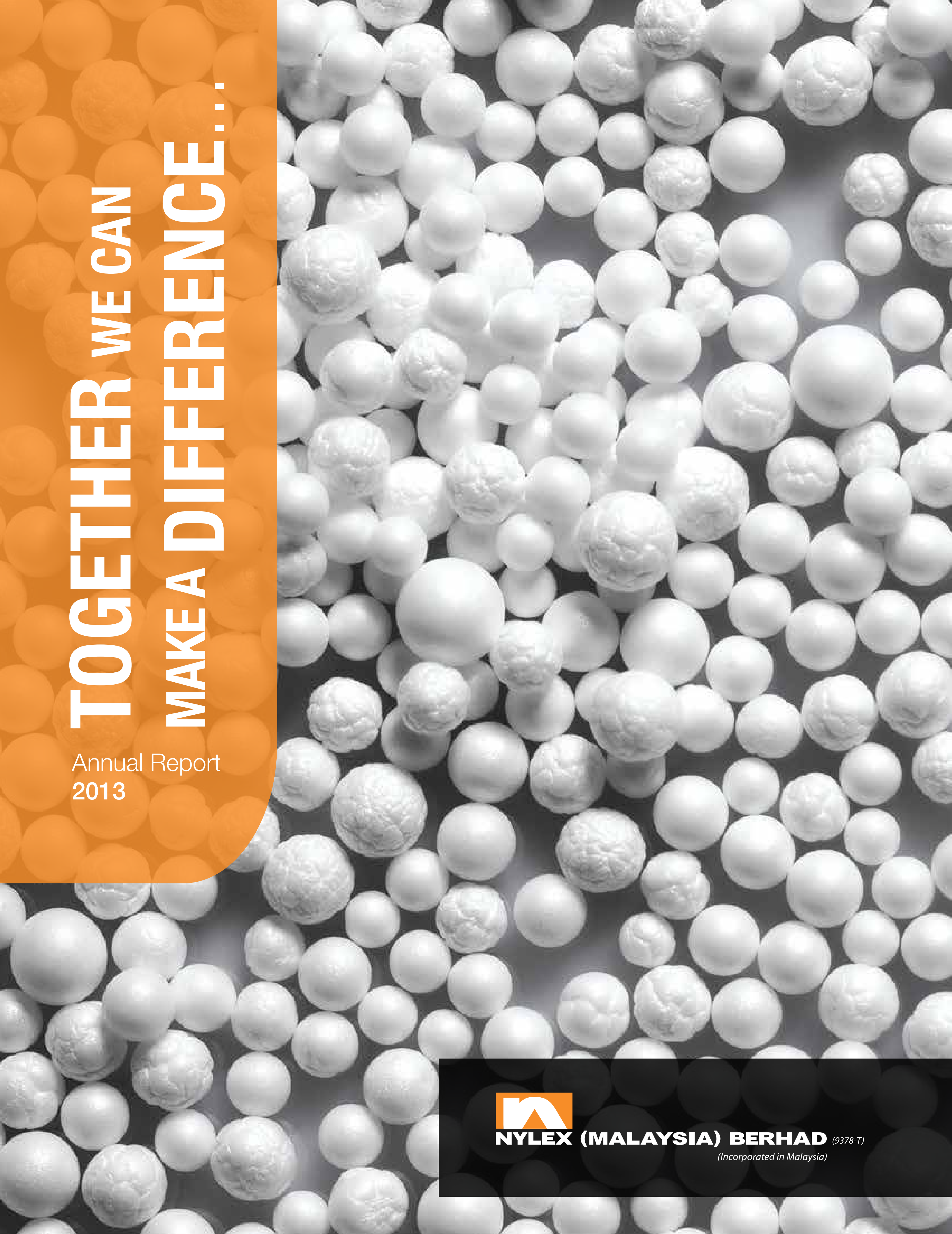

TOGETHER WE CAN MAKE A DIFFERENCE...

Annual Report
2013

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

For any business to be successful, we need to have an understanding of our customers' needs and to translate this understanding into high quality products. For over 20 years, we've been at the forefront of innovation and technology and we have been able to produce products which exceed the expectations of our customers. We believe that at Nylex, together, we can make a difference.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid
(Executive Chairman)

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

Lim Hock Chye
(Independent Non-Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

Safrizal bin Mohd Said
(Independent Non-Executive Director)

Khamis bin Awal
(Independent Non-Executive Director)

AUDIT COMMITTEE

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

REMUNERATION & NOMINATION COMMITTEE

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

COMPANY SECRETARIES

Choo Se Eng
Stephen Geh Sim Whye

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

REGISTRARS

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : (603) 2264 3883
Fax : (603) 2282 1886

AUDITORS

Ernst & Young
Chartered Accountants

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
- Industrial Products Sector

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad

SOLICITORS

Shearn Delamore & Co

DOMICILE

Malaysia

CORPORATE STRUCTURE

As at 31 May 2013

ANCOM BERHAD

- 100% **Rhodemark Development Sdn Bhd**
  - 21.3% **NYLEX (MALAYSIA) BERHAD**
- 24.2% **NYLEX (MALAYSIA) BERHAD** *(9378-T)*

(Incorporated in Malaysia)

NYLEX (MALAYSIA) BERHAD

- 100% Nycon Manufacturing Sdn Bhd
- 100% Nylex Polymer Marketing Sdn Bhd
- 100% PT Nylex Indonesia
- 100% Perusahaan Kimia Gemilang Sdn Bhd
  - 90% Dynamic Chemical Pte Ltd
  - 100% Perusahaan Kimia Gemilang (Vietnam) Company Ltd
  - 51% PT PKG Lautan Indonesia
  - 55% Ancom Kimia Sdn Bhd
- 100% Fermpro Sdn Bhd
- 100% Kumpulan Kesuma Sdn Bhd
- 100% Wedon Sdn Bhd
- 100% CKG Chemicals Pte Ltd
- 100% Nylex Specialty Chemicals Sdn Bhd
- 51% Speciality Phosphates (Malaysia) Sdn Bhd
- 70% Malaysian Roofing Industries Sdn Bhd

- Polymer Division
- Industrial Chemical Division
- Building Products Division

LIST OF PRINCIPAL OFFICES

NYLEX (MALAYSIA) BERHAD /
NYCON MANUFACTURING SDN BHD /
NYLEX POLYMER MARKETING SDN BHD
Lot 16, Persiaran Selangor, Section 15
40200 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5519 1706
Fax : (603) 5510 8291 / 5510 0088
www.nylex.com
www.nylexpolymer.com

PT NYLEX INDONESIA
Desa Sumengko Km31 Kecamatan
Wringinanom, Kabupaten Gresik
East Java
61176 Indonesia
Tel : (6231) 898 2626
Fax : (6231) 898 2623

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

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

PERUSAHAAN KIMIA GEMILANG (VIETNAM) COMPANY LTD
Mezzanine Floor, Block C
241A Chu Van An
Ward 21, Binh Thanh
Ho Chi Minh City
Vietnam
Tel : (848) 3516 3115
Fax : (848) 3516 3098

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

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

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

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

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

NYLEX SPECIALTY CHEMICALS SDN BHD /
SPECIALITY PHOSPHATES (MALAYSIA) SDN BHD
Lot 593 & 624, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3168 8282
Fax : (603) 3168 5711
www.nylexsc.com.my

	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000
Revenue	**1,728,625**	1,488,251	1,226,749	1,222,086	1,366,030
Earnings before interest, tax, depreciation and amortisation	**30,691**	35,164	31,294	53,879	27,490
Profit before tax	**15,776**	20,449	16,044	40,013	10,376
Net profit for the year	**7,023**	13,776	13,138	35,158	10,618
Effective percentage rate of tax	**55.5%**	32.6%	18.1%	12.1%	-2.3%
Net profit attributable to owners of the parent	**7,755**	13,873	13,185	35,114	14,706
ASSETS					
Property, plant and equipment	**65,498**	69,363	66,426	74,027	78,701
Investments	**415**	423	4,038	4,738	4,370
Other non-current assets	**119,711**	120,559	116,671	114,940	109,933
Other current assets	**498,484**	513,694	429,765	364,364	325,533
TOTAL ASSETS	**684,108**	704,039	616,900	558,069	518,537
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	**194,338**	194,338	194,338	194,338	194,338
Reserves	**669**	4,461	805	(11,138)	(4,577)
Retained earnings	**90,321**	85,464	75,745	90,100	59,393
Less: Treasury shares, at cost	**(735)**	(338)	(33)	(8,444)	(12,851)
	284,593	283,925	270,855	264,856	236,303
Non-controlling interests	**3,092**	3,896	6,018	4,046	4,383
Total equity	**287,685**	287,821	276,873	268,902	240,686
Borrowings	**198,320**	166,622	167,079	158,140	137,439
Other non-current liabilities	**4,285**	4,313	4,965	5,115	5,662
Other current liabilities	**193,818**	245,283	167,983	125,912	134,750
TOTAL EQUITY AND LIABILITIES	**684,108**	704,039	616,900	558,069	518,537
Financial indicators					
Return on equity - percentage	**2.4**	4.8	4.7	13.1	4.4
Return on total assets - percentage	**3.5**	4.0	3.8	8.1	3.7
Gearing ratio - percentage	**53.4**	37.0	39.1	35.5	29.6
Interest cover ratio - times	**2.9**	3.7	3.2	8.3	2.4
Price to earnings ratio - times	**13.6**	7.6	8.8	3.9	6.8
Earnings per share - sen	**4.0**	7.1	6.9	18.8	8.2
Gross dividend per share - sen	**2.0**	2.9	4.5	2.4	11.6
Net assets per share - sen	**147.4**	146.5	139.4	140.6	127.5
Share price - sen	**54.5**	54.0	61.0	73.0	56.0
Other information					
Depreciation & amortisation	**6,677**	7,209	7,957	8,407	8,198
Finance cost	**8,238**	7,506	7,293	5,459	8,101

BOARD OF DIRECTORS

DATUK IR (DR) MOHAMED AL AMIN ABDUL MAJID

Age 58, Malaysian, Executive Chairman

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

Datuk Ir (Dr) Al Amin qualified with a Diploma in Technology from Oxford College of Further Education and holds a Bachelor of Science degree in Civil Engineering from the University of Aston, Birmingham, United Kingdom from which he was conferred an Honorary Doctorate Degree - Doctor of Science. He is a Corporate Member of Institute of Engineers Malaysia ("IEM") and is a professional Engineer.

Datuk Ir (Dr) Al Amin began his career as a Project Engineer with Perbadanan Kemajuan Negeri Perak ("PKNP") in 1979 and was later appointed as Executive Director of Maju Bangun Sdn Bhd, a subsidiary of PKNP. Subsequently, Datuk Ir (Dr) Al Amin started his own business involving in a wide range of businesses such as construction, investment, distributorship, general trading and project management.

Currently, Datuk Ir (Dr) Al Amin is the Executive Chairman of Country View Berhad; the Chairman of SME Corporation Berhad, an important government agency in the development and enhancement of small and medium enterprises in Malaysia under the Ministry of International Trade and Industry; Chairman of Nexbis Limited (a company listed on the Australian Stock Exchange) and a director of Ancom Berhad and MCIS Zurich Insurance Berhad.

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

DATO' (DR) SIEW KA WEI

Age 57, Malaysian, Group Managing Director

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

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

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

Dato' (Dr) Siew was the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 10,500 chief executive officers and leaders of major companies and organisations over the world. He became a director of the International Board of Directors of YPO in 2000 and served until 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. In April 2013, Dato' (Dr) Siew was conferred an Honorary Doctorate Degree - Doctor of Business Administration by HELP University.

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

LIM HOCK CHYE

Age 58, Malaysian, Independent Non-Executive Director

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

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

Mr Lim was formerly a consultant with an organisation promoting good corporate governance and practices. Prior to that, he was a Deputy Editor with the Star Newspaper, where he wrote for the Business Section.

Mr Lim was a panel speaker for Rating Agency of Malaysia and is currently a panel speaker for Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors. He continues to lecture on promotion of good corporate governance within Corporate Malaysia. He is currently the Group Director of Strategic Planning & Corporate Affairs of HELP International Corporation Berhad, a position he has held since April 2008.

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

EDMOND CHEAH SWEE LENG

Age 59, Malaysian, Independent Non-Executive Director

Joined the Board on 26 August 2005. He is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

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

Mr Cheah started his career as an Audit Manager with a professional accounting firm in London. He was later the Manager in charge of portfolio investment in a merchant bank in Malaysia and subsequently in charge of the corporate and planning 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, the largest private unit trust management company in Malaysia. He was also a Council Member and Chairman of the Secretariat of the Federation of Malaysian Unit Trust Managers ("FMUTM"); 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; 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 Director of MAAKL Mutual Berhad; the Chairman of Adventa Berhad, a company listed on the Main market of Bursa Malaysia Securities Berhad and a Director of Ancom Berhad and Ancom Logistics Berhad, both of which are listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad.

SAFRIZAL BIN MOHD SAID

Age 47, Malaysian, Independent Non-Executive Director

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

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

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

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

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

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

KHAMIS BIN AWAL

Age 65, Malaysian, Independent Non-Executive Director

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

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

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

Encik Khamis has no directorships in other public listed companies.

Notes:

1) There is no family relationship between the directors and/or major shareholders of the Company.
2) Save for Datuk Ir (Dr) Mohamed Al Amin Abdul Majid and Dato' (Dr) Siew Ka Wei who have interest in certain related party transactions as disclosed in page 111 of this Annual Report, none of the Directors has any financial interest in any business arrangement involving the Group.
3) The attendance and securities holdings of the Directors are respectively disclosed in page 18 and page 36 of this Annual Report.
4) None of the Directors has been convicted of any offence, other than traffic offences, if any, within the past ten (10) years.


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ExxonMobil

CHAIRMAN'S STATEMENT

“ On behalf of the Board of Directors (“the Board”), I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 May 2013 (“FY 2013”). ”

Financial Performance

For the current financial year under review, the Nylex Group achieved higher sales of RM1,728.6 million, which represents an increase of 16.2% from RM1,488.3 million recorded in the last financial year ended 31 May 2012 (“FY 2012”). The increase in sales was due to improved sales performance in the Industrial Chemical Division. However, the Group recorded lower profit before tax (“PBT”) of RM15.8 million, compared to RM20.4 million recorded in the last financial year due mainly to lower margins from sales of our chemicals into the region, reduced profit contribution from sales of phosphoric acid and foreign exchange losses suffered by certain subsidiaries. The PBT of RM20.4 million recorded in FY 2012 was arrived at after taking into account the dividend income received from an unquoted investment of the Company amounting to RM1.8 million, recognition of the loss on disposal of the said unquoted investment of RM1.7 million and the impairment of goodwill in Perusahaan Kimia Gemilang (Vietnam) Co. Ltd, a wholly-owned subsidiary in Vietnam, of RM1.4 million.

After accounting for taxation and non-controlling interests, the profit attributable to shareholders was RM7.8 million (FY 2012: RM13.9 million).

The basic earnings per share was lower at 4.01 sen compared with 7.14 sen for FY 2012. Net assets per share attributable to equity holders of the parent as at 31 May 2013 maintained at RM1.47, similar to that as at 31 May 2012.

Review of Operations

Polymer Division

For the current financial year, sales by our Polymer Division of RM125.7 million were lower when compared with the RM135.5 million achieved in FY 2012. The decline in sales was mainly attributed to competition from cheap imports.

The Division achieved a higher PBT of RM14.9 million compared with RM13.6 million in FY 2012. Last financial year's PBT of RM13.6 million was arrived at after taking into account the provision for receivables and the stock write down totaling RM2.2 million. Current year's PBT of RM14.9 million was arrived at after taking into account the write-down of inventories of RM1.2 million. Excluding the abovementioned write-downs, the Division's PBT improved slightly by 1.9% to RM16.1 million compared with RM15.7 million recorded last financial year, mainly due to improved efficiencies and cost savings initiatives.

Industrial Chemical Division

The Industrial Chemical Division achieved higher sales of RM1,603.2 million for FY 2013 compared to RM1,352.9 million recorded last financial year, mainly contributed by stronger sales of our products in the Indonesia and Malaysia markets.

