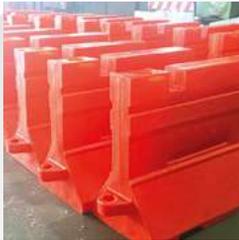




**NYLEX (MALAYSIA) BERHAD** (9378-T)  
*(Incorporated in Malaysia)*



**TOGETHER**  
WE CAN MAKE  
A DIFFERENCE

**ANNUAL REPORT 2019**

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



## **Date/Time**

Thursday, 17 October 2019  
9:30 a.m.



## **Venue**

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

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Proxy Form

**CORPORATE INFORMATION**

As at 31 August 2019

**BOARD OF DIRECTORS****Dato' Tengku Mahamad bin Tengku Mahamut***(Independent Non-Executive Chairman)***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)***AUDIT COMMITTEE**Edmond Cheah Swee Leng  
*(Chairman)*  
Khamis bin Awal  
Datuk Anuar bin Ahmad**REMUNERATION & NOMINATION COMMITTEE**Edmond Cheah Swee Leng  
*(Chairman)*  
Khamis bin Awal  
Dato' Tengku Mahamad bin Tengku Mahamut**COMPANY SECRETARIES**Choo Se Eng (MIA 5876)  
Stephen Geh Sim Whye (MICPA 1810)**REGISTERED OFFICE**Unit C508, Block C, Kelana Square  
Jalan SS7/26, Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7805 1817  
Fax : (603) 7804 1316**PRINCIPAL PLACE OF BUSINESS**Lot 16, Persiaran Selangor, Section 15  
40200 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 5519 1706  
Fax : (603) 5510 8291**WEBSITE**

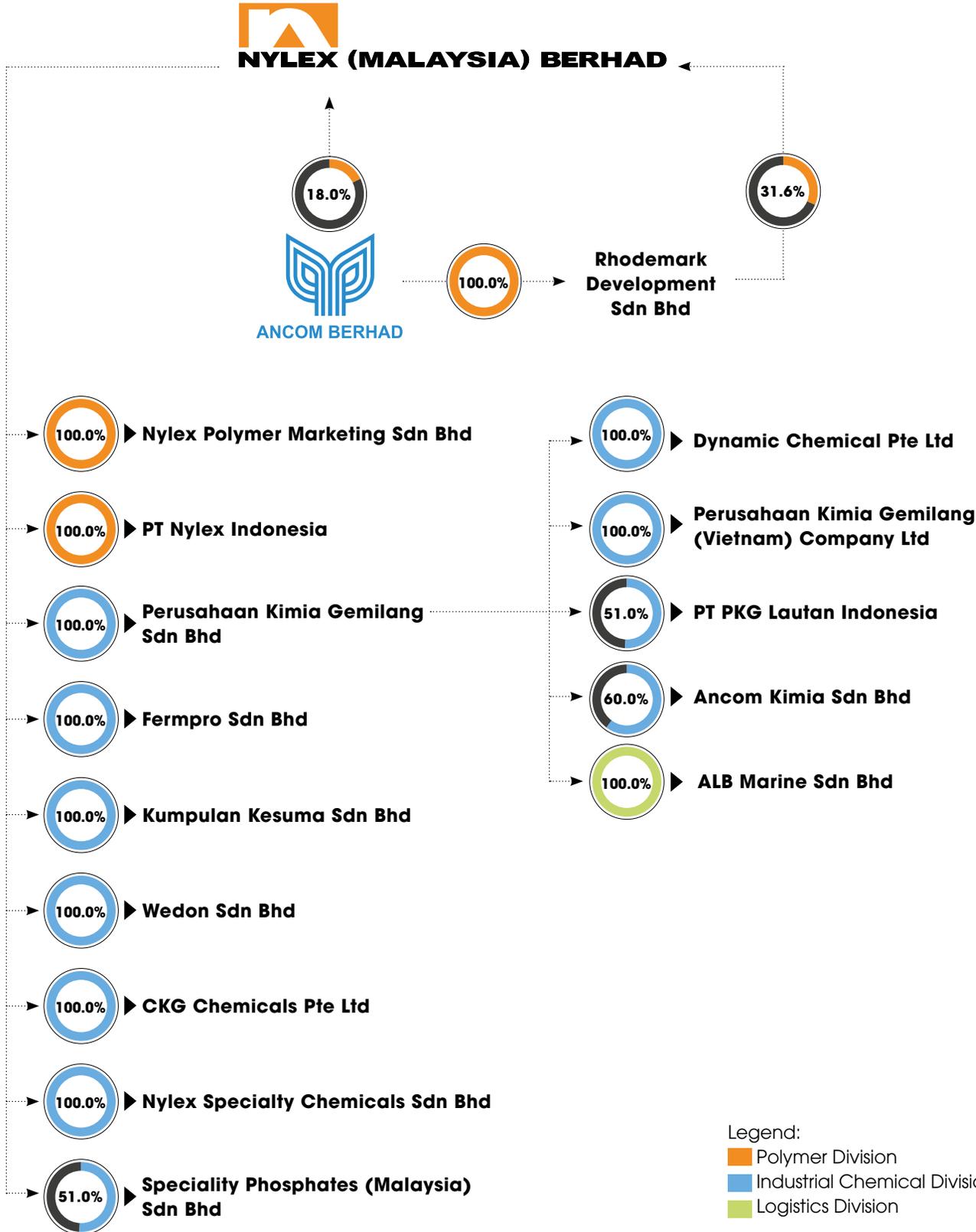
www.nylex.com

**SHARE REGISTRAR**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 PLT (LLP0018825-LCA & AF 0206)  
Chartered Accountants**STOCK EXCHANGE LISTING**Main Market of Bursa Malaysia  
Securities Berhad  
- Industrial Products & Services  
Sector  
- Stock Code: 4944**PRINCIPAL BANKERS**Malayan Banking Berhad  
HSBC Bank Malaysia Berhad  
RHB Bank Berhad  
OCBC Bank (Malaysia) Berhad  
Bangkok Bank Berhad  
United Overseas Bank (Malaysia)  
Berhad**SOLICITORS**Shearn Delamore & Co  
Lee, Perara & Tan  
Justin Wee Advocates & Solicitors**DOMICILE**

Malaysia

# CORPORATE STRUCTURE

As at 31 August 2019



\* Only major companies are shown in the Corporate Structure

**LIST OF PRINCIPAL OFFICES**

As at 31 August 2019

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

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

**PT NYLEX INDONESIA**

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

**PERUSAHAAN KIMIA GEMILANG  
SDN BHD**

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

**DYNAMIC CHEMICAL PTE LTD**

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

**PERUSAHAAN KIMIA GEMILANG  
(VIETNAM) COMPANY LTD**

7 Floor, 205B Hoang Hoa Tham Street  
Ward 06, Binh Thanh District  
Ho Chi Minh City  
Vietnam  
Tel : (8428) 3516 3115  
Fax : (8428) 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**

51 Gold Hill Plaza #11-03  
Singapore 308900  
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

## FIVE-YEAR HIGHLIGHTS

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	1,560,354	1,446,375	1,337,256	1,197,450	1,272,737
Earnings before interest, tax, depreciation and amortisation	27,781	52,804	53,426	33,889	30,657
Profit before tax	4,640	30,576	36,154	20,512	18,383
Net (loss)/profit for the year	(4,520)	20,075	23,761	11,177	5,209
Net (loss)/profit attributable to owners of the parent	(3,332)	19,093	20,386	11,154	7,386
<b>ASSETS</b>					
Property, plant and equipment	147,340	146,197	159,706	102,107	92,650
Investments	4,241	1,640	861	476	448
Other non-current assets	126,431	127,864	133,938	131,400	118,882
Other current assets	442,665	503,750	510,833	354,207	414,367
<b>TOTAL ASSETS</b>	<b>720,677</b>	<b>779,451</b>	<b>805,338</b>	<b>588,190</b>	<b>626,347</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	195,143	195,143	194,338	194,338	194,338
Reserves	24,805	18,612	32,798	26,019	11,306
Retained earnings	119,753	135,353	120,127	103,567	96,403
Less: Treasury shares, at cost	(10,062)	(4,883)	(1,386)	(1,188)	(888)
	329,639	344,225	345,877	322,736	301,159
<b>Non-controlling interests</b>	<b>11,216</b>	<b>16,011</b>	<b>16,586</b>	<b>13,103</b>	<b>10,877</b>
<b>Total equity</b>	<b>340,855</b>	<b>360,236</b>	<b>362,463</b>	<b>335,839</b>	<b>312,036</b>
Borrowings	250,285	254,059	266,571	126,266	171,103
Other non-current liabilities	7,046	6,077	5,528	5,047	4,799
Other current liabilities	122,491	159,079	170,776	121,038	138,409
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>720,677</b>	<b>779,451</b>	<b>805,338</b>	<b>588,190</b>	<b>626,347</b>
<b>Financial indicators</b>					
(Loss)/Earnings per share - sen	(1.8)	10.1	10.6	5.8	3.8
Gross dividend per share - sen	3.0	2.0	2.0	2.0	3.0
Net assets per share - sen	183.5	183.5	180.2	167.9	156.2
Share price - sen	64.0	63.0	95.5	54.0	55.5
<b>Other information</b>					
Depreciation and amortisation	10,423	11,330	9,266	6,458	5,743
Finance costs	12,474	11,156	7,921	6,919	6,531

**BOARD OF DIRECTORS**

As at 31 August 2019

**DATO' TENGKU MAHAMAD BIN TENGKU MAHAMUT***Age 64, 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 Petroliam Nasional Berhad (PETRONAS) in 2002 in the petrochemicals business segment and served as the Head of Industrial and Specialty Chemicals, Managing Director/Chief Executive Officer of Vinyl Chloride (Malaysia) Sdn Bhd, Aromatics Malaysia Sdn Bhd and PETRONAS Methanol Labuan Sdn Bhd.

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

Tengku has no directorships in other public companies and listed issuers.

**DATO' SIEW KA WEI***Age 63, Male, Malaysian,  
Group Managing Director*

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

He received his secondary and tertiary education in the United Kingdom, first studying in Marlborough College from the age of 13 years and then completed his tertiary education at Imperial College London. He received his Bachelor of Science (Hons) Degree in Chemical Engineering and his Masters of Science (MSc) degree in Operational Research at Imperial College, graduated in 1978. In April 2013, he received his honorary Doctor of Business Administration (Entrepreneurship) from HELP University of Malaysia.

Dato' Siew has extensive working experience in the field of petrochemicals locally and internationally for more than 30 years.

Dato' Siew was a very active member of the Young Presidents' Organization ("YPO") from 1993 until 2006. He was Chairman of the Malaysian Chapter of YPO and was Co-Chairman of the first Regional Conference in Kuala Lumpur in 1998. He became a member of the International Board of YPO in 2000 and served until 2003. During his tenure he was Chairman of YPO's Global Leadership Congress in Beijing in 2003. He was also a former President of the Imperial College Alumni of Malaysia (ICAAM) and a former Governor of the Board of Governors of Marlborough College of Malaysia.

Currently, Dato' Siew is also the Executive Chairman of Ancom Berhad and the Executive Vice Chairman of Ancom Logistics Berhad, both of which are listed on the Bursa Malaysia Securities Berhad.

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 and indirect interest in the Company.

## BOARD OF DIRECTORS

### EDMOND CHEAH SWEE LENG

*Age 65, 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 71, 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.

**BOARD OF DIRECTORS****DATUK ANUAR BIN AHMAD**

*Age 65, 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, Independent Non-Executive Director of Kumpulan FIMA Berhad and Independent Non-Executive Director of Chemical Company of Malaysia Berhad, all of which are companies listed on Bursa Malaysia Securities Berhad. He also holds directorships in a few private companies.

## Notes:

- 1) The 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 131 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 134 of this Annual Report.

## KEY SENIOR MANAGEMENT

As at 31 August 2019

### DATO' SIEW KA WEI

*Age 63, Male, Malaysian  
Group Managing Director*

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

### ROBIN LING SENG CHIONG

*Age 49, 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 52, 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 58, 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 59, 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 of 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 59, 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 52, 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 51, 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.

#### Notes:

- 1) There is no family relationship between the Key Senior Management with any Director and/or major shareholder of the Company.
- 2) None of the Key Senior Management has any financial interest in any business arrangement involving the Group.
- 3) Other than traffic offences (if any), none of the Key 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**" or "**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.

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.

Nylex had, on 30 March 2018, entered into a Share Sale Agreement for the disposal of its entire shares held in NYL Logistics Sdn Bhd ("**NYL**"), a 60% owned subsidiary company, which was involved in the provision of transport, cartage, and haulage contractors and agencies services, 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.

### Polymer Division

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

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

The Division operates through several strategic business units. They are Films and Coated Fabrics ("**FCF**"), Geosynthetics, Rotomouldings and Trading.

The FCF business segment manufactures and markets high quality, value-added synthetics leather, namely polyvinyl chloride (PVC) and polyurethane (PU) leathercloths, films and sheets, mainly for the furniture and automotive markets. We are also an industry leader in geosynthetic drainage products serving the construction and civil engineering industry. For our Rotomould products, we have a strong niche in customised intermediate bulk containers ("**IBC**"), chemical containers, safety barriers and other custom moulding, serving industrial chemical, road safety and landscaping industries.

We sell our products through a network of distributors as well as direct to industrial customers. Our markets extend throughout ASEAN, Australia, India, Sri Lanka, China, Korea, the Middle East, Indian Ocean islands and Africa.

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

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The Manufacturing business segment consists of the following companies:

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

### Logistics Division

There are two companies in this Division, namely:

- NYL Logistics Sdn Bhd
- 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 chemical tanker, *MT Nylex 1*, rated with 6,800 deadweight tonnes (dwt) and Tier II of the International Maritime Organisation (IMO) Standards.

Upon completion of the Proposed Disposal on 28 June 2018 for the disposal of NYL, 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 2019 ("**FY 2019**"), the Nylex Group posted higher revenue of RM1,560.4 million, which represents an increase of 7.9% from RM1,446.4 million recorded in the last financial year. The increase in revenue was due to higher contribution from the Industrial Chemical Division. The Group's profit before tax ("**PBT**"), which was arrived at after incorporating the share of results of associates and some corporate expenses, declined from RM30.6 million recorded in the last financial year, to RM4.6 million for FY 2019, mainly attributed to lower contribution across the divisions.

After accounting for taxation and non-controlling interests, the loss attributable to owners of the parent company was RM3.3 million (FY 2018: Profit attributable to owners of the parent company of RM19.1 million).

The basic loss per share was at 1.8 sen for FY 2019 compared with basic earnings per share of 10.1 sen in the last financial year. Net assets per share attributable to owners of the parent company as at 31 May 2019 was maintained at 183.5 sen.

As at 31 May 2019, total Trade Working Capital ("**TWC**") rose 5.9% to RM221.3 million from RM208.8 million as at 31 May 2018, mainly attributable to higher inventories level.

## MANAGEMENT DISCUSSION AND ANALYSIS

Net Debt is higher at RM182.2 million compared with RM145.5 million as at 31 May 2018 and the net gearing ratio increased to 55.3% from 42.3% as at 31 May 2018, mainly due to TWC requirements.

### Polymer Division

Polymer Division recorded lower revenue of RM112.3 million compared with RM125.8 million in the last financial year. Lower demand for our FCF and geosynthetic drainage products were the main reason for the decline. The domestic market saw a significant drop in demand for our PVC synthetic leather, as cheaper imported fabrics dominated the furniture upholstery segment. Meanwhile, the suspension of major local infrastructure projects by the Government curbed the demand for geosynthetic drainage products. This, however, was partially mitigated by the delivery of good volume of exports for our geosynthetic drainage products to Singapore, Indonesia, Australia and Hong Kong. The Division also achieved higher revenue from its rotomoulded plastic products mainly due to improved demand for its IBC and chemical tanks.

PTNI experienced a marginal decline in revenue of about 1.6%, mainly attributed to translation loss as a result of a weakening Indonesian Rupiah. The Indonesian market was cautious for much of the year due to the uncertainties prior to the general election. Following the elections, the market gradually improved in the second half of the year.

The Division's PBT for FY 2019 was RM11.2 million, marking a decrease of RM3.8 million from the previous year's RM15.0 million. This was mainly due to lower revenue coupled with lower average margins for some of its products.

The synthetic leather industry is moving towards environmental friendly products such as Thermoplastic Polyurethane ("**TPU**") and PU. To keep our competitive edge in the industry, we will focus on product development for TPU synthetic leather and water-based lacquer systems. We have already developed capabilities in water-based technology for the automotive industry, and are currently capable of supplying vinyl with non-volatile organic compounds ("**non-VOC**") to the automotive industry. We fully complied with the new IATF 16949:2016 Automotive Standards.

For Geosynthetics, we continue to seek projects in the ASEAN region where infrastructure growth is promising. We shall build stronger networks with distributors and international contractors from China. We are exploring the possibility of extending our drainage products range or diversifying into landscaping and green environment segments.

### Industrial Chemical Division

The Industrial Chemical Division remains the largest revenue contributor for the Group. The Division posted revenue growth of 10.7% from RM1,290.8 million achieved last year to RM1,428.7 million for the current financial year, mainly due to higher sales volume and higher average selling prices for its products. Despite higher revenue, the Division recorded lower PBT of RM5.7 million, compared with RM24.9 million achieved in FY 2018.

#### Distribution Business Segment

The Distribution business segment had a tough and challenging year affected by the on-going trade war between United States ("**US**") and China, volatile crude oil prices and softening of global demand. The volatility of crude oil prices worsened during the year with over-supply situation following the commissioning of a few new cracker plants. This has adversely affected the stability of industrial chemical prices.

Despite these challenges, revenue from the Distribution business segment increased to RM1,336.5 million from last financial year of RM1,196.1 million or 11.7% growth, primarily due to higher sales volume in Malaysia and Indonesia markets. The Malaysian operations increased its sales volume and market shares particularly from the supply of Methanol to the biodiesel industry. Revenue contributed by Malaysian operations and Indonesia operations grew 22.1% and 29.9%, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

Higher revenue notwithstanding, the Distribution business segment suffered losses of RM1.4 million compared with PBT of RM14.0 million last financial year, mainly due to lower margins on certain products and negative contribution from its foreign subsidiaries in Singapore, Indonesia and Vietnam. The volatility of crude oil prices and weaker demand has affected our products margin. In order to restore the profitability of these foreign subsidiaries, we will focus on higher margin products and further improve our inventory as well as logistics management.

