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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NYLEX (MALAYSIA) BERHAD (continued)  
(Incorporated in Malaysia)**

**Key Audit Matters (continued)**

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

The carrying amount of goodwill arising on consolidation as at 31 May 2021 amounted to RM82,820,000 as disclosed in Note 15 to the financial statements.

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

***Audit response***

Our audit procedures performed include the following:

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

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

As at 31 May 2021, the Group had trade receivables of RM176,344,000 as disclosed in Note 18 to the financial statements.

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Key Audit Matters (continued)**

**2. *Recoverability of trade receivables (continued)***

***Audit response***

Our audit procedures performed include the following:

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

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

As at 31 May 2021, the Company had cost of investments in subsidiaries amounted to RM157,502,000, as disclosed in Note 13 to the financial statements.

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

***Audit response***

Our audit procedures performed include the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and assessed the key assumptions used in projections;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Key Audit Matters (continued)**

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

***Audit response (continued)***

Our audit procedures performed include the following (continued):

- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing the market data and weighted average cost of capital of the Company; and
- d. Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

**4. *Impairment assessment of the amounts due from subsidiaries***

As at 31 May 2021, the Company had amounts due from subsidiaries of the Company amounted to RM48,101,000, as disclosed in Note 18 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

***Audit response***

Our audit procedures performed include the following:

- a. Assessed probability of default using historical data and forward looking adjustments applied by the Company;
- b. Assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;
- c. Evaluated basis used by management in determining cash flows recoverable, where applicable; and
- d. Assessed actual lost event subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

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

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

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

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

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NYLEX (MALAYSIA) BERHAD (continued)  
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**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

**Other Matters**

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

**BDO PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

27 August 2021  
Kuala Lumpur

**Lum Chiew Mun**  
03039/04/2023 J  
Chartered Accountant

**APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NYLEX FOR THE FYE 31 MAY 2021 (Cont'd)**

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**NYLEX (MALAYSIA) BERHAD**  
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**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	3	1,151,677	1,136,305	47,340	42,232
Cost of sales	3	(1,026,698)	(1,034,761)	(41,021)	(37,669)
<b>Gross profit</b>		<b>124,979</b>	<b>101,544</b>	<b>6,319</b>	<b>4,563</b>
Other income	4	2,569	3,719	18,759	21,007
Selling and distribution expenses		(57,949)	(60,157)	(5,170)	(4,958)
Administrative expenses		(33,911)	(39,149)	(7,260)	(10,508)
Other expenses		(2,017)	(13,505)	(1,528)	(24,390)
Write-back/(Impairment loss) on receivables		250	339	(14)	(839)
<b>Profit/(Loss) from operations</b>		<b>33,921</b>	<b>(7,209)</b>	<b>11,106</b>	<b>(15,125)</b>
Finance costs	5	(7,919)	(11,867)	(2,083)	(2,528)
Share of results of associates, net of tax		390	136	-	-
<b>Profit/(Loss) before tax</b>		<b>26,392</b>	<b>(18,940)</b>	<b>9,023</b>	<b>(17,653)</b>
Taxation	8	(7,639)	(6,765)	(2,307)	(2,257)
<b>Net profit/(loss) for the year</b>		<b>18,753</b>	<b>(25,705)</b>	<b>6,716</b>	<b>(19,910)</b>
Net profit/(loss) attributable to:					
Owners of the parent		18,923	(23,207)	6,716	(19,910)
Non-controlling interests		(170)	(2,498)	-	-
		<b>18,753</b>	<b>(25,705)</b>	<b>6,716</b>	<b>(19,910)</b>
<b>Basic and diluted:</b>					
Earnings/(Loss) per share (sen)	9	10.7	(13.2)		
Dividends per ordinary share (sen)	10	1.7	1.0		