Despite higher sales, the Division recorded a lower PBT of RM14.2 million, compared with RM18.1 million achieved in FY 2012. For FY 2013, margins have been severely eroded due to the entry of stronger competition into both the local and regional markets. In addition, there were foreign exchange losses suffered by certain regional subsidiaries. The PBT of RM18.1 million recorded in FY 2012 was arrived at after taking into account the impairment of goodwill in Perusahaan Kimia Gemilang (Vietnam) Co. Ltd, a wholly-owned subsidiary in Vietnam, of RM1.4 million.

Building Products Division

As mentioned in my previous years' reports, in line with the Group's desire to focus more on the Polymer Division and Industrial Chemical Division which it has strategically defined as its core businesses, the Group has decided to wind-up Malaysian Roofing Industries Sdn Bhd ("MRI") and PT Indomalay Ekatana Roofing Industries ("IRI"). The winding up process of IRI has been completed on 31 May 2011. MRI has commenced its members' voluntary winding-up process on 29 February 2012. As at the date of this Report, MRI's winding up process has not been completed.

Dividends

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Board has recommended a final cash dividend of 2.0 sen per share less 25% income tax for the financial year ended 31 May 2013.

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

Other than the above recommended dividend, there is no other dividend declared by the Company for the current financial year. In the last financial year, the Company paid a final cash dividend of 2.0 sen per share less 25% income tax amounting to RM2,898,000.

Prospects for Next Financial Year

With slower growth in China, continued weak economic conditions in Europe and uncertain regional economic outlook, the Board is of the view that the trading condition for the next financial year ending 31 May 2014 will be challenging.

The Polymer Division's performance is expected to be satisfactory although we expect our locally manufactured products to continue to face stiff competition from cheap imports.

We expect the Industrial Chemical Division to perform satisfactorily but with the entry of stronger competition into the region, there is pressure on margins.

The Board continues to seek new ways to consolidate the Group's business and to improve its profitability.

Appreciation

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

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid
Chairman

Petaling Jaya, Selangor Darul Ehsan
20 September 2013

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

Group

For the current financial year ("FY 2013") under review, the Nylex Group achieved sales of RM1,728.6 million, an increase in sales of 16.2% from RM1,488.3 million recorded in the previous financial year ended 31 May 2012 ("FY 2012"). The increase in sales was mainly due to improved sales performance in the Industrial Chemical Division. However, due mainly to lower margins from sales of our chemicals into the region, reduced profit contribution from sales of phosphoric acid and foreign exchange losses suffered by certain subsidiaries, the Group recorded a lower profit before tax ("PBT") of RM15.8 million, compared to RM20.4 million achieved last year. The PBT of RM20.4 million recorded last year was arrived at after taking into account the dividend income received from an unquoted investment of the Company amounting to RM1.8 million, recognition of the loss on disposal of the said unquoted investment of RM1.7 million and the impairment of goodwill in Perusahaan Kimia Gemilang (Vietnam) Co. Ltd, a wholly-owned subsidiary in Vietnam, of RM1.4 million.

Polymer Division

For the current financial year, sales by the Polymer Division were RM125.7 million, a decrease of 7.3% when compared with RM135.5 million achieved in FY 2012.

For our manufacturing plant in Shah Alam, we experienced a decline in sales of our films and coated fabrics ("FCF") products due mainly to the fierce competition from cheaper imported PVC products. Sales from the FCF business unit dipped from RM55.9 million last year to RM51.9 million for the current year under review. In the chemical container business, Nycon Manufacturing Sdn Bhd managed to sustain its intermediate bulk containers sales under strong competition, registering sales of RM10.8 million compared to RM10.7 million recorded last year. Our geosynthetics drainage business continues to improve its sales performance in the export markets. However, due to the lack of prefabricated vertical drains projects in our local market during this financial year, the overall sales of our Shah Alam plant declined by 18.2% when compared with FY 2012.

The sales of our PVC leathercloth factory in Surabaya, Indonesia this year grew by 15.8% when compared with last year, underscored by strong consumer demand and a growing Indonesian economy. Our main market is the automotive retrim and furniture industry in Java. In FY 2013, we expanded our market by selling to Sumatera, Kalimantan, Sulawesi and Papua. Our capacity utilisation in Surabaya has reached 80%. We are starting our expansion project which will increase its capacity in year 2015.

Despite lower sales, the Polymer Division achieved higher PBT of RM14.9 million compared with RM13.6 million in FY 2012. Last financial year's PBT of RM13.6 million was arrived at after taking into account the provision for receivables and the stock write-down totaling RM2.2 million. Current year's PBT of RM14.9 million was arrived at after taking into account the write-down of inventories of RM1.2 million. Excluding the abovementioned write-downs, the Division's PBT improved slightly by 1.9% to RM16.1 million compared with RM15.7 million recorded last financial year, mainly due to improved efficiencies and cost savings initiatives.

Industrial Chemical Division

The Industrial Chemical Division accounts for the lion's share of sales by the Group. It registered growth in sales from RM1,352.9 million last year to RM1,603.2 million this year, marking a healthy 18.5% increase. The creditable showing was mainly due to an increase in the sales of our products into the Indonesia and Malaysia markets. The Division achieved a PBT of RM14.2 million in the current financial year which is about 21.8% lower than the RM18.1 million recorded last year. The main profit contributors continue to be Perusahaan Kimia Gemilang Sdn Bhd ("PKG"), Fermpro Sdn Bhd ("Fermpro") and Nylex Specialty Chemicals Sdn Bhd ("NSC").

Sales of PKG improved by 13.0% this year but margins were adversely affected by the entry of stronger competition into both the local and regional markets. Asian manufacturers have now seen fit to set up their local units to distribute their products and compete directly with us. In addition, prolonged market stagnation of prices for some of our products and higher freight rates caused by a shortage of bulk chemical vessels in the region have dented our margins. Nevertheless, PKG has recently been successful in securing new supplies for some of our core products and this bodes well for the coming year.

Fermpro is a leading supplier of ethanol to the local market and it is a consistent performer and contributor to the Nylex Group. Sales and profits of Fermpro remain steady during this year when compared to last year.

As has been anticipated earlier, sales of phosphoric acid declined by about 8.9% this year. This is mainly due to lower demand for our acid by the local palm oil refineries, a consequence of weak CPO prices. Rising cost of raw materials from China has also marginally eaten into our profit. Notwithstanding this, NSC remains a solid contributor to the Group.

Our regional subsidiaries produced a mixed bag of results. After two years of losses, CKG Chemicals Pte Ltd in Singapore managed to return to black by reporting a marginal profit this year. Sales of our Vietnam unit were relatively flat but losses were reduced by about 25.1%. Sales by our Indonesia unit soared by 171.2%. However, the unit continues to chalk up losses due to higher marketing and finance costs and foreign exchange losses.

OUTLOOK AND PROSPECTS

In view of the uncertainties surrounding the recovery of the global economy, the operating environment is expected to remain challenging in the coming financial year with downward pressure on prices and margins expected to continue.

In such an environment, the Group will continue to seek ways to enhance sales growth and to strengthen our operational and productivity efficiency in order to improve the profitability of our business. The Group will also continue to seek opportunities to create value for its shareholders.

Barring unforeseen circumstances, the Group's performance for the next financial year is expected to be satisfactory.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors ("the Board") hereby states its commitment to maintain a high standard of corporate governance and upholding the fundamental duty of safeguarding the assets of the Company and its subsidiaries ("Group") and to enhance shareholders' value and financial performance of the Group.

For the current financial year ended 31 May 2013, the Group has complied with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), except for the recommendation that the Chairman must be a non-executive member of the Board, the reason for which is disclosed in this statement.

Pursuant to paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board is pleased to present its Statement on Corporate Governance to provide an insight into how the Group has applied the principles of MCCG 2012, having regard to the recommendations stated under each principle.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions of the Board and Management

The Board is responsible for the oversight and overall management of the business direction and objectives of the Group. The Non-Executive Directors are independent of the Management but will have free and open contact with the Management to ensure that approved targets and business plans are met.

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

Clear roles and responsibilities

The principal responsibilities of the Board include the following:

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

  The Board plays an active role in formulating the Group's overall business direction and in reviewing the Group's business strategies and financial performances at regular intervals.

- Overseeing the conduct of business of the Group to evaluate whether the business is being properly managed

  The Board would appraise the Group's actual business and financial performances against the results of the corresponding period last year at the quarterly Board meetings. The key matters reserved for the Board's approval include the significant corporate proposals involving acquisitions and disposals of companies or restructuring of the Group's businesses, new issue of securities and acquisitions and disposals of significant assets and expenditure above a certain amount.

  Board committees, such as the Audit Committee and Remuneration and Nomination Committee ("R&N Committee"), are entrusted with specific responsibilities to oversee the affairs of the Company with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("TOR"). At each Board meeting, the Chairman of the respective Board committees would report to the Board on the key matters discussed by the Board committees at their respective meetings. Minutes of the Board committees meetings are enclosed together with the Board papers for the Directors' attention.

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

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

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

- Succession Planning

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

Directors' code of ethics

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

Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, with attention given to environmental, social and governance aspects of the business. Sustainability activities carried out during the current financial year are detailed in the Corporate Social Responsibility Statement on page 28 of this Annual Report.

Access to information and advice

All Directors have unrestricted access to information of the Company 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 Company's operations or businesses. 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 meetings, the Directors were provided with the agenda, financial reports and any other documents required for the consideration of the Board, well in advance of each meeting or via circular resolutions. These documents were comprehensive and covered both qualitative and quantitative factors of the matters at hand so that informed decisions could be made. Minutes were kept to record the proceedings at the Board meetings, the deliberations on the matters at hand and the decisions made thereto. The minutes are then circulated to the Directors for their review prior to confirmation at the subsequent Board meeting.

Invitations to attend the Board meetings have occasionally been extended to senior management staff and/or professional advisers to provide the Board with their explanations on certain items tabled or to furnish clarification on issues raised by the Board.

Qualified and competent Company Secretaries

The Board is supported by two (2) Company Secretaries, who are responsible for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. The Company Secretaries are tasked with ensuring that the Board are advised on updates and/or changes to procedural and regulatory requirements, codes, guidance or legislations and on matters relating to ethics and good corporate governance and ensuring that the Board's policies and procedures are adhered to by the Group. The Company Secretaries attend and ensure that all Board meetings are properly convened and that accurate and adequate records of the proceedings of the Board meetings and resolutions passed are taken and maintained in the statutory register of the Company.

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

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 a board charter of which is posted at the Company's website at www.nylex.com.

The board charter sets out the roles and responsibilities of the Board and Board committees and will be reviewed regularly and updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations to ensure its effectiveness and relevance to the Board's objectives.

STRENGTHEN COMPOSITION

Remuneration and nomination committee

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

The R&N Committee is responsible for identifying, assessing and recommending new nominees to the Board and for reviewing and assessing the effectiveness of the Board as a whole and the Board committees and for assessing the performance of the Executive Directors. It is also responsible for reviewing gender diversity in the Board, and the required mix of skills and experience and core competencies which the Non-Executive Directors should bring to the Board and for proposing and recommending to the Board candidates for all Directorships. In making its recommendation, the R&N Committee would consider the candidates' 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.

During the financial year, the members of the R&N Committee were as follows:

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

Both members are Independent Non-Executive Directors.

Annual Assessment

The Board reviews and evaluates its own performance and the performance of the Board committees on an annual basis, with a view to meeting current and future requirements of the Group. The Board evaluation comprises a Board and Board committees assessment, an individual assessment and an assessment of independence for Independent Directors.

The result of the assessments would form the basis of the R&N Committee's recommendation to the Board for the re-election of Directors at the next Annual General Meeting ("AGM").

The Company's Articles of Association ("Articles") provide that at every AGM of the Company, one-third (1/3) of the Directors who are longest in office and those Directors appointed during the financial year shall retire from office and be eligible for re-election. The Articles also provide that all Directors, including the Executive Chairman and the Group Managing Director, shall retire from office once in every three (3) years but shall be eligible for re-election. Both the Executive Chairman and the Group Managing Director do not have a service contract where the notice period for termination is more than one (1) year.

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

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

In accordance with this process, Datuk Ir (Dr) Mohamed Al Amin Abdul Majid, Safrizal bin Mohd Said and Khamis bin Awal retired by rotation at the 42nd AGM held on 21 November 2012 and were re-elected to the Board by the Company's shareholders.

Lim Hock Chye and Edmond Cheah Swee Leng retire by rotation at the forthcoming 43rd AGM.

Remuneration of directors

The R&N Committee also assume the task of recommending to the Board the remuneration package for the Executive Directors in all its forms, drawing from outside advice where necessary, at the Company's expense, taking into consideration the Executive Directors' responsibilities, contributions and performances, as well as the market rate for similar positions in comparable companies. The R&N Committee is also responsible for recommending the remuneration of the Non-Executive Directors, including directors' fee, after taking into account comparison with payment by similar companies, to the Board for its endorsement.

It is the ultimate responsibility of the Board as a whole to decide the remuneration of the Directors. The directors' fees would be submitted to the shareholders for approval at the AGM of the Company.

For the last financial year, the Non-Executive Directors of the Board received RM50,000 each as directors' fee per annum. For Directors who resigned during the financial year, the fees were pro-rated according to the length of their term served on the Board. 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 approved by the shareholders at the last year's AGM.

The Non-Executive Directors also received attendance allowances of RM416 for each Board and Board committees meeting attended as recommended by the R&N Committee.

During the financial year, the R&N Committee has recommended the same amount of directors' fee for the Non-Executive Directors and for the members of the Audit Committee and R&N Committee. The attendance allowances for the Non-Executive Directors would also remain unchanged.

The Board has endorsed the R&N Committee's recommendation of the directors' fee for the current financial year and will propose the same for the approval of the Company's shareholders at the forthcoming AGM.

The R&N Committee also reviewed the remuneration of the Executive Chairman and the Group Managing Director and made recommendations on the same for the Board's approval. Both the Executive Chairman and the Group Managing Director did not participate in the Board deliberation on their remuneration at the Board meeting.

The remuneration of the Executive Chairman and the Group Managing Director for the financial year ended 31 May 2013 consisted of monthly salary, bonus, contribution to the Employees Provident Fund and benefits-in-kind and was determined based on the performance of the Group in the financial year.

Subject to the approval of the Company's shareholders on the directors' fees for the current financial year, the details of the remuneration paid or payable to the Directors by the Group during the financial year are disclosed in Note 8 to the financial statements on page 73 of this Annual Report.

REINFORCE INDEPENDENCE

Assessment of independence

Independent Directors are not employees of the Group and do not participate in the day-to-day operations of the Group. They are free from any business or other relationship which would materially interfere with the exercise of their independent judgement. They are people of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, business performance, resources and standards of conduct.

The Board, through the R&N Committee, annually assesses the independence of the Independent Directors by taking into account the above mentioned criteria.

Tenure of independent directors

One of the recommendations of the MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative term of nine years. For the current financial year, the Group does not have Independent Directors who have served a cumulative term of nine years.

Composition of the Board

As at 31 May 2013, the Board comprises six (6) members, of whom the Chairman and Group Managing Director are Executive Directors and the remaining four (4) are Non-Executive Directors. All the Non-Executive Directors are Independent Directors. The composition of the Board is in compliance with the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors.

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

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

The Board is satisfied with the composition of the Board during the financial year. The Board is also of the view that it has the right mix of skill, experience and knowledge to deal with the strategic direction, investment and management of the Group.

The profile of the Directors is set out in pages 6 to 8 of this Annual Report.

Separation of the positions of the Chairman and Group Managing Director

The Group has adopted the recommendation of the MCCG 2012 whereby the positions of the Chairman and Group Managing Director are held by different individuals. However the Chairman of the Company is not a non-executive director. This is not in line with the reccommendation of the MCCG 2012. However, the Board composition is in line with the MCCG 2012 in that it comprises of a majority of independent directors when its Chairman is not an independent director.

Notwithstanding the currect composition, the Board is satified that it is in the best interest of the Company to retain its currect Board composition. This is because the roles of the Executive Chairman and the Group Managing Director are distinct and separate with individual responsibilities and clearly defined duties, power and authorities. The Executive Chairman is responsible for the orderly conduct of the Board as well as leading the Board in the oversight of the Management, whereas the Group Managing Director is accountable for the day-to-day management of the Group's business operations and implementation of the Board's decisions and policies. The distinct and separate roles of the Executive Chairman and the Group Managing Director, with a clear division of responsibilities, ensure a balance of power and authorities, such that no one individual has unfettered powers of decision making.