The biodiesel industry has been a particular boon to the Malaysian operations after the announcement in December 2018 of implementation of the B10 biodiesel program for the transportation sector and B7 for industrial market in year 2019. In Indonesia, the biodiesel market remains at B20 for the year 2019 with plans to increase to B30 and eventually B100 as the local government lends its support to the palm oil industry in the near future. These biodiesel programs will increase the demand for Methanol in both Malaysia and Indonesia. Meanwhile, the formaldehyde industry remains challenging in ASEAN, and particularly in Malaysia and Thailand, due to the shortage of woods supply and weak demand for wood finishing products globally.

Across ASEAN, demand for solvents has been weak in all industries due to global economy uncertainties. Nevertheless, we will continue with our strategy of expanding our solvents market share in Malaysia, Singapore, Vietnam and Indonesia by offering competitive pricing and maintaining supply reliability during this difficult business environment. Logistics support from our chemical tanker *MT Nylex 1* and storage terminals from our related company continue to lend us an added advantage.

### Manufacturing Business Segment

Our Manufacturing business segment has showed weakening revenue performance in this financial year with revenue decreased by 2.7% to RM92.2 million from RM94.7 million recorded last financial year, mainly due to softening demand for phosphoric acid. Due to the lower revenue and lower margin earned on product mix, this business segment recorded lower PBT of RM7.1 million compared with RM10.8 million in the last financial year.

Fermpro, a leading supplier of ethanol to the local market, invested in a new plant which was commissioned in June 2019. To facilitate the construction of this new plant during the financial year, Fermpro's production facilities were shut down for several months. Consequently, Fermpro's PBT contribution fell to RM0.4 million compared with RM2.8 million achieved in last financial year. We expect Fermpro's new plant to contribute to higher quality products and reducing its unit cost of production in the next financial year.

The revenue for our phosphoric acid also declined by 11.5% compared with last financial year, affected by the Government's decision to lower the import duty of phosphoric acid resulting in more competitors in the market. To negate the effects of such competition, we are focusing on enhanced manufacturing efficiency, seeking new competitive supply sources and maintaining good quality of our products.

Our sealants and adhesive products managed to record a 17.6% increase in revenue assisted by higher demand from the automotive industry.

The Manufacturing business segment will focus on yield enhancement and product quality in the next financial year ending 31 May 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Logistics Division

For the current financial year under review, the Logistics Division contributed lower revenue of RM19.3 million compared with RM29.8 million recorded in the last financial year, following the disposal of its 60% owned subsidiary in June 2018. The Division suffered loss before tax of RM4.9 million compared to a PBT of RM2.7 million registered for FY 2018, impacted by RM1.7 million foreign exchange losses recognised during the year. The Division registered gain on foreign exchange of RM2.8 million in FY 2018.

Moving forward, we 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 1.0 sen per share for FY 2019. Other than the above recommended dividend, the Company has declared and paid an interim single-tier dividend of 1.0 sen per share amounting to RM1,816,589.36 for the current financial year.

For the last financial year, the Company paid a final single-tier dividend of 2.0 sen per share amounting to RM3,720,862.72.

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 challenging business environment is expected to persist, amid market volatility and softening global demand. The US-China trade tensions as well as the Iran oil export sanctions have cast a pall of uncertainty over the global economy. The slower global trade and weak consumer demand will continue to put downward pressure on product margins for the Group's operating divisions for the next financial year ending 31 May 2020.

The Board will continue to seek ways to safeguard and improve its 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 *Malaysian Code on Corporate Governance ("MCCG")* issued in April 2017, 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 2019 ("**FY 2019**").

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 2019, 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

As at 31 May 2019, the Board comprised one (1) Independent Non-Executive Chairman, one (1) Group Managing Director and three (3) Independent Non-Executive Directors.

A Deputy Chief Executive Officer, who is not a Board member, has also been appointed to assist the Group Managing Director.

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 Non-Executive Chairman and the Group Managing Director

The Group has adopted the practice of the MCCG whereby the positions of the Non-Executive Chairman and the Group Managing Director are held by different individuals.

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

The Chairman holds a non-executive position and 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 with the assistance of 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. They are supported by the management team which consists of the Chief Financial Officer and the various divisional heads.

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

### 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 and the statutory and regulatory requirements. They are also responsible for regularly updating and apprising the Board on new regulations issued by the regulatory authorities as well as corporate governance practices.

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/Chief Financial 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.

### 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 will be updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

The Board Charter was last reviewed by the Board on 24 July 2019.

### 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 is updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

The Code of Conduct and Ethics was last reviewed by the Board on 24 July 2019.

### 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 2019 as reported in the *Sustainability Statement* on page 43 of this Annual Report.

### Whistle-Blowing

The Company is committed to upholding sound values and the highest standard of work ethics in line with good corporate governance. All its Directors, managers and employees are expected to conduct themselves with integrity in carrying out their functions.

On 24 July 2019, the Board established a Whistle-Blowing Policy, which is accessible on the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Policy provides an avenue for all employees of the Group and other stakeholders to raise concerns about any improper conduct without fear of retaliation. Offering protection to those who report improper conduct, the Policy strengthens the Group's accountability and transparency in conducting its business affairs.

### II. BOARD COMPOSITION

#### Composition of the Board

As at 31 May 2019, the Board comprises one (1) Independent Non-Executive Chairman, one (1) Group Managing Director and three (3) 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.

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 6 to 8 of this Annual Report.

#### Annual assessment

The R&N Committee conducted an assessment of the Board's effectiveness as a whole and the performance of each individual Director in respect of the financial year ended 31 May 2019. It evaluated the Board's composition and the Directors' skills and understanding of: Strategy and Entrepreneurship; Legal and Regulatory Requirements; Corporate Governance, Risk Management and Internal Control; Audit, Accounting, Financial Reporting and Taxation; Human Capital; Sales and Marketing; Strategy and Planning; Government Relations; Marketing and Communication; and Information Technologies and Digital Skills. An assessment was also performed on the individual Directors by the Directors based on the same topics.

In addition, taking into consideration the Board's structure, size, composition and the required mix of expertise and experience which the Directors should bring to the Board, the R&N Committee assessed each Board member's qualifications, skills, knowledge, expertise and experience, time availability, professionalism, integrity and, in the case of Independent Non-Executive Directors, their ability to discharge such responsibilities and functions as expected of them.

The R&N Committee was satisfied with the results of the assessment and is of the opinion that the current size and composition of the Board is appropriate and well-balanced, with members comprising individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibility effectively. Accordingly, the R&N Committee recommended that the current composition of the Board and Committees be retained.

The R&N Committee did 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Re-election of Directors

Based on the results of the assessment, the R&N Committee has recommended to the Board the re-election of the following Directors who are retiring at the Company's forthcoming annual general meeting ("AGM") pursuant to the Constitution of the Company:

- i. Dato' Siew Ka Wei; and
- ii. Edmond Cheah Swee Leng

### 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 2019, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

- He has fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements and his ability to bring an element of objectivity to the Board;
- 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;
- He is knowledgeable and has vast experience that could be shared with the Board; and
- 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 will seek shareholders' approval at the forthcoming AGM to retain Edmond Cheah Swee Leng as Independent Director of the Company based on the above justifications.

### 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.

### Board 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 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 Board Diversity Policy was last reviewed by the Board on 24 July 2019.

The Board is supportive of gender diversity in the boardroom as recommended by the MCCG to promote the representation of women on Boards of Directors. However, 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 diversity is considered in nominating and selecting new Directors 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 six (6) Board meetings; the Audit Committee held five (5) meetings and the R&N Committee held one (1) meeting. The attendance record below indicates the level of time commitment of the Directors in carrying out their duties as Directors of the Company:

#### Attendance at Board meetings

Name of Directors	Attendance	Percentage
Tan Sri Mohamed Al Amin Abdul Majid ( <i>resigned on 3 August 2018</i> )	1/1	100%
Dato' Siew Ka Wei	5/6	83%
Lim Hock Chye ( <i>resigned on 21 August 2018</i> )	1/1	100%
Edmond Cheah Swee Leng	6/6	100%
Safrizal bin Mohd Said ( <i>resigned on 21 August 2018</i> )	0/1	0%
Khamis bin Awal	4/6	67%
Dato' Tengku Mahamad bin Tengku Mahamut	6/6	100%
Datuk Anuar bin Ahmad ( <i>appointed on 14 August 2018</i> )	4/5	80%

#### Attendance at Audit Committee meetings

Name of Directors	Attendance	Percentage
Edmond Cheah Swee Leng	5/5	100%
Lim Hock Chye ( <i>resigned on 21 August 2018</i> )	2/2	100%
Safrizal bin Mohd Said ( <i>resigned on 21 August 2018</i> )	1/2	50%
Khamis bin Awal	3/5	60%
Datuk Anuar bin Ahmad ( <i>appointed on 21 August 2018</i> )	3/3	100%

#### Attendance at R&N Committee meetings

Name of Directors	Attendance	Percentage
Lim Hock Chye ( <i>resigned on 21 August 2018</i> )	1/1	100%
Edmond Cheah Swee Leng	1/1	100%
Khamis bin Awal ( <i>appointed on 21 August 2018</i> )	N/A	N/A
Dato' Tengku Mahamad bin Tengku Mahamut ( <i>appointed on 21 August 2018</i> )	N/A	N/A

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

### Continuing Education Programme and Training

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

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

In April 2019, the Board organised an in-house workshop on "Anti-Bribery Law in Malaysia and its enforcement" and "Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001", facilitated by a firm of lawyers, for the Directors of the Company.

In addition to the above, the Directors have also attended various programmes and forum, facilitated by external professionals, covering matters on changes in Companies Act and Malaysia Financial Reporting Standards and cyber security.

## 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 24 July 2019, is available at the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section.

During FY 2019, 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 (*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*)

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 as Director remains the responsibility of the Board, after considering the recommendations of the R&N Committee.

### 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 RM460,000 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 the financial year, the R&N Committee of the Company's holding company, Ancom Berhad, has engaged a firm of consultants to provide a review of the Directors' fee for Non-Executive Directors of 30 Malaysian Public Listed Companies listed on the Main Market of Bursa Securities, based on their most recent annual reports as at 1 January 2019. Based on the review, the R&N Committee is of the opinion 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 that the Board and Board Committees for the current financial year amounting to RM380,329 be paid to the Non-Executive Directors subject to the approval of the Company's shareholders at the forthcoming 49<sup>th</sup> AGM.

The R&N Committee also assumes the task of recommending to the Board the remuneration package for the Group Managing Director ("**GMD**"). The remuneration of the GMD comprises a monthly salary, bonuses, benefits-in-kind ("**BIK**") and other benefits that the Board approves from time to time. The GMD is not entitled to the Director's fee and attendance allowance for the Board and Board Committee meetings that they attend.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Based on the review by the consultants mentioned above, the R&N Committee is of the opinion that the remuneration of the GMD during the financial year was reasonable.

Subject to the approval of the shareholders at the 49<sup>th</sup> AGM of the Company for the payment of Directors fees, the details of remuneration, including remuneration for services rendered to the Company and to the subsidiaries, received and receivable by the Directors of the Company for the financial year ended 31 May 2019 are as follows:

	Company				Subsidiaries		Group Total (RM'000)
	Directors fee (RM'000)	Salaries, bonus and other emoluments (RM'000)	Meeting allowances (RM'000)	Benefits- in-kind (RM'000)	Company Total (RM'000)	Salaries, bonus and other emoluments (RM'000)	
<b><i>Executive Directors</i></b>							
Tan Sri Mohamed Al Amin Abdul Majid ( <i>resigned on 3 August 2018</i> )	-	191	-	5	<b>196</b>	70	<b>266</b>
Dato' Siew Ka Wei	-	1,831	-	28	<b>1,859</b>	917	<b>2,776</b>
<b><i>Non-Executive Directors</i></b>							
Lim Hock Chye ( <i>resigned on 21 August 2018</i> )	22	-	2	-	<b>24</b>	-	<b>24</b>
Edmond Cheah Swee Leng	100	-	5	-	<b>105</b>	-	<b>105</b>
Safrizal bin Mohd Said ( <i>resigned on 21 August 2018</i> )	18	-	1	-	<b>19</b>	-	<b>19</b>
Khamis bin Awal	96	-	3	-	<b>99</b>	-	<b>99</b>
Dato' Tengku Mahamad bin Tengku Mahamut	81	-	3	13	<b>97</b>	-	<b>97</b>
Datuk Anuar bin Ahmad ( <i>appointed on 14 August 2018</i> )	63	-	3	-	<b>66</b>	-	<b>66</b>
<b>Total</b>	<b>380</b>	<b>2,022</b>	<b>17</b>	<b>46</b>	<b>2,465</b>	<b>987</b>	<b>3,452</b>

In addition to the above, the Company has taken up a Directors' and Officers' Liability ("D&O") insurance for coverage of the Directors' defence costs and legal representation expenses incurred by the Directors concerned should any action be brought against them for actions undertaken as Directors of the Company and/or its subsidiaries. Nevertheless, the D&O insurance does not indemnify a Director if he is proven to have acted fraudulently or dishonestly or to have intentionally breached the law.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT COMMITTEE

##### 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 49 of this Annual Report.

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

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

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

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

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

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

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

For FY 2019, 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 49<sup>th</sup> AGM.

The *Audit Committee Report* is set out on pages 33 to 37 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 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 38 to 42 of this Annual Report.

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

### I. COMMUNICATION WITH STAKEHOLDERS

#### Procedures on corporate disclosure

The Board acknowledges 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 Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's website at [www.nylex.com](http://www.nylex.com), and to ensure that such information is handled properly to avoid leakage or improper use. The Board will take reasonable steps to ensure that all investors have equal access to material information. Selective disclosure is not allowed.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company shall disclose all material information required to be disclosed under applicable securities laws, regulations and requirements as per the disclosure principles listed below:

- Material information will be announced immediately to Bursa Securities, and later be made available on the Company's website;
- Material information will be kept confidential temporarily if the immediate release of such information would be detrimental to the interests of the Company and/or its shareholders;
- The disclosure must be factual and non-speculative;
- If the Company learns that an earlier disclosure contained material error(s), such disclosures must be corrected immediately; and
- The Company will not comment, affirmatively or negatively, on rumours including those on the Internet. Should Bursa Securities request that the Company make a definitive statement in response to any market rumour that is causing significant volatility in the price of the Company's securities, the GMD or the Company Secretary will respond appropriately, after consulting with the Board or Advisors if time permits, before a reply is given to Bursa Securities.

Information is considered material if it can reasonably be expected to have a material effect on the price, value or market activity of the Company's securities or the decision of a holder of security or an investor in his/her actions.

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

### **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.

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.

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

The Board 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). These questions and queries would be attended to by the Company's Senior Management or the Board, as the case may be.

## **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.

At the general meetings, the Board encourages and gives sufficient opportunity for shareholders to ask questions regarding the Group's affairs, its financial performance and the resolutions being proposed. The Chairman of the meeting, when presenting items on the agenda for voting, will give a brief background of the resolutions and shareholders are invited to give their views and raise questions before voting takes place. Explanatory notes are also available on the Notice of General Meeting to provide rationales for the resolutions.

The Company holds its general meetings at places that are easily accessible and at a time convenient for shareholders to encourage them to attend the meetings.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

In line with the Listing Requirements, to encourage more shareholder participation at the Company's general meetings, the Company allows any member who is entitled to attend and vote at the general meeting to appoint a proxy to attend and vote for him/her. The proxy may, but need not be, a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The Company's Constitution explicitly allows a proxy to speak at general meetings. Notices of the general meetings and related circulars are sent to the shareholders in accordance with the regulatory and statutory provisions. All notices are advertised in a national English newspaper within the prescribed deadlines.

Minutes on the proceedings at the general meetings are recorded by the Company Secretaries 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. A summary of key matters discussed at the general meetings is also posted on the Company's website at [www.nylex.com](http://www.nylex.com).

### Poll Voting

As provided in the Company's Constitution, all resolutions are to be decided via poll voting. The Company has appointed one (1) scrutineer to validate the votes cast at the AGM.

### CORPORATE GOVERNANCE REPORT

Please refer to the Company's Corporate Governance Report, available on the Company's website at [www.nylex.com](http://www.nylex.com), on the extent of the Company's application and compliance with the MCCG and the relevant explanations for any deviations.

### 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 2019.

### TERMS OF REFERENCE ("TOR")

The Audit Committee is governed by its Terms of Reference, which are available on the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section. The Terms of Reference were last reviewed by the Board on 24 July 2019.

### MEMBERS AND MEETINGS

The Audit Committee held a total of five (5) meetings during 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>	2/2	100
Safrizal bin Mohd Said <i>Member, Independent Non-Executive Director (Resigned on 21 August 2018)</i>	1/2	50
Khamis bin Awal <i>Member, Independent Non-Executive Director</i>	3/5	60
Datuk Anuar bin Ahmad <i>Member, Independent Non-Executive Director (Appointed on 21 August 2018)</i>	3/3	100

The Audit Committee Chairman, Edmond Cheah Swee Leng is a member of the Malaysian Institute of Accountants (MIA). The composition of the Audit Committee during the financial year complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). 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.

The positions of Chairman of the Audit Committee and Chairman of the Board are assumed by different persons to prevent any impairment on objectivity of the Board's review of the Audit Committee's findings and recommendations.

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 ensured the 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 assess 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 and the follow-up actions undertaken by the Management; and
- Reviewed the performance of the Internal Auditor in discharging its duties during the financial year, and upon being satisfied of their independence, competence, experience and 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 Messrs BDO PLT as the External Auditors for financial year ending 31 May 2020.

### Related party transactions

- The Audit Committee reviewed the procedures for related party transactions that took place within the Company and the Group during the financial year, including the recurrent related parties' transactions ("RRPT") of a revenue and trading nature. The Audit Committee is satisfied that the procedures are sufficient to ensure that the related party transactions undertaken were on arm's length basis and on terms not more favourable to the related parties than those generally available to the public, nor were detrimental to the Company's minority shareholders.
- The Audit Committee is also satisfied that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner. The Audit Committee conducts a review of these procedures and processes at least once in a financial year.

### 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 recognises 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 ("**Deloitte**"), for the financial year ended 31 May 2019 for a fee of RM105,000. 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

## AUDIT COMMITTEE REPORT

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 21 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.

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.

## ASSESSMENT OF INDEPENDENCE AND PERFORMANCE

### External Auditors

Under its TOR and External Auditors Assessment Policy, 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, including the extent of non-audit services performed by the External Auditors during the financial year that may impact their independence and objectivity. The assessment of performance focuses on the External Auditors' experience, competency, resources of the firm, quality of the staff assigned and the Audit Committee's opinion on the quality of the reports to the Audit Committee.