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

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**NYLEX (MALAYSIA) BERHAD**  
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**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
<b>Net profit/(loss) for the year</b>		<b>18,753</b>	<b>(25,705)</b>	<b>6,716</b>	<b>(19,910)</b>
<b>Other comprehensive loss, net of tax</b>					
<b>Item to be reclassified subsequently to profit or loss</b>					
Foreign currency translations		(3,850)	(3,733)	-	-
<b>Item not to be reclassified subsequently to profit or loss</b>					
Re-measurement of defined benefit liability	26	(22)	(58)	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>14,881</b>	<b>(29,496)</b>	<b>6,716</b>	<b>(19,910)</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent		15,419	(27,232)	6,716	(19,910)
Non-controlling interests		(538)	(2,264)	-	-
		<b>14,881</b>	<b>(29,496)</b>	<b>6,716</b>	<b>(19,910)</b>

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



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**NYLEX (MALAYSIA) BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MAY 2021**

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	115,357	123,658	17,050	18,818
Right-of-use assets	12	59,053	48,734	11,070	11,111
Investments in subsidiaries	13	-	-	157,502	157,502
Investments in associates	14	2,991	2,361	400	400
Goodwill arising on consolidation	15	82,820	85,624	-	-
Deferred tax assets	16	24,255	25,854	20,861	22,261
		284,476	286,231	206,883	210,092
<b>Current assets</b>					
Inventories	17	122,148	87,947	7,572	9,746
Trade and other receivables	18	224,265	169,123	91,804	83,761
Investment securities	19	840	638	161	122
Income tax recoverable		4,124	3,050	941	590
Short-term deposits with licensed banks	20	14,719	16,943	-	-
Cash and bank balances	20	79,532	66,985	9,351	11,091
		445,628	344,686	109,829	105,310
<b>TOTAL ASSETS</b>		<b>730,104</b>	<b>630,917</b>	<b>316,712</b>	<b>315,402</b>

**APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NYLEX FOR THE FYE 31 MAY 2021 (Cont'd)**

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**NYLEX (MALAYSIA) BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MAY 2021 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the owners of the parent</b>					
Share capital	21	195,143	195,143	195,143	195,143
Reserves	22	17,322	20,810	-	-
Retained earnings	23	110,769	94,767	68,537	64,726
Treasury shares, at cost	24	(10,011)	(12,916)	(10,011)	(12,916)
		313,223	297,804	253,669	246,953
<b>Non-controlling interests</b>		9,563	10,101	-	-
<b>TOTAL EQUITY</b>		<b>322,786</b>	<b>307,905</b>	<b>253,669</b>	<b>246,953</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	16	2,602	2,695	-	-
Borrowings	25	26,837	34,767	-	-
Provision for retirement benefits	26	4,679	4,561	2,726	2,647
Lease liabilities	12	21,145	7,117	143	63
		55,263	49,140	2,869	2,710
<b>Current liabilities</b>					
Trade and other payables	27	150,551	80,507	14,654	15,223
Borrowings	25	186,717	175,798	45,400	50,400
Income tax payable		1,464	1,121	-	-
Derivative liabilities	28	-	8	-	-
Lease liabilities	12	13,323	16,438	120	116
		352,055	273,872	60,174	65,739
<b>TOTAL LIABILITIES</b>		<b>407,318</b>	<b>323,012</b>	<b>63,043</b>	<b>68,449</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>730,104</b>	<b>630,917</b>	<b>316,712</b>	<b>315,402</b>

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**NYLEX (MALAYSIA) BERHAD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	Attributable to owners of the parent					Non- controlling interests RM'000	Total equity RM'000
		Non-distributable Share capital RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		
Balance as at 1 June 2020		195,143	20,810	(12,916)	94,767	297,804	10,101	307,905
Net profit/(loss) for the year		-	-	-	18,923	18,923	(170)	18,753
Other comprehensive loss, net of tax		-	(3,488)	-	(16)	(3,504)	(368)	(3,872)
<b>Total comprehensive (loss)/income for the year</b>		-	(3,488)	-	18,907	15,419	(538)	14,881
Transactions with owners	10	-	-	2,905	(2,905)	-	-	-
Dividends		-	-	2,905	(2,905)	-	-	-
<b>Balance as at 31 May 2021</b>		<b>195,143</b>	<b>17,322</b>	<b>(10,011)</b>	<b>110,769</b>	<b>313,223</b>	<b>9,563</b>	<b>322,786</b>