FOSTER COMMITMENT

Time commitment

All the Directors have committed sufficient time to carry out their duties for 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 MCCG 2012.

At the end of each calendar year, the Company Secretaries would draw a proposed timetable for all the meetings of the Board and Board committees, including the AGM, to be held in the next calendar year, to ease the Directors in planning their attendances at the Board and/or Board committees meetings.

The attendance record below illustrates the Directors' level of time commitment:

Attendance at Board meetings

Name of Directors	Attendance
Datuk Ir (Dr) Mohamed Al Amin Abdul Majid	4/4
Dato' (Dr) Siew Ka Wei	4/4
Lim Hock Chye	4/4
Edmond Cheah Swee Leng	3/4
Safrizal bin Mohd Said	2/4
Khamis bin Awal	3/4

Attendance at Audit Committee meetings

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

Attendance at R&N Committee meetings

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

All Directors have attained the minimum attendance during the financial year as required under the Listing Requirements. All Board meetings held during the financial year were attended by the Company Secretaries.

Continuing education programme

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 will assume the onus of determining and overseeing the training needs of the Directors and will encourage the Directors to attend courses, seminars and trainings to enhance their skills and knowledge and to keep abreast of the relevant changes in laws, regulations and business environment to effectively discharge their responsibilities.

In addition to the updates on relevant guidelines and statutory and regulatory requirements provided by the Company Secretaries and the management from time to time, the Directors have on their own initiative, whenever necessary and time permits, requested to attend courses, according to their individual needs as a Director or as members of a Board committee on which they serve.

During the financial year, the Directors attended the following seminars/courses/trainings:

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid

- Half-day seminar on Related Party Transactions - Caution for Investors in Asia organised by Country View Berhad in October 2012.

Lim Hock Chye

- Directors' Training On The Personal Data Protection Act 2012 and Malaysia Code on Corporate Goverance, 2012 organised by Securities Services (Holdings) Sdn Bhd in April 2013. As a panel speaker for Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors, he continues to give lectures and seminars and spoke as a panelist on Audit Quality Framework at the National Accounting Educators Symposium 2013 in May 2013.

Dato' (Dr) Siew Ka Wei, the Group Managing Director, did not attend any seminar/course/training as he was indisposed during the financial year due to his work commitments and the need to oversee the Group's various business operations in and out of the country. Edmond Cheah Swee Leng, Safrizal bin Mohd Said and Khamis bin Awal did not attend any seminar/course/training as they had not found any suitable course to attend during the financial year. The Board will identify seminars/courses/trainings which the Board considers relevant and useful for them to attend in the next financial year.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

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

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

A statement by the Board on its responsibilities for preparing the annual audited financial statements is set out on page 30 of 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 same prior to their release to Bursa Malaysia Securities Berhad 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.

The Company has established a formal, transparent and appropriate relationship with the Group's external auditors. The Audit Committee has been explicitly accorded the power to appoint and decide on the remuneration and the resignation or dismissal of the external auditors. The appointment of the external auditors is subject to the approval of the Company's shareholders at the AGM.

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.

The Audit Committee Report is set out on pages 22 to 26 of this Annual Report.

RECOGNISE AND MANAGE RISKS

The Board acknowledges its overall responsibility in ensuring that a sound risk management framework and internal control system is maintained throughout the Group, covering not only financial controls but also operational and compliance controls and risk management. The Board recognises that risks cannot be totally eliminated and the risk management framework and internal control system is designed to minimise and manage, 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 the regular assurance on the continuity and effectiveness of the 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.

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

The report of the Audit Committee is separately set out on pages 22 to 26 of this Annual Report while the Statement on Risk Management and Internal Control is disclosed on pages 27 to 28 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Procedures on corporate disclosure

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

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

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

The Board recognises that it may be prudent to temporarily withhold certain material information from public disclosure under exceptional circumstances. The Board commits to ensure that the strictest confidentiality is maintained and that the market activity is monitored to observe signs of leakage of information or insider trading which will warrant an immediate announcement by the Company and to take action against any possible insider trading.

Leverage on information technology for effective dissemination of information

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

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage shareholder participation at general meetings

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

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

The Company held its 42nd AGM at the Hilton Petaling Jaya at Jalan Barat, Petaling Jaya on 21 November 2012. The Notice of AGM, Annual Report and the related circular were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice of AGM was also advertised in a national English newspaper within the prescribed deadlines. The current minimum notice period for general meeting is as prescribed in the Listing Requirements and the Board believes that such notice period is adequate. Notwithstanding this, the Board has noted the recommendations of the MCCG 2012 to serve notice of meeting earlier than the minimum notice period and shall endeavour to do so whenever possible in future.

All the Directors and a total of 316 shareholders and proxies attended the AGM. During the AGM, the Group Managing Director gave a briefing on the performance for the financial year 2012 and his view and insights on the future prospects of the Group's businesses. There was active participation by the shareholders in the discussions. The Chairman, when presenting the agenda items for voting, also gave a brief description of the items to be voted and shareholders were invited to give their views and comments before voting commenced.

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

Minutes were kept to record the proceedings of the AGM and shareholders may inspect the minutes in accordance with the provisions of the Act.

The Notice for the forthcoming 43rd AGM of the Company, which will be held on 20 November 2013, is on pages 116 to 118 of this Annual Report.

Encourage poll voting

The MCCG 2012 recommends that the Board encourage poll voting. The Board agrees with this recommendation and will encourage poll voting on a case-to-case basis.

There were no substantive resolutions put forth at the 42nd AGM of the Company, which was held on 21 November 2012. Hence, all resolutions were voted on a show of hands.

Effective communication and proactive engagement

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

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

CONCLUSION

The Board recognises the importance of the Group practising good corporate governance and believes that it has managed the affairs of the Group in accordance with the good corporate governance standards which are in compliance with the recommendations of the MCCG 2012, 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

INTRODUCTION

Pursuant to Paragraph 15.15 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board of Directors ("the Board") is pleased to present its Audit Committee Report for the financial year ended 31 May 2013.

SUMMARY OF TERMS OF REFERENCE

Composition

1. The Board shall appoint an Audit Committee from amongst its members and the Audit Committee shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent directors as defined in the Listing Requirements.

2. All members of the Audit Committee shall be financially literate and at least one of them shall be a member of the Malaysian Institute of Accountants ("MIA") or a person who fulfils the requirements under Paragraph 15.09 (1)(c)(ii) or (iii) of the Listing Requirements.

3. No alternate director shall be appointed as a member of the Audit Committee.

4. The Chairman of the Audit Committee shall be elected at the first Audit Committee meeting held after each annual general meeting of the Company, from amongst its members and he shall be an independent director. The Chairman so elected shall hold office until the commencement of the first Audit Committee meeting held after each annual general meeting of the Company.

5. If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members less than the required number of three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of members. All members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board or until they cease to be a director of the Company.

6. One of the Company Secretaries shall be the Secretary of the Audit Committee.

Authority

The Audit Committee, in the performance of its duties and responsibilities, shall have, at the cost of the Company:

- the explicit authority to investigate any matter within its Terms of Reference;
- all the resources that are required to perform its duties;
- full and unrestricted access to any information pertaining to the Company and the Group;
- direct communication channels with the external auditors and the internal auditors; and
- the authority to obtain independent professional and other advices and to secure the attendance of the advisers if it considers necessary.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be:

1. Risk Management and internal control

    a) Maintaining a good corporate governance standard as well as a sound system of internal control;
    b) Facilitating the effective discharge of its stewardship responsibilities in respect of strategic business operations and related controls;
    c) Identifying principal risks and ensuring the implementation of appropriate risk management framework;
    d) Reviewing the adequacy and integrity of the system of internal control and management information system; and
    e) Reviewing and ensuring the financial statements reported comply with the applicable accounting standards, financial reporting standards and other statutory requirements.

2. External Audit

   a) Consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
   b) Review of the nature and scope of the statutory audit and ensure co-ordination where more than one audit firm is involved; and
   c) Review the external auditors' management letter and management's response.

3. Internal Audit

   a) Determine and approve the internal audit scope and plan and ensure that the internal audit function is independent of the activities it audits; and
   b) Review the competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.

4. Audit Reports

   a) Review the internal and external audit reports to ensure that appropriate and adequate measures are undertaken by management on any problems and reservations arising from the audits; and
   b) Review the major findings of the internal and external audit and the management's response.

5. Financial Reporting

   Review the quarterly and year-end financial statements of the Group, focusing particularly on:
   - changes in accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements.

6. Related Party Transactions

   To review any related party transactions and conflict of interest situations that may arise within the Company and its subsidiaries including any transaction, procedure or course of conduct that rises questions of management integrity.

7. Other matters

   Consider any other matter deemed appropriate by the Audit Committee or as authorised by the Board.

Meeting

1. The Audit Committee shall meet every quarterly or at other frequencies as directed by the Board and at any time upon the request of any members of the Audit Committee, the external auditors or the internal auditors and/or at the Chairman's discretion.

2. The representatives of the internal and external auditors should normally attend the Audit Committee meetings. Invitees may attend the Audit Committee meetings upon the invitation of the Audit Committee. The Audit Committee shall convene meetings with the external auditors, internal auditors or both, without the attendance of other directors and employees of the Company and the Group whenever it deems necessary.

3. The quorum for each meeting shall be two (2) members, all of whom must be independent directors.

4. Agenda shall be sent to all Audit Committee members and any other persons who may be required to attend the meeting at least seven (7) days prior to the meeting unless such requirement is waived by the Audit Committee members at the meeting.

5. Decision of the Audit Committee shall be by majority of vote. In the case of equality of vote, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the Audit Committee members attending the meeting, shall have a second and casting vote.

Minutes of meetings

1. The minutes of each Audit Committee meeting, after the same have been affirmed at the subsequent Audit Committee meeting and signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat.

2. The minutes shall be kept by the Secretary and are subject to inspection by the Audit Committee members and the Board upon request.

3. Copies of the minutes shall be distributed to the Audit Committee members and the Board for information.

MEMBERS AND MEETINGS

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

Members	Attendance	
	No.	%
Edmond Cheah Swee Leng *Chairman, Independent Non-Executive Director, member of MIA*	4	80
Lim Hock Chye *Member, Independent Non-Executive Director*	5	100
Dato' Johari Razak *Member, Non-Independent Non-Executive Deputy Chairman* *(resigned on 19 June 2012)*	N/A	N/A
Safrizal bin Mohd Said *Member, Independent Non-Executive Director*	3	60
Khamis bin Awal *Member, Independent Non-Executive Director*	5	100

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

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

SUMMARY OF ACTIVITIES

During the financial year under review, the Audit Committee carried out its duties in accordance with its Terms of Reference. The activities undertaken were as follows:

Financial results

- Review of 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
- Review of 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 ensure, inter-alia, that the quarterly interim financial reports and the annual audited financial statements complied with the provisions of the Companies Act, 1965, the Listing Requirements, the applicable Financial Reporting Standards and other statutory and regulatory requirements.

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 quarterly internal audit reports, which detailed the observations and recommendations of the internal auditors, and the management's reponses to these recommendations;
- Reviewed certain weaknesses noted in the internal audit or non-compliance of the internal control system to determine their possible impact on the effectiveness of the internal control system and their possible financial impact on the Group's financial results and the going concern assumptions; and
- Reviewed the management's remedial actions to be undertaken in relation to the weaknesses and/or non-compliances noted above and the follow-up actions undertaken by the management thereof.

External audits

- Reviewed and approved the annual audit planning memorandum, which detailed the areas of audit emphasis and the multi-location scope of the audit;
- Apprised of and reviewed the new Malaysian Financial Reporting Framework ("MFRS Framework") and the material effects on the Group's financial reporting on adoption of the MFRS Framework by the Group for the current financial year;
- Reviewed the management letter from the external auditors to ensure that the internal control system was in place and was effective to achieve its objectives;
- Reviewed the external auditors' performance and effectiveness and made recommendation to the Board for their reappointment and remuneration.

Related party transactions

- Reviewed and approved the related party transactions entered into by the Company and the Group and conflict of interest situations on a quarterly basis, with a detailed review of transactions exceeding RM1.0 million.

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 and the major issues raised in respect of the internal audit and internal control. The Chairman also briefed the Board on their deliberations pertaining to the quarterly interim financial reports, the annual audited financial statements and the recommendations of the Audit Committee thereon to the Board to adopt the quarterly interim financial reports and the annual audited financial statements.

INTERNAL AUDIT FUNCTION

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

In this regard, the Board has outsourced the internal audit function of the Group to an independent professional consulting firm of international standing, Deloitte Enterprise Risk Services Sdn Bhd, for the financial year ended 31 May 2013 for a fee of RM83,000. The outsourced internal audit function reports to the Audit Committee and indirectly assists the Board in monitoring and managing risks and the Group's system of internal control.

During the financial year, the internal auditors carried out the internal audit function based on the approved internal audit plan.

Amongst the responsibilities of the internal auditors were:

(i) to assist the Board in reviewing the adequacy, integrity and effectiveness of the Group's risk management and internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of management information system and consequently to determine the future requirements for internal control system and to co-develop a prioritised action plan;

(ii) to perform a risk assessment of the Group's business operation and to identify the business processes within the Group that internal audit should focus on; and

(iii) to allocate audit resources to areas within the Group that provide the Audit Committee and the management with efficient and effective level of audit coverage.

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

CONCLUSION

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

Please refer to pages 27 to 28 of this Annual Report for the Statement on Risk Management and Internal Control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement of Risk Management and Internal Control by the Board of Directors ("the Board") is made pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and is prepared in accordance with the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia Securities Berhad. It outlines the nature and scope of risk management and internal control of Nylex (Malaysia) Berhad and its subsidiaries ("the Group") during the financial year under review.

BOARD RESPONSIBILITY

The Board is responsible for the effectiveness and adequacy of the Group's risk management and internal control systems and is, to that effect, committed to maintaining a risk management and internal control system in financial, operational and compliance to achieve the following objectives:

- safeguard assets of the group and shareholders' interests;
- identify and manage risks affecting the Group;
- ensure compliance with regulatory requirements; and
- ensure operational results are closely monitored and substantial variances are promptly explained.

The Management has been tasked to assist the Board in the implementation of an effective risk management framework by ensuring that it is embedded into the culture, processes and structures of the Group through operational manuals and procedures on authority limits and day-to-day operations. The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively.

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 rather than eliminate the risk of failure to achieve 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

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

- The Board has in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

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

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

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

- The Audit Committee in its advisory capacity is 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 system of internal control periodically.

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for FY 2013, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group.

CONCLUSION

The Board is of the opinion that the risk management and internal control system that has been instituted throughout the Group was satisfactory and has not resulted in any material losses that would require disclosure in the Group's annual report for the financial year ended 31 May 2013.

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") is pleased to present the Corporate Social Responsibility ("CSR") Statement for the financial year ended 31 May 2013.

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

Environment

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

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

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

Workplace

The Group values its employees and emphasises on the development of human resources. Various activities and procedures focusing on safety and health were organised by the Group to promote a healthy and positive work environment for its employees:

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

Management and Supervisory Development programmes which provide career advancement opportunities were also organised by the Company for potential employees.

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

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

Community

Consistent with one of the important focal area of CSR which is to be responsible to the community in which the Group operates, the Group makes it a point to provide industrial training or factory visits to undergraduates or technical students from local and international institutions. During the financial year, industrial training was provided for eight (8) students; three (3) from Universiti Teknologi Mara, two (2) from Monash University Sunway and one (1) each from SEGI University College, Universiti Tunku Abdul Rahman and UCSI University.

Employees are encouraged to volunteer in community projects such as tree planting and blood donation campaigns. During the financial year, the Company conducted a blood donation campaign to collect blood for Hospital Tengku Ampuan Rahimah, Klang, Selangor Darul Ehsan. A total of twenty seven (27) employees participated in the event.

During the financial year, the Company and/or its subsidiaries made monetary donations to a secondary school in Ipoh and another in Johor, The Malay Mail Charity Golf Fund, MyKasih Foundation, Red Cross Societies of Singapore and Indonesia, Singapore Children's Society, Pusat Dialisis Tuanku Syed Putra-NKF and the Habitat Foundation Indonesia.