During the financial year, the Audit Committee assessed the External Auditors' performance and independence and was satisfied with the External Auditors' competency and independence. The External Auditors have given written assurance to the Audit Committee that they have complied with the relevant ethical requirements regarding their professional independence.

The Audit Committee has recommended to the Board to re-appoint Messrs BDO PLT as the External Auditors.

## AUDIT COMMITTEE REPORT

The Board concurred with the Audit Committee's recommendation and will recommend that the shareholders approve Messrs BDO PLT's re-appointment at the forthcoming 49<sup>th</sup> Annual General Meeting of the Company.

### Internal Auditors

The Audit Committee also assessed the independence and performances of the Internal Auditors during the financial year.

The assessment of independence focuses on whether there exists any relationship between the Internal Auditors and the Directors or senior management and major shareholders of the Group as well as any conflict of interest arising from such relationships. The assessment of performance focuses on the Internal Auditors' experience, competency, resources of the firm, the quality of the staff assigned and the Audit Committee's opinion on the quality of the Internal Audit Reports.

The Audit Committee was satisfied with the Internal Auditors' competence and independence. The Internal Auditors have given written assurance to the Audit Committee that they have complied with the relevant ethical requirements regarding their professional independence.

The Audit Committee has recommended to the Board to continue to engage the Internal Auditors.

The Board concurred with the Audit Committee's recommendation.

### RISK MANAGEMENT

The Audit Committee reviewed the Risk Management Framework and the Risk Registry of the Group and the ongoing identification, evaluation and management of the significant risks affecting the Group, as has been reported in the *Statement on Risk Management and Internal Control* of this Annual Report.

Please refer to pages 38 to 42 of this Annual Report for the *Statement on Risk Management and Internal Control*.

### 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.

# 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 associates. This Statement does not cover associates as the Company does not have control over the operations, management and internal control systems of associates.

## 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.

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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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, and also comparing the actual results with the previous year's results, 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.

### Protection of 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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 ("**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 33 to 37 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 2019, the following subsidiaries were audited by Deloitte:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1 <sup>st</sup> Quarter (June to August 2018)	October 2018	Ancom Kimia Sdn Bhd	<ul style="list-style-type: none"> <li>Revenue Recognition, Billing, Collection and Credit Control;</li> <li>Procurement and Accounts Payable Management.</li> </ul>
1 <sup>st</sup> Quarter (June to August 2018)	October 2018	Perusahaan Kimia Gemilang (Vietnam) Company Ltd	<ul style="list-style-type: none"> <li>Revenue Recognition, Billing, Collection and Credit Control;</li> <li>Inventory and Logistics Management;</li> <li>Procurement and Accounts Payable Management;</li> <li>Human Resource, Payroll and Staff Claims.</li> </ul>
2 <sup>nd</sup> Quarter (September to November 2018)	January 2019	Fermpro Sdn Bhd	<ul style="list-style-type: none"> <li>Revenue Recognition, Billing, Collection and Credit Control;</li> <li>Human Resource, Payroll and Staff Claims;</li> <li>Expenditure Management.</li> </ul>
3 <sup>rd</sup> Quarter (December 2018 to February 2019)	April 2019	Perusahaan Kimia Gemilang Sdn Bhd	<ul style="list-style-type: none"> <li>Inventory and Logistics Management;</li> <li>Human Resource, Payroll and Staff Claims;</li> <li>Expenditure Management.</li> </ul>

## 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 also comparing the actual results with the previous year's result 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 2019, 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, Deputy Chief Executive Officer 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. The Board will continue to take measures and maintain an on-going commitment to strengthen the Group's risk management and internal control system.

## 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 ("**Statement**") of the Company and its subsidiaries ("**the Group**") for the financial year ended 31 May 2019.

### 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 is driven by the Board who is involved in formulating plans to identify, evaluate and manage sustainability matters within the Group. The Board is 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 2018 to 31 May 2019 ("**FY 2019**") for the Group, excluding associates. This Statement does not cover associates as the Company does not have full management and control over associates. In determining the sustainability disclosure of the Group, the reporting scope covers Malaysia, Singapore, Indonesia and Vietnam which is based on the geographical location of the Group's operations.

At Nylex, we understand that a holistic approach to business management, where decisions are based not just on economic considerations but also on environmental, social and governance issues, will serve as a sound business model that supports business continuity and competitiveness over the long term. We have worked to incorporate sustainability as an essential element of our corporate culture and business decision making, strive for transparent business practices that are based on ethical values and respect for the stakeholders.

### Stakeholder Engagement

We engage regularly with key stakeholders via different platforms to build relationships based on openness and trust. Through these formal and informal sessions, we are able to obtain relevant input on our stakeholders' concerns.

Stakeholder	Main Interests of Stakeholder	Engagement Channels
<b>Employees</b>	<ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Career development</li> <li>Employees welfare</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety campaigns</li> <li>Monthly management meeting</li> <li>Employee engagement activities such as annual dinner</li> <li>Other on-going multiple internal engagement channels (e.g. emails, training, meeting)</li> </ul>
<b>Vendors &amp; Suppliers</b>	<ul style="list-style-type: none"> <li>Fair procurement system</li> <li>Sustainable partnerships with Nylex</li> <li>Pricing and credit term</li> </ul>	<ul style="list-style-type: none"> <li>Vendor evaluation and registration</li> <li>Formal and informal briefings and meetings</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Product and service quality</li> <li>Timely product delivery</li> <li>Pricing and credit terms</li> </ul>	<ul style="list-style-type: none"> <li>Customer feedback sessions</li> <li>On-going multiple engagement channels (e.g. emails, meetings)</li> </ul>
<b>Shareholders and investment community</b>	<ul style="list-style-type: none"> <li>Shareholders' returns</li> <li>Growth potential</li> <li>Business sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Annual and quarterly reports</li> <li>Annual General Meetings</li> <li>Announcements via Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>")</li> <li>Corporate website</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Compliance with regulations</li> </ul>	<ul style="list-style-type: none"> <li>Regular reporting to relevant regulators</li> <li>Regular engagement with regulators</li> </ul>

**SUSTAINABILITY STATEMENT**

Stakeholder	Main Interests of Stakeholder	Engagement Channels
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>• Timeliness of repayment</li> <li>• Provide insight on our sustainable business performance</li> </ul>	<ul style="list-style-type: none"> <li>• Contractual arrangements and business transactions</li> <li>• Annual and quarterly reports</li> <li>• Annual General Meetings</li> <li>• Announcements via Bursa Securities</li> <li>• Corporate website</li> <li>• On-going multiple engagement channels (e.g. emails, meetings)</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Environment, education and social support</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility programme</li> </ul>

**ECONOMIC ENHANCEMENT****Customer Management**

The Group is of the view that maintaining products and services quality is essential to contribute to business success. We make great efforts to deliver positive customer experience, and this is always high on our priority list. We work closely with our customers to understand their needs by way of conducting annual customer satisfaction survey which includes aspect such as responsive enquiry and order handling, product quality, delivery performance, service performance and overall satisfaction. Customers feedback or complain will be attended by our sales personnel along with quality assurance personnel. Corrective and preventive actions will be carried out and monitored by our Quality Assurance Department to prevent recurrence of complaints. We do our best to ensure products we produce meet our customers' requirements.

**Supply Chain Management & Procurement Practices**

There has been an increased focus around the world on integrating the sustainability practices into the supply chain. Supply chain management is important in facilitating the business operations and the Group aims to build mutually beneficial relationships with the suppliers in the long run. The Group engages with suppliers fairly, transparently and ethically.

We have an all-encompassing approach to maximise value creation by reducing supply chain costs, improving transactional processes, complying with laws and regulations and enhancing efficiency, while providing sustainable fit for purpose solutions. We source from different suppliers of respective industries and trade globally. We believe in contributing back to the economy which has given us much in economic benefits. In FY 2019, more than 50% of our procurement budget was used for supplies from local suppliers.

Suppliers' performances are monitored through vendor evaluation. Evaluations on suppliers are generally focusing on areas such as price and payment terms, product and service quality, operation scale, reliability and credibility. Identified issues are communicated with the suppliers for necessary rectification action and improvement.

**Indirect Economic Impact**

Our business generates a wide range of indirect economic benefits such as investments in our production facilities and logistics network, which benefit our communities by facilitating commerce and providing jobs.

## SUSTAINABILITY STATEMENT

### ENVIRONMENT

As a manufacturer of polymers and industrial chemicals as well as a provider of transportation services, we are aware that 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 consumption, responsible disposal of our effluent and other waste products.

#### Energy Use

The Group monitors its energy consumption closely. To minimise energy usage, energy-saving light bulbs are used whenever possible throughout our operations. We also encourage our employees to switch off the lights and air conditioners when the office is not in use. In addition, meetings are conducted to discuss the energy saving issues when necessary.

The Group is continuously looking for ways to ensure business operations are energy efficient. By minimising energy consumption, we can lower our operational cost and reduce our carbon footprint.

#### Freshwater Consumption

Water is mainly used to generate steam and for cooling on certain production processes and cleaning purposes. Water is reused whenever possible. Nylex takes an active approach to reduce water consumption through the implementation of various initiatives and we aim to reduce our water footprint by fostering water conservation practices and habits among the users.

#### Waste and Effluent Management

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

As part of our waste management process, we quantify and inventorise hazardous waste. Hazardous wastes temporarily stored in our premises pending further treatment or disposal are kept in designated areas away from the manufacturing line. Prior to transportation of hazardous waste, they are properly packaged and labelled.

Our 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. Our production is moving forward to use more recyclable materials in the future.

#### Greenhouse Gas Emission

Carbon emissions are inevitable in our business, and we do our very best in minimising these emissions. Regular and scheduled maintenance are prepared on vehicles and plants to ensure optimal performance and efficiency.

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**").

## SUSTAINABILITY STATEMENT

As per the requirement set by DOE, certain subsidiaries have monitored the air emissions on a regular basis. Besides this, air emission measurement and reporting is performed annually by an independent laboratory registered with the DOE. The air emission parameters measured are Nitrogen Oxides ("**NO<sub>x</sub>**"), Sulphur Dioxides ("**SO<sub>x</sub>**"), and Particulate Matter (dust emission).

### SOCIAL CONTRIBUTION

Nylex endeavours to safeguard high standards of governance across its operations, encourage responsible business practices, manage the environmental impact of its businesses, provide a safe and caring workplace and meet the social needs of its community. Our social contribution efforts are aimed for the benefit of the society and mirrored in the corporate social responsibility or community patronage activities undertaken.

#### Workplace Diversity and Inclusion

The Group values its employees and understands that the welfare of its employees is the linchpin to its success. We believe discrimination bars people from living up to their full potential, creates inequality as well as less stable and prosperous societies. We observed basic human rights and will embrace diversity and inclusion of individuals in our business activities.

Talent is diverse by nature and we aim to build a diverse workforce begins with offering same opportunities and career perspectives to women and men regardless of races. However, understandably the biggest challenge will be the business nature and working models of our industry, which is still considered a male dominated industry. We strive to increase the involvement of women in all area.

The Group employs workers from more than six nationalities. They consist of full time permanent employees, contract employees and part time employees. During peak periods, we employ contract staff to cope with peak manufacturing demand.

Our people are the crucial system underpinning organisation's ability to grow and thrive. Therefore, it is crucial to provide employee benefits that suit the Company's goals and objectives.

#### Occupational Health and Safety

Keeping our people safe is our first and primary responsibility. It is a core value for us, and an unequivocal expectation from our employees, their families and communities. We aim to establish a "Safety First" culture in the Group. Training, coaching, and recognition are critical components to continuously encourage a culture of safety. The Group takes a proactive approach towards mitigating occupational hazards and risks, by ensuring employees operate in a secure environment at all times. Various activities and procedures focusing on safety and health were organised to promote healthy and positive work environment for its employees. The activities include:

- (a) for certain subsidiaries that involve food related process, production staffs are required to take Typhoid inoculation. The requisite dosage is once every 3 years.
- (b) newly joined local employees will undergo basic pre-employment medical check-up while foreign workers will undergo Foreign Workers' Medical Examination ("**FOMEMA**") medical check-up upon arrival or renewal of contract.
- (c) proactive measures are taken to reduce employees' exposure to the noise in the high noise level areas, such as providing ear plugs and soundproofing the affected areas where possible. Annual Employee Audiometric Hearing tests are also conducted to ensure employees' hearing is in good condition;

## SUSTAINABILITY STATEMENT

- (d) ensure that Personal Protective Equipment ("**PPE**") which are registered with the Department of Occupational Safety and Health are used;
- (e) 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
- (f) 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.

For health benefits provided to employees, we provide medical coverage and insurance benefits. We are also constantly reviewing our policies and management systems on Occupational Safety and Health and to ascertain they are effective and appropriate.

### Whistle-Blowing

The combination of sound corporate governance and ethical business conduct are fundamental to the achievement of our objectives to grow our business sustainably and enhance stakeholders' value. It is our policy to conduct business in a fair, honest and transparent manner.

The Board had on 24 July 2019 adopted a Whistle-Blowing Policy ("**Policy**"), which is accessible on the Company's website at [www.nylex.com](http://www.nylex.com) under the *Corporate Governance* section. This Policy provides an avenue for all employees of the Group and other stakeholders to raise concerns about any improper conduct without fear of retaliation. Offering protection to those who report improper conduct, the Policy strengthens the Group's accountability and transparency in conducting its business affairs.

### 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.

### Compliance

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

Employees of the Group is involved in identifying and mitigating sustainability risks across all areas of the Group's operations. The Group's Internal Audit function oversees the adequacy and effectiveness of the risk management framework while monitoring compliance with policies and procedures and with other relevant professional and regulatory requirements.

## SUSTAINABILITY STATEMENT

### 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, Nylex had sponsored 5 internship training for students from the following college/universities:

- (a) A student from INTI International University & Colleges (Malaysia) in Engineering Department.
- (b) A student from University of Selangor (Malaysia) in Human Resources Department.
- (c) A student from UCSI University (Malaysia) in Technical/Research & Development Department.
- (d) A student from Universiti Teknologi MARA (Malaysia) in Technical/Research & Development Department.
- (e) A student from Monash University (Malaysia) in Finance Department.

### Corporate Philanthropy

The Company and/or its subsidiaries made monetary donations to those who are affected Lombok Earth Quake Disaster via Indonesian Red Cross (PMI), some government agencies, a secondary school in Ipoh and another in Johor, a Surau in Bukit Jelutong, Orchid Run & Ride 2019, and others. A subsidiary also made several donations to support various festivities organised by the village adjacent to its manufacturing plant.

## CONCLUSION

Towards integrating sustainability into our business, we continue our efforts to strengthen the risk management framework and enhance stakeholder value by adopting and applying good corporate governance framework, environmentally responsible practices and sound social policies.

## 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 2019 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 2019, 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

For The Financial Year Ended 31 May 2019

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## DIRECTORS' REPORT

The Directors of Nylex (Malaysia) Berhad hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2019.

### 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 12 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, other than as disclosed in Note 12 to the financial statements.

### RESULTS

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

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit from operations	17,358	23,023
Finance costs	(12,474)	(2,835)
Share of results of associates, net of tax	(244)	-
Profit before tax	4,640	20,188
Taxation	(9,160)	(1,164)
Net (loss)/profit for the year	(4,520)	19,024
Attributable to:		
Owners of the parent	(3,332)	19,024
Non-controlling interests	(1,188)	-
	(4,520)	19,024

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

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

### ISSUE OF SHARES AND DEBENTURES

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

## DIRECTORS' REPORT

### TREASURY SHARES

At the 48<sup>th</sup> Annual General Meeting held on 18 October 2018, 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 7,908,300 (2018: 4,344,100) of its issued ordinary shares from the open market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average price of RM0.65 (2018: RM0.80) per share. The total consideration paid for the repurchases including transaction costs was RM5,179,508 (2018: 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 2019, a total of 14,689,324 (2018: 6,781,024) treasury shares with a carrying amount of RM10,062,157 (2018: RM4,882,649) were held by the Company. Details of the shares repurchased in the financial year are disclosed in Note 23 to the financial statements.

### DIVIDENDS

During the financial year, the Company has paid the following dividends:

- (a) final single-tier dividend of 2.0 sen per share, amounting to RM3,720,863, in respect of the financial year ended 31 May 2018, paid on 6 December 2018.
- (b) interim single-tier dividend of 1.0 sen per share, amounting to RM1,816,589, in respect of the financial year ended 31 May 2019, paid on 24 May 2019.

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 1.0 sen per share in respect of the financial year ended 31 May 2019.

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 2020.

### 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 (*Non-Executive Chairman*)

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

Edmond Cheah Swee Leng

Khamis bin Awal

Datuk Anuar bin Ahmad

Lim Hock Chye (*Resigned on 21 August 2018*)

Safrizal bin Mohd Said (*Resigned on 21 August 2018*)

\* Director of the Company and certain subsidiaries

In accordance with Clause 125 of the Company's Constitution, Dato' Siew Ka Wei and Edmond Cheah Swee Leng retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves 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:

Chen Tai Ngoh  
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  
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 31.5.2019
	Balance as at 1.6.2018	Bonus Issue	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	-	4,000,000	(4,000,000)	93,608,359
<b>Holding Company, Ancom Berhad</b>					
<i>Direct interest</i>					
Dato' Siew Ka Wei	24,017,165	2,425,555	430,700	-	26,873,420
<i>Deemed interest</i>					
Dato' Siew Ka Wei	20,471,748	2,047,173	-	-	22,518,921

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

	<b>Number of ordinary shares</b>				<b>Balance as at 31.5.2019</b>
	<b>Balance as at 1.6.2018</b>	<b>Bonus Issue</b>	<b>Acquired</b>	<b>Disposed</b>	
<b>Related Company, Ancom Logistics Berhad</b>					
<i>Direct interest</i>					
Dato' Siew Ka Wei	749,867	-	-	(380,000)	369,867
<i>Deemed interest</i>					
Dato' Siew Ka Wei	215,473,196	-	-	(1,278,200)	214,194,996

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.

Deemed interested by virtue of Dato' Siew Ka Wei's direct and indirect interest in Ancom Berhad, Rhodemark Development Sdn. Bhd., Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn. Bhd., Datin Young Ka Mun and Quek Lay Kheng.

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 7 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 29 to the financial statements.

