460	1.12	93,608,359 <sup>(1)</sup>	49.94
2. Ancom Berhad	27,949,700	14.91	59,985,888 <sup>(2)</sup>	32.01
3. Rhodemark Development Sdn Bhd	59,985,888	32.01	-	-
4. Chan Thye Seng	-	-	87,935,588 <sup>(3)</sup>	46.92
5. Pacific & Orient Berhad	-	-	87,935,588 <sup>(4)</sup>	46.92
6. Mah Wing Holdings Sdn Bhd	-	-	87,935,588 <sup>(3)</sup>	46.92
7. Mah Wing Investments Limited	-	-	87,935,588 <sup>(3)</sup>	46.92

### Note:

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

## Directors' holdings

	Direct No. of shares	%	Indirect No. of shares	%
1. Dato' Siew Ka Wei	2,096,460	1.12	93,608,359 <sup>(1)</sup>	49.94

### Note:

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

**ANALYSIS OF SHAREHOLDINGS**

As at 27 August 2018

**Thirty largest shareholders**

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

Name	No. of shares	%
1. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Rhodemark Development Sdn Bhd (01-00845-000)	36,499,008	19.47
2. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rhodemark Development Sdn Bhd	23,460,000	12.52
3. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ancom Berhad (01-00846-000)	21,000,000	11.20
4. Pacific & Orient Insurance Co Berhad	8,500,000	4.54
5. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ancom Berhad (3 <sup>rd</sup> Party)	6,854,000	3.66
6. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	4,316,983	2.30
7. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	1,961,340	1.05
8. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,677,469	0.89
9. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hilary Fernandez	1,662,400	0.89
10. Terengganu Incorporated Sdn Bhd	1,110,215	0.59
11. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Choy (8092812)	860,000	0.46
12. Lim Jit Hai	776,000	0.41
13. Lim Chin Tong	774,923	0.41
14. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	700,000	0.37
15. Loh Lip Teck	691,000	0.37
16. Lim Soon Heng	525,000	0.28
17. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chaw Teck Long	507,900	0.27
18. Tan Kai Sum	505,000	0.27
19. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Silver Dollars Sdn Bhd (01-00198-001)	495,667	0.26
20. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Yap Heng (6000175)	482,000	0.26
21. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Siew Nim Chee & Sons Sdn Bhd (01-00195-001)	467,739	0.25
22. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Lai Chai	400,000	0.21
23. Pacific & Orient Insurance Co Berhad	387,070	0.21
24. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for E & O Developers Sdn Bhd (PJCAC)	382,024	0.20
25. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sulaiman Abdul Rahman B Abdul Taib (Margin)	372,800	0.20
26. Lok Choon Hong	362,000	0.19
27. Cheung Kwong Kwan	351,000	0.19
28. Tan Kok Teong	350,040	0.19
29. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sdn Bhd (001)	346,770	0.19
30. Tan Aik Choon	328,500	0.18
<b>Total</b>	<b>117,106,848</b>	<b>62.48</b>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 48<sup>th</sup> Annual General Meeting of the Company will be held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 18 October 2018 at 9.30 a.m. to transact the following businesses:

## AGENDA

### AS ORDINARY BUSINESS

- |    |   |                                      |
|----|---|--------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 May 2018 together with the Reports of the Directors and the Auditors thereon.   | (Please refer to Explanatory Note 1) |
| 2. | To approve the payment of a final single-tier dividend of 2.0 sen for the financial year ended 31 May 2018.   | [Ordinary Resolution 1]              |
| 3. | To re-elect the following Directors, who retire pursuant to Article 109 of the Company's Constitution:  |                                      |
|    | (a) Khamis bin Awal;  | [Ordinary Resolution 2]              |
|    | (b) Dato' Tengku Mahamad bin Tengku Mahamut.  | [Ordinary Resolution 3]              |
| 4. | To re-elect Datuk Anuar bin Ahmad, who retires pursuant to Article 93 of the Company's Constitution.  | [Ordinary Resolution 4]              |
| 5. | To approve the payment of the Directors' fees for the financial year ended 31 May 2018.   | [Ordinary Resolution 5]              |
| 6. | To approve the payment of Directors' benefits (excluding Directors' fees) of up to RM60,000 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company. | [Ordinary Resolution 6]              |
| 7. | To re-appoint Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.  | [Ordinary Resolution 7]              |