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**NYLEX (MALAYSIA) BERHAD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

	Note	Attributable to owners of the parent					Non- controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Non-distributable Translation reserve RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total RM'000		
Balance as at 1 June 2019		195,143	24,805	(10,062)	119,753	329,639	11,216	340,855
Net loss for the year		-	-	-	(23,207)	(23,207)	(2,498)	(25,705)
Other comprehensive (loss)/income, net of tax		-	(3,995)	-	(30)	(4,025)	234	(3,791)
<b>Total comprehensive loss for the year</b>		-	(3,995)	-	(23,237)	(27,232)	(2,264)	(29,496)
<b>Transactions with owners</b>								
Dividends	10	-	-	-	(1,749)	(1,749)	-	(1,749)
Acquisition of a subsidiary	13(d)	-	-	-	-	-	1,149	1,149
Purchase of treasury shares	24	-	-	(2,854)	-	(2,854)	-	(2,854)
<b>Total transactions with owners</b>		-	-	(2,854)	(1,749)	(4,603)	1,149	(3,454)
Balance as at 31 May 2020		195,143	20,810	(12,916)	94,767	297,804	10,101	307,905

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**NYLEX (MALAYSIA) BERHAD**  
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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	Non-distributable Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Balance as at 1 June 2020		195,143	(12,916)	64,726	246,953
Net profit for the year		-	-	6,716	6,716
<b>Total comprehensive income for the year</b>		-	-	6,716	6,716
<b>Transactions with owners</b>					
Dividends	10	-	2,905	(2,905)	-
<b>Total transactions with owners</b>		-	2,905	(2,905)	-
<b>Balance as at 31 May 2021</b>		<b>195,143</b>	<b>(10,011)</b>	<b>68,537</b>	<b>253,669</b>
Balance as at 1 June 2019		195,143	(10,062)	86,385	271,466
Net loss for the year		-	-	(19,910)	(19,910)
<b>Total comprehensive loss for the year</b>		-	-	(19,910)	(19,910)
<b>Transactions with owners</b>					
Dividends	10	-	-	(1,749)	(1,749)
Purchase of treasury shares	24	-	(2,854)	-	(2,854)
<b>Total transactions with owners</b>		-	(2,854)	(1,749)	(4,603)
Balance as at 31 May 2020		195,143	(12,916)	64,726	246,953