**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 RM13,510.

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

## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION

- (a) Before the financial statements 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.
- (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 events 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 33 to the financial statements.

**DIRECTORS' REPORT****AUDITORS**

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2019 are as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Statutory audit	436	88
Other services	10	10
	446	98

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 August 2019.

**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 63 to 130 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 2019 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 22 August 2019.

**Dato' Siew Ka Wei**

Director

**Edmond Cheah Swee Leng**

Director

## 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 63 to 130 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 22 August 2019

**Chen Tai Ngoh**

Before me,

**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 2019 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 63 to 130.

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 2019, 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 2019 amounted to RM100,661,000, as disclosed in Note 14 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 assessed the assumptions used 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. Impairment of trade receivables

As at 31 May 2019, the Group has trade receivables of RM179,695,000. The details of trade receivables and their credit risk have been disclosed in Note 17 and Note 31(d) respectively to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

##### Audit response

Our audit procedures performed include:

- a. Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- b. Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- c. Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

#### 3. Impairment assessment of the carrying amounts of investments in subsidiaries

As at 31 May 2019, the Company has cost of investments in subsidiaries amounted to RM181,502,000, as disclosed in Note 12 to the financial statements.

Management performed impairment assessments of certain investments in subsidiaries which had impairment indicators. This is an area of focus as the recoverable amount of the investments in subsidiaries are determined based on discounted future cash flows projections, which require judgement on the part of management estimation of the future financial performance and key assumptions used, in particular profit margins, growth rates and pre-tax discount rate.

## INDEPENDENT AUDITORS' REPORT

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

### Key Audit Matters *(continued)*

#### 3. **Impairment assessment of the carrying amounts of investments in subsidiaries** *(continued)*

##### **Audit response**

Our audit procedures performed include:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and assessed the key assumptions used in projections;
- 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 the market data, weighted average cost of capital of the Company 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.

### 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 ability of the Group and of the Company 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.

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

**INDEPENDENT AUDITORS' REPORT**

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

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

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 12 to the financial statements.

**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 PLT**

LLP0018825-LCA & AF 0206  
Chartered Accountants

22 August 2019  
Kuala Lumpur

**Lum Chiew Mun**

03039/04/2021 J  
Chartered Accountant

## STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 May 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	3	<b>1,560,354</b>	1,446,375	<b>57,650</b>	70,391
Cost of sales	3	<b>(1,444,499)</b>	(1,304,335)	<b>(49,852)</b>	(56,574)
<b>Gross profit</b>		<b>115,855</b>	142,040	<b>7,798</b>	13,817
Other income	4	<b>3,515</b>	4,614	<b>31,694</b>	24,148
Selling and distribution expenses		<b>(63,046)</b>	(58,818)	<b>(5,351)</b>	(5,605)
Administrative expenses		<b>(36,916)</b>	(45,884)	<b>(10,880)</b>	(12,867)
Other expenses		<b>(2,050)</b>	(478)	<b>(238)</b>	(1,142)
<b>Profit from operations</b>		<b>17,358</b>	41,474	<b>23,023</b>	18,351
Finance costs	5	<b>(12,474)</b>	(11,156)	<b>(2,835)</b>	(3,093)
Share of results of associates, net of tax		<b>(244)</b>	258	-	-
<b>Profit before tax</b>		<b>4,640</b>	30,576	<b>20,188</b>	15,258
Taxation	8	<b>(9,160)</b>	(10,501)	<b>(1,164)</b>	(1,036)
<b>Net (loss)/profit for the year</b>		<b>(4,520)</b>	20,075	<b>19,024</b>	14,222
Net (loss)/profit attributable to:					
Owners of the parent		<b>(3,332)</b>	19,093	<b>19,024</b>	14,222
Non-controlling interests		<b>(1,188)</b>	982	-	-
		<b>(4,520)</b>	20,075	<b>19,024</b>	14,222
<b>Basic and diluted:</b>					
(Loss)/Earnings per share (sen)	9	<b>(1.8)</b>	10.1		
Dividends per ordinary share (sen)	10	<b>3.0</b>	2.0		

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

**STATEMENTS OF COMPREHENSIVE INCOME**

For the financial year ended 31 May 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Net (loss)/profit for the year</b>	<b>(4,520)</b>	20,075	<b>19,024</b>	14,222
<b>Other comprehensive income/(loss), net of tax Item to be reclassified subsequently to profit or loss</b>				
Foreign currency translations	<b>6,589</b>	(14,218)	-	-
<b>Item not to be reclassified subsequently to profit or loss</b>				
Re-measurement of defined benefit liability	<b>56</b>	(29)	-	-
<b>Total comprehensive income for the year</b>	<b>2,125</b>	5,828	<b>19,024</b>	14,222
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the parent	<b>2,753</b>	5,683	<b>19,024</b>	14,222
Non-controlling interests	<b>(628)</b>	145	-	-
	<b>2,125</b>	5,828	<b>19,024</b>	14,222

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

## STATEMENTS OF FINANCIAL POSITION

As at 31 May 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	<b>147,340</b>	146,197	<b>25,106</b>	25,309
Investments in subsidiaries	12	-	-	<b>181,502</b>	187,878
Investments in associates	13	<b>3,579</b>	573	<b>400</b>	400
Goodwill arising on consolidation	14	<b>100,661</b>	102,798	-	-
Deferred tax assets	15	<b>25,770</b>	25,066	<b>23,261</b>	23,261
		<b>277,350</b>	274,634	<b>230,269</b>	236,848
<b>Current assets</b>					
Inventories	16	<b>130,518</b>	90,363	<b>10,961</b>	11,325
Trade and other receivables	17	<b>241,991</b>	303,977	<b>88,500</b>	90,333
Investment securities	18	<b>662</b>	1,067	<b>166</b>	161
Income tax recoverable		<b>2,089</b>	892	<b>247</b>	-
Short-term deposits with licensed banks	19	<b>17,960</b>	33,259	-	-
Cash and bank balances	19	<b>50,107</b>	75,259	<b>8,045</b>	10,034
		<b>443,327</b>	504,817	<b>107,919</b>	111,853
<b>TOTAL ASSETS</b>		<b>720,677</b>	779,451	<b>338,188</b>	348,701

**STATEMENTS OF FINANCIAL POSITION**

As at 31 May 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the owners of the parent</b>					
Share capital	20	<b>195,143</b>	195,143	<b>195,143</b>	195,143
Reserves	21	<b>24,805</b>	18,612	-	-
Retained earnings	22	<b>119,753</b>	135,353	<b>86,385</b>	78,468
Treasury shares, at cost	23	<b>(10,062)</b>	(4,883)	<b>(10,062)</b>	(4,883)
		<b>329,639</b>	344,225	<b>271,466</b>	268,728
<b>Non-controlling interests</b>		<b>11,216</b>	16,011	-	-
<b>TOTAL EQUITY</b>		<b>340,855</b>	360,236	<b>271,466</b>	268,728
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	15	<b>2,380</b>	1,405	-	-
Borrowings	24	<b>38,558</b>	41,368	-	-
Provision for retirement benefits	25	<b>4,666</b>	4,672	<b>2,990</b>	2,945
		<b>45,604</b>	47,445	<b>2,990</b>	2,945
<b>Current liabilities</b>					
Trade and other payables	26	<b>121,169</b>	157,712	<b>17,232</b>	20,150
Borrowings	24	<b>211,727</b>	212,691	<b>46,500</b>	56,840
Income tax payable		<b>1,322</b>	1,367	-	38
		<b>334,218</b>	371,770	<b>63,732</b>	77,028
<b>TOTAL LIABILITIES</b>		<b>379,822</b>	419,215	<b>66,722</b>	79,973
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>720,677</b>	779,451	<b>338,188</b>	348,701

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2019

	Note	Attributable to owners of the parent						Total equity RM'000
		← Non-distributable →			Distributable		Non-controlling interests RM'000	
		Share capital RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		
Balance as at 1 June 2018, as previously reported		195,143	18,612	(4,883)	135,353	344,225	16,011	360,236
Effects of adoption of MFRS 9	2(b)(i)(c)	-	-	-	(6,603)	(6,603)	-	(6,603)
Balance as at 1 June 2018, restated		195,143	18,612	(4,883)	128,750	337,622	16,011	353,633
Net loss for the year		-	-	-	(3,332)	(3,332)	(1,188)	(4,520)
Other comprehensive income, net of tax		-	6,058	-	27	6,085	560	6,645
<b>Total comprehensive income/(loss) for the year</b>		-	6,058	-	(3,305)	2,753	(628)	2,125
<b>Transactions with owners</b>								
Dividends	10	-	-	-	(5,537)	(5,537)	-	(5,537)
Disposal/Derecognition of subsidiaries	12(d), 12(f)	-	-	-	-	-	(3,501)	(3,501)
Acquisition of shares from non-controlling interests of a subsidiary	12(e)	-	135	-	(155)	(20)	(666)	(686)
Purchase of treasury shares	23	-	-	(5,179)	-	(5,179)	-	(5,179)
<b>Total transactions with owners</b>		-	135	(5,179)	(5,692)	(10,736)	(4,167)	(14,903)
<b>Balance as at 31 May 2019</b>		<b>195,143</b>	<b>24,805</b>	<b>(10,062)</b>	<b>119,753</b>	<b>329,639</b>	<b>11,216</b>	<b>340,855</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the financial year ended 31 May 2019

	Note	Attributable to owners of the parent				Distributable Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
		← Non-distributable →		Translation reserve RM'000	Treasury shares RM'000				
		Share capital RM'000	Share Premium 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	10	-	-	-	-	(3,838)	(3,838)	-	(3,838)
Dividends paid to non-controlling interests of a subsidiary		-	-	-	-	-	-	(720)	(720)
Purchase of treasury shares	23	-	-	-	(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*	20	805	(805)	-	-	-	-	-	-
Balance as at 31 May 2018		195,143	-	18,612	(4,883)	135,353	344,225	16,011	360,236

\* Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.

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

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2019

	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 2018, as previously reported		195,143	-	(4,883)	78,468	268,728
Effects of adoption of MFRS 9	2(b)(i)(c)	-	-	-	(5,570)	(5,570)
Balance as at 1 June 2018, restated		195,143	-	(4,883)	72,898	263,158
Net profit for the year		-	-	-	19,024	19,024
<b>Total comprehensive income for the year</b>		-	-	-	19,024	19,024
<b>Transactions with owners</b>						
Dividends	10	-	-	-	(5,537)	(5,537)
Purchase of treasury shares	23	-	-	(5,179)	-	(5,179)
<b>Total transactions with owners</b>		-	-	(5,179)	(5,537)	(10,716)
<b>Balance as at 31 May 2019</b>		<b>195,143</b>	<b>-</b>	<b>(10,062)</b>	<b>86,385</b>	<b>271,466</b>
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	10	-	-	-	(3,838)	(3,838)
Purchase of treasury shares	23	-	-	(3,497)	-	(3,497)
<b>Total transactions with owners</b>		-	-	(3,497)	(3,838)	(7,335)
Transfer pursuant to Companies Act 2016*	20	805	(805)	-	-	-
Balance as at 31 May 2018		195,143	-	(4,883)	78,468	268,728

\* Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.

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

**STATEMENTS OF CASH FLOWS**

For the financial year ended 31 May 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Cash Flows From Operating Activities</b>					
Profit before tax		<b>4,640</b>	30,576	<b>20,188</b>	15,258
Adjustments for:					
Depreciation of property, plant and equipment	11	<b>10,423</b>	11,330	<b>2,331</b>	2,391
Dividend income		<b>(38)</b>	(17)	<b>(24,960)</b>	(20,298)
Finance costs	5	<b>12,474</b>	11,156	<b>2,835</b>	3,093
Fair value loss/(gain) on investment securities		<b>218</b>	129	<b>(5)</b>	(14)
Bad debts written off		<b>1</b>	6	-	-
Loss/(Gain) on disposal of property, plant and equipment		<b>165</b>	(140)	<b>206</b>	(40)
(Write-back)/Impairment loss on trade receivables	17(a)	<b>(1,540)</b>	778	<b>128</b>	(328)
Inventories written-down	16	<b>422</b>	844	<b>96</b>	135
Interest income		<b>(3,001)</b>	(2,808)	<b>(3,495)</b>	(3,280)
Provision for retirement benefits	25	<b>545</b>	568	<b>240</b>	249
Share of results of associates		<b>244</b>	(258)	-	-
Unrealised (gain)/loss on foreign exchange		<b>(1,159)</b>	(808)	<b>(642)</b>	1,081
Gain on disposal/derecognition of subsidiaries		<b>(476)</b>	-	<b>(2,264)</b>	-
Written off of investment		<b>3</b>	-	-	-
Impairment loss on other receivables	17(b)	<b>14</b>	-	<b>40</b>	-
Operating cash flows before working capital changes		<b>22,935</b>	51,356	<b>(5,302)</b>	(1,753)
<b>Working Capital Changes</b>					
Receivables		<b>50,428</b>	(25,891)	<b>1,785</b>	(12,635)
Inventories		<b>(38,173)</b>	22,493	<b>268</b>	148
Payables		<b>(29,907)</b>	(4,069)	<b>(2,995)</b>	3,078
Related companies		<b>(2,829)</b>	569	<b>(1,854)</b>	(4,745)
Associates		<b>6,708</b>	(1,874)	<b>(253)</b>	(1,874)
Cash flows generated from/(used in) operations		<b>9,162</b>	42,584	<b>(8,351)</b>	(17,781)
Tax paid		<b>(10,339)</b>	(12,420)	<b>(1,449)</b>	(886)
Retirement benefits paid	25	<b>(471)</b>	(2)	<b>(195)</b>	(40)
<b>Net Cash Flows (Used In)/From Operating Activities (carried forward)</b>		<b>(1,648)</b>	30,162	<b>(9,995)</b>	(18,707)

**STATEMENTS OF CASH FLOWS**  
 For the financial year ended 31 May 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Net Cash Flows (Used In)/From Operating Activities (brought forward)</b>		<b>(1,648)</b>	30,162	<b>(9,995)</b>	(18,707)
<b>Cash Flows from Investing Activities</b>					
Acquisition of interest in associates		<b>(2,250)</b>	-	-	-
Acquisition of investment securities		-	(650)	-	-
Dividends received from equity instruments		<b>38</b>	17	<b>7</b>	5
Dividends received from subsidiaries		-	-	<b>21,810</b>	20,293
Interest received		<b>2,547</b>	2,468	<b>3,495</b>	3,280
Withdrawal/(Placement) of short-term deposits					
- pledged with a licensed bank		<b>5,966</b>	(5,966)	-	-
- with maturity of more than three months		<b>934</b>	(3,514)	-	-
Proceeds from disposal of a subsidiary		-	-	<b>8,640</b>	-
Proceeds from disposal of property, plant and equipment		<b>399</b>	268	<b>77</b>	112
Purchase of property, plant and equipment	11	<b>(12,236)</b>	(2,166)	<b>(2,411)</b>	(982)
Acquisition of shares from non-controlling interest in a subsidiary	12(e)	<b>(686)</b>	-	-	-
Net cash inflow on disposal of a subsidiary	12(d)	<b>6,683</b>	-	-	-
Net cash outflow on derecognition of a subsidiary	12(f)	<b>(4,779)</b>	-	-	-
<b>Net Cash Flows (Used In)/From Investing Activities</b>		<b>(3,384)</b>	(9,543)	<b>31,618</b>	22,708
<b>Cash Flows From Financing Activities</b>					
Dividends paid to shareholders of the Company	10	<b>(5,537)</b>	(3,838)	<b>(5,537)</b>	(3,838)
Dividends paid to non-controlling interests of a subsidiary		-	(720)	-	-
Drawdown of borrowings		<b>146,460</b>	173,649	<b>42,400</b>	75,440
Repayments of borrowings		<b>(154,655)</b>	(179,886)	<b>(52,740)</b>	(71,462)
Purchase of treasury shares		<b>(5,058)</b>	(3,492)	<b>(5,058)</b>	(3,492)
Interest paid		<b>(12,474)</b>	(11,156)	<b>(2,835)</b>	(3,093)
<b>Net Cash Flows Used In Financing Activities</b>		<b>(31,264)</b>	(25,443)	<b>(23,770)</b>	(6,445)
<b>Net Decrease In Cash And Cash Equivalents (carried forward)</b>		<b>(36,296)</b>	(4,824)	<b>(2,147)</b>	(2,444)

**STATEMENTS OF CASH FLOWS**

For the financial year ended 31 May 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Net Decrease In Cash And Cash Equivalents (brought forward)</b>		<b>(36,296)</b>	(4,824)	<b>(2,147)</b>	(2,444)
Effects of Exchange Rate Changes		<b>3,832</b>	(9,552)	-	-
<b>Cash and Cash Equivalents at Beginning of Year</b>		<b>99,038</b>	109,049	<b>10,034</b>	12,532
Effects of Exchange Rate Changes		<b>(591)</b>	4,365	<b>158</b>	(54)
		<b>98,447</b>	113,414	<b>10,192</b>	12,478
<b>Cash and Cash Equivalents at End of Year</b>	19	<b>65,983</b>	99,038	<b>8,045</b>	10,034

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings as at 1 June 2018/2017		<b>254,059</b>	266,571	<b>56,840</b>	52,862
Cash flows		<b>(8,195)</b>	(6,237)	<b>(10,340)</b>	3,978
Non-cash flows:					
- Effect of foreign exchange		<b>4,421</b>	(6,275)	-	-
Borrowings as at 31 May	24	<b>250,285</b>	254,059	<b>46,500</b>	56,840

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

## 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 12 to the financial statements. Other than as disclosed in Note 12 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 22 August 2019.

## 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 accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 2(b) to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 June 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(b) New MFRSs adopted during the financial year**

On 1 June 2018, 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 January 2018.

<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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 15 and MFRS 9 described in the following sections.