### AS SPECIAL BUSINESS

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

- |    |   |                         |
|----|---|-------------------------|
| 8. | <b>PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Renewal of RRPT Mandate")</b> | [Ordinary Resolution 8] |
|----|---|-------------------------|

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.4 of the Circular to Shareholders dated 26 September 2018, provided that such transactions are necessary for day-to-day operations and carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

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

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

whichever is the earlier.

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

9. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

**[Ordinary  
Resolution 9]**

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

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

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

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

## NOTICE OF ANNUAL GENERAL MEETING

whichever occurs first.

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

### 10. AUTHORITY TO ISSUE AND ALLOT SHARES

[Ordinary  
Resolution 10]

“THAT subject always to the Companies Act 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to Section 75 of the Act to issue and allot shares in the Company from time to time and upon such terms and conditions, to such persons and for such purposes as the Directors may deem fit PROVIDED THAT the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act, AND THAT the Directors are further authorised to do all such things as they deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities pursuant to this resolution.”

### 11. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

[Ordinary  
Resolution 11]

“THAT authority be and is hereby given to Edmond Cheah Swee Leng, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years, to continue to serve as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.”

### 12. PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY (“Proposed Adoption of New Constitution”)

[Special  
Resolution 1]

“THAT the existing Company’s Constitution be deleted in its entirety and that the new Constitution as set out in the Circular to Shareholders dated 26 September 2018 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption of New Constitution.”

### 13. OTHER ORDINARY BUSINESS

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

**NOTICE OF ANNUAL GENERAL MEETING****NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the shareholders' approval at the 48<sup>th</sup> Annual General Meeting of the Company, the final single-tier dividend of 2.0 sen per ordinary share for the financial year ended 31 May 2018 if approved, will be paid on 6 December 2018 to shareholders whose names appear in the Record of Depositors on 22 November 2018.

A depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 22 November 2018 in respect of transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board,

**CHOO SE ENG (MIA 5876)**  
**STEPHEN GEH SIM WHYE (MICPA 1810)**  
 Company Secretaries

Petaling Jaya  
 26 September 2018

**NOTES**

- a. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2018 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his/her behalf at the Meeting.
- b. A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- c. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his/her holding to be represented by each proxy.
- d. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- e. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
- f. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

## NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES

#### 1. **Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 May 2018**

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

#### 2. **Ordinary Resolution 5 - Directors' fees**

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the Directors of the listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the 48<sup>th</sup> Annual General Meeting on the Directors' fees payable by the Company of RM460,000 and by the Group of RM700,000 for the financial year ended 31 May 2018.

In 2016, an independent Board remuneration review was conducted by an external consultant to ascertain the competitiveness and risk alignment of the existing remuneration structure. Based on the Remuneration & Nomination Committee's recommendation, the Board agreed that the Directors' fees of the Non-Executive Directors ("NED") of the Company and of the Group remain unchanged for the financial year ended 31 May 2018 as the current fee structure remains relevant and competitive.

#### 3. **Ordinary Resolution 6 - Directors' benefits**

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the Directors of the listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the 48<sup>th</sup> Annual General Meeting on the Directors' benefits (excluding Directors' fee) of up to RM60,000 payable for the period from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company.

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

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

#### 4. **Ordinary Resolution 8 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of RRPT Mandate")**

This proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related parties in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad without the necessity to convene separate general meetings to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and is subject to renewal on an annual basis.