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

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**NYLEX (MALAYSIA) BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Cash Flows From Operating Activities</b>					
Profit/(Loss) before tax		26,392	(18,940)	9,023	(17,653)
Adjustments for:					
Bad debts written off		3	-	-	-
Depreciation of property, plant and equipment	11	10,392	11,121	2,346	2,321
Depreciation of right-of-use assets	12	16,349	16,300	250	244
Dividend income	4	(14)	(28)	(15,279)	(16,134)
Finance costs	5	7,919	11,867	2,083	2,528
Fair value (gain)/ loss on investment securities		(202)	190	(39)	44
Loss on disposal of property, plant and equipment		573	289	547	311
Inventories written down	17	728	562	678	46
Interest income	4	(2,322)	(2,889)	(3,297)	(3,634)
Provision for retirement benefits	26	180	513	262	326
Share of results of associates		(390)	(136)	-	-
Unrealised loss/(gain) on foreign exchange		1,891	(1,662)	291	(988)
Gain on derivatives (net)	4	-	(8)	-	-
Gain on remeasurement of previously retained interest	4	-	(259)	-	-
Impairment loss on investment in a subsidiary	13(e)	-	-	-	24,000
Impairment loss on investment in an associate	14(e)	-	613	-	-
Impairment loss on goodwill	15	-	10,941	-	-
Termination of lease		(2)	-	-	-
Write-back of impairment loss on trade receivables	18(a)	(237)	(128)	(28)	(52)
(Write-back)/Impairment loss on other receivables	18(b)	(13)	(211)	42	891
Operating cash flows before working capital changes		61,247	28,135	(3,121)	(7,750)
<b>Working Capital Changes</b>					
Receivables		(55,832)	75,481	(1,717)	3,481
Inventories		(36,896)	43,291	1,496	1,169
Payables		70,930	(43,000)	(502)	(1,798)
Related companies		(1,866)	4,908	(5,874)	(3,723)
Associates		(121)	(8,224)	(52)	(788)
Cash flows generated from/(used in) operations		37,462	100,591	(9,770)	(9,409)
Tax paid		(6,169)	(7,076)	(1,257)	(1,600)
Retirement benefits paid	26	(224)	(775)	(183)	(669)
<b>Net Cash Flows From/(Used In) Operating Activities (carried forward)</b>		31,069	92,740	(11,210)	(11,678)

**APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NYLEX FOR THE FYE 31 MAY 2021 (Cont'd)**

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**NYLEX (MALAYSIA) BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net Cash Flows From/(Used In) Operating Activities (brought forward)</b>		<b>31,069</b>	<b>92,740</b>	<b>(11,210)</b>	<b>(11,678)</b>
<b>Cash Flows from Investing Activities</b>					
Acquisition of interest in associates		(240)	-	-	-
Dividends received from equity instruments		14	28	3	4
Dividends received from subsidiaries		-	-	14,324	14,943
Interest received		2,322	2,889	3,297	3,634
Withdrawal/(Placement) of short-term deposits					
- with maturity of more than three months		421	(1,576)	-	-
Proceeds from disposal of property, plant and equipment		1,589	34	1,550	1
Purchase of property, plant and equipment	11(b)	(4,810)	(6,210)	(2,675)	(706)
Net cash inflow on acquisition of a subsidiary	13(d)	-	152	-	-
<b>Net Cash Flows (Used In)/From Investing Activities</b>		<b>(704)</b>	<b>(4,683)</b>	<b>16,499</b>	<b>17,876</b>
<b>Cash Flows From Financing Activities</b>					
Dividends paid to shareholders of the Company	10	-	(1,749)	-	(1,749)
Drawdowns of borrowings		161,914	94,434	45,500	33,300
Repayments of borrowings		(155,035)	(137,241)	(50,500)	(29,400)
Payments of lease liabilities		(16,312)	(15,835)	(125)	(115)
Purchase of treasury shares	24	-	(2,854)	-	(2,854)
Lease interest paid		(639)	(1,234)	(7)	(10)
Interest paid		(7,280)	(10,633)	(2,076)	(2,518)
<b>Net Cash Flows Used In Financing Activities</b>		<b>(17,352)</b>	<b>(75,112)</b>	<b>(7,208)</b>	<b>(3,346)</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>		<b>13,013</b>	<b>12,945</b>	<b>(1,919)</b>	<b>2,852</b>
Effects of Exchange Rate Changes		(2,585)	2,050	-	-
<b>Cash and Cash Equivalents at Beginning of Year</b>		<b>80,269</b>	<b>65,983</b>	<b>11,091</b>	<b>8,045</b>
Effects of Exchange Rate Changes		316	(709)	179	194
<b>Cash and Cash Equivalents at End of Year</b>	20	<b>80,585</b>	<b>65,274</b>	<b>11,270</b>	<b>8,239</b>
		<b>91,013</b>	<b>80,269</b>	<b>9,351</b>	<b>11,091</b>