**(i) MFRS 9 *Financial Instruments***

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group assessed MFRS 9 retrospectively, with an initial application date of 1 June 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

**(a) Classification of financial assets and financial liabilities**

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

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

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

##### (i) MFRS 9 *Financial Instruments (continued)*

##### (a) Classification of financial assets and financial liabilities *(continued)*

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

##### (b) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)(b) **New MFRSs adopted during the financial year** (continued)(i) **MFRS 9 Financial Instruments** (continued)

## (b) Impairment of financial assets (continued)

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

## (c) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 June 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM'000	New under MFRS 9 RM'000
<b>Group</b>				
<b>Financial assets</b>				
Trade and other receivables, net of prepayments	L&R	AC	295,487	288,884
Investment securities	FVTPL	FVTPL	1,067	1,067
Short-term deposits with licensed banks	L&R	AC	33,259	33,259
Cash and bank balances	L&R	AC	75,259	75,259
<b>Financial liabilities</b>				
Trade and other payables	OFL	AC	157,712	157,712
Borrowings	OFL	AC	254,059	254,059

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

 (b) **New MFRSs adopted during the financial year** (continued)

 (i) MFRS 9 *Financial Instruments* (continued)

## (c) Classification and measurement (continued)

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 June 2018 (continued):

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM'000	New under MFRS 9 RM'000
<b>Company</b>				
<b>Financial assets</b>				
Trade and other receivables, net of prepayments	L&R	AC	90,109	84,539
Investment securities	FVTPL	FVTPL	161	161
Cash and bank balances	L&R	AC	10,034	10,034
<b>Financial liabilities</b>				
Trade and other payables	OFL	AC	20,150	20,150
Borrowings	OFL	AC	56,840	56,840

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 June 2018:

	Existing under MFRS 139	New under MFRS 9	
	Carrying amount as at 31 May 2018 RM'000	Remeasure- ment RM'000	Carrying amount as at 1 June 2018 RM'000
<b>Group</b>			
Trade and other receivables, net of prepayments:			
Opening balance	295,487	-	295,487
Increase in impairment loss	-	(6,603)	(6,603)
Total trade and other receivables, net of prepayments	295,487	(6,603)	288,884

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*(b) **New MFRSs adopted during the financial year** *(continued)*(i) **MFRS 9 Financial Instruments** *(continued)*(c) **Classification and measurement** *(continued)*

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 June 2018 *(continued)*:

	<b>Existing under MFRS 139</b>		<b>New under MFRS 9</b>
	<b>Carrying amount as at 31 May 2018 RM'000</b>	<b>Remeasure- ment RM'000</b>	<b>Carrying amount as at 1 June 2018 RM'000</b>
<b>Group</b> <i>(continued)</i>			
Retained earnings:			
Opening balance	135,353	-	135,353
Increase in impairment loss for - trade and other receivables	-	(6,603)	(6,603)
<b>Total retained earnings</b>	<b>135,353</b>	<b>(6,603)</b>	<b>128,750</b>
<b>Company</b>			
Trade and other receivables, net of prepayments:			
Opening balance	90,109	-	90,109
Increase in impairment loss	-	(5,570)	(5,570)
<b>Total trade and other receivables, net of prepayments</b>	<b>90,109</b>	<b>(5,570)</b>	<b>84,539</b>
Retained earnings:			
Opening balance	78,468	-	78,468
Increase in impairment loss for - trade and other receivables	-	(5,570)	(5,570)
<b>Total retained earnings</b>	<b>78,468</b>	<b>(5,570)</b>	<b>72,898</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 June 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

#### (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>
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
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

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

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

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

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

#### (i) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 May 2019 was RM100,661,000 (2018: RM102,798,000). Further details are disclosed in Note 14 to the financial statements.

#### (ii) Deferred tax assets

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

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

At the reporting date, the Group has recognised RM22,993,000 (2018: RM21,733,000) 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 15 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 12% (2018: 3%) variances in net profit for the year of the Group and 1% (2018: 1%) variances in net profit for the year of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

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

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

##### (iv) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

##### (v) Impairment of investments in subsidiaries

The Directors review the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amount of the investments in subsidiaries are assessed by reference to the value in use of the subsidiaries. The value in use is the present value of the projected future cash flows derived from the business operations of the subsidiaries discounted at an appropriate rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement has also been used to determine the discount rate for the cash flows and the future growth of the business of the subsidiaries.

### 3. REVENUE AND COST OF SALES

- (a) Revenue from sale of products and services rendered is recognised at a point in time when the products has been transferred or the services has been rendered to the customer and coincides with the delivery of products and services and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of products and services rendered.

There is no significant financing component in the revenue arising from sale of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve months.

- (b) Revenue from contracts with customers is disaggregated in Note 34 to the financial statements by geographical area.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**4. OTHER INCOME**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	<b>3,001</b>	2,808	<b>3,495</b>	3,280
Dividend income from:				
- Equity instruments (quoted in Malaysia)	<b>38</b>	17	<b>7</b>	5
- subsidiaries	-	-	<b>24,953</b>	20,293
Fair value gains on financial instruments				
- held for trading investments	-	-	<b>5</b>	14
Gain on disposal of property, plant and equipment	-	140	-	40
Gain on disposal/derecognition of subsidiaries	<b>476</b>	-	<b>2,264</b>	-
Realised gain on foreign exchange	-	30	<b>328</b>	481
Unrealised gain on foreign exchange	-	1,619	<b>642</b>	35
	<b>3,515</b>	4,614	<b>31,694</b>	24,148

**5. FINANCE COSTS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings	<b>12,474</b>	11,156	<b>2,835</b>	3,093

**6. STAFF COSTS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	<b>33,339</b>	38,137	<b>11,772</b>	12,890
Defined contribution plan and social security costs	<b>3,740</b>	4,117	<b>1,402</b>	1,411
Provision for retirement benefits (Note 25)	<b>545</b>	568	<b>240</b>	249
Other staff related expenses	<b>742</b>	680	<b>126</b>	137
	<b>38,366</b>	43,502	<b>13,540</b>	14,687

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM3,009,000 (2018: RM4,714,000) and RM2,022,000 (2018: RM2,976,000) respectively as further disclosed in Note 7 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**7. DIRECTORS' REMUNERATION**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Executive Directors</b>				
Salaries	966	2,196	780	1,680
Bonuses	1,884	2,256	1,132	1,128
Defined contribution plan	159	262	110	168
	<b>3,009</b>	4,714	<b>2,022</b>	2,976
Benefits-in-kind	33	56	33	56
	<b>3,042</b>	4,770	<b>2,055</b>	3,032
<b>Non-Executive Directors</b>				
Fees	380	700	380	460
Allowances	17	20	17	20
	<b>397</b>	720	<b>397</b>	480
Benefits-in-kind	13	3	13	-
	<b>410</b>	723	<b>410</b>	480
Total remuneration	<b>3,452</b>	5,493	<b>2,465</b>	3,512

**8. TAXATION**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:				
- Malaysian income tax	(5,841)	(6,784)	(1,165)	(925)
- Foreign income tax	(2,526)	(3,105)	-	-
	<b>(8,367)</b>	(9,889)	<b>(1,165)</b>	(925)
(Under)/Over provision in prior years:				
- Malaysian income tax	(465)	(131)	1	(111)
- Foreign income tax	4	5	-	-
	<b>(8,828)</b>	(10,015)	<b>(1,164)</b>	(1,036)
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	268	(488)	-	-
(Under)/Over provision in prior years	(600)	2	-	-
	<b>(332)</b>	(486)	-	-
Tax expense for the year	<b>(9,160)</b>	(10,501)	<b>(1,164)</b>	(1,036)

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**8. TAXATION** *(continued)*

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	<b>4,640</b>	30,576	<b>20,188</b>	15,258
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	<b>(1,114)</b>	(7,338)	<b>(4,845)</b>	(3,662)
Effects of different tax rates in other countries	<b>(701)</b>	7	-	-
Utilisation of tax incentives	<b>55</b>	76	-	-
Income not subject to tax	<b>1,055</b>	986	<b>7,715</b>	5,057
Utilisation of previously unrecognised tax losses	-	232	-	-
Expenses not deductible for tax purposes	<b>(2,988)</b>	(2,544)	<b>(2,620)</b>	(1,467)
Deferred tax assets not recognised	<b>(4,406)</b>	(1,796)	<b>(1,415)</b>	(853)
(Under)/Over provision of deferred tax in prior years	<b>(600)</b>	2	-	-
(Under)/Over provision of tax expense in prior years	<b>(461)</b>	(126)	<b>1</b>	(111)
	<b>(9,160)</b>	(10,501)	<b>(1,164)</b>	(1,036)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Utilisation of previously unrecognised tax losses	-	232	-	-
Utilisation of tax incentives	<b>55</b>	76	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**8. TAXATION** *(continued)*

(e) Tax on each component of other comprehensive income is as follows:

	<b>Before tax RM'000</b>	<b>Group Tax effect RM'000</b>	<b>After tax RM'000</b>
<b>2019</b>			
<b>Item to be reclassified subsequently to profit or loss</b>			
Foreign currency translation	<b>6,589</b>	-	<b>6,589</b>
<b>Item not to be reclassified subsequently to profit or loss</b>			
Re-measurement of defined benefit liability	<b>56</b>	-	<b>56</b>
	<b>6,645</b>	-	<b>6,645</b>
<b>2018</b>			
<b>Item to be reclassified subsequently to profit or loss</b>			
Foreign currency translation	(14,218)	-	(14,218)
<b>Item not to be reclassified subsequently to profit or loss</b>			
Re-measurement of defined benefit liability	(29)	-	(29)
	(14,247)	-	(14,247)

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**9. (LOSS)/EARNINGS PER SHARE**

(Loss)/Earnings per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company of RM3,332,000 (2018: profit of RM19,093,000) by the weighted average number of ordinary shares in issue during the financial year of 185,131,773 shares (2018: 190,057,978 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.

**10. DIVIDENDS**

	Amount		Dividends per ordinary share	
	2019 RM'000	2018 RM'000	2019 sen	2018 sen
Final single-tier dividend in respect of the financial year ended 31 May 2018, paid on 6 December 2018 (2018: final single-tier dividend in respect of the financial year ended 31 May 2017, paid on 6 December 2017)	3,721	3,838	2.0	2.0
Interim single-tier dividend in respect of the financial year ended 31 May 2019, paid on 24 May 2019	1,816	-	1.0	-
	<b>5,537</b>	3,838	<b>3.0</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 1.0 sen per share in respect of the financial year ended 31 May 2019.

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 2020.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**11. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Leasehold land RM'000</b>	<b>Leasehold buildings RM'000</b>	<b>Vessel and equipment RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Capital work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>									
As at 1 June 2017	32,832	33,780	77,913	153,033	2,107	9,690	7,461	167	316,983
Additions	-	116	-	1,336	211	164	221	118	2,166
Disposals	-	-	-	(215)	(23)	(86)	(994)	-	(1,318)
Reclassification	-	4	-	-	-	-	150	(154)	-
Exchange differences	(622)	(1,268)	-	(4,335)	(44)	(76)	(111)	(1)	(6,457)
As at 31 May 2018	32,210	32,632	77,913	149,819	2,251	9,692	6,727	130	311,374
As at 1 June 2018	32,210	32,632	77,913	149,819	2,251	9,692	6,727	130	311,374
Additions	-	38	-	1,922	865	1,612	2,600	5,199	12,236
Disposals	-	(15)	(93)	(2,204)	(297)	(319)	(1,412)	-	(4,340)
Disposal/ Derecognition of subsidiaries	-	-	-	-	(213)	(52)	(1,059)	-	(1,324)
Exchange differences	120	244	-	920	21	38	35	-	1,378
<b>As at 31 May 2019</b>	<b>32,330</b>	<b>32,899</b>	<b>77,820</b>	<b>150,457</b>	<b>2,627</b>	<b>10,971</b>	<b>6,891</b>	<b>5,329</b>	<b>319,324</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

<b>Group</b>	<b>Leasehold land RM'000</b>	<b>Leasehold buildings RM'000</b>	<b>Vessel and equipment RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Capital work-in-progress RM'000</b>	<b>Total RM'000</b>
<b>Accumulated depreciation and impairment loss</b>									
As at 1 June 2017	6,078	14,953	1,301	120,715	1,673	8,814	3,743	-	157,277
Charge for the year	322	1,199	3,903	4,606	51	279	970	-	11,330
Disposals	-	-	-	(202)	(23)	(85)	(880)	-	(1,190)
Exchange differences	-	(205)	-	(1,850)	(38)	(71)	(76)	-	(2,240)
As at 31 May 2018	6,400	15,947	5,204	123,269	1,663	8,937	3,757	-	165,177
As at 1 June 2018	6,400	15,947	5,204	123,269	1,663	8,937	3,757	-	165,177
Charge for the year	324	1,114	3,899	3,755	150	326	855	-	10,423
Disposals	-	(7)	-	(2,192)	(296)	(318)	(963)	-	(3,776)
Disposal/ Derecognition of subsidiaries	-	-	-	-	(58)	(18)	(423)	-	(499)
Exchange differences	-	57	-	518	20	36	28	-	659
<b>As at 31 May 2019</b>	<b>6,724</b>	<b>17,111</b>	<b>9,103</b>	<b>125,350</b>	<b>1,479</b>	<b>8,963</b>	<b>3,254</b>	<b>-</b>	<b>171,984</b>
<b>Carrying amount</b>									
As at 31 May 2018	25,810	16,685	72,709	26,550	588	755	2,970	130	146,197
<b>As at 31 May 2019</b>	<b>25,606</b>	<b>15,788</b>	<b>68,717</b>	<b>25,107</b>	<b>1,148</b>	<b>2,008</b>	<b>3,637</b>	<b>5,329</b>	<b>147,340</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

<b>Company</b>	<b>Leasehold land RM'000</b>	<b>Leasehold buildings RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Capital work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>								
As at 1 June 2017	15,045	16,225	100,820	827	4,046	3,069	4	140,036
Additions	-	76	641	204	59	2	-	982
Reclassification	-	4	-	-	-	-	(4)	-
Disposals	-	-	(92)	(22)	(50)	(670)	-	(834)
<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>-</b>	<b>140,184</b>
As at 1 June 2018	15,045	16,305	101,369	1,009	4,055	2,401	-	140,184
Additions	-	-	695	82	143	1,491	-	2,411
Disposals	-	(11)	(45)	(74)	(149)	(866)	-	(1,145)
<b>As at 31 May 2019</b>	<b>15,045</b>	<b>16,294</b>	<b>102,019</b>	<b>1,017</b>	<b>4,049</b>	<b>3,026</b>	<b>-</b>	<b>141,450</b>
<b>Accumulated depreciation and impairment loss</b>								
As at 1 June 2017	3,732	9,538	94,163	754	3,622	1,437	-	113,246
Charge for the year	126	422	1,386	14	122	321	-	2,391
Disposals	-	-	(79)	(23)	(50)	(610)	-	(762)
<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>-</b>	<b>114,875</b>
As at 1 June 2018	3,858	9,960	95,470	745	3,694	1,148	-	114,875
Charge for the year	126	422	1,269	39	124	351	-	2,331
Disposals	-	(4)	(42)	(73)	(149)	(594)	-	(862)
<b>As at 31 May 2019</b>	<b>3,984</b>	<b>10,378</b>	<b>96,697</b>	<b>711</b>	<b>3,669</b>	<b>905</b>	<b>-</b>	<b>116,344</b>
<b>Carrying amount</b>								
As at 31 May 2018	11,187	6,345	5,899	264	361	1,253	-	25,309
<b>As at 31 May 2019</b>	<b>11,061</b>	<b>5,916</b>	<b>5,322</b>	<b>306</b>	<b>380</b>	<b>2,121</b>	<b>-</b>	<b>25,106</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**11. 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 - 33.3
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) The Group's vessel with carrying amount of RM68,605,000 (2018: RM72,582,000) have been charged as security for borrowings (Note 24).

**12. INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares - at cost	<b>206,702</b>	213,078
Accumulated impairment losses	<b>(25,200)</b>	(25,200)
	<b>181,502</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.

All components of non-controlling interests shall be initially measured at fair value on the acquisition date, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**12. INVESTMENTS IN SUBSIDIARIES** *(continued)*

(b) Details of subsidiaries

Name of Company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2019 %	2018 %
<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
Fermpro Sdn. Bhd.	Malaysia	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.	100	100
Kumpulan Kesuma Sdn. Bhd.	Malaysia	Manufacture and marketing of sealants and adhesive products.	100	100
Wedon Sdn. Bhd.	Malaysia	Marketing of sealants and adhesive products.	100	100
Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	Manufacture and sale of phosphoric acid.	100	100
Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	Manufacture and sale of chemicals.	51	51
CKG Chemicals Pte. Ltd.***	Singapore	Trading and distribution of industrial chemicals and gasoline blending components.	100	100

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**12. INVESTMENTS IN SUBSIDIARIES** (continued)

(b) Details of subsidiaries (continued)

Name of Company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2019 %	2018 %
<b>Direct subsidiaries</b> (continued)				
NYL Logistics Sdn. Bhd.	Malaysia	Provision of transport, cartage and haulage contractors and agencies services.	-	60
<b>Subsidiaries of Perusahaan Kimia Gemilang Sdn. Bhd.</b>				
Dynamic Chemical Pte. Ltd.***	Singapore	Blending, trading and distribution of industrial chemicals.	100	90
Perusahaan Kimia Gemilang (Vietnam) Company Ltd.***	Vietnam	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.	100	100
PT PKG Lautan Indonesia**	Indonesia	Importation and distribution of industrial chemicals.	51	51
Ancom Kimia Sdn. Bhd.	Malaysia	Distribution of petrochemicals and industrial chemicals.	-	60
ALB Marine Sdn. Bhd.	Malaysia	Carrying out business of ship owning, ship management and charter hire of tanker.	100	100

\* Equals to the proportion of voting rights held.

\*\* The financial statements of these subsidiaries are audited by member firms of BDO PLT.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**12. 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.

For the previous financial year, the non-controlling interests in respect of Dynamic Chemical Pte. Ltd. ("DYM") was not material to the Group.