The Company also made a contribution to the National Kidney Foundation which in turn offered free health screening for its employees. A subsidiary made several donations to support the various festivities organised by the village adjacent to its manufacturing plant and to renovate its village hall.

Marketplace

Last but not least, the Group also recognises its duty to be socially responsible to its customers, suppliers, shareholders and other stakeholders. Hence, with effect from January 2007, Material Safety Data Sheets were developed on the Group's products range for customers to ensure safe and proper usage and handling of our products.

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

Safety briefing and training for customers on the handling of phosphoric acid are also conducted by a subsidiary on a regular basis.

DIRECTORS' RESPONSIBILITIES STATEMENT ON FINANCIAL STATEMENTS

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare the financial statements for each financial year which shall give a true and fair view of the state of affairs and financial position of the Company and of the Group and their financial performance and cash flows as at the end of the financial year.

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

The Directors hereby state that they are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company and the Group to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group as at 31 May 2013 and the income statement and statement of cash flows of the Company and of the Group for the financial year ended on that date. The Directors are also responsible for ensuring that the financial statements comply with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Companies Act, 1965 in Malaysia, the Listing Requirements, and other statutory and regulatory requirements.

In preparing the financial statements for the financial year ended 31 May 2013, 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

The Directors of Nylex (Malaysia) Berhad ("Nylex") have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2013.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries comprise the following:

(a) Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins;

(b) Trading, manufacture and sale of petrochemicals and industrial chemicals products; and

(c) Manufacture and trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets.

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

RESULTS

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

	Group RM'000	Company RM'000
Profit from operations	24,014	6,946
Finance costs	(8,238)	(2,443)
Profit before tax	15,776	4,503
Income tax expense	(8,753)	(1,895)
Net profit for the year	7,023	2,608
Attributable to:		
Owners of the parent	7,755	2,608
Non-controlling interests	(732)	-
	7,023	2,608

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

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

At the 42nd Annual General Meeting held on 21 November 2012, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares pursuant to Section 67A of the Companies Act, 1965 ("Act").

During the financial year, the Company purchased 734,100 of its issued ordinary shares of RM1.00 each from the open market at an average price of RM0.54 per share. The total consideration paid for the repurchases including transaction costs was RM396,747. The repurchased shares are held as treasury shares in accordance with Section 67A(3A)(b) of the Act.

As at 31 May 2013, a total of 1,287,624 treasury shares with a carrying amount of RM734,738 were held by the Company. Details of the shares repurchased in the financial year are disclosed in Note 25 to the financial statements.

DIVIDENDS

During the financial year, the Company paid a final dividend of 2.0 sen per share, less 25% income tax, amounting to RM2,898,063, in respect of the financial year ended 31 May 2012, on 11 January 2013.

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final dividend of 2.0 sen per share, less 25% income tax, in respect of the financial year ended 31 May 2013.

The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2014.

DIRECTORS

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

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid *(Executive Chairman)*
Dato' (Dr) Siew Ka Wei *(Group Managing Director)*
Lim Hock Chye
Edmond Cheah Swee Leng
Safrizal bin Mohd Said
Khamis bin Awal

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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 Each			
	Balance at 1.6.2012	**Acquired**	**Disposed**	**Balance at 31.5.2013**
The Company				
Direct interest				
Dato' (Dr) Siew Ka Wei	1,522,049	-	-	1,522,049
Deemed interest				
Dato' (Dr) Siew Ka Wei	99,363,917	2,803,218	(8,500,000)	93,667,135
Holding company, Ancom Berhad				
Direct interest				
Dato' (Dr) Siew Ka Wei	15,121,765	2,758,300	-	17,880,065
Deemed interest				
Dato' (Dr) Siew Ka Wei	19,398,848	-	-	19,398,848
Subsidiary, Ancom Kimia Sdn Bhd				
Direct interest				
Datuk Ir (Dr) Mohamed Al Amin Abdul Majid	770,000	-	-	770,000

	Number of Ordinary Shares of RM0.20 Each			
	Balance at 1.6.2012	**Acquired**	**Disposed**	**Balance at 31.5.2013**
Related company, Ancom Logistics Berhad				
Direct interest				
Safrizal bin Mohd Said	5,000	-	(5,000)	-

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

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

DIRECTORS' BENEFITS

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

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

OTHER STATUTORY INFORMATION

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in these financial statements 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 EVENT DURING THE YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

Significant event during the year is disclosed in Note 36 to the financial statements. There is no significant event between the end of the reporting period and the date when the financial statements are authorised for issue.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 September 2013.

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid
Director

Dato' (Dr) Siew Ka Wei
Director

STATEMENT BY DIRECTORS

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

We, Datuk Ir (Dr) Mohamed Al Amin Abdul Majid and Dato' (Dr) Siew Ka Wei, being two of the Directors of Nylex (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 42 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 39 to the financial statements on page 109 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 September 2013.

Datuk Ir (Dr) Mohamed Al Amin Abdul Majid

Dato' (Dr) Siew Ka Wei

STATUTORY DECLARATION

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

I, Dato' (Dr) Siew Ka Wei, being the Director primarily responsible for the financial management of Nylex (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 109 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Dato' (Dr) Siew Ka Wei
at Petaling Jaya
on 20 September 2013

Before me,

Dato' (Dr) Siew Ka Wei

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

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the statements of financial position as at 31 May 2013 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 108.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The Directors are responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2013 and of their financial performance and cash flow for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia ("Act"), we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 37 to the financial statements, being the financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 39 to the financial statements on page 109 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statement. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

As stated in Note 2 to the financial statements, Nylex (Malaysia) Berhad adopted Malaysian Financial Reporting Standards on 1 June 2012 with a transition date of 1 June 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 May 2012 and 1 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 May 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 May 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 June 2012 do not contain misstatements that materially affect the financial position as at 31 May 2013 and financial performance and cash flows for the year then ended.

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

Ernst & Young
AF:0039
Chartered Accountants

Kua Choh Leang
No. 2716/01/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
20 September 2013

INCOME STATEMENTS

For the financial year ended 31 May 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	3	**1,728,625**	1,488,251	**63,758**	78,931
Cost of sales	3	**(1,608,885)**	(1,362,459)	**(56,930)**	(68,974)
Gross profit		**119,740**	125,792	**6,828**	9,957
Other income	4	**2,688**	5,882	**18,258**	22,718
Selling and distribution expenses		**(55,431)**	(57,238)	**(4,281)**	(5,158)
Administrative expenses		**(41,467)**	(42,697)	**(13,562)**	(14,118)
Other expenses		**(1,516)**	(3,784)	**(297)**	(426)
Profit from operations		**24,014**	27,955	**6,946**	12,973
Finance costs	5	**(8,238)**	(7,506)	**(2,443)**	(2,001)
Profit before tax	6	**15,776**	20,449	**4,503**	10,972
Taxation	9	**(8,753)**	(6,673)	**(1,895)**	419
Net profit for the year		**7,023**	13,776	**2,608**	11,391
Profit attributable to:					
Owners of the parent		**7,755**	13,873	**2,608**	11,391
Non-controlling interests		**(732)**	(97)	**-**	-
		7,023	13,776	**2,608**	11,391
Earnings per share (sen)	10	**4.0**	7.1		
Net dividends per ordinary share (sen)	11	**1.5**	2.1		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 May 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net profit for the year	**7,023**	13,776	**2,608**	11,391
Other comprehensive (loss)/income				
Currency translation differences, representing total other comprehensive (loss)/income for the year	**(3,864)**	3,611	**-**	-
Total comprehensive income for the year	**3,159**	17,387	**2,608**	11,391
Total comprehensive income attributable to:				
Owners of the parent	**3,963**	17,529	**2,608**	11,391
Non-controlling interests	**(804)**	(142)	**-**	-
	3,159	17,387	**2,608**	11,391

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 May 2013

	Note	2013 RM'000	2012 RM'000	As at 1.6.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	**65,498**	69,363	66,426
Investment securities	14	**-**	-	3,580
Intangible asset	15	**-**	-	13
Goodwill arising on consolidation	16	**86,976**	88,439	86,828
Deferred tax assets	17	**32,735**	32,120	29,830
		185,209	189,922	186,677
Current assets				
Inventories	18	**177,818**	175,498	140,741
Trade and other receivables	19	**272,862**	272,595	223,370
Investment securities	14	**415**	423	458
Income tax recoverable		**1,303**	4,115	4,521
Derivative assets	20	**39**	-	21
Short-term deposits with licensed banks	21	**9,591**	9,897	18,063
Cash and bank balances	21	**36,871**	51,589	43,049
		498,899	514,117	430,223
TOTAL ASSETS		**684,108**	704,039	616,900
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	22	**194,338**	194,338	194,338
Reserves	23	**669**	4,461	805
Retained earnings	24	**90,321**	85,464	75,745
Less: Treasury shares, at cost	25	**(735)**	(338)	(33)
		284,593	283,925	270,855
Non-controlling interests		**3,092**	3,896	6,018
Total equity		**287,685**	287,821	276,873
Non-current liabilities				
Deferred tax liabilities	17	**1,423**	1,467	1,489
Borrowings	26	**165**	2,425	1,465
Provision for retirement benefits	27	**2,862**	2,846	3,476
		4,450	6,738	6,430
Current liabilities				
Trade and other payables	28	**192,747**	243,734	167,152
Borrowings	26	**198,155**	164,197	165,614
Income tax payable		**1,070**	1,080	831
Derivative liabilities	20	**1**	469	-
		391,973	409,480	333,597
Total liabilities		**396,423**	416,218	340,027
TOTAL EQUITY AND LIABILITIES		**684,108**	704,039	616,900

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

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 May 2013

	Note	2013 RM'000	2012 RM'000	As at 1.6.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	**33,092**	34,361	37,078
Investments in subsidiaries	13	**193,436**	193,436	198,056
Investment securities	14	**-**	-	80
Deferred tax assets	17	**26,071**	26,071	23,885
		252,599	253,868	259,099
Current assets				
Inventories	18	**17,080**	17,936	22,809
Trade and other receivables	19	**38,210**	43,759	34,986
Investment securities	14	**132**	134	145
Income tax recoverable		**33**	33	33
Derivative assets	20	**39**	-	21
Short-term deposits with licensed banks	21	**3,000**	3,500	6,000
Cash and bank balances	21	**3,047**	2,466	2,989
		61,541	67,828	66,983
TOTAL ASSETS		**314,140**	321,696	326,082
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	22	**194,338**	194,338	194,338
Reserves	23	**805**	805	805
Retained earnings	24	**65,329**	65,619	58,382
Less: Treasury shares, at cost	25	**(735)**	(338)	(33)
Total equity		**259,737**	260,424	253,492
Non-current liability				
Provision for retirement benefits	27	**2,399**	2,500	3,217
Current liabilities				
Trade and other payables	28	**27,685**	31,196	33,056
Borrowings	26	**24,318**	27,300	36,317
Derivative liabilities	20	**1**	276	-
		52,004	58,772	69,373
Total liabilities		**54,403**	61,272	72,590
TOTAL EQUITY AND LIABILITIES		**314,140**	321,696	326,082

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2013

		Attributable to owners of the parent							
		Non-distributable							
	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Retained earnings RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Opening balance as at 1 June 2012		194,338	805	3,656	85,464	(338)	283,925	3,896	287,821
Total comprehensive (loss)/ income for the year		-	-	(3,792)	7,755	-	3,963	(804)	3,159
Transactions with owners									
Dividends	11	-	-	-	(2,898)	-	(2,898)	-	(2,898)
Repurchase of shares		-	-	-	-	(397)	(397)	-	(397)
Total transactions with owners		-	-	-	(2,898)	(397)	(3,295)	-	(3,295)
Closing balance as at 31 May 2013		**194,338**	**805**	**(136)**	**90,321**	**(735)**	**284,593**	**3,092**	**287,685**
Opening balance as at 1 June 2011 as previously stated		194,338	805	(19,059)	94,804	(33)	270,855	6,018	276,873
Effects of adopting MFRS 1		-	-	19,059	(19,059)	-	-	-	-
Opening balance as at 1 June 2011 as restated		194,338	805	-	75,745	(33)	270,855	6,018	276,873
Total comprehensive income/(loss) for the year		-	-	3,656	13,873	-	17,529	(142)	17,387
Transactions with owners									
Dividends	11	-	-	-	(4,154)	-	(4,154)	-	(4,154)
Winding up of subsidiary		-	-	-	-	-	-	(1,980)	(1,980)
Repurchase of shares		-	-	-	-	(305)	(305)	-	(305)
Total transactions with owners		-	-	-	(4,154)	(305)	(4,459)	(1,980)	(6,439)
Closing balance as at 31 May 2012		194,338	805	3,656	85,464	(338)	283,925	3,896	287,821

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

	Note	Non-distributable Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Total RM'000
Opening balance as at 1 June 2012		194,338	805	65,619	(338)	260,424
Total comprehensive income for the year		-	-	2,608	-	2,608
Dividends	11	-	-	(2,898)	-	(2,898)
Repurchase of shares		-	-	-	(397)	(397)
Closing balance as at 31 May 2013		**194,338**	**805**	**65,329**	**(735)**	**259,737**
Opening balance as at 1 June 2011		194,338	805	58,382	(33)	253,492
Total comprehensive income for the year		-	-	11,391	-	11,391
Dividends	11	-	-	(4,154)	-	(4,154)
Repurchase of shares		-	-	-	(305)	(305)
Closing balance as at 31 May 2012		194,338	805	65,619	(338)	260,424

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 May 2013

	2013 RM'000	2012 RM'000
Cash Flows From Operating Activities		
Profit before taxation	**15,776**	20,449
Adjustments for:		
Depreciation of property, plant and equipment	**6,677**	7,196
Interest expense	**8,238**	7,506
Amortisation of intangible assets	**-**	13
Fair value loss on investments	**8**	35
Fair value (gain)/loss on derivatives	**(38)**	469
Impairment loss on goodwill on consolidation	**-**	1,398
Inventories written-down	**1,271**	2,878
Impairment loss/(write-back) on trade and other receivables	**72**	(368)
Unrealised loss/(gain) on foreign exchange	**1,977**	(516)
(Write-back)/provision for warranties	**(204)**	352
Provision/(write-back) for retirement benefits	**343**	(28)
Dividend income	**(10)**	(1,851)
Interest income	**(1,343)**	(561)
(Gain)/loss on disposal of property, plant and equipment (net)	**(230)**	81
Loss on disposal of investment	**-**	1,734
Operating profit before working capital changes	**32,537**	38,787
Working Capital Changes		
Receivables	**(6,291)**	(36,111)
Inventories	**(9,779)**	(35,123)
Payables	**(44,802)**	75,862
Related companies	**1,846**	(11,428)
Cash (used in)/generated from operations	**(26,489)**	31,987
Income taxes paid	**(6,753)**	(8,422)
Retirement benefits paid	**(308)**	(593)
Net Cash (Used In)/Generated From Operating Activities (carried forward)	**(33,550)**	22,972

	2013 RM'000	2012 RM'000
Net Cash (Used In)/Generated From Operating Activities (brought forward)	**(33,550)**	22,972
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**258**	794
Purchase of property, plant and equipment	**(3,872)**	(11,102)
Proceeds from disposal of investment securities	**-**	1,846
Distribution of surplus assets to non-controlling interests on winding up of a subsidiary	**-**	(1,980)
Interest received	**1,343**	561
Dividend received from equity instruments	**10**	1,851
Net Cash Used In Investing Activities	**(2,261)**	(8,030)
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	**(2,898)**	(4,154)
Repayment of hire-purchase creditors	**(30)**	(560)
Drawdown of term loan and advances	**155,525**	89,928
Repayment of term loan and advances	**(121,754)**	(91,225)
Purchase of treasury shares	**(397)**	(305)
Interest paid	**(8,238)**	(7,506)
Net Cash Generated From/(Used In) Financing Activities	**22,208**	(13,822)
Net (Decrease)/Increase in Cash and Cash Equivalents	**(13,603)**	1,120
Effects of Exchange Rate Changes	**(3,219)**	(549)
Cash and Cash Equivalents at Beginning of Year	**61,486**	60,762
Effects of Exchange Rate Changes	**1,798**	153
	63,284	60,915
Cash and Cash Equivalents at End of Year (Note 21)	**46,462**	61,486