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**NYLEX (MALAYSIA) BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Borrowings</b>					
As at 1 June 2020/2019		<b>210,565</b>	250,285	<b>50,400</b>	46,500
Cash flows		<b>6,879</b>	(42,807)	<b>(5,000)</b>	3,900
Non-cash flows:					
- Effect of foreign exchange		<b>(3,890)</b>	3,087	-	-
As at 31 May	25	<b>213,554</b>	<b>210,565</b>	<b>45,400</b>	<b>50,400</b>
<b>Lease liabilities</b>					
As at 1 June 2020/2019		<b>23,555</b>	37,519	<b>179</b>	204
Cash flows		<b>(16,951)</b>	(17,069)	<b>(132)</b>	(125)
Non-cash flows:					
- Additions		<b>27,627</b>	1,305	<b>209</b>	90
- Unwinding of interest		<b>639</b>	1,234	<b>7</b>	10
- Termination of lease		<b>(208)</b>	-	-	-
- Effect of foreign exchange		<b>(194)</b>	566	-	-
As at 31 May	12	<b>34,468</b>	<b>23,555</b>	<b>263</b>	<b>179</b>

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



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**NYLEX (MALAYSIA) BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

**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, a company incorporated in Malaysia and listed on the Main Market of Bursa Securities.

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting, rotomoulded plastic products, and other plastic products, including geotextiles, prefabricated sub-soil drainage systems, bulk chemical containers, road barriers, playground equipment and disposal bins as well as property development. The principal activities and the details of the subsidiaries are indicated in Note 13 to the financial statements.

There have been no significant changes in the nature of the activities of the Group during the financial year except for the additional activities of the Company to carry on the business of property development.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 August 2021.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

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

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

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

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

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

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

On 1 June 2020, the Group and the Company adopted the following applicable MFRS and amendments to MFRS which are mandatory for financial periods beginning on or after 1 January 2020.

<b>MFRSs and amendments to MFRSs</b>	<b>Effective date</b>
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

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

<b>MFRSs and amendments to MFRSs</b>	<b>Effective date</b>
<i>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Amendments to MFRS 101 Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to MFRS 108 Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company do not expect the adoption of the above Standards to have a significant impact on the financial statements.

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### 3. REVENUE AND COST OF SALES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:				
Sales of goods	<b>1,134,122</b>	1,115,834	<b>47,340</b>	42,232
Services rendered	<b>17,555</b>	20,471	-	-
	<b><u>1,151,677</u></b>	<b><u>1,136,305</u></b>	<b><u>47,340</u></b>	<b><u>42,232</u></b>

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

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

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

- (b) Revenue from contracts with customers is disaggregated in Note 36(b) to the financial statements by geographical area.

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

### 4. OTHER INCOME

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest income	<b>2,322</b>	2,889	<b>3,297</b>	3,634
Dividend income from:				
- equity instruments (quoted in Malaysia)	<b>14</b>	28	<b>3</b>	4
- subsidiaries	-	-	<b>15,276</b>	16,130
Fair value gains on financial instruments				
- held for trading investments	<b>202</b>	-	<b>39</b>	-
Gain on derivatives	-	8	-	-
Gain on remeasurement of previously retained interest	-	259	-	-
Realised gain on foreign exchange	-	-	-	251
Unrealised gain on foreign exchange	<b>31</b>	535	<b>144</b>	988
	<b><u>2,569</u></b>	<b><u>3,719</u></b>	<b><u>18,759</u></b>	<b><u>21,007</u></b>

**APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NYLEX FOR THE FYE 31 MAY 2021 (Cont'd)**

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**5. FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Borrowings	7,280	10,633	2,076	2,518
Lease interest	639	1,234	7	10
	<u>7,919</u>	<u>11,867</u>	<u>2,083</u>	<u>2,528</u>

**6. STAFF COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits	32,189	33,910	9,471	11,272
Defined contribution plan and social security costs	3,487	3,743	1,104	1,339
Provision for retirement benefits (Note 26)	180	513	262	326
Other staff related expenses	920	903	150	137
	<u>36,776</u>	<u>39,069</u>	<u>10,987</u>	<u>13,074</u>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM2,003,000 (2020: RM2,114,000) and RM1,274,000 (2020: RM899,000) respectively as further disclosed in Note 7 to the financial statements.