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

	<b>PKI</b> <b>RM'000</b>	<b>SPM</b> <b>RM'000</b>	<b>AKM</b> <b>RM'000</b>	<b>NYL</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2019</b>					
Non-current assets	1,332	41	-	-	1,373
Current assets	37,802	4,937	-	-	42,739
Total assets	39,134	4,978	-	-	44,112
Current liabilities	20,835	169	-	-	21,004
Non-current liabilities	217	-	-	-	217
Total liabilities	21,052	169	-	-	21,221
Net assets	<b>18,082</b>	<b>4,809</b>	<b>-</b>	<b>-</b>	<b>22,891</b>
Equity attributable to:					
Owners of the parent	9,222	2,453	-	-	11,675
Non-controlling interests	8,860	2,356	-	-	11,216
	<b>18,082</b>	<b>4,809</b>	<b>-</b>	<b>-</b>	<b>22,891</b>
<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	20,353	4,540	2,816	3,971	31,680
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
	20,353	4,540	2,816	3,971	31,680

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

	<b>PKI RM'000</b>	<b>SPM RM'000</b>	<b>AKM RM'000</b>	<b>NYL RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
Revenue	<b>87,438</b>	<b>2,908</b>	<b>79,115</b>	<b>698</b>	<b>170,159</b>
Net (loss)/profit for the year	<b>(3,395)</b>	<b>268</b>	<b>720</b>	<b>120</b>	<b>(2,287)</b>
Net (loss)/profit attributable to:					
Owners of the parent	(1,732)	137	432	72	(1,091)
Non-controlling interests	(1,663)	131	288	48	(1,196)
	<b>(3,395)</b>	<b>268</b>	<b>720</b>	<b>120</b>	<b>(2,287)</b>
<b>2018</b>					
Revenue	67,290	2,303	145,673	9,999	225,265
Net profit/(loss) for the year	46	(32)	639	1,673	2,326
Net profit/(loss) attributable to:					
Owners of the parent	23	(16)	383	1,004	1,394
Non-controlling interests	23	(16)	256	669	932
	46	(32)	639	1,673	2,326
Dividends paid to non-controlling interests	-	-	-	720	720

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**12. INVESTMENTS IN SUBSIDIARIES** *(continued)*

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

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

	<b>PKI RM'000</b>	<b>SPM RM'000</b>	<b>AKM RM'000</b>	<b>NYL RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
Net (loss)/profit for the year	(3,395)	268	720	120	(2,287)
Other comprehensive income attributable to:					
Owners of the parent	573	-	-	-	573
Non-controlling interests	551	-	-	-	551
Other comprehensive income, net of tax	1,124	-	-	-	1,124
Total comprehensive (loss)/income for the year	<b>(2,271)</b>	<b>268</b>	<b>720</b>	<b>120</b>	<b>(1,163)</b>
Total comprehensive (loss)/income attributable to:					
Owners of the parent	(1,159)	137	432	72	(518)
Non-controlling interests	(1,112)	131	288	48	(645)
	<b>(2,271)</b>	<b>268</b>	<b>720</b>	<b>120</b>	<b>(1,163)</b>
<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	(1,596)	(32)	639	1,673	684
Total comprehensive (loss)/income attributable to:					
Owners of the parent	(814)	(16)	383	1,004	557
Non-controlling interests	(782)	(16)	256	669	127
	(1,596)	(32)	639	1,673	684

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**12. INVESTMENTS IN SUBSIDIARIES** *(continued)*(c) Financial information of subsidiaries with non-controlling interests *(continued)*(iv) **Summarised statements of cash flows**

	<b>PKI RM'000</b>	<b>SPM RM'000</b>	<b>AKM RM'000</b>	<b>NYL RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
Net cash flows from operating activities	9,604	131	-	-	9,735
Net cash flows from investing activities	32	108	-	-	140
Net cash flows used in financing activities	(3,921)	-	-	-	(3,921)
Net increase in cash and cash equivalents	5,715	239	-	-	5,954
Cash and cash equivalents at beginning of year	4,099	3,559	-	-	7,658
Effects of exchange rate changes	302	10	-	-	312
	4,401	3,569	-	-	7,970
Cash and cash equivalents at end of year	<b>10,116</b>	<b>3,808</b>	<b>-</b>	<b>-</b>	<b>13,924</b>
<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	4,099	3,559	1,941	2,814	12,413

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

### 12. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Disposal of a subsidiary – NYL Logistics Sdn. Bhd. ("NYL")

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, 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.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the disposal were as follows:

	RM'000
Property, plant and equipment	824
Trade and other receivables	1,874
Cash and bank balances	2,453
Trade and other payables	(1,060)
Net assets disposed	4,091
Non-controlling interests at the date of disposal	(1,636)
Goodwill (Note 14)	4,762
	7,217
Proceeds from disposal	(8,640)
Gain on disposal of subsidiary	(1,423)
<u>Cash inflow on disposal:</u>	
Sales proceeds from disposal	8,640
Cash and bank balances of subsidiaries disposed	(2,453)
Fixed deposits with maturity of more than three months	496
Net cash inflow on disposal	6,683

(e) 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.

(f) Derecognition of a subsidiary – Ancom Kimia Sdn. Bhd. ("AKM")

On 25 October 2018, PKG entered into a Share Sale Agreement with Retromark Solutions Sdn. Bhd. ("the Purchaser") for the disposal of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM, a 60% owned subsidiary of PKG, to the Purchaser for a total consideration of RM1,000,000 ("Proposed Disposal"). Upon completion of the Proposed Disposal on 30 November 2018, AKM ceased to be a subsidiary and became an associate of PKG on the same date.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**12. INVESTMENTS IN SUBSIDIARIES** *(continued)*

- (f) Derecognition of a subsidiary – Ancom Kimia Sdn. Bhd. ("AKM")
- (continued)*

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the derecognition were as follows:

	<b>RM'000</b>
Property, plant and equipment	1
Trade and other receivables	12,719
Investment securities	184
Income tax recoverable	197
Cash and bank balances	5,779
Deferred tax liabilities	(3)
Trade and other payables	(15,341)
Net assets disposed	3,536
Non-controlling interests at the date of disposal	(1,865)
Goodwill (Note 14)	1,276
	2,947
Fair value of interests retained	(1,000)
Proceeds from derecognition	(1,000)
Loss on derecognition of subsidiary	947
<u>Cash outflow on derecognition:</u>	
Sales proceeds from derecognition	1,000
Cash and bank balances of subsidiaries derecognised	(5,779)
Net cash outflow on derecognition	(4,779)

**13. INVESTMENTS IN ASSOCIATES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Unquoted shares, at cost	<b>3,650</b>	400	<b>400</b>	400
Share of post-acquisition reserves, net of dividends received	<b>(71)</b>	173	-	-
	<b>3,579</b>	573	<b>400</b>	400

- (a) Investments in associates are measured at cost in the separate financial statements and accounted for using the equity method in the consolidated financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**13. INVESTMENTS IN ASSOCIATES** *(continued)*

(b) Details of associates

Name of Company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group	
			2019 %	2018 %
One Chem Terminal Sdn. Bhd.*	Malaysia	To operate, lease and manage chemical tank farm and warehouse.	40	40
Retromark Solutions Sdn. Bhd.	Malaysia	Marketing, promoting, distribution and supporting petrochemical and petroleum related products including industrial chemicals.	30	-
Ancom Kimia Sdn. Bhd.	Malaysia	Distribution of petrochemicals and industrial chemicals.	39	-
DJ Money Matters Sdn. Bhd.*	Malaysia	Money lending business.	25	-

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

- (c) One Chem Terminal Sdn. Bhd. ("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 2019 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.
- (d) On 24 October 2018, a wholly-owned subsidiary of the Company, Nycon Manufacturing Sdn. Bhd. ("Nycon") has acquired 30 shares in Retromark Solutions Sdn. Bhd. ("RSSB"), representing 30% equity interest in RSSB, for a cash consideration of RM1,249,930. As a result, RSSB became an associate of Nycon on the same date.
- (e) On 25 October 2018, PKG entered into a Share Sale Agreement with Retromark Solutions Sdn. Bhd. ("the Purchaser") for the disposal of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM, a 60% owned subsidiary of PKG, to the Purchaser for a total consideration of RM1,000,000 ("Proposed Disposal"). Upon completion of the Proposed Disposal on 30 November 2018, AKM ceased to be a subsidiary and became an associate of PKG.
- (f) During the financial year, a wholly-owned subsidiary of the Company, PKG has acquired 500,000 shares in DJ Money Matters Sdn. Bhd. ("DJ Money"), representing 25% equity interest in DJ Money, for a cash consideration of RM1,000,000. As a result, DJ Money became an associate of PKG.
- (g) The summarised financial information of the associates are not disclosed as it is immaterial to the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**14. GOODWILL ARISING ON CONSOLIDATION**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 June 2018/2017	<b>102,798</b>	108,348
Disposal of subsidiary (Note 12)	<b>(4,762)</b>	-
Derecognition of subsidiary (Note 12)	<b>(1,276)</b>	-
Exchange differences	<b>3,901</b>	(5,550)
As at 31 May	<b>100,661</b>	102,798

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:

	<b>Polymer</b>	<b>Industrial</b>	<b>Logistics</b>	<b>Total</b>
	<b>RM'000</b>	<b>chemical</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>31 May 2019</b>	<b>96</b>	<b>100,565</b>	<b>-</b>	<b>100,661</b>
31 May 2018	93	97,943	4,762	102,798

## (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 4.7% (2018: 4.9%) and average growth rates of 3.5% (2018: 3.7%).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

### 14. GOODWILL ARISING ON CONSOLIDATION *(continued)*

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

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

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

(c) Sensitivity to changes in assumptions

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

For the 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**15. DEFERRED TAX**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As at 1 June 2018/2017	<b>(23,661)</b>	(24,283)	<b>(23,261)</b>	(23,261)
Recognised in profit or loss (Note 8)	<b>332</b>	486	-	-
Exchange differences	<b>(58)</b>	136	-	-
Disposal of a subsidiary	<b>(3)</b>	-	-	-
As at 31 May	<b>(23,390)</b>	(23,661)	<b>(23,261)</b>	(23,261)
<i>Presented after appropriate offsetting as follows:</i>				
Deferred tax assets	<b>(25,770)</b>	(25,066)	<b>(23,261)</b>	(23,261)
Deferred tax liabilities	<b>2,380</b>	1,405	-	-
	<b>(23,390)</b>	(23,661)	<b>(23,261)</b>	(23,261)

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 2018	2,779	(1,374)	1,405
Recognised in profit or loss	128	847	975
Exchange differences	(12)	12	-
<b>As at 31 May 2019</b>	<b>2,895</b>	<b>(515)</b>	<b>2,380</b>
As at 1 June 2017	2,922	(1,615)	1,307
Recognised in profit or loss	(197)	295	98
Exchange differences	54	(54)	-
As at 31 May 2018	2,779	(1,374)	1,405
<b>Company</b>			
As at 1 June 2018	1,494	(1,494)	-
Recognised in profit or loss	(61)	61	-
<b>As at 31 May 2019</b>	<b>1,433</b>	<b>(1,433)</b>	<b>-</b>
As at 1 June 2017	1,628	(1,628)	-
Recognised in profit or loss	(134)	134	-
As at 31 May 2018	1,494	(1,494)	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**15. 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 2018	(1,139)	(3,568)	(21,733)	1,374	(25,066)
Recognised in profit or loss	16	1,420	(1,232)	(847)	(643)
Exchange differences	(14)	(4)	(28)	(12)	(58)
Disposal of a subsidiary	-	(3)	-	-	(3)
<b>As at 31 May 2019</b>	<b>(1,137)</b>	<b>(2,155)</b>	<b>(22,993)</b>	<b>515</b>	<b>(25,770)</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
As at 31 May 2018	(1,139)	(3,568)	(21,733)	1,374	(25,066)
<b>Company</b>					
As at 1 June 2018	(707)	(2,456)	(21,592)	1,494	(23,261)
Recognised in profit or loss	(11)	280	(208)	(61)	-
<b>As at 31 May 2019</b>	<b>(718)</b>	<b>(2,176)</b>	<b>(21,800)</b>	<b>1,433</b>	<b>(23,261)</b>
As at 1 June 2017	(657)	(1,914)	(22,318)	1,628	(23,261)
Recognised in profit or loss	(50)	(542)	726	(134)	-
As at 31 May 2018	(707)	(2,456)	(21,592)	1,494	(23,261)

Unrecognised tax losses

At the reporting date, the Group and the Company has tax losses of approximately RM88,007,000 (2018: RM69,649,000) and RM18,599,000 (2018: RM12,703,000) 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 2019

**16. INVENTORIES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Cost</b>				
Finished goods	<b>44,549</b>	30,234	-	-
Work-in-progress	<b>3,407</b>	3,915	<b>3,350</b>	3,037
Raw materials and consumable stores	<b>18,971</b>	9,889	<b>4,666</b>	5
Inventory-in-transit	<b>100</b>	3,259	-	-
	<b>67,027</b>	47,297	<b>8,016</b>	3,042
<b>Net realisable value</b>				
Finished goods	<b>57,894</b>	30,898	<b>2,945</b>	4,726
Raw materials and consumable stores	<b>5,597</b>	12,168	-	3,557
	<b>63,491</b>	43,066	<b>2,945</b>	8,283
	<b>130,518</b>	90,363	<b>10,961</b>	11,325

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 RM1,390,248,000 (2018: RM1,240,535,000) and RM31,413,000 (2018: RM38,243,000) respectively.

The Group and the Company also write down inventories to net realisable value by RM422,000 (2018: RM844,000) and RM96,000 (2018: RM135,000) respectively.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**17. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Trade receivables</b>				
Third parties	<b>184,133</b>	251,417	<b>8,559</b>	10,860
Related companies	<b>81</b>	358	-	-
	<b>184,214</b>	251,775	<b>8,559</b>	10,860
Less: Impairment loss	<b>(4,519)</b>	(5,696)	<b>(247)</b>	(119)
	<b>179,695</b>	246,079	<b>8,312</b>	10,741
<b>Other receivables</b>				
Amounts due from related companies	<b>1,551</b>	328	<b>57</b>	128
Amounts due from associates	<b>4,027</b>	2,678	<b>2,931</b>	2,678
Amounts due from subsidiaries	-	-	<b>39,244</b>	35,234
Amount due from holding company	<b>21,914</b>	20,472	<b>21,914</b>	20,481
Sundry receivables	<b>3,445</b>	6,648	<b>467</b>	300
Deposits	<b>22,455</b>	19,282	<b>20,557</b>	20,547
Prepayments	<b>14,151</b>	8,490	<b>628</b>	224
	<b>67,543</b>	57,898	<b>85,798</b>	79,592
Less: Impairment loss	<b>(5,247)</b>	-	<b>(5,610)</b>	-
	<b>62,296</b>	57,898	<b>80,188</b>	79,592
	<b>241,991</b>	303,977	<b>88,500</b>	90,333
Trade and other receivables	<b>241,991</b>	303,977	<b>88,500</b>	90,333
Less: prepayments	<b>(14,151)</b>	(8,490)	<b>(628)</b>	(224)
Add: Short-term deposits with licensed banks (Note 19)	<b>17,960</b>	33,259	-	-
Add: Cash and bank balances (Note 19)	<b>50,107</b>	75,259	<b>8,045</b>	10,034
Total financial assets, measured at amortised cost	<b>295,907</b>	404,005	<b>95,917</b>	100,143

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**17. TRADE AND OTHER RECEIVABLES** (continued)

## (a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 90 days (2018: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Impairment for trade receivables that do not contain significant financing component are recognised based on the simplified approach using the lifetime expected credit losses. The Group uses an allowance matrix to measure the expected credit loss of trade receivables. Expected loss rates are calculated using the roll rate method.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

	Group			Company		
	Gross carrying amount RM'000	Lifetime expected loss RM'000	Carrying amount RM'000	Gross carrying amount RM'000	Lifetime expected loss RM'000	Carrying amount RM'000
Current	151,400	(201)	<b>151,199</b>	6,098	-	<b>6,098</b>
Past due						
1 to 30 days	19,826	(229)	<b>19,597</b>	1,734	-	<b>1,734</b>
31 to 60 days	7,760	(193)	<b>7,567</b>	449	-	<b>449</b>
61 to 90 days	1,050	(193)	<b>857</b>	13	-	<b>13</b>
91 to 120 days	574	(107)	<b>467</b>	-	-	<b>-</b>
More than 120 days	455	(447)	<b>8</b>	18	-	<b>18</b>
	29,665	(1,169)	<b>28,496</b>	2,214	-	<b>2,214</b>
Past due and impaired	3,149	(3,149)	<b>-</b>	247	(247)	<b>-</b>
	184,214	(4,519)	<b>179,695</b>	8,559	(247)	<b>8,312</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**17. TRADE AND OTHER RECEIVABLES (continued)**

## (a) Trade receivables (continued)

The ageing analysis of the trade receivables as at 31 May 2018 is as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Neither past due nor impaired	200,986	6,296
Past due but not impaired		
1 to 30 days	32,122	2,945
31 to 60 days	11,523	920
61 to 90 days	1,441	311
91 to 120 days	-	235
More than 120 days	-	34
	45,086	4,445
Past due and impaired	5,703	119
	251,775	10,860

The movement in impairment loss of trade receivables is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
As at 1 June 2018/2017 under MFRS 139	<b>5,696</b>	4,987	<b>119</b>	482
Impairment from adoption of MFRS 9	<b>1,370</b>	-	-	-
Opening impairment loss in accordance with MFRS 9	<b>7,066</b>	4,987	<b>119</b>	482
(Write-back)/Impairment loss for the year	<b>(1,540)</b>	778	<b>128</b>	(328)
Written off	<b>(1,039)</b>	(35)	-	(35)
Exchange differences	<b>32</b>	(34)	-	-
As at 31 May	<b>4,519</b>	5,696	<b>247</b>	119

## (b) Other receivables

Related companies refer to companies within the Ancom Berhad group.

The amounts due from related companies, associates, 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 advances to holding company, subsidiaries and associates are unsecured, repayable within next twelve months in cash and cash equivalents and bore interest at rates ranging from 5.2% to 7.5% (2018: 5.2% to 7.5%) per annum at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**17. TRADE AND OTHER RECEIVABLES** (continued)

## (b) Other receivables (continued)

Impairment for receivables and related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The movement in impairment loss of other receivables is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Lifetime ECL</b>				
As at 1 June 2018/2017 under MFRS 139	-	-	-	-
Impairment from adoption of MFRS 9	<b>5,233</b>	-	<b>5,570</b>	-
Opening impairment loss in accordance with MFRS 9	<b>5,233</b>	-	<b>5,570</b>	-
Impairment loss for the year	<b>14</b>	-	<b>40</b>	-
As at 31 May	<b>5,247</b>	-	<b>5,610</b>	-

**18. 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 2019</b>				
<b>Current</b>				
<i>Held for trading</i>				
Equity instrument (quoted in Malaysia)	<b>662</b>	<b>662</b>	<b>166</b>	<b>166</b>
<b>As at 31 May 2018</b>				
<b>Current</b>				
<i>Held for trading</i>				
Equity instrument (quoted in Malaysia)	1,067	1,067	161	161

Investment securities are classified as financial assets measured at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**19. CASH AND CASH EQUIVALENTS**

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term deposits with licensed banks (Note 17)	<b>17,960</b>	33,259	-	-
Cash and bank balances (Note 17)	<b>50,107</b>	75,259	<b>8,045</b>	10,034
	<b>68,067</b>	108,518	<b>8,045</b>	10,034
Short-term deposit pledged with a licensed bank	-	(5,966)	-	-
Short-term deposits with maturity of more than three months	<b>(2,084)</b>	(3,514)	-	-
	<b>65,983</b>	99,038	<b>8,045</b>	10,034

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 3.9% (2018: 3.2%) per annum.