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

COMPANY STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2013

	2013 RM'000	2012 RM'000
Cash Flows From Operating Activities		
Profit before taxation	**4,503**	10,972
Adjustments for:		
Depreciation of property, plant and equipment	**3,658**	3,792
Interest expense	**2,443**	2,001
Fair value loss on investments	**2**	11
Fair value (gain)/loss on derivatives	**(38)**	276
Inventories written-down	**1,155**	1,000
(Write-back)/impairment loss on trade and other receivables	**(338)**	988
Unrealised loss/(gain) on foreign exchange	**242**	(589)
Provision for warranties	**70**	72
Provision/(write-back) for retirement benefits	**207**	(124)
Dividend income	**(16,348)**	(19,055)
Interest income	**(1,308)**	(722)
(Gain)/loss on disposal of property, plant and equipment	**(125)**	110
Gain on disposal of investment	**-**	(1,766)
Operating loss before working capital changes	**(5,877)**	(3,034)
Working Capital Changes		
Receivables	**2,015**	(3,181)
Inventories	**(299)**	3,872
Payables	**(865)**	(3,384)
Related companies	**616**	(4,517)
Cash used in operations	**(4,410)**	(10,244)
Retirement benefits paid	**(308)**	(593)
Net Cash Used In Operating Activities (carried forward)	**(4,718)**	(10,837)

	2013 RM'000	2012 RM'000
Net Cash Used In Operating Activities (brought forward)	**(4,718)**	(10,837)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**146**	144
Purchase of property, plant and equipment	**(2,410)**	(1,329)
Proceeds from disposal of investment securities	**-**	1,846
Distribution of surplus assets on winding up of a subsidiary	**-**	4,620
Interest received	**1,308**	722
Dividend received from subsidiaries	**14,475**	17,288
Net Cash Generated From Investing Activities	**13,519**	23,291
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	**(2,898)**	(4,154)
Drawdown of term loan and advances	**5,318**	12,400
Repayment of term loan and advances	**(8,300)**	(21,417)
Purchase of Company's own shares	**(397)**	(305)
Interest paid	**(2,443)**	(2,001)
Net Cash Used In Financing Activities	**(8,720)**	(15,477)
Net Increase/(Decrease) in Cash and Cash Equivalents	**81**	(3,023)
Cash and Cash Equivalents at Beginning of Year	**5,966**	8,989
Cash and Cash Equivalents at End of Year (Note 21)	**6,047**	5,966

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

1. CORPORATE INFORMATION

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

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

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other plastic products, including geotextiles and prefabricated sub-soil drainage systems. The principal activities of the subsidiaries are indicated in Note 37. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 September 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

On 1 June 2012, the Group and the Company adopted the Malaysian Financial Reporting Standards ("MFRS") framework established by the Malaysian Accounting Standards Board ("MASB"). The MFRS framework was introduced to fully converge the existing Financial Reporting Standards ("FRS") in Malaysia with the International Financial Reporting Standards ("IFRS") framework established by the International Accounting Standards Board ("IASB").

The financial statements of the Group and of the Company have been prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia. Unless otherwise indicated in the significant accounting policies, the financial statements have been prepared under the historical cost basis.

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

(b) First-time adoption of MFRS

The financial statements of the Group and of the Company for the year ended 31 May 2013 are the first set of financial statements prepared in accordance with the MFRS and MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied. For the periods up to and including the year ended 31 May 2012, the Group and the Company prepared its financial statements in accordance with FRS in Malaysia.

In preparing its opening MFRS Statement of Financial Position as at 1 June 2011, which is the date of transition, the Group has adjusted the amounts previously reported in financial statements prepared in accordance with the FRS. Except as discussed below, the transition from FRS to MFRS has no significant impact on the financial position, financial performance and cash flows of the Group and of the Company. Accordingly, notes related to the statements of financial position as at date of transition are only presented for those items.

(i) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from the full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) First-time adoption of MFRS *(continued)*

(i) Business combination *(continued)*

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(a) the classification of former business combinations under FRS is maintained;
(b) there is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(c) the carrying amount of goodwill recognised under FRS is not adjusted.

(ii) Property, plant and equipment

The Group has previously applied the transitional provisions of IAS 16 (Revised), Property, Plant and Equipment adopted by MASB. Leasehold land and buildings were revalued in 1985 and as permitted by the transitional provisions, these assets continue to be stated on the basis of their 1985 valuation.

A first-time adopter of MFRS 1 may elect to use a previous revaluation of an item of property, plant and equipment at date of transition to MFRS as deemed cost at the date of the revaluation. The Group has elected to use the previously revalued leasehold land and buildings carrying amounts as deemed cost.

(iii) Foreign currency translation reserve

Under the FRS, the Group recognised translation differences on foreign operations in a separate component of equity.

Exemption is provided under MFRS 1 whereby a first-time adopter need not comply with the above requirement for cumulative translation differences that existed at the date of transition to MFRS. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at date of transition to MFRS and the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to MFRS and shall include later translation differences.

The Group has elected to reset all cumulation translation differences to zero at the transition date. Accordingly, the cumulative foreign currency translation differences of RM19,059,000 were adjusted to retained earnings. The following comparatives have been restated:

	As per FRS RM'000	Re-classification RM'000	As per MFRS RM'000
Group			
At 31 May 2012			
Translation reserve	(15,403)	19,059	3,656
Retained earnings	104,523	(19,059)	85,464
At 1 June 2011			
Translation reserve	(19,059)	19,059	-
Retained earnings	94,804	(19,059)	75,745

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

MFRS		Effective for financial periods beginning on or after
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in December 2003)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 1	Government Loans	1 January 2013
MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance	1 January 2013
MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 101	Presentation of Items of Other Comprehensive Income (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

Adoption of the above MFRS will have no material impact on the financial statements of the Group and of the Company in the year of initial application, except as discussed below:

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

MFRS 9 represents the first phase of the replacement of MFRS 139 and applies to the classification and measurement of financial assets and financial liabilities.

The standard requires all financial assets to be classified and measured at either amortised cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Classification and measurement of financial liabilities are generally similar to the requirements of MFRS 139. However, this standard requires that gain or loss on financial liabilities designated at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income and the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

MFRS 10 Consolidated Financial Statements

MFRS 10 supercedes MFRS 127 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

The principle of control sets out the following three elements of control:

(a) power over the investee;

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

(c) the ability to use power over the investee to affect the amount of the investor's returns.

The standard also sets out the accounting requirements for the preparation of consolidated financial statements, especially in circumstances where the investor holds less than a majority of voting rights, or where an investee is designed so that voting rights are not the dominant factor in deciding control, or in circumstances involving agency relationships or where the investor has control over specified assets of an investee.

MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 is a combined disclosure standard for interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. The standard requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

The standard affects disclosures only and has no impact on the financial position or performance of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

(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 2013 was RM86,976,000 (2012: RM88,439,000). Further details are disclosed in Note 16.

(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 RM29,803,000 (2012: RM29,856,000) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(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 5% and 7% variances in net profit for the year of the Group and of the Company respectively.

(iv) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 19.

(e) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(ii) Basis of consolidation

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, all intragroup balances, income and expenses and the resulting unrealised gains and losses are eliminated in full, and the consolidated financial statements reflect external transactions only. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Basis of consolidation *(continued)*

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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

(f) Non-controlling interests

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

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

(g) Associates

An associate is an entity, not being a subsidiary or joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investment in associates are accounted for using the equity method. Under the equity method of accounting, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired. The Group's interest in the associates is stated at cost plus the Group's share of post-acquisition retained earnings or accumulated losses and other reserves in the associates.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Associates *(continued)*

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount of impairment in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated 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.

(h) Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. Cost consists of purchase, commissioning, installation costs and in respect of construction of plant and machinery, interest expense incurred prior to commencement of production and other expenditure that is directly attributable to the acquisition of the asset.

Subsequent to recognition, all property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Other repair and maintenance costs are recognised in profit or loss as incurred.

Certain leasehold land and buildings of the Group and of the Company have not been revalued since they were first revalued in 1985. As permitted under the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets were stated at their 1985 valuation less accumulated depreciation. Upon transition to MFRS 1 on 1 June 2011, the Group elected to use the previously revalued leasehold land and buildings carrying amounts as deemed cost.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(i) Investments in subsidiaries

Investments in unquoted subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses in the Company's financial statements.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(j) Inventories

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

(k) Provision for liabilities

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

(l) Intangible assets

(i) Goodwill

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Intangible assets *(continued)*

(i) Goodwill *(continued)*

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2(o).

Goodwill and fair value adjustments which arose on acquisition of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(ii) Research and development expenditure

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

(iii) Rights

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

Rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful life of five years.

(m) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Employee benefits *(continued)*

(iii) Retirement benefits obligation

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

(n) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses and unused tax credits can be utilised except:

(a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

(ii) Deferred tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(o) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Foreign currencies *(continued)*

(iii) Foreign operations

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

(b) income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) all resulting exchange differences arising on the translation are taken directly to other comprehensive income.

The principal average rates and closing rates were as follows:

	Average rate		Closing rate	
	2013	**2012**	**2013**	**2012**
RM1.00 =				
Foreign currency				
Australian Dollar	**0.3149**	0.3133	**0.3367**	0.3232
Chinese Renminbi	**2.0219**	2.0757	**1.9817**	2.0054
Hong Kong Dollar	**2.5061**	2.5347	**2.5081**	2.4445
Indonesian Rupiah (1,000 units)	**3.1030**	2.9008	**3.1850**	2.9600
Singapore Dollar	**0.4013**	0.4084	**0.4080**	0.4045
United States Dollar	**0.3231**	0.3261	**0.3230**	0.3149
Vietnamese Dong (1,000 units)	**6.7218**	6.7642	**6.7270**	6.5590

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(p) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU).

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(r) Leases

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

(i) Finance leases

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

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment.

(ii) Operating leases

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Available for sale financial assets

Available for sale are financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

After initial recognition, available for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available for sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Financial assets *(continued)*

(iii) Available for sale financial assets *(continued)*

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date that the Group and the Company commit to purchase or sell the asset.

(t) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Unquoted equity securities at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available for sale financial asset

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available for sale financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available for sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(u) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Financial liabilities *(continued)*

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(v) Cash and cash equivalents

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

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity and are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividend on ordinary shares are recognised in equity in the period in which they are declared.

When issued shares of the Company are repurchased, the consideration paid, including any attributable transactions costs, is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, reissuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares are shown as movement in equity.

(y) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

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

3. REVENUE AND COST OF SALES

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

4. OTHER INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	**1,343**	561	**1,308**	722
Dividend income from:				
- Held for trading investments				
- Equity instruments (quoted in Malaysia)	**10**	17	**3**	6
- vailable for sale financial assets				
- Equity instruments (unquoted)	**-**	1,834	**-**	1,834
- Subsidiaries	**-**	-	**16,345**	17,215
Fair value gains on financial instruments				
- Derivatives	**38**	-	**38**	-
Gain on disposal of property, plant and equipment	**230**	-	**125**	-
Gain on disposal of investment	**-**	-	**-**	1,766
Realised gain on foreign exchange	**1,064**	2,944	**436**	576
Unrealised gain on foreign exchange	**-**	516	**-**	589
Sundry income	**3**	10	**3**	10
	2,688	5,882	**18,258**	22,718

5. FINANCE COSTS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bank borrowings	**7,857**	7,332	**1,573**	1,670
Advances from subsidiaries	**-**	-	**870**	331
Other borrowings	**381**	174	**-**	-
	8,238	7,506	**2,443**	2,001

6. PROFIT BEFORE TAX

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
The following items have been included in arriving at profit before tax:				
Amortisation of intangible assets (Note 15)	**-**	13	**-**	-
Auditors' remuneration				
- Current	**394**	359	**92**	80
- Under provision in prior year	**11**	15	**10**	-
Depreciation of property, plant and equipment (Note 12)	**6,677**	7,196	**3,658**	3,792
Hire of equipment	**84**	98	**-**	-
Inventories written-down	**1,271**	2,878	**1,155**	1,000
Realised loss on foreign exchange	**1,235**	1,223	**6**	-
Unrealised loss on foreign exchange	**1,977**	-	**242**	-
Rent of premises	**1,033**	1,214	**47**	188
Rent of storage	**18,687**	16,112	**-**	-
(Write-back)/provision for warranties (Note 28(c))	**(204)**	352	**70**	72
Impairment loss/(write-back) on financial assets				
- Trade and other receivables	**72**	(368)	**(338)**	988
Impairment loss on non-financial assets				
- Goodwill on consolidation (Note 16)	**-**	1,398	**-**	-
Loss on disposal of property, plant and equipment	**-**	81	**-**	110
Loss on disposal of investment	**-**	1,734	**-**	-
Fair value loss on investments	**8**	35	**2**	11
Fair value loss on derivatives	**-**	469	**-**	276
Staff costs (Note 7)	**45,438**	44,093	**18,104**	15,907
Utilities	**6,841**	6,796	**4,775**	4,851
Transportation charges	**18,145**	18,608	**1,204**	1,870

7. STAFF COSTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Wages and salaries	**41,430**	40,482	**16,299**	14,194
Defined contribution plan and social security costs	**3,337**	3,358	**1,477**	1,738
Provision/(write-back) for retirement benefits (Note 27)	**343**	(28)	**207**	(124)
Other staff related expenses	**328**	281	**121**	99
	45,438	44,093	**18,104**	15,907

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM8,536,000 (2012: RM7,370,000) and RM7,971,000 (2012: RM4,675,000) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

(a) Total remuneration

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive Directors				
Salaries	**2,136**	2,136	**1,680**	1,680
Bonuses	**5,924**	4,824	**5,840**	2,730
Defined contribution plan	**476**	410	**451**	265
	8,536	7,370	**7,971**	4,675
Benefit-in-kind	**56**	56	**56**	56
	8,592	7,426	**8,027**	4,731
Non-Executive Directors				
Fees	**364**	321	**364**	321
Allowances	**15**	14	**15**	14
	379	335	**379**	335
Total	**8,971**	7,761	**8,406**	5,066

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

	Number of Directors	
	2013	2012
Executive Directors		
RM1,600,001 to RM1,650,000	**1**	-
RM2,350,001 to RM2,400,000	**-**	1
RM5,000,001 to RM5,050,000	**-**	1
RM6,950,001 to RM7,000,000	**1**	-
	2	2
Non-Executive Directors		
Less than RM50,000	**1**	2
RM50,001 to RM100,000	**2**	1
RM100,001 to RM150,000	**2**	2
	5	5

9. TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	**(5,708)**	(6,900)	**(1,873)**	(1,767)
- Foreign tax	**(2,876)**	(2,578)	**-**	-
	(8,584)	(9,478)	**(1,873)**	(1,767)
(Under)/over provision in prior years:				
- Malaysian income tax	**(1,132)**	337	**(22)**	-
- Foreign tax	**43**	3	**-**	-
	(9,673)	(9,138)	**(1,895)**	(1,767)
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	**1,755**	2,803	**810**	2,023
(Under)/over provision in prior years	**(835)**	(338)	**(810)**	163
	920	2,465	**-**	2,186
	(8,753)	(6,673)	**(1,895)**	419

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the prevailing rate of the respective jurisdictions.

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before tax	**15,776**	20,449	**4,503**	10,972
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	**(3,944)**	(5,112)	**(1,126)**	(2,743)
Effect of different tax rates in other countries	**42**	(108)	**-**	-
Effect of other tax incentives	**97**	62	**-**	-
Income not subject to tax	**156**	512	**2,359**	3,580
Utilisation of previously unrecognised tax losses	**57**	103	**-**	-
Expenses not deductible for tax purposes	**(1,065)**	(1,202)	**(610)**	(581)
Deferred tax assets not recognised	**(2,172)**	(930)	**(1,686)**	-
(Under)/over provision of deferred tax in prior years	**(835)**	(338)	**(810)**	163
Over provision of tax expense in prior years	**(1,089)**	340	**(22)**	-
Taxation for the year	**(8,753)**	(6,673)	**(1,895)**	419

9. TAXATION *(continued)*

Tax savings during the financial year arising from:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Utilisation of previously unrecognised tax losses	**57**	103	**-**	-
Utilisation of tax incentives	**97**	62	**-**	-

10. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company of RM7,755,000 (2012: RM13,873,000) by the weighted average number of ordinary shares in issue during the financial year of 193,276,276 shares (2012: weighted average of 194,211,249 shares).