**7. DIRECTORS' REMUNERATION**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Executive Directors</b>				
Salaries	630	701	525	584
Bonuses	1,300	1,336	700	280
Defined contribution plan	73	77	49	35
	<u>2,003</u>	<u>2,114</u>	<u>1,274</u>	<u>899</u>
Benefits-in-kind	28	28	28	28
	<u>2,031</u>	<u>2,142</u>	<u>1,302</u>	<u>927</u>
<b>Non-Executive Directors</b>				
Fees	379	440	379	440
Allowances	17	17	17	17
	<u>396</u>	<u>457</u>	<u>396</u>	<u>457</u>
Benefits-in-kind	15	17	15	17
	<u>411</u>	<u>474</u>	<u>411</u>	<u>474</u>
Total directors' remuneration	<u>2,442</u>	<u>2,616</u>	<u>1,713</u>	<u>1,401</u>

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**8. TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current income tax:				
- Malaysian income tax	(5,508)	(4,073)	(907)	(1,257)
- Foreign income tax	(1,953)	(2,399)	-	-
	<u>(7,461)</u>	<u>(6,472)</u>	<u>(907)</u>	<u>(1,257)</u>
Over/(Under) provision in prior years:				
- Malaysian income tax	987	21	-	-
- Foreign income tax	(1)	27	-	-
	<u>(6,475)</u>	<u>(6,424)</u>	<u>(907)</u>	<u>(1,257)</u>
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(954)	(324)	(1,400)	(1,000)
Under provision in prior years	(210)	(17)	-	-
	<u>(1,164)</u>	<u>(341)</u>	<u>(1,400)</u>	<u>(1,000)</u>
Tax expense for the year	<u>(7,639)</u>	<u>(6,765)</u>	<u>(2,307)</u>	<u>(2,257)</u>

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated taxable profit for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (c) A reconciliation of the income tax expense applicable to profit/(loss) 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:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit/(Loss) before tax	<u>26,392</u>	<u>(18,940)</u>	<u>9,023</u>	<u>(17,653)</u>
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	(6,334)	4,546	(2,166)	4,237
Effects of different tax rates in other countries	703	(695)	-	-
Effects of changes in tax rate	(7)	(440)	-	-
Utilisation of tax incentives	369	55	-	-
Income not subject to tax	658	473	3,823	4,221
Utilisation of previously unrecognised tax losses	1,439	-	-	-
Expenses not deductible for tax purposes	(2,164)	(5,314)	(1,537)	(7,683)
Deferred tax assets not recognised	(3,079)	(5,421)	(2,427)	(3,032)
Under provision of deferred tax in prior years	(210)	(17)	-	-
Over provision of tax expense in prior years	986	48	-	-
	<u>(7,639)</u>	<u>(6,765)</u>	<u>(2,307)</u>	<u>(2,257)</u>

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**8. TAXATION (continued)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Utilisation of tax incentives	<u>369</u>	<u>55</u>	<u>-</u>	<u>-</u>

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

	<b>Group</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2021</b>			
<b>Item to be reclassified subsequently to profit or loss</b>			
Foreign currency translation	(3,850)	-	(3,850)
<b>Item not to be reclassified subsequently to profit or loss</b>			
Re-measurement of defined benefit liability	<u>(22)</u>	<u>-</u>	<u>(22)</u>
	<u>(3,872)</u>	<u>-</u>	<u>(3,872)</u>
<b>2020</b>			
<b>Item to be reclassified subsequently to profit or loss</b>			
Foreign currency translation	(3,733)	-	(3,733)
<b>Item not to be reclassified subsequently to profit or loss</b>			
Re-measurement of defined benefit liability	<u>(58)</u>	<u>-</u>	<u>(58)</u>
	<u>(3,791)</u>	<u>-</u>	<u>(3,791)</u>

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

Earnings/(Loss) per share is calculated by dividing the profit for the year attributable to owners of the parent of RM18,923,000 (2020: loss attributable to owners of the parent RM23,207,000) by the weighted average number of ordinary shares in issue during the financial year of 177,061,135 shares (2020: 176,070,830 shares).