Further details relating to this proposed resolution are set out in the Company's Circular to Shareholders dated 26 September 2018, which is circulated together with the Company's 2018 Annual Report.

## NOTICE OF ANNUAL GENERAL MEETING

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

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

Further details relating to this proposed resolution are set out in the Share Buy-Back Statement dated 26 September 2018, which is circulated together with the Company's 2018 Annual Report.

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

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

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

### 7. Ordinary Resolution 11 – Continuing in Office as Independent Non-Executive Director

The proposed Ordinary Resolution 11, if passed, will enable Edmond Cheah Swee Leng to continue serving as the Independent Non-Executive Director of the Company as recommended under Malaysian Code on Corporate Governance ("MCCG").

Pursuant to the MCCG, the Board through the Remuneration & Nomination Committee has carried out necessary assessments on Edmond Cheah Swee Leng and had recommended him to continue to act as the Independent Non-Executive Director of the Company on the grounds that:

- (a) he has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and his ability to bring an element of objectivity to the Board;
- (b) he has been with the Company for more than twelve (12) years and therefore understand the Company's business operations which enable him to participate actively and contribute during the deliberations or discussions at the meetings;
- (c) he is knowledgeable and has vast experience that could be shared with the Board; and
- (d) he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company. It should be noted that his long tenure notwithstanding, the remuneration for Edmond Cheah Swee Leng does not vary significantly from the other Independent Non-Executive Directors.

The Board has decided not to adopt the two-tier voting process for the approval to retain Edmond Cheah Swee Leng as Independent Director of the Company. The Board has received legal opinion that the two-tier voting process may not be compatible with the Company's Constitution read together with the Companies Act 2016. As such, the Board has chosen not to adopt the two-tier voting process as a precautionary measure.

## NOTICE OF ANNUAL GENERAL MEETING

### 8. **Special Resolution 1 – Proposed Adoption of New Constitution**

The proposed Special Resolution 1, if passed, will align the Constitution of the Company with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the prevailing laws, guidelines or requirements of the relevant authorities, to render greater clarity and consistency throughout as well as to enhance administrative efficiency.

Further details relating to this proposed resolution are set out in the Company's Circular to Shareholders dated 26 September 2018, which was circulated together with the Company's 2018 Annual Report.



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

# FORM OF PROXY

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

I/We \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_  
(Full Address)

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

No.	Full Name in Block Letters	NRIC No.	Full Address	Proportion of shareholdings <sup>3</sup>
1				%
2				%
				100 %

failing \*him/her, the Chairman of the Meeting as \*my/our \*proxy/proxies to attend and to vote for \*me/us on \*my/our behalf at the 48<sup>th</sup> Annual General Meeting of the Company to be held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 18 October 2018 at 9.30 a.m. and at any adjournment thereof and to vote as indicated below:

ORDINARY RESOLUTION		FOR	AGAINST
1	To approve payment of a final single-tier dividend.		
2	To re-elect Khamis bin Awal as a Director of the Company.		
3	To re-elect Dato' Tengku Mahamad bin Tengku Mahamut as a Director of the Company.		
4	To re-elect Datuk Anuar bin Ahmad as a Director of the Company.		
5	To approve the payment of the Directors' fees.		
6	To approve the payment of Directors' benefits.		
7	To re-appoint Messrs BDO as Auditors of the Company.		
8	Proposed Renewal of RRPT Mandate.		
9	Proposed Renewal of Share Buy-Back Authority.		
10	Authority to Issue and Allot Shares.		
11	Continuing in office as an Independent Non-Executive Director - Edmond Cheah Swee Leng.		
SPECIAL RESOLUTION			
1	Proposed Adoption of New Constitution.		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Telephone no. during office hours:

\_\_\_\_\_  
[Signature/Common Seal of Shareholder(s)]

[\*Delete if not applicable]

**Notes:**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 11 October 2018 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his/her behalf at the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his/her holding to be represented by each proxy.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

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

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

Affix  
Stamp

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