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

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

11. DIVIDENDS

	Amount		Net dividends per ordinary share	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**sen**	**sen**
Final dividend of 2.0 sen per share less tax in respect of financial year ended 31 May 2012, paid on 11 January 2013 (2012: interim dividend of 2.85 sen per share less tax in respect of financial year ended 31 May 2011, paid on 26 July 2011)	**2,898**	4,154	**1.5**	2.1

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final dividend of 2.0 sen, less 25% income tax, in respect of the financial year ended 31 May 2013.

The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2014.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 June 2011	27,337	22,181	129,805	1,504	8,703	5,713	-	195,243
Additions	5,781	2,967	1,496	75	227	313	243	11,102
Disposals	-	-	(6,498)	(1)	(105)	(938)	-	(7,542)
Exchange differences	-	-	(247)	-	8	(16)	-	(255)
At 31 May 2012	33,118	25,148	124,556	1,578	8,833	5,072	243	198,548
At 1 June 2012	33,118	25,148	124,556	1,578	8,833	5,072	243	**198,548**
Additions	-	582	2,360	46	163	721	-	**3,872**
Disposals	-	-	(1,223)	(17)	(104)	(456)	-	**(1,800)**
Reclassification	-	192	83	(49)	-	-	(226)	**-**
Exchange differences	(409)	(213)	(830)	(16)	(28)	(44)	(17)	**(1,557)**
At 31 May 2013	**32,709**	**25,709**	**124,946**	**1,542**	**8,864**	**5,293**	**-**	**199,063**

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

Group	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment loss								
At 1 June 2011	4,290	9,484	103,509	1,165	7,810	2,559	-	128,817
Depreciation charge for the year, recognised in the profit or loss (Note 6)	330	859	4,564	85	710	648	-	7,196
Disposals	-	-	(6,227)	(1)	(104)	(335)	-	(6,667)
Exchange differences	-	(3)	(161)	3	9	(9)	-	(161)
At 31 May 2012	4,620	10,340	101,685	1,252	8,425	2,863	-	129,185
At 1 June 2012	4,620	10,340	101,685	1,252	8,425	2,863	-	**129,185**
Depreciation charge for the year, recognised in the profit or loss (Note 6)	331	858	4,558	68	199	663	-	**6,677**
Disposals	-	-	(1,208)	(14)	(103)	(447)	-	**(1,772)**
Reclassification	-	13	-	(13)	-	-	-	**-**
Exchange differences	-	(16)	(452)	(13)	(19)	(25)	-	**(525)**
At 31 May 2013	**4,951**	**11,195**	**104,583**	**1,280**	**8,502**	**3,054**	**-**	**133,565**
Net carrying amount								
At 31 May 2012	28,498	14,808	22,871	326	408	2,209	243	69,363
At 31 May 2013	**27,758**	**14,514**	**20,363**	**262**	**362**	**2,239**	**-**	**65,498**

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

Company	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 June 2011	15,045	15,418	104,349	742	3,948	2,777	142,279
Additions	-	-	1,203	-	47	79	1,329
Disposals	-	-	(6,309)	-	(17)	(184)	(6,510)
At 31 May 2012	15,045	15,418	99,243	742	3,978	2,672	137,098
At 1 June 2012	15,045	15,418	99,243	742	3,978	2,672	**137,098**
Additions	-	-	1,971	5	90	344	**2,410**
Disposals	-	-	(775)	-	(20)	(244)	**(1,039)**
At 31 May 2013	**15,045**	**15,418**	**100,439**	**747**	**4,048**	**2,772**	**138,469**
Accumulated depreciation and impairment loss							
At 1 June 2011	2,977	7,157	89,613	689	3,611	1,154	105,201
Depreciation charge for the year, recognised in the profit or loss (Note 6)	126	385	2,656	12	277	336	3,792
Disposals	-	-	(6,055)	-	(17)	(184)	(6,256)
At 31 May 2012	3,103	7,542	86,214	701	3,871	1,306	102,737
At 1 June 2012	3,103	7,542	86,214	701	3,871	1,306	**102,737**
Depreciation charge for the year, recognised in the profit or loss (Note 6)	126	385	2,720	10	64	353	**3,658**
Disposals	-	-	(763)	-	(20)	(235)	**(1,018)**
At 31 May 2013	**3,229**	**7,927**	**88,171**	**711**	**3,915**	**1,424**	**105,377**
Net carrying amount							
At 31 May 2012	11,942	7,876	13,029	41	107	1,366	34,361
At 31 May 2013	**11,816**	**7,491**	**12,268**	**36**	**133**	**1,348**	**33,092**

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

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

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,872,000 (2012: RM11,102,000). None of the acquisitions (2012: Nil) were by means of finance lease arrangements.

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Motor vehicles	**73**	116

(c) In the previous financial year, the Company's wholly-owned subsidiary, PT Nylex Indonesia acquired leasehold land and building from PT Catur Sehati for a cash consideration of IDR24,500,000,000 (approximately RM8,748,000).

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	**2012**
	RM'000	**RM'000**
Unquoted shares - at cost	**203,232**	207,852
Distribution of surplus assets on winding up of a subsidiary (Note 13(a))	**-**	(4,620)
	203,232	203,232
Less: Accumulated impairment losses	**(9,796)**	(9,796)
	193,436	193,436

Details of the subsidiaries are disclosed in Note 37.

(a) Winding up of subsidiary

In the previous financial year, the Group commenced a members' voluntary winding up of its subsidiary, Malaysian Roofing Industries Sdn Bhd, a company incorporated in Malaysia.

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

14. INVESTMENT SECURITIES

	Group		Company	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
At 31 May 2013				
Current				
Held for trading				
Equity instruments (quoted in Malaysia)	**415**	**415**	**132**	**132**
At 31 May 2012				
Current				
Held for trading				
Equity instruments (quoted in Malaysia)	423	423	134	134

15. INTANGIBLE ASSET

	Group	
	2013 RM'000	2012 RM'000
Development expenditure		
At 1 June	**-**	13
Amortisation during the year (Note 6)	**-**	(13)
At 31 May	**-**	-

16. GOODWILL ARISING ON CONSOLIDATION

	Group	
	2013 RM'000	2012 RM'000
At 1 June	**88,439**	86,828
Impairment of goodwill arising on consolidation	**-**	(1,398)
Exchange differences	**(1,463)**	3,009
At 31 May	**86,976**	88,439

16. GOODWILL ARISING ON CONSOLIDATION *(continued)*

Impairment test of goodwill

(a) Allocation of goodwill

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

	Polymer RM'000	Industrial Chemical RM'000	Total RM'000
31 May 2013	**103**	**86,873**	**86,976**
31 May 2012	111	88,328	88,439

(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 6.6% (2012: 8.8%) and average growth rates of 4.2% (2012: 4.2%).

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

(i) The discount rate used reflected the management's best estimate of return on capital employed.

(ii) Growth rate used has been based on historical trend of each segment taking into account industry outlook for that segment.

(iii) The profit margin applied to the projections are based on the historical profit margin trend for the individual CGU.

17. DEFERRED TAX

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 June	**(30,653)**	(28,341)	**(26,071)**	(23,885)
Recognised in profit or loss (Note 9)	**(920)**	(2,465)	**-**	(2,186)
Exchange differences	**261**	153	**-**	-
At 31 May	**(31,312)**	(30,653)	**(26,071)**	(26,071)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(32,735)**	(32,120)	**(26,071)**	(26,071)
Deferred tax liabilities	**1,423**	1,467	**-**	-
	(31,312)	(30,653)	**(26,071)**	(26,071)

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

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000
At 1 June 2012	4,681
Recognised in profit or loss	(419)
Exchange differences	18
At 31 May 2013	**4,280**
At 1 June 2011	5,240
Recognised in profit or loss	(570)
Exchange differences	11
At 31 May 2012	4,681

17. DEFERRED TAX *(continued)*

Deferred tax assets of the Group

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2012	(712)	(4,766)	(29,856)	(35,334)
Recognised in profit or loss	(9)	(309)	(183)	(501)
Exchange differences	6	1	236	243
At 31 May 2013	**(715)**	**(5,074)**	**(29,803)**	**(35,592)**
At 1 June 2011	(869)	(5,626)	(27,086)	(33,581)
Recognised in profit or loss	154	860	(2,909)	(1,895)
Exchange differences	3	-	139	142
At 31 May 2012	(712)	(4,766)	(29,856)	(35,334)

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000
At 1 June 2012	3,132
Recognised in profit or loss	(283)
At 31 May 2013	**2,849**
At 1 June 2011	3,429
Recognised in profit or loss	(297)
At 31 May 2012	3,132

17. DEFERRED TAX *(continued)*

Deferred tax assets of the Company

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2012	(625)	(2,379)	(26,199)	(29,203)
Recognised in profit or loss	25	(8)	266	283
At 31 May 2013	**(600)**	**(2,387)**	**(25,933)**	**(28,920)**
At 1 June 2011	(804)	(3,076)	(23,434)	(27,314)
Recognised in profit or loss	179	697	(2,765)	(1,889)
At 31 May 2012	(625)	(2,379)	(26,199)	(29,203)

Unrecognised tax losses
At the reporting date, the Group has tax losses of approximately RM19,592,000 (2012: RM11,132,000) 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.

18. INVENTORIES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Cost				
Finished goods	**28,331**	10,835	**-**	-
Work-in-progress	**914**	949	**-**	-
Raw materials and consumable stores	**9,668**	9,694	**345**	364
Inventory-in-transit	**4,393**	30,708	**-**	-
	43,306	52,186	**345**	364
Net realisable value				
Finished goods	**123,999**	104,262	**7,951**	8,463
Work-in-progress	**3,444**	3,388	**3,444**	3,388
Raw materials and consumable stores	**7,069**	15,662	**5,340**	5,721
	134,512	123,312	**16,735**	17,572
	177,818	175,498	**17,080**	17,936

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company was RM1,575,349,000 (2012: RM1,328,345,000) and RM37,470,000 (2012: RM49,818,000) respectively.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables				
Third parties	**239,914**	252,766	**15,030**	18,218
Related companies	**35**	98	**-**	-
	239,949	252,864	**15,030**	18,218
Less: Allowance for impairment	**(2,197)**	(5,246)	**(833)**	(1,558)
Trade receivables, net	**237,752**	247,618	**14,197**	16,660
Other receivables				
Amounts due from subsidiaries	**-**	-	**10,429**	14,770
Amount due from holding company	**10,845**	10,080	**10,857**	10,090
Sundry receivables	**10,715**	8,520	**1,686**	1,921
Deposits	**602**	550	**37**	46
Prepayments	**12,948**	5,827	**1,004**	272
	35,110	24,977	**24,013**	27,099
	272,862	272,595	**38,210**	43,759
Total trade and other receivables	**272,862**	272,595	**38,210**	43,759
Less: Prepayments	**(12,948)**	(5,827)	**(1,004)**	(272)
Add: Cash and cash equivalents (Note 21)	**46,462**	61,486	**6,047**	5,966
Total loans and receivables	**306,376**	328,254	**43,253**	49,453

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 90 day (2012: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Neither past due nor impaired	**175,718**	189,910	**7,627**	7,047
Past due not impaired				
1 to 30 days	**37,036**	29,238	**3,474**	5,761
31 to 60 days	**20,137**	19,173	**2,747**	2,643
61 to 90 days	**3,145**	2,507	**3**	283
91 to 120 days	**709**	934	**-**	300
More than 121 days	**721**	2,141	**126**	469
	61,748	53,993	**6,350**	9,456
Past due and impaired	**2,483**	8,961	**1,053**	1,715
	239,949	252,864	**15,030**	18,218

19. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

(i) Receivables that are neither past due nor impaired

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

(ii) Receivables that are past due but not impaired

The trade receivables of the Group of RM61,748,000 (2012: RM53,993,000) and of the Company of RM6,350,000 (2012: RM9,456,000) that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

(iii) Receivables that are impaired

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

	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
Group			
2013			
Impaired receivables	112	2,371	2,483
Less: Allowance for impairment	(13)	(2,184)	(2,197)
	99	**187**	**286**
2012			
Impaired receivables	138	8,823	8,961
Less: Allowance for impairment	(121)	(5,125)	(5,246)
	17	3,698	3,715
Company			
2013			
Impaired receivables	112	941	1,053
Less: Allowance for impairment	(13)	(820)	(833)
	99	**121**	**220**
2012			
Impaired receivables	107	1,608	1,715
Less: Allowance for impairment	(90)	(1,468)	(1,558)
	17	**140**	**157**

19. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

(iii) Receivables that are impaired *(continued)*

The movement in the allowance account is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 June	**5,246**	6,439	**1,558**	570
Charge/(write-back) for the year (Note 6)	**72**	(368)	**(338)**	988
Written off	**(3,060)**	(930)	**(387)**	-
Exchange differences	**(61)**	105	**-**	-
At 31 May	**2,197**	5,246	**833**	1,558

(b) Other receivables

Related companies refer to companies within Ancom group.

The amounts due from related companies, subsidiaries and holding company are non-trade balances which arose mainly from intercompany advances, expenses paid on behalf and other intercompany charges which are negotiated on a mutually agreed basis. All balances are unsecured, repayable on demand and bore interest at rates ranging from 5.1% to 7.5% (2012: 5.0% to 7.5%) per annum at the reporting date.

20. DERIVATIVES

The Group uses forward currency derivatives to manage some of the transaction exposure. These derivatives are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The changes in the fair value of those forward currency contracts are recognised as other income or expense in the income statement.

Forward currency derivatives are used to hedge the Group's trade receivables and future sales denominated in United States Dollar and Singapore Dollar for which firm commitments existed at the reporting date, extending to September 2013.

20. DERIVATIVES *(continued)*

As at the reporting date, the Group and the Company have entered into forward currency contracts with the following notional amounts:

	Group					
	2013			2012		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Current						
Forward currency contracts						
United States Dollar	**1,989**	**-**	**(1)**	12,221	-	(412)
Singapore Dollar	**2,978**	**39**	**-**	2,697	-	(57)
		39	**(1)**		-	(469)
Total derivatives		**39**	**(1)**		-	(469)
Add: Held for trading investments (Note 14)		**415**	**-**		423	-
Total held for trading financial assets/(liabilities)		**454**	**(1)**		423	(469)

	Company					
	2013			2012		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Current						
Forward currency contracts						
United States Dollar	**1,989**	**-**	**(1)**	6,380	-	(219)
Singapore Dollar	**2,978**	**39**	**-**	2,697	-	(57)
		39	**(1)**		-	(276)
Total derivatives		**39**	**(1)**		-	(276)
Add: Held for trading investments (Note 14)		**132**	**-**		134	-
Total held for trading financial assets/(liabilities)		**171**	**(1)**		134	(276)

21. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term deposits with licensed banks	**9,591**	9,897	**3,000**	3,500
Cash and bank balances	**36,871**	51,589	**3,047**	2,466
Cash and cash equivalents	**46,462**	61,486	**6,047**	5,966

The average maturities of deposits as at the reporting date were as follows:

	Group		Company	
	2013 Days	2012 Days	2013 Days	2012 Days
Short-term deposits with licensed banks	**38**	26	**5**	9

The average interest rate of deposits as at the reporting date is 3.0% (2012: 3.5%).

22. SHARE CAPITAL

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised:				
At beginning/end of year	**300,000**	300,000	**300,000**	300,000
Issued and fully paid:				
At beginning/end of year	**194,338**	194,338	**194,338**	194,338

Of the total 194,337,860 (2012: 194,337,860) issued and paid-up ordinary shares of RM1.00 each as at 31 May 2013, 1,287,624 (2012: 553,524) shares are held as treasury shares by the Company. Consequently, as at 31 May 2013, the number of ordinary shares in issue after deduction of the treasury shares is 193,050,236 (2012: 193,784,336) ordinary shares of RM1.00 each.

23. RESERVES

	Group			Company	
	2013 RM'000	2012 RM'000	As at 1.6.2011 RM'000	2013 RM'000	2012 RM'000
Non-distributable					
Share premium	**805**	805	805	**805**	805
Translation reserves	**(136)**	3,656	-	**-**	-
	669	4,461	805	**805**	805

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

24. RETAINED EARNINGS

As at 31 May 2013, the Company has tax-exempt income accounts of approximately RM24,552,000 (2012: RM19,560,000) of which the Company can distribute tax-exempt dividends of up to the same amount, subject to the agreement of the Inland Revenue Board.