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

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

## **10. DIVIDENDS**

	Amount		Dividends per ordinary share	
	2021 RM'000	2020 RM'000	2021 sen	2020 sen
Final single-tier dividend in the form of distribution of one (1) treasury share for every forty (40) existing ordinary shares held in respect of the financial year ended 31 May 2020, paid on 4 December 2020 (2020: final single-tier dividend in respect of the financial year ended 31 May 2019, paid on 5 December 2019)	<u>2,905</u>	<u>1,749</u>	<u>1.7</u>	<u>1.0</u>

The Directors do not recommend the payment of any dividend for the current financial year.

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# 11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings RM'000	Vessel, equipment and docking RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>									
As at 1 June 2019	32,330	32,899	77,820	150,457	2,627	10,971	6,891	5,329	319,324
Effects of adoption of MFRS 16	(32,330)	-	-	-	-	-	-	-	(32,330)
Additions	-	6,715	876	2,005	47	433	518	2,316	12,910
Acquisition of a subsidiary (Note 13(d))	-	-	-	-	-	1	174	-	175
Disposals	-	-	-	(43)	(1)	(188)	(687)	-	(919)
Reclassification	-	-	-	5,965	-	-	-	(5,965)	-
Exchange differences	-	118	-	522	16	41	23	-	720
As at 31 May 2020	-	39,732	78,696	158,906	2,689	11,258	6,919	1,680	299,880
As at 1 June 2020	-	39,732	78,696	158,906	2,689	11,258	6,919	1,680	299,880
Additions	-	52	42	1,015	69	214	83	3,335	4,810
Disposals	-	(25)	-	(67,263)	(26)	(97)	(799)	-	(68,210)
Reclassification	-	-	-	-	-	2,194	-	(2,194)	-
Exchange differences	-	(222)	-	(946)	(23)	(74)	(27)	-	(1,292)
As at 31 May 2021	-	39,537	78,738	91,712	2,709	13,495	6,176	2,821	235,188



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

Group	Leasehold land RM'000	Buildings RM'000	Vessel, equipment and docking RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Accumulated depreciation</b>									
As at 1 June 2019	6,724	17,111	9,103	125,350	1,479	8,963	3,254	-	171,984
Effects of adoption of MFRS 16	(6,724)	-	-	-	-	-	-	-	(6,724)
Charge for the year	-	1,186	4,035	4,073	232	673	922	-	11,121
Disposals	-	-	-	(39)	(1)	(187)	(369)	-	(596)
Exchange differences	-	33	-	346	9	31	18	-	437
As at 31 May 2020	-	18,330	13,138	129,730	1,719	9,480	3,825	-	176,222
As at 1 June 2020	-	18,330	13,138	129,730	1,719	9,480	3,825	-	176,222
Charge for the year	-	1,144	3,338	4,043	219	629	1,019	-	10,392
Disposals	-	(25)	-	(65,339)	(26)	(89)	(569)	-	(66,048)
Exchange differences	-	(60)	-	(602)	(13)	(41)	(19)	-	(735)
As at 31 May 2021	-	19,389	16,476	67,832	1,899	9,979	4,256	-	119,831
<b>Carrying amount</b>									
As at 31 May 2020	-	21,402	65,558	29,176	970	1,778	3,094	1,680	123,658
As at 31 May 2021	-	20,148	62,262	23,880	810	3,516	1,920	2,821	115,357