In previous financial year, short-term deposit pledged with a licensed bank is for bank facilities granted to a subsidiary as disclosed in Note 24 to the financial statements.

No expected credit losses were recognised on the deposits with financial institutions because the probabilities of default by these financial institutions were negligible.

**20. SHARE CAPITAL**

	Group/Company			
	Number of ordinary shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
<b>Issued and fully paid:</b>				
As at 1 June 2018/2017	<b>194,338</b>	194,338	<b>195,143</b>	194,338
Transfer from share premium account pursuant to the Companies Act 2016	-	-	-	805
As at 31 May	<b>194,338</b>	194,338	<b>195,143</b>	195,143

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 2019

**20. SHARE CAPITAL** *(continued)*

Of the total 194,337,860 (2018: 194,337,860) issued and paid-up ordinary shares as at 31 May 2019, 14,689,324 (2018: 6,781,024) shares are held as treasury shares by the Company (Note 23). Consequently, as at 31 May 2019, the number of ordinary shares in issue after deduction of the treasury shares is 179,648,536 (2018: 187,556,836) 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 was no impact on the number of ordinary shares in issued or the relative entitlement of any shareholder as a result of this transfer.

**21. RESERVES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-distributable</b>				
Translation reserves	<b>24,805</b>	18,612	-	-

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.

**22. 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.

**23. TREASURY SHARES**

	Group/Company			
	Number of ordinary shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
As at 1 June 2018/2017	<b>6,781</b>	2,437	<b>4,883</b>	1,386
Purchase of treasury shares	<b>7,908</b>	4,344	<b>5,179</b>	3,497
As at 31 May	<b>14,689</b>	6,781	<b>10,062</b>	4,883

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**23. TREASURY SHARES (continued)**

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

Month	Number of Shares	Cost RM	Purchase price per share		
			Highest RM	Lowest RM	Average RM
June 2018	91,600	57,549	0.6400	0.6100	0.6235
July 2018	40,000	25,050	0.6300	0.6150	0.6220
September 2018	288,000	192,302	0.6750	0.6250	0.6646
October 2018	857,500	583,248	0.7200	0.5800	0.6772
November 2018	457,300	309,276	0.7000	0.6350	0.6731
December 2018	555,400	344,044	0.6700	0.5800	0.6165
January 2019	2,032,400	1,340,586	0.7000	0.6000	0.6569
February 2019	428,800	292,579	0.7000	0.6350	0.6790
March 2019	463,900	307,776	0.6850	0.6500	0.6600
April 2019	364,200	237,659	0.6900	0.6300	0.6492
May 2019	2,329,200	1,489,439	0.6600	0.6100	0.6366
	<b>7,908,300</b>	<b>5,179,508</b>			

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

**24. BORROWINGS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Short-term borrowings</b>				
<i>Secured</i>				
Trust receipts	<b>10,116</b>	33,595	-	-
Term loans	<b>5,029</b>	10,878	-	-
<i>Unsecured</i>				
Short-term loans	<b>196,582</b>	168,218	<b>46,500</b>	56,840
	<b>211,727</b>	212,691	<b>46,500</b>	56,840
<b>Long-term borrowings</b>				
<i>Secured</i>				
Term loans	<b>38,558</b>	41,368	-	-
	<b>250,285</b>	254,059	<b>46,500</b>	56,840
<i>Maturity of borrowings</i>				
On demand or within one year	<b>214,122</b>	212,691	<b>46,500</b>	56,840
One to five years	<b>26,778</b>	26,061	-	-
More than five years	<b>18,702</b>	23,600	-	-
Total undiscounted borrowings	<b>259,602</b>	262,352	<b>46,500</b>	56,840

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**24. BORROWINGS** (continued)

The borrowings bore interest at rates ranging from 3.4% to 6.3% (2018: 3.3% to 5.8%) per annum at the reporting date.

The secured term loans and trust receipts 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 as disclosed in Note 11(c) to the financial statements.

In the previous financial year, the secured term loans and trust receipts were 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 11(c) and Note 19 to the financial statements respectively.

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

**25. PROVISION FOR RETIREMENT BENEFITS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As at 1 June 2018/2017	<b>4,672</b>	4,221	<b>2,945</b>	2,736
Benefits paid	<b>(471)</b>	(2)	<b>(195)</b>	(40)
Expense recognised in profit or loss (Note 6)	<b>545</b>	568	<b>240</b>	249
Actuarial (gain)/loss from re-measurement	<b>(56)</b>	29	-	-
Exchange fluctuation	<b>(24)</b>	(144)	-	-
As at 31 May	<b>4,666</b>	4,672	<b>2,990</b>	2,945

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.

**26. TRADE AND OTHER PAYABLES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Trade payables</b>				
Third parties	<b>87,293</b>	126,550	<b>5,347</b>	5,744
Related companies	<b>1,666</b>	1,060	-	-
Associates	<b>8,058</b>	-	-	-
	<b>97,017</b>	127,610	<b>5,347</b>	5,744
<b>Other payables</b>				
Amounts due to related companies	<b>2</b>	3	<b>2</b>	3
Amounts due to subsidiaries	-	-	<b>320</b>	369
Other payables	<b>11,739</b>	17,120	<b>4,000</b>	5,619
Accruals	<b>12,411</b>	12,979	<b>7,563</b>	8,415
	<b>24,152</b>	30,102	<b>11,885</b>	14,406
	<b>121,169</b>	157,712	<b>17,232</b>	20,150

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**26. TRADE AND OTHER PAYABLES (continued)**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade and other payables	<b>121,169</b>	157,712	<b>17,232</b>	20,150
Borrowings (Note 24)	<b>250,285</b>	254,059	<b>46,500</b>	56,840
Total financial liabilities, measured at amortised cost	<b>371,454</b>	411,771	<b>63,732</b>	76,990

**(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2018: 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.

(c) Maturity profile of trade and other payables of the Group and of the Company at the end of the reporting period is based on contractual undiscounted repayment obligations and is repayable on demand or within twelve months.

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

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>Approved and contracted</i>				
Property, plant and equipment	<b>1,385</b>	221	<b>169</b>	214
<i>Approved but not contracted</i>				
Property, plant and equipment	<b>3</b>	118	<b>3</b>	118
	<b>1,388</b>	339	<b>172</b>	332

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**27. COMMITMENTS** (continued)(b) **Operating lease commitments - as lessee**

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

	<b>Group</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Within one year	<b>16,341</b>	3,881
One to five years	<b>21,452</b>	1,198
More than five years	<b>975</b>	963
	<b>38,768</b>	6,042

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:

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Unsecured				
Corporate guarantees given to financial institutions in respect of credit facilities guarantee	-	-	<b>125,210</b>	119,449
Guarantees given by financial institutions in respect of third parties	<b>37,491</b>	20,386	<b>1,693</b>	1,649

The Group designates corporate guarantees given to financial institutions for credit facilities granted to certain subsidiaries and associate as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**28. CONTINGENT LIABILITIES**

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

**29. 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	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>Sales to related companies and an associate</i>	(i)				
Ancom Crop Care Sdn. Bhd.		<b>551</b>	500	<b>61</b>	35
Timber Preservatives Sdn. Bhd.		-	14	-	14
Ancom Kimia Sdn. Bhd.		<b>3,579</b>	2,244	-	-
<i>Purchases from a subsidiary and associates</i>	(i)				
Perusahaan Kimia Gemilang Sdn. Bhd.		-	-	<b>1,842</b>	2,286
Ancom Kimia Sdn. Bhd.		<b>101,850</b>	88,475	-	-
Retromark Solutions Sdn. Bhd.		<b>39,976</b>	-	-	-
<i>Freight/transport charges paid to a related company</i>	(i)				
Pengangkutan Cogent Sdn. Bhd.		<b>5,077</b>	3,209	-	-
<i>Pest control service paid to a related company</i>	(i)				
Entopest Environmental Services Sdn. Bhd.		<b>11</b>	11	<b>11</b>	11
<i>Storage rental income from an associate</i>	(i)				
One Chem Terminal Sdn. Bhd.		<b>97</b>	-	-	-
<i>Storage rental paid to a related company</i>	(i)				
Ancom-ChemQuest Terminals Sdn. Bhd.		<b>4,771</b>	4,542	-	-
<i>IT hardware paid to a related company</i>	(i)				
MSTI Corporation Sdn. Bhd.		<b>110</b>	-	<b>110</b>	-
<i>Office rental paid to holding company</i>	(i)				
Ancom Berhad		<b>16</b>	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>Interest income from holding company, subsidiaries and an associate</i>	(ii)				
Ancom Berhad		<b>1,615</b>	1,486	<b>1,615</b>	1,486
CKG Chemicals Pte. Ltd.		-	-	<b>488</b>	460
ALB Marine Sdn. Bhd.		-	-	<b>1,044</b>	1,028
One Chem Terminal Sdn. Bhd.		<b>157</b>	94	<b>157</b>	94
<i>Interest expenses to a subsidiary</i>	(iii)				
Perusahaan Kimia Gemilang Sdn. Bhd.		-	-	-	154
<i>Bulk sponsorship and advertisement expenses paid to related parties</i>	(iv)				
Malay Mail Sdn. Bhd.		<b>633</b>	2,082	<b>86</b>	176
Redberry Sdn. Bhd.		<b>2,030</b>	-	<b>1,500</b>	-
<i>Gross dividend from subsidiaries</i>					
Kumpulan Kesuma Sdn. Bhd.		-	-	<b>2,050</b>	1,230
Nycon Manufacturing Sdn. Bhd.		-	-	-	3,500
Perusahaan Kimia Gemilang Sdn. Bhd.		-	-	<b>7,303</b>	8,409
NYL Logistics Sdn. Bhd.		-	-	-	1,080
PT Nylex Indonesia		-	-	<b>10,922</b>	6,074
Fermpro Sdn. Bhd.		-	-	<b>1,600</b>	-
Nylex Specialty Chemicals Sdn. Bhd.		-	-	<b>3,078</b>	-

- (i) The Directors are of the opinion that the sales, purchases and other 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 2019 are disclosed in Note 17 and Note 26 to the financial statements respectively.
- (ii) Interest income arose from advances or loan to holding company, subsidiaries and an associate. The outstanding balances as at 31 May 2019 are disclosed in Note 17 to the financial statements.
- (iii) Interest expenses arose from advances from a subsidiary. There was no outstanding balance as at 31 May 2019.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

### 29. RELATED PARTY DISCLOSURES (continued)

#### (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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees	380	700	380	460
Short-term employee benefits	9,573	13,470	3,447	4,204
Defined contribution plan and social security costs	852	1,226	286	325
Other emoluments	451	515	91	107
	<b>11,256</b>	15,911	<b>4,204</b>	5,096

Included in the total remuneration of key management personnel are:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 7)	3,452	5,493	2,465	3,512

### 30. 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) Borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

##### (iii) Quoted equity instruments

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

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	2019 RM'000	2018 RM'000
<b>Group</b>			
<i>Financial assets at fair value through profit or loss:</i>			
Equity instruments (quoted in Malaysia)	1	<b>662</b>	1,067
<b>Company</b>			
<i>Financial assets at fair value through profit or loss:</i>			
Equity instruments (quoted in Malaysia)	1	<b>166</b>	161

During the financial years ended 31 May 2019 and 31 May 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

**31. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Financial assets</b>				
Fixed rate	<b>27,989</b>	38,131	<b>46,762</b>	50,185
Floating rate	<b>26,796</b>	21,279	-	-
Interest free	<b>241,784</b>	345,662	<b>49,321</b>	50,119
	<b>296,569</b>	405,072	<b>96,083</b>	100,304
<b>Financial liabilities</b>				
Fixed rate	<b>840</b>	-	-	-
Floating rate	<b>249,445</b>	254,059	<b>46,500</b>	56,840
Interest free	<b>121,169</b>	157,712	<b>17,232</b>	20,150
	<b>371,454</b>	411,771	<b>63,732</b>	76,990

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

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
<b>Financial assets</b>				
Fixed rate	<b>5.7</b>	4.1	<b>5.9</b>	6.0
Floating rate	<b>2.9</b>	4.3	-	-
<b>Financial liabilities</b>				
Fixed rate	<b>3.4</b>	-	-	-
Floating rate	<b>4.6</b>	4.7	<b>4.8</b>	5.1

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

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

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's net loss for the year would have been lower/ higher by approximately RM169,000 (2018: RM177,000) arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate deposits and savings with licensed banks.

(b) **Foreign currency risk**

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

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

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

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

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

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
USD/RM	<b>(865)</b>	(536)
SGD/RM	<b>38</b>	32
JPY/RM	<b>15</b>	13
USD/SGD	<b>2</b>	(56)
USD/VND	<b>(218)</b>	(335)
USD/IDR	<b>523</b>	609

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**31. 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>As at 31 May 2019</b>					
<b>Receivables</b>					
United States Dollar	12,902	-	-	-	12,902
Singapore Dollar	555	-	1,498	-	2,053
Japanese Yen	368	-	-	-	368
Indonesian Rupiah	-	-	18,230	-	18,230
New Zealand Dollar	48	-	-	-	48
	<b>13,873</b>	<b>-</b>	<b>19,728</b>	<b>-</b>	<b>33,601</b>
<b>Cash and bank balances</b>					
Ringgit Malaysia	-	-	18	-	18
United States Dollar	6,201	1,454	-	76	7,731
Singapore Dollar	1,118	-	1,172	-	2,290
Japanese Yen	297	-	2	-	299
Indonesian Rupiah	-	-	4,371	-	4,371
	<b>7,616</b>	<b>1,454</b>	<b>5,563</b>	<b>76</b>	<b>14,709</b>
<b>Borrowings</b>					
United States Dollar	<b>44,428</b>	<b>-</b>	<b>-</b>	<b>6,513</b>	<b>50,941</b>
<b>Payables</b>					
Ringgit Malaysia	-	-	367	-	367
United States Dollar	12,263	5	-	3,118	15,386
Singapore Dollar	16	-	2,595	-	2,611
Indonesian Rupiah	-	-	1,122	-	1,122
New Zealand Dollar	52	-	-	-	52
	<b>12,331</b>	<b>5</b>	<b>4,084</b>	<b>3,118</b>	<b>19,538</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**31. 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	
As at 31 May 2018					
<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
	25,347	-	30,964	-	56,311
<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
	22,989	249	655	160	24,053
<b>Borrowings</b>					
United States Dollar	46,142	-	-	14,849	60,991
<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
	23,520	724	7,170	-	31,414

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**31. 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>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>More than five years RM'000</b>	<b>Total RM'000</b>
<b>As at 31 May 2019</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	121,169	-	-	121,169
Loans and borrowings	214,122	26,778	18,702	259,602
Total undiscounted financial liabilities	<b>335,291</b>	<b>26,778</b>	<b>18,702</b>	<b>380,771</b>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	17,232	-	-	17,232
Loans and borrowings	46,500	-	-	46,500
Financial guarantee contract	98,276	-	-	98,276
Total undiscounted financial liabilities	<b>162,008</b>	<b>-</b>	<b>-</b>	<b>162,008</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**31. 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)*.

	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>More than five years RM'000</b>	<b>Total RM'000</b>
As at 31 May 2018				
<b>Group</b>				
Financial liabilities				
Trade and other payables	157,712	-	-	157,712
Loans and borrowings	212,691	26,061	23,600	262,352
Total undiscounted financial liabilities	370,403	26,061	23,600	420,064
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	20,150	-	-	20,150
Loans and borrowings	56,840	-	-	56,840
Financial guarantee contract	89,970	-	-	89,970
Total undiscounted financial liabilities	166,960	-	-	166,960

**(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 17 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 RM125,210,000 (2018: RM119,449,000) 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 RM37,491,000 (2018: RM20,386,000) and RM1,693,000 (2018: RM1,649,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

### 32. 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	
		2019 RM'000	2018 RM'000
Borrowings	24	<b>250,285</b>	254,059
Short-term deposits with licensed banks	19	<b>(17,960)</b>	(33,259)
Cash and bank balances	19	<b>(50,107)</b>	(75,259)
		<b>182,218</b>	145,541
Total equity attributable to owners of the parent		<b>329,639</b>	344,225
Net gearing ratio		<b>55.3%</b>	42.3%

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 2019.

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

### 33. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 4 September 2018, the Company ("Nylex") vide its solicitors, served a Writ of Summons and Statement of Claim against Utusan Melayu (Malaysia) Berhad ("Utusan") to claim for return of deposits totaling RM10,000,000 for the proposed advertisement, branding and communication exercise, Nationwide Corporate Branding and Corporate Social Responsibility campaign.

On 8 April 2019, the Company and Utusan entered into a Settlement Agreement for the settlement of the claim of RM10 million by Nylex, application for security for costs by Nylex (collectively "Nylex's Claim") and the counter-claim by Utusan.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**33. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD** *(continued)*

The salient terms of the Settlement Agreement, amongst others, are:

- (i) Utusan shall procure its wholly owned subsidiary, Juasa Holdings Sdn. Bhd. ("Proprietor") to enter into a sale and purchase agreement with Nylex to transfer to Nylex all of its rights, title and interest in and to a parcel known as Unit No. 7-10, Wisma 730 (The Trax), No.1 Jalan Lima Off Jalan Chan Sow Lin, 54200 Kuala Lumpur measuring 10,335 square feet erected on master title Pajakan Negeri (WP) 52759 Lot No. 50066 Seksyen 92 Bandar Kuala Lumpur Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur ("Trax Property") for value of RM6,700,000 to be set off against the Nylex's Claim; and
- (ii) Utusan shall pay Nylex the sum of Ringgit Malaysia Two Million Eight Hundred and Eighty Six Thousand and Fifty One and sen Eighty Two (RM2,886,051.82) ("the Cash Payment") vide fourteen (14) monthly instalments, of which 13 monthly instalments shall be Ringgit Malaysia Two Hundred Thousand (RM200,000.00) each and a final instalment of RM286,051.82, the first instalment to be paid by 31 January 2020. Upon full payment of the Cash Payment, a sum equivalent to the Cash Payment shall be set off against Nylex's Claim.
- (iii) Utusan shall also reimburse Nylex the stamp duty for the assignment or transfer of the Trax Property to Nylex by 31 March 2021.