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

The Company did not elect for the irrevocable option to disregard the Section 108 tax credit balances. Accordingly, during the transitional period, the Company may utilise the credit in Section 108 balance and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 May 2013.

25. TREASURY SHARES

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
At 1 June	**553**	23	**338**	33
Repurchase of shares	**734**	530	**397**	305
At 31 May	**1,287**	553	**735**	338

25. TREASURY SHARES *(continued)*

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

	No. of shares	Cost RM	Purchase price per share Highest RM	Lowest RM	Average RM
Month					
June 2012	48,800	26,553	0.5450	0.5350	0.5384
July 2012	112,300	64,874	0.5900	0.5350	0.5738
August 2012	211,700	117,075	0.5700	0.5350	0.5502
September 2012	201,700	110,231	0.5600	0.5250	0.5435
October 2012	8,100	4,541	0.5500	0.5500	0.5500
December 2012	10,000	5,046	0.5000	0.5000	0.5000
January 2013	35,600	17,734	0.5000	0.4900	0.4930
February 2013	50,200	24,416	0.4950	0.4600	0.4817
March 2013	52,600	24,747	0.4800	0.4550	0.4645
April 2013	3,100	1,530	0.4800	0.4800	0.4800
	734,100	**396,747**			

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

26. BORROWINGS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Short-term borrowings				
Secured				
Trust receipts	**68,492**	43,932	**-**	-
Revolving credits	**2,863**	3,252	**-**	-
Term loans	**4,403**	10,261	**-**	-
Hire-purchase and finance lease payables (Note 29)	**17**	32	**-**	-
Unsecured				
Short-term loans	**122,380**	106,720	**24,318**	27,300
	198,155	164,197	**24,318**	27,300
Long-term borrowings				
Secured				
Term loans	**157**	2,398	**-**	-
Hire-purchase and finance lease payables (Note 29)	**8**	27	**-**	-
	165	2,425	**-**	-
Total borrowings	**198,320**	166,622	**24,318**	27,300

26. BORROWINGS *(continued)*

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Maturity of borrowings				
Within one year	**198,155**	164,197	**24,318**	27,300
More than 1 year and less than 2 years	**185**	2,694	**-**	-
More than 2 years and less than 5 years	**-**	9	**-**	-
Total undiscounted borrowings	**198,340**	166,900	**24,318**	27,300

The borrowings bore interest at rates ranging from 1.5% to 14.9% (2012: 1.8% to 19.9%) per annum at the reporting date.

The secured term loans of RM4,560,000 (2012: RM12,659,000), trust receipts and revolving credits are for foreign subsidiaries and secured by the mortgage of tank farms and a land and factory building, assignment of insurance policies covering stock in trade in favour of the bank and/or corporate guarantees by their shareholders.

27. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 June	**2,846**	3,476	**2,500**	3,217
Benefits paid	**(308)**	(593)	**(308)**	(593)
Expense/(income) recognised in the profit or loss (Note 7)	**343**	(28)	**207**	(124)
Exchange fluctuation	**(19)**	(9)	**-**	-
At 31 May	**2,862**	2,846	**2,399**	2,500

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.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables				
Third parties	**157,238**	208,727	**7,436**	8,303
Related companies	**1,278**	861	**-**	-
	158,516	209,588	**7,436**	8,303
Other payables				
Amounts due to related companies	**2**	1	**2**	1
Amounts due to subsidiaries	**-**	-	**10,535**	13,262
Provision for warranties	**958**	1,162	**752**	682
Other payables	**16,360**	16,252	**3,444**	3,683
Accruals	**16,911**	16,731	**5,516**	5,265
	34,231	34,146	**20,249**	22,893
	192,747	243,734	**27,685**	31,196
Total trade and other payables	**192,747**	243,734	**27,685**	31,196
Less: Provision for warranties	**(958)**	(1,162)	**(752)**	(682)
Add: Borrowings (Note 26)	**198,320**	166,622	**24,318**	27,300
Total financial liabilities carried at amortised cost	**390,109**	409,194	**51,251**	57,814

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2012: 30 to 90 days).

(b) Other payables

The amounts due to subsidiaries are mainly intercompany advances which are unsecured and repayable on demand and bore interest at rate of 7.5% (2012: 7.5%) per annum at the reporting date.

Amounts due to related companies are unsecured, non-interest bearing and are repayable on demand.

28. TRADE AND OTHER PAYABLES *(continued)*

(c) Provision for warranties

In the previous financial year, the Company and one of its subsidiaries provided for defects liability warranties for two separate projects. The defects liability warranties given are conditions of the contracts awarded and for a period of 12 months. Assumptions used to calculate the provision were based on the expected costs of rectification in the event that there are claims made by the customers.

The movement in the provision account is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 June	**1,162**	810	**682**	610
(Write-back)/provision for the year (Note 6)	**(204)**	352	**70**	72
At 31 May	**958**	1,162	**752**	682

29. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2013 RM'000	2012 RM'000
Minimum lease payments:		
Not later than one year	**19**	37
Later than one year and not later than two years	**8**	20
Later than two years and not later than five years	**-**	9
	27	66
Future finance charges	**(2)**	(7)
Present value of finance lease liabilities	**25**	59
Present value of finance lease liabilities:		
Not later than one year	**17**	32
Later than one year and not later than two years	**8**	18
Later than two years and not later than five years	**-**	9
	25	59
Analysed as:		
Due within 12 months (Note 26)	**17**	32
Due after 12 months (Note 26)	**8**	27
	25	59

29. HIRE-PURCHASE AND FINANCE LEASE PAYABLES *(continued)*

The hire-purchase and lease liabilities bore interest rates ranging from 3.0% to 6.0% (2012: 3.0% to 8.0%) per annum at the reporting date.

30. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Approved and contracted				
Property, plant and equipment	**392**	2,171	**91**	1,403
Approved but not contracted				
Property, plant and equipment	**97**	615	**97**	615
	489	2,786	**188**	2,018

(b) Operating lease commitments - as lessee

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

	Group	
	2013 RM'000	2012 RM'000
Not later than one year	**14,865**	15,711
Later than one year and not later than two years	**14,845**	12,191
Later than two years and not later than five years	**1,858**	12,444
Later than five years	**2,742**	3,105
	34,310	43,451

31. CONTINGENT LIABILITIES

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

32. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Sales to related company	(i)				
Ancom Crop Care Sdn Bhd		**279**	190	**-**	-
Purchases from subsidiary	(i)				
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**260**	185
Freight/transport charges paid to related company	(i)				
Pengangkutan Cogent Sdn Bhd		**1,826**	1,427	**-**	-
Storage rental paid to related companies	(i)				
Ancom-ChemQuest Terminals Sdn Bhd		**3,601**	2,692	**-**	-
Sinsenmoh Transportation Pte Ltd		**560**	794	**-**	-
Interest received from subsidiaries	(ii)				
CKG Chemicals Pte Ltd		**-**	-	**423**	504
PT Nylex Indonesia		**-**	-	**-**	65
Interest received from holding company	(iii)				
Ancom Berhad		**-**	-	**788**	90
Interest paid to subsidiaries	(iv)				
Malaysian Roofing Industries Sdn Bhd		**-**	-	**-**	107
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**860**	224
Gross dividend from subsidiaries					
Fermpro Sdn Bhd		**-**	-	**2,400**	1,440
Kumpulan Kesuma Sdn Bhd		**-**	-	**1,025**	574
Nylex Specialty Chemicals Sdn Bhd		**-**	-	**2,463**	3,386
Nycon Manufacturing Sdn Bhd		**-**	-	**1,500**	1,500
Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**8,852**	10,147
Wedon Sdn Bhd		**-**	-	**105**	168

Note

(i) The Directors are of the opinion that the sales, purchases, freight/transport and storage charges to/from subsidiaries, associates and related companies are entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(ii) Interest received arose from advances to subsidiaries. The outstanding balances as at 31 May 2013 are disclosed in Note 19.

(iii) Interest received arose from term loan given to holding company. The outstanding balances as at 31 May 2013 are disclosed in Note 19.

(iv) Interest paid arose from advances from subsidiaries. The outstanding balances as at 31 May 2013 are disclosed in Note 28.

32. 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 Director of the Company and its subsidiaries.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fees	**364**	321	**364**	321
Wages and salaries	**21,715**	21,141	**8,307**	6,640
Defined contribution plan and social security costs	**1,155**	1,740	**536**	523
Other emoluments	**214**	242	**88**	88
	23,448	23,444	**9,295**	7,572

Included in the total remuneration of key management personnel are:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' remuneration (Note 8)	**8,971**	7,761	**8,406**	5,066

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair values

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

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

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

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

(ii) Current borrowings

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

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

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

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

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

(iv) Quoted equity instruments

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

(v) Derivatives

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

(b) Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (such as prices) or indirectly (such as derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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	2013 RM'000	2012 RM'000
Group			
Financial assets/(liabilities) at fair value through profit or loss:			
Forward currency contracts	2	**38**	(469)
Available for sale financial assets:			
Equity instruments (quoted in Malaysia)	1	**415**	423
Company			
Financial assets/(liabilities) at fair value through profit or loss:			
Forward currency contracts	2	**38**	(276)
Available for sale financial assets:			
Equity instruments (quoted in Malaysia)	1	**132**	134

During the financial years ended 31 May 2013 and 31 May 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

34. 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 the Company's financial instruments will fluctuate because of changes in market interest rates.

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

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Financial assets				
Fixed rate	**11,193**	12,406	**18,390**	21,187
Floating rate	**24,383**	40,361	**3,000**	3,500
Interest free	**271,254**	275,910	**22,034**	24,900
	306,830	328,677	**43,424**	49,587
Financial liabilities				
Fixed rate	**25**	59	**10,000**	10,000
Floating rate	**198,385**	166,627	**24,318**	27,300
Interest free	**191,700**	242,977	**16,934**	20,790
	390,110	409,663	**51,252**	58,090

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

	Group		Company	
	2013 %	**2012 %**	**2013 %**	**2012 %**
Financial assets				
Fixed rate	**4.75**	4.80	**6.30**	6.25
Floating rate	**3.19**	3.53	**2.10**	2.20
Financial liabilities				
Fixed rate	**6.00**	8.12	**7.50**	7.50
Floating rate	**5.13**	5.15	**4.54**	4.85

34. 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 profit for the year would have been higher/lower by approximately RM130,000 (2012: RM94,000) 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 profit for the year would have been higher/lower as follows:

	2013 RM'000	2012 RM'000
USD/RM	**321**	368
SGD/RM	**36**	35
JPY/RM	**2**	1
USD/SGD	**(8)**	(6)
USD/VND	**(116)**	(233)
USD/IDR	**(1,357)**	(865)

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

(b) Foreign currency risk *(continued)*

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

	Functional currency of group companies				
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	Total RM'000
At 31 May 2013					
Receivables					
United States Dollar	12,641	7,574	-	-	20,215
Singapore Dollar	643	-	1,500	-	2,143
Japanese Yen	71	-	-	-	71
	13,355	**7,574**	**1,500**	**-**	**22,429**
Cash and bank balances					
United States Dollar	8,797	3,233	-	8	12,038
Singapore Dollar	972	-	638	-	1,610
	9,769	**3,233**	**638**	**8**	**13,648**
Borrowings					
United States Dollar	**2,262**	**18,776**	**-**	**5,152**	**26,190**
Payables					
Ringgit Malaysia	-	-	350	-	350
United States Dollar	4,573	52,296	-	-	56,869
Singapore Dollar	4	-	2,509	-	2,513
New Zealand Dollar	24	-	-	-	24
	4,601	**52,296**	**2,859**	**-**	**59,756**

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

(b) Foreign currency risk *(continued)*

	Functional currency of group companies				
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	Total RM'000
At 31 May 2012					
Receivables					
United States Dollar	12,360	28,498	-	-	40,858
Singapore Dollar	983	-	2,444	-	3,427
Japanese Yen	36	-	-	-	36
Brunei Dollar	22	-	-	-	22
	13,401	**28,498**	**2,444**	**-**	**44,343**
Cash and bank balances					
United States Dollar	9,181	18,831	-	8	28,020
Singapore Dollar	567	-	278	-	845
	9,748	**18,831**	**278**	**8**	**28,865**
Borrowings					
United States Dollar	**-**	**2,299**	**-**	**10,125**	**12,424**
Payables					
Ringgit Malaysia	-	-	270	-	270
United States Dollar	4,933	83,474	-	256	88,663
Singapore Dollar	-	-	2,985	-	2,985
Euro	33	-	-	-	33
	4,966	**83,474**	**3,255**	**256**	**91,951**

(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 debt maturity profile of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations are disclosed in Note 26.

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

(d) Credit risk

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

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments. Information regarding trade and other receivables is disclosed in Note 19. 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.

35. 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 payout to shareholders, issue new shares, return capital to shareholders, redeem debt or sell assets to reduce debts, where necessary.

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

The Group's gearing ratio as at 31 May 2013 is computed as follows:

	Note	2013 RM'000	2012 RM'000
Borrowings	26	**198,320**	166,622
Short-term deposits with licensed banks	21	**(9,591)**	(9,897)
Cash and bank balances	21	**(36,871)**	(51,589)
Net debt		**151,858**	105,136
Total equity attributable to owners of the parent		**284,593**	283,925
Gearing ratio		**53.4%**	37.0%

36. SIGNIFICANT EVENT DURING THE YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

Winding up of a subsidiary

In the previous financial year, the Group commenced a members' voluntary winding up of its subsidiary, Malaysian Roofing Industries Sdn Bhd, a company incorporated in Malaysia.

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

There is no significant event between the end of the reporting period and the date when the financial statements are authorised for issue.

37. SUBSIDIARIES

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective % ownership in 2013 %	Effective % ownership in 2012 %	Principal activities
Direct subsidiaries				
Nycon Manufacturing Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins.
Malaysian Roofing Industries Sdn Bhd	Malaysia	**70**	70	Under members' voluntary winding-up.
Nylex Polymer Marketing Sdn Bhd	Malaysia	**100**	100	Marketing of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets, geosynthetic and general trading.
PT Nylex Indonesia **	Indonesia	**100**	100	Manufacture, marketing and distribution of PU and PVC leathercloth.
Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	**100**	100	Trading in petrochemicals and industrial chemicals.
Fermpro Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.
Kumpulan Kesuma Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of sealants and adhesive products.
Wedon Sdn Bhd	Malaysia	**100**	100	Marketing of sealants and adhesive products.
Nylex Specialty Chemicals Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of phosphoric acid.

37. SUBSIDIARIES *(continued)*

Name of company	Country of incorporation	Effective % ownership in 2013 %	2012 %	Principal activities
Direct subsidiaries *(continued)*				
Speciality Phosphates (Malaysia) Sdn Bhd	Malaysia	**51**	51	Manufacture and sale of chemicals.
CKG Chemicals Pte Ltd **	Singapore	**100**	100	Trading and distribution of industrial chemicals and gasoline blending components.
Indirect subsidiaries				
Dynamic Chemical Pte Ltd **	Singapore	**90**	90	Trading in industrial chemicals.
Perusahaan Kimia Gemilang (Vietnam) Company Ltd *	Vietnam	**100**	100	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.
PT PKG Lautan Indonesia **	Indonesia	**51**	51	Importation and distribution of industrial chemicals.
Ancom Kimia Sdn Bhd	Malaysia	**55**	55	Distribution of petrochemicals and industrial chemicals.

* The financial statements of this subsidiary are audited by member firms of Ernst & Young Global.

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

38. 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.