On 16 July 2019, the Company and Utusan have entered into a Supplemental Settlement Agreement to vary the terms of the Settlement Agreement dated 8 April 2019.

The salient terms of the Supplemental Settlement Agreement, amongst others, are:

- (i) Utusan is required under the relevant provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other applicable guidelines to obtain a valuation report from an approved valuer and to obtain shareholders' approval for the transfer of the Trax Property from the Proprietor to Nylex.
  - (ii) Due to the additional time required for Utusan to obtain the said valuation report before it can make an announcement on the sale and purchase agreement between the Proprietor and Nylex, Parties have agreed to grant Utusan up to 31 July 2019 or at any later date agreed by all Parties in writing to procure the Proprietor to execute the sale and purchase agreement for the transfer of the Trax Property.
- (b) On 14 June 2019, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn. Bhd. ("PKG") has entered into a share sale agreement with Retromark Solutions Sdn. Bhd. for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in Ancom Kimia Sdn. Bhd. ("AKM") for a total consideration of RM1,000,000 ("Proposed Acquisition"). Upon completion of the Proposed Acquisition on 8 July 2019, AKM became a 60% owned subsidiary of PKG.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

### 34. 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 2019

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

	Polymer		Industrial chemical		Logistics		Investment holding		Adjustments and eliminations		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Revenue</b>												
External sales	112,324	125,825	1,428,737	1,290,799	19,293	29,751	-	-	-	-	1,560,354	1,446,375
Inter-segment sales	-	-	1,842	2,286	864	-	-	-	(2,706)	(2,286)	-	-
Total revenue	112,324	125,825	1,430,579	1,293,085	20,157	29,751	-	-	(2,706)	(2,286)	1,560,354	1,446,375
<b>Results</b>												
Interest income	648	544	580	674	-	9	1,773	1,581	-	-	3,001	2,808
Depreciation	4,605	5,144	1,701	1,821	3,927	4,159	190	206	-	-	10,423	11,330
Other non-cash (income)/ expenses	(884)	1,982	(2,351)	1,059	1,663	(2,865)	(468)	1,066	-	-	(2,040)	1,242
Segment profit/(loss)	11,175	14,978	5,685	24,879	(4,898)	2,733	(7,322)	(12,014)	-	-	4,640	30,576
<b>Assets</b>												
Investments in associates	-	-	-	-	-	-	3,579	573	-	-	3,579	573
Goodwill arising on consolidation	95	93	100,566	97,943	-	4,762	-	-	-	-	100,661	102,798
Additions to non-current assets	3,722	1,047	8,007	939	37	136	470	44	-	-	12,236	2,166
Segment assets	110,026	118,197	377,545	415,305	72,105	82,829	105,226	104,379	(48,465)	(44,630)	616,437	676,080
<b>Segment liabilities</b>	21,014	23,562	266,478	288,996	81,641	83,295	59,154	67,992	(48,465)	(44,630)	379,822	419,215

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**34. SEGMENT INFORMATION** *(continued)*

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

**Note**

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

	Note	Group	
		2019 RM'000	2018 RM'000
Loss/(Gain) on disposal of non-financial assets		165	(140)
Gain on disposal of financial assets		(473)	-
Inventories written-down	16	422	844
Unrealised gain on foreign exchange		(1,159)	(808)
(Write-back)/Impairment loss on financial assets	17(a)	(1,540)	778
Provision for retirement benefits	25	545	568
		<b>(2,040)</b>	1,242

- (iii) Additions to non-current assets consist of property, plant and equipment.
- (iv) The inter-segment assets are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.
- (v) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.
- (vi) There are no major customers with revenue equal to or more than ten percent (10%) of Group revenue.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 May 2019

**34. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	<b>859,804</b>	788,452	<b>420,264</b>	468,071
Indonesia	<b>216,320</b>	161,906	<b>97,120</b>	103,173
Singapore	<b>211,100</b>	246,035	<b>78,369</b>	80,924
Vietnam	<b>67,900</b>	71,787	<b>20,684</b>	23,912
Germany	<b>57,644</b>	2,385	-	-
Philippines	<b>43,253</b>	50,475	-	-
Australia	<b>23,322</b>	25,272	-	-
Thailand	<b>17,556</b>	30,991	-	-
Sri Lanka	<b>12,411</b>	12,698	-	-
Bangladesh	<b>12,022</b>	11,359	-	-
Taiwan	<b>11,678</b>	13,438	-	-
New Zealand	<b>8,667</b>	9,792	-	-
Africa	<b>8,045</b>	9,234	-	-
Japan	<b>2,548</b>	1,683	-	-
Hong Kong	<b>2,370</b>	1,243	-	-
Middle East	<b>1,554</b>	3,619	-	-
India	<b>1,346</b>	1,183	-	-
Pakistan	<b>813</b>	952	-	-
China	<b>603</b>	2,545	-	-
Nepal	<b>403</b>	830	-	-
Korea	<b>338</b>	380	-	-
The Americas	<b>329</b>	29	-	-
Spain	<b>175</b>	76	-	-
Brunei	<b>153</b>	11	-	-
	<b>1,560,354</b>	1,446,375	<b>616,437</b>	676,080

## 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 56 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 2019.

### 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	4,771	1) Ancom Berhad 2) Rhodemark Development Sdn Bhd 3) Dato' Siew Ka Wei
Pengangkutan Cogent Sdn Bhd	Charges for transportation of industrial chemicals	5,077	
Redberry Sdn Bhd	Provision of media services and sponsorship	2,030	
Ancom Crop Care Sdn Bhd	Sale and purchase of industrial chemicals	551	
Malay Mail Sdn Bhd	Bulk sponsorship of Malay Mail and advertisement expenses	633	Dato' Siew Ka Wei
Ancom Kimia Sdn Bhd ("AKM") *	Sale and purchase of industrial chemicals	105,429	Tan Sri Mohamed Al Amin Abdul Majid ("Tan Sri Al Amin")

\* AKM has ceased to be a related party of the Company subsequent to the disposal of 30% equity interest in AKM by Tan Sri Al Amin on 26 September 2018. Tan Sri Al Amin has resigned as the Director of the Company and AKM on 3 August 2018.

**LIST OF PROPERTIES**

As at 31 May 2019

Location/Address	Title	Age of Building (Years)	Land Area (sq. m.)	Existing Use	Date of Acquisition/ Revaluation	Tenure	Carrying Amount (RM'000)
<b>1) Proprietor:</b>							
<b>Nylex (Malaysia) Berhad</b>							
Lot 16 Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan	HS (D) 256546	48	30,224	Office building and factory.	26 Nov 1985	Leasehold, expiring on 29 Jun 2108.	} 16,977
	HS (D) 256546	39	12,140	Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 29 Jun 2108.	
<b>2) Proprietor:</b>							
<b>PT Nylex Indonesia</b>							
Desa Sumengko Km31 Wringinanom, Gresik 61176 Indonesia	HGB NO. 82	15	6,394	Casting line factory and office.	12 May 2011	Leasehold, expiring on 12 Jan 2029.	} 12,828
	HGB NO. 82	5	53,606	Calender line factory and vacant land.	12 May 2011	Leasehold, expiring on 12 Jan 2029.	
<b>3) Proprietor:</b>							
<b>Perusahaan Kimia Gemilang Sdn Bhd</b>							
PT 4228 Mukim of Kapar Daerah Klang Selangor Darul Ehsan	HS (M) 6259	28	28,491	Office building and factory.	01 Jul 2004	Leasehold, expiring on 09 Jun 2086.	5,638
<b>4) Proprietor:</b>							
<b>Fermpro Sdn Bhd</b>							
Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	31	16,190	Office building and factory.	01 Jul 2004	Leasehold, expiring on 22 Nov 2046.	1,410
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.	820
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	17	8,100	Office building and factory.	01 Jul 2004	Leasehold, expiring on 07 Feb 2059.	345

**LIST OF PROPERTIES**

Location/Address	Title	Age of Building (Years)	Land Area (sq. m.)	Existing Use	Date of Acquisition/ Revaluation	Tenure	Carrying Amount (RM'000)
<b>5) 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	44	8,093	Office building and factory.	01 Mar 2005	Leasehold, expiring on 01 Sep 2074.	1,558
Lot 624 Persiaran Raja Lumu Kawasan Perusahaan Pandamaran 42000 Port Klang Selangor Darul Ehsan	HS (M) 6588	42	8,298	Office building and warehouse.	01 Mar 2005	Leasehold, expiring on 19 Feb 2076.	1,811

The above buildings are in good condition.

## ANALYSIS OF SHAREHOLDINGS

As at 30 August 2019

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

Class of securities	: Ordinary shares
Total no. issued	: 194,337,860
No. of holders	: 11,714
Voting rights	: One vote per ordinary share on a poll

### Distribution schedule

Holdings	No. of holders	No. of shares	%
Less than 100	2,450	58,045	0.03
100 to 1,000	4,680	1,816,917	1.03
1,001 to 10,000	3,413	12,237,348	6.90
10,001 to 100,000	1,036	30,027,081	16.94
100,001 to less than 5% of issued shares	131	47,274,967	26.67
5% and above of issued shares	4	85,846,078	48.43
	<b>11,714</b>	<b>177,260,436</b>	<b>100.00</b>

#### Note:

1 Excludes a total of 17,077,424 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 30 August 2019.

### Substantial holders

	Direct No. of shares	%	Indirect No. of shares	%
1. Dato' Siew Ka Wei	2,111,460	1.19	93,608,359 <sup>(1)</sup>	52.83
2. Ancom Berhad	31,949,700	18.03	55,985,888 <sup>(2)</sup>	31.60
3. Rhodemark Development Sdn Bhd	55,985,888	31.60	-	-

#### 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.

### Directors' holdings

	Direct No. of shares	%	Indirect No. of shares	%
1. Dato' Siew Ka Wei	2,111,460	1.19	93,608,359 <sup>(1)</sup>	52.83

#### Note:

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

**ANALYSIS OF SHAREHOLDINGS**

As at 30 August 2019

**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	20.59
2. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ancom Berhad (01-00846-000)	21,000,000	11.85
3. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rhodemark Development Sdn Bhd	19,460,000	10.98
4. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ancom Berhad (3 <sup>rd</sup> Party)	8,854,000	4.99
5. Pacific & Orient Insurance Co Berhad	8,500,000	4.80
6. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	4,316,983	2.44
7. Ancom Berhad	2,095,700	1.18
8. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,677,469	0.95
9. Terengganu Incorporated Sdn Bhd	1,110,215	0.62
10. Kenanga Capital Sdn Bhd Pledged Securities Account for Siew Ka Wei	1,000,000	0.56
11. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	976,340	0.55
12. Lim Jit Hai	776,000	0.44
13. Lim Chin Tong	774,923	0.44
14. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	700,000	0.39
15. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sulaiman Abdul Rahman B Abdul Taib (Margin)	689,200	0.39
16. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chaw Teck Long	507,900	0.29
17. Tan Kai Sum	505,000	0.28
18. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Silver Dollars Sdn Bhd (01-00198-001)	495,667	0.28
19. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Siew Nim Chee & Sons Sdn Bhd (01-00195-001)	467,739	0.26
20. Lim Soon Heng	450,000	0.25
21. Loh Lip Teck	430,000	0.24
22. Pacific & Orient Insurance Co Berhad	387,070	0.22
23. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for E & O Developers Sdn Bhd (PJCAC)	382,024	0.22
24. Lok Choon Hong	362,000	0.20
25. Tan Kok Teong	350,040	0.20
26. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sdn Bhd (001)	346,770	0.20
27. CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sulaiman Abdul Rahman B Abdul Taib (MY3098)	335,700	0.19
28. Tan Aik Choon	328,500	0.19
29. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Kok Wah	322,500	0.18
30. Yew Peng Chai	313,000	0.18
<b>Total</b>	<b>114,413,748</b>	<b>64.55</b>

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 49<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, 17 October 2019 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 2019 together with the Reports of the Directors and the Auditors thereon.   | (Please refer to<br>Explanatory Note 1) |
| 2. | To approve the payment of a final single-tier dividend of 1.0 sen for the financial year ended 31 May 2019.   | [Ordinary<br>Resolution 1]              |
| 3. | To re-elect the following Directors, who retire pursuant to Clause 125 of the Company's Constitution:   |   |
|    | (a) Dato' Siew Ka Wei;  | [Ordinary<br>Resolution 2]              |
|    | (b) Edmond Cheah Swee Leng.   | [Ordinary<br>Resolution 3]              |
| 4. | To approve the payment of the Directors' fees for the financial year ended 31 May 2019.   | [Ordinary<br>Resolution 4]              |
| 5. | To approve the payment of Directors' benefits for Non-Executive Directors (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<br>Resolution 5]              |
| 6. | To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.  | [Ordinary<br>Resolution 6]              |

#### AS SPECIAL BUSINESS

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

- |    |   |                            |
|----|---|----------------------------|
| 7. | <b>PROPOSED NEW AND PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed New and Proposed Renewal of RRPT Mandate")</b> | [Ordinary<br>Resolution 7] |
|----|---|----------------------------|

"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 25 September 2019, 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 empowered and authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution."

8. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK MANDATE ("Proposed Renewal of Share Buy-Back Mandate")**

**[Ordinary Resolution 8]**

"THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements ("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 provided that:

- (a) the aggregate number of ordinary shares in the Company purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase(s); and
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total 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.

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;

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

**NOTICE OF ANNUAL GENERAL MEETING**

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

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 Proposed Renewal of 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 the Directors deem fit and expedient at their discretion in the best interest of the Company in accordance with the Act, regulations and guidelines."

**9. PROPOSED AUTHORITY TO ISSUE AND ALLOT SHARES****[Ordinary  
Resolution 9]**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to 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 to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, to such persons and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, AND THAT the Directors be 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."

**10. CONTINUING IN OFFICE AS INDEPENDENT DIRECTOR****[Ordinary  
Resolution 10]**

"THAT subject to the passing of Ordinary Resolution 3 above, authority be and is hereby given to Edmond Cheah Swee Leng, who has served as an Independent Director of the Company for a cumulative term of more than 12 years, to continue to serve as an Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

## NOTICE OF ANNUAL GENERAL MEETING

### 11. 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.

By Order of the Board,

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

Petaling Jaya  
25 September 2019

#### NOTES:

- a. A member, including an authorised nominee, entitled to attend, speak and vote at the Meeting may appoint not more than two (2) proxies to attend, speak and vote for him. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. 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.
- c. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.
- d. In respect of deposited securities, only members whose names appear in the Record of Depositors on 10 October 2019 (General Meeting Records of Depositories) shall be eligible to attend, speak and vote or appoint proxy to attend, speak and vote on his behalf at the Meeting.
- e. The Proxy Form must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting, otherwise, the Proxy Form shall not be treated as valid. If you are an individual shareholder, you can also lodge the Proxy Form electronically via TIH Online at website: <https://tih.online> before the proxy appointment cut off time as mentioned above. For further information on the electronic lodgement of Proxy Form, please refer to the Annexure of the Company's Notes to Shareholders for 2019 Annual General Meeting.
- f. A member may give the Company notice of termination of a person's authority to act as proxy not less than twenty-four (24) hours before the time appointed for holding the Meeting. The notice of termination must be in writing and be deposited at the Share Registrar's office as indicated above.
- g. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

## NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES

#### 1. **Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 May 2019**

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 4 – 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 49<sup>th</sup> Annual General Meeting on the Directors' fees payable by the Company and by the Group of RM380,329 for the financial year ended 31 May 2019.

In year 2019, 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 ("NEDs") of the Company and of the Group remain unchanged for the financial year ended 31 May 2019 as the current fee structure remains relevant and competitive.

#### 3. **Ordinary Resolution 5 – 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 49<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 7 – Proposed New and Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed New and 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 25 September 2019.

## NOTICE OF ANNUAL GENERAL MEETING

### 5. **Ordinary Resolution 8 – Proposed Renewal of Authority for Share Buy-Back Mandate ("Proposed Renewal of Share Buy-Back Mandate")**

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 Company's Share Buy-Back Statement dated 25 September 2019.

### 6. **Ordinary Resolution 9 – Proposed 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 10 – Continuing in Office as Independent Director**

The proposed Ordinary Resolution 10, if passed, will enable Edmond Cheah Swee Leng to continue serving as the Independent 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 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 an Independent 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 Directors.

The profile of Edmond Cheah Swee Leng is available in the Board of Directors' profile in the Company's Annual Report 2019. 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.

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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

Full Name in Block Letters		Proportion of Shareholdings %
NRIC No.		
Full Address		
Full Name in Block Letters		Proportion of Shareholdings %
NRIC No.		
Full Address		
		100 %

or 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 49<sup>th</sup> Annual General Meeting of the Company to be held at 9:30 a.m., on Thursday, 17 October 2019 at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia 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 Dato' Siew Ka Wei as a Director of the Company.		
3	To re-elect Edmond Cheah Swee Leng as a Director of the Company.		
4	To approve the payment of the Directors' fees.		
5	To approve the payment of Directors' benefits.		
6	To re-appoint Messrs BDO PLT as Auditors of the Company.		
7	Proposed New and Proposed Renewal of RRPT Mandate.		
8	Proposed Renewal of Share Buy-Back Mandate.		
9	Authority to Issue and Allot Shares.		
10	Continuing in office as an Independent Director - Edmond Cheah Swee Leng.		

(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 \_\_\_\_\_ 2019.

\_\_\_\_\_  
(Signature / Common Seal of shareholder(s))

<b>Telephone number during office hours:</b>

(\*Delete if not applicable)

**Notes:**

- a. A member, including an authorised nominee, entitled to attend and vote at the Meeting may appoint not more than two (2) proxies to attend, speak 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.
- b. 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.
- c. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy in the Proxy Form.
- d. In respect of deposited securities, only members whose names appear in the Record of Depositors on 10 October 2019 (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.
- e. The Proxy Form must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting, otherwise, the Proxy Form shall not be treated as valid. If you are an individual shareholder, you can also lodge the Proxy Form electronically via TIH Online at website: <https://tih.online> before the proxy appointment cut off time as mentioned above. For further information on the electronic lodgement of Proxy Form, please refer to the Annexure of the Company's Notes to Shareholders for 2019 Annual General Meeting.
- f. A member may give the Company notice of termination of a person's authority to act as proxy not less than twenty-four (24) hours before the time appointed for holding the Meeting. The notice of termination must be in writing and be deposited at the Share Registrar's office as indicated above.
- g. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

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Affix  
Stamp

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

**The Share Registrar:**

**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

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