38. **SEGMENT INFORMATION** *(continued)*

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

	Polymer		Industrial Chemical		Others		Adjustments and eliminations		Note	Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000		2013 RM'000	2012 RM'000
Revenue											
External sales	**125,665**	135,539	**1,602,960**	1,352,712	**-**	-	**-**	-		**1,728,625**	1,488,251
Inter-segment sales	**1**	1	**261**	185	**-**	-	**(262)**	(186)	(a)	**-**	-
Total revenue	**125,666**	135,540	**1,603,221**	1,352,897	**-**	-	**(262)**	(186)		**1,728,625**	1,488,251
Results											
Interest income	**164**	81	**392**	362	**787**	118	**-**	-		**1,343**	561
Depreciation and amortisation	**4,609**	5,063	**1,829**	1,908	**239**	238	**-**	-		**6,677**	7,209
Impairment of non-financial assets	**-**	-	**-**	1,398	**-**	-	**-**	-		**-**	1,398
Other non-cash expenses	**1,228**	3,113	**1,901**	176	**266**	961	**-**	-	(b)	**3,395**	4,250
Segment profit/(loss)	**14,915**	13,568	**14,154**	18,104	**(13,293)**	(11,223)	**-**	-		**15,776**	20,449
Assets											
Goodwill on consolidation	**103**	111	**86,873**	88,328	**-**	-	**-**	-	(d)	**86,976**	88,439
Additions to non-current assets	**3,167**	10,748	**695**	343	**10**	11	**-**	-	(c)	**3,872**	11,102
Segment assets	**112,047**	114,927	**446,105**	464,722	**59,153**	65,852	**(20,173)**	(29,901)	(d)	**597,132**	615,600
Segment liabilities	**25,907**	34,574	**348,472**	363,952	**42,217**	47,593	**(20,173)**	(29,901)	(e)	**396,423**	416,218

38. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Note

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

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

	Notes	2013 RM'000	2012 RM'000
(Gain)/loss on disposal of non-financial assets	4, 6	**(230)**	81
Loss on disposal of financial assets	6	**-**	1,734
Fair value (gain)/loss on derivatives	4, 6	**(38)**	469
Inventories written-down	6	**1,271**	2,878
Unrealised loss/(gain) on foreign exchange	6, 4	**1,977**	(516)
Impairment loss/(write-back) on financial assets	6	**72**	(368)
Provision/(write-back) for retirement benefits	27	**343**	(28)
		3,395	4,250

(c) Additions to non-current assets consist of property, plant and equipment.

(d) The inter-segment assets are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.

(e) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

38. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	**617,754**	623,776	**336,652**	306,071
Indonesia	**403,704**	197,079	**124,478**	144,711
Singapore	**401,172**	360,502	**125,734**	140,360
Vietnam	**59,755**	58,475	**10,268**	24,458
Philippines	**52,430**	49,468	**-**	-
United States of America	**47,678**	27,986	**-**	-
Australia	**32,880**	28,400	**-**	-
New Zealand	**27,490**	17,381	**-**	-
Sri Lanka	**23,729**	30,146	**-**	-
Bangladesh	**14,485**	13,425	**-**	-
Hong Kong	**10,586**	20,768	**-**	-
Middle East	**10,295**	10,258	**-**	-
Pakistan	**8,302**	8,903	**-**	-
Africa	**6,165**	9,023	**-**	-
Thailand	**2,828**	11,592	**-**	-
Mauritius	**2,543**	2,748	**-**	-
Japan	**1,429**	1,611	**-**	-
Nepal	**1,301**	1,530	**-**	-
India	**1,257**	3,679	**-**	-
South America	**1,087**	636	**-**	-
China	**974**	3,257	**-**	-
Europe	**517**	529	**-**	-
Taiwan	**212**	280	**-**	-
Brunei	**32**	70	**-**	-
Korea	**20**	6,610	**-**	-
Myanmar	**-**	119	**-**	-
	1,728,625	1,488,251	**597,132**	615,600

39. SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 May 2013, into realised and unrealised profits, is as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Retained earnings				
Realised	**134,423**	127,920	**40,182**	38,941
Unrealised	**29,744**	31,997	**25,147**	26,678
	164,167	159,917	**65,329**	65,619
Less: Consolidation adjustments	**(73,846)**	(74,453)	**-**	-
Total retained earnings	**90,321**	85,464	**65,329**	65,619

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purpose of complying with the disclosure requirements stipulated in the directives issued by Bursa Securities on 25 March 2010 and 20 December 2010 and should not be applied for any other purpose.

ADDITIONAL INFORMATION

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES
The Company did not issue any warrants or convertible securities during the financial year.

DEPOSITORY RECEIPT PROGRAMME
During the financial year, the Company did not sponsor any depository receipt programme.

IMPOSITION OF SANCTIONS/PENALTIES
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies.

NON-AUDIT FEES
There was no non-audit fees paid to the external auditors for the financial year ended 31 May 2013.

PROFIT ESTIMATE, FORECAST OR PROJECTION
There is no material variance between the audited results for the financial year ended 31 May 2013 and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projection for the financial year.

PROFIT GUARANTEES
There were no profit guarantees received in the financial year ended 31 May 2013.

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, handling and pipeline charges	3,598	1) Ancom Berhad 2) Rhodemark Development Sdn Bhd 3) Dato' (Dr) Siew Ka Wei
Pengangkutan Cogent Sdn Bhd	Transport charges	1,826	
Sinsenmoh Transportation Pte Ltd	Storage rental, handling and transport charges	554	
Ancom Crop Care Sdn Bhd	Sale of industrial chemicals	279	
Ancom Kimia Sdn Bhd	Sale and purchase of industrial chemicals	162,003	Datuk Ir (Dr) Mohamed Al Amin Abdul Majid

LIST OF PROPERTIES
As at 31 May 2013

	Location / Address	Title	Age of Building (Years)	Land Area (sq. m.)	Existing Use	Date of Acquisition/ Revaluation	Tenure	Net Book Value as at 31.05.13 (RM'000)
a)	**Proprietor: Nylex (Malaysia) Berhad**							
	Lot 16 Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan	HS (D) 256546	42	30,224	Office building and factory.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	19,852
		HS (D) 256546	33	12,140	Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	
b)	**Proprietor: Perusahaan Kimia Gemilang Sdn Bhd**							
	PT 4228 Mukim of Kapar Daerah Klang Selangor Darul Ehsan	HS (M) 6259	22	28,491	Office building and factory.	01 July 2004	Leasehold, expiring on 09 June 2086.	6,192
c)	**Proprietor: Fermpro Sdn Bhd**							
	Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	25	16,190	Office building and factory.	01 July 2004	Leasehold, expiring on 22 November 2046.	1,729
	Plot 3 & 4, PT 924A Mukim of Chuping Perlis Indera Kayangan	HS (M) 1804	-	24,280	Spent molasses treatment pond.	01 July 2004	Leasehold, expiring on 07 February 2059.	986
	PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	11	8,100	Office building and factory.	01 July 2004	Leasehold, expiring on 07 February 2059.	415
d)	**Proprietor: Nylex Specialty Chemicals Sdn Bhd**							
	Lot 593 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 5507	38	8,093	Office building and factory.	01 March 2005	Leasehold, expiring on 01 September 2074.	1,738
	Lot 624 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 6588	36	8,298	Office building and warehouse.	01 March 2005	Leasehold, expiring on 19 February 2076.	2,834

The above buildings are in good condition.

No. of holders of each class of equity securities

Class of securities	:	Ordinary shares of RM1.00 each
Total no. issued	:	194,337,860
No. of holders	:	12,819
Voting rights	:	One vote per ordinary share on a poll
	:	One vote per shareholder on a show of hands

Distribution schedule

Holdings	No. of holders	No. of shares	%
Less than 100	2,000	46,554	0.02
100 to 1,000	5,610	2,206,059	1.14
1,001 to 10,000	3,813	11,727,482	6.08
10,001 to 100,000	1,237	33,760,488	17.49
100,001 to less than 5% of issued shares	156	65,880,757	34.13
5% and above of issued shares	3	79,428,896	41.14
	12,819	**193,050,236**[1]	**100.00**

Note:
1 Excludes a total of 1,287,624 ordinary shares of the Company bought back by the Company and retained as treasury shares pursuant to Section 67A of the Companies Act, 1965 as at 8 October 2013.

Substantial holders

	Direct		Indirect	
	No. of shares	%	No. of shares	%
1. Dato' (Dr) Siew Ka Wei	1,522,049	0.79	93,671,435[1]	48.52
2. Ancom Berhad	46,809,700	24.25	41,125,888[2]	21.30
3. Rhodemark Development Sdn Bhd	41,125,888	21.30	-	-
4. Chan Thye Seng	-	-	87,935,588[3]	45.55
5. Pacific & Orient Berhad	-	-	87,935,588[4]	45.55
6. Mah Wing Holdings Sdn Bhd	-	-	87,935,588[3]	45.55
7. Mah Wing Investments Limited	-	-	87,935,588[3]	45.55

Note:
1 Deemed interested through his direct and indirect interest in Ancom Berhad, Rhodemark Development Sdn Bhd, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn Bhd, Datin Young Ka Mun and Quek Lay Kheng.
2 Deemed interested by virtue of its direct interest in Rhodemark Development Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
3 Deemed interested by virtue of his/their direct and indirect interest in Pacific & Orient Berhad.
4 Deemed interested by virtue of their direct and indirect interest in Ancom Berhad.

Directors' holdings

	Direct		Indirect	
	No. of shares	%	No. of shares	%
1. Dato' (Dr) Siew Ka Wei	1,522,049	0.79	93,671,435[1]	48.52

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

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	18.91
2.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd MIDF Amanah Investment Bank Berhad for Ancom Berhad	21,929,888	11.36
3.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ancom Berhad (01-00846-000)	21,000,000	10.88
4.	Pacific & Orient Insurance Co Berhad	8,500,000	4.40
5.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd MIDF Amanah Investment Bank Berhad for Rhodemark Development Sdn Bhd	4,626,880	2.40
6.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	4,316,983	2.24
7.	Ancom Berhad	3,879,812	2.01
8.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,677,469	0.87
9.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Gim Leong	1,620,066	0.84
10.	Kenanga Nominees (Asing) Sdn Bhd Plato Capital Investment Fund	1,514,635	0.78
11.	Loh Lai Kim	1,348,534	0.70
12.	Terengganu Incorporated Sdn Bhd	1,110,215	0.58
13.	Cheung Kwong Kwan	1,100,859	0.57
14.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (KLC/KEN)	1,018,000	0.53
15.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Eng Ho Wa'a @ Chua Eng Wah (029)	802,725	0.42
16.	Kenanga Nominees (Tempatan) Sdn Bhd Heah Sieu Lay (PCS)	765,882	0.40
17.	Lim Chui Kui @ Lim Chooi Kui	741,898	0.38
18.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (CEB)	727,031	0.38
19.	Lim Jit Hai	710,000	0.37
20.	HDM Nominees (Tempatan) Sdn Berhad HDM Capital Sdn Bhd for Siew Ka Wei	696,392	0.36
21.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Ka Wei	690,537	0.36
22.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	622,970	0.32
23.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank NA, Singapore (Julius Baer)	565,021	0.29
24.	Lim Soon Heng	520,000	0.27
25.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Silver Dollars Sdn Bhd (01-00198-000)	495,667	0.25

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

	Name	No. of shares	%
26.	CIMSEC Nominees (Tempatan) Sdn Bhd		
	CIMB Bank for Gan Kong Hiok (M52019)	486,714	0.25
27.	Quah Lake Jen	485,812	0.25
28.	RHB Capital Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Chay Yew Meng (CEB)	484,378	0.25
29.	Malaysia Nominees (Tempatan) Sendirian Berhad		
	Pledged Securities Account for Siew Nim Chee & Sons Sdn Bhd (01-00801-000)	467,739	0.24
30.	Yeoh Kean Hua	451,352	0.23
	Total	**119,856,467**	**62.09**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 20 November 2013 at 9.30 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Group and of the Company and Reports of the Directors and the Auditors thereon for the financial year ended 31 May 2013; **[Please refer Explanatory Note 1]**

2. To approve the payment of a final dividend of 2.0% less 25% Malaysian income tax for the financial year ended 31 May 2013; **[Resolution 1]**

3. To approve Directors' fees for the financial year ended 31 May 2013; **[Resolution 2]**

4. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:

   4.1 Lim Hock Chye; **[Resolution 3]**
   4.2 Edmond Cheah Swee Leng; **[Resolution 4]**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **[Resolution 5]**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as Special Resolution:

6. Proposed Amendments To The Articles Of Association Of The Company **[Resolution 6]**

   "THAT the proposed amendments to the Articles of Association of the Company as contained in Appendix I of the Company's Circular to Shareholders/Statement dated 29 October 2013 ("Proposed Amendments") be and are hereby approved AND THAT the Directors be and are hereby authorised to do all acts and things and take all steps as may be considered necessary to give full effect to the Proposed Amendments."

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

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

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares of RM1.00 each in the Company from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may deem fit provided that the aggregate number of new ordinary shares to be issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued share capital of the Company AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors are further authorised to make such applications to Bursa Malaysia Securities Berhad and to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

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

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature and with those related parties as specified in Section 2.4 of Part A of the Circular to Shareholders/Statement dated 29 October 2013 subject to the following:

(i) that the transactions are in the ordinary course of business, made on arm's length and on normal commercial terms and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;

(ii) that disclosure is made in the annual report, of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' mandate during the financial year based on the type of recurrent transactions made and the related parties involved;

(iii) that the authority conferred by such mandate shall continue to be in force from the date of this resolution, unless revoked or varied by resolution passed by shareholders of the Company at a general meeting, until the conclusion of the next annual general meeting of the Company or after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; and

(iv) that the Directors and/or any one of them be and are hereby authorised to complete and to do all such acts and things, including executing such documents as may be required, to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

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

"THAT subject to the Companies Act, 1965 ("Act"), the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association and other applicable laws rules regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to utilise an amount not exceeding the total share premium account and retained profits of the Company to purchase such number of ordinary shares of RM1.00 each in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares as defined under Section 67A of the Act ("Treasury Shares") then still held by the Company not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased or retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or to sell same in a manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the applicable laws rules regulations and guidelines of Bursa Securities and any other regulatory authorities for the time being in force."

10. Other Ordinary Business

    To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By order of the Board,

CHOO SE ENG
STEPHEN GEH SIM WHYE
Secretaries

Petaling Jaya
29 October 2013

NOTES

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 November 2013 shall be entitled to attend, speak and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

EXPLANATORY NOTES

1. **Item 1 of the Agenda**
   This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval by the Shareholders for the audited financial statements.

2. **Resolution 6**
   This resolution, if passed, will give the Directors authority to amend the Company's Articles of Association to be in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad and the prevailing statutory and regulatory requirements.

3. **Resolution 7**
   This resolution, if passed, will renew the general mandate giving authority to the Directors to issue and allot new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company ("Share Issue Mandate") for such purposes as the Directors consider would be in the best interest of the Company. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting.

   As at the date of this Notice, no new shares were issued pursuant to the Share Issue Mandate obtained at the 42nd Annual General Meeting held on 21 November 2012 and which will lapse at the conclusion of this Annual General Meeting.

   The Share Issue Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment projects, acquisitions and/or working capital.

4. **Resolution 8**
   This resolution, if passed, will authorise the Company and its subsidiaries to enter into recurring transactions of a revenue or trading nature with its related parties as defined in the Listing Requirements of Bursa Malaysia Securities Berhad. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting. Detailed information on the Proposed RRPT Mandate is set out in the Circular to Shareholders in relation to Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature dated 29 October 2013 which is despatched together with this Annual Report.

5. **Resolution 9**
   This resolution, if passed, will enable the Company to purchase and/or hold up to 10% of its own shares. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting. Detailed information on the Proposed Share Buy-Back is set out in the Statement in relation to Proposed Renewal of Shareholders' Mandate on Share Buy-Back dated 29 October 2013 which is despatched together with this Annual Report.

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

PROXY FORM

CDS A/C No.	No. of shares held

I/We ____
(Full Name in Block Letters)

of ____
(Full Address)

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

No.	Full Name in Block Letters	Full Address	Proportion of shareholdings(3)
1			%
2			%
			100 %

failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the 43rd Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 20 November 2013, at 9.30 a.m. or any adjournment thereof and to vote as indicated below:

Item	Agenda	Resolution	For	Against
1.	To receive the audited financial statements and reports thereon.			
		Resolution	**For**	**Against**
2.	To approve the payment of final dividend.	1		
3.	To approve the payment of Directors' fees.	2		
4.	To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association: 4.1 Lim Hock Chye	3		
	4.2 Edmond Cheah Swee Leng	4		
5.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.	5		
6.	To approve the proposed amendments to the Articles of Association of the Company.	6		
7.	To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.	7		
8.	To approve the renewal of recurring related party transaction mandate.	8		
9.	To approve the renewal of share buy-back mandate.	9		

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

Dated this ________________ day of ________________ 2013

Telephone no.
during office hours : ______________________________

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

Notes:

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AFFIX
STAMP

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

Registered Office:
Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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