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

Company	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital Work-in- Progress RM'000	Total RM'000
<b>Cost</b>								
As at 1 June 2019	15,045	16,294	102,019	1,017	4,049	3,026	-	141,450
Effects of adoption of MFRS 16	(15,045)	-	-	-	-	-	-	(15,045)
Additions	-	6,700	200	7	34	465	-	7,406
Disposals	-	-	(31)	(1)	(46)	(382)	-	(460)
As at 31 May 2020	-	22,994	102,188	1,023	4,037	3,109	-	133,351
As at 1 June 2020	-	22,994	102,188	1,023	4,037	3,109	-	133,351
Additions	-	-	745	63	19	-	1,848	2,675
Disposals	-	-	(67,263)	(26)	(33)	(412)	-	(67,734)
As at 31 May 2021	-	22,994	35,670	1,060	4,023	2,697	1,848	68,292

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital Work-in- Progress RM'000	Total RM'000
<b>Accumulated depreciation</b>								
As at 1 June 2019	3,984	10,378	96,697	711	3,669	905	-	116,344
Effects of adoption of MFRS 16	(3,984)	-	-	-	-	-	-	(3,984)
Charge for the year	-	469	1,241	41	137	433	-	2,321
Disposals	-	-	(31)	(1)	(45)	(71)	-	(148)
As at 31 May 2020	-	10,847	97,907	751	3,761	1,267	-	114,533
As at 1 June 2020	-	10,847	97,907	751	3,761	1,267	-	114,533
Charge for the year	-	493	1,131	41	124	557	-	2,346
Disposals	-	-	(65,338)	(26)	(33)	(240)	-	(65,637)
As at 31 May 2021	-	11,340	33,700	766	3,852	1,584	-	51,242
<b>Carrying amount</b>								
As at 31 May 2020	-	12,147	4,281	272	276	1,842	-	18,818
As at 31 May 2021	-	11,654	1,970	294	171	1,113	1,848	17,050

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

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

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

	%
Buildings	1.1 - 5.0
Vessel, equipment and docking	3.8 - 50.0
Plant and machinery	6.7 - 33.3
Furniture and fittings	10.0 - 33.3
Office equipment	7.0 - 33.3
Motor vehicles	15.0 - 25.0

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

- (b) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Additions of property, plant and equipment	4,810	12,910	2,675	7,406
Other receivables	-	(6,700)	-	(6,700)
Cash payments on purchase of property, plant and equipment	<u>4,810</u>	<u>6,210</u>	<u>2,675</u>	<u>706</u>

- (c) The Group's vessel with carrying amount of RM61,809,000 (2020: RM64,722,000) have been charged as security for borrowings as disclosed in Note 25 to the financial statements.

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## 12. LEASES

### The Group as lessee

<b>Right-of-use assets</b>	<b>Land RM'000</b>	<b>Storage tanks RM'000</b>	<b>Buildings RM'000</b>	<b>Office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Group</b>						
<b>Cost</b>						
As at 1 June 2019	-	-	-	-	-	-
Effects of adoption of MFRS 16	32,330	35,265	1,870	-	384	69,849
Additions	-	53	1,162	90	-	1,305
Exchange differences	57	893	52	-	5	1,007
<b>As at 31 May 2020</b>	<b>32,387</b>	<b>36,211</b>	<b>3,084</b>	<b>90</b>	<b>389</b>	<b>72,161</b>
As at 1 June 2020	32,387	36,211	3,084	90	389	72,161
Additions	-	27,083	335	-	209	27,627
Termination	-	-	(209)	-	(204)	(413)
Exchange differences	(108)	(1,262)	(7)	-	(8)	(1,385)
<b>As at 31 May 2021</b>	<b>32,279</b>	<b>62,032</b>	<b>3,203</b>	<b>90</b>	<b>386</b>	<b>97,990</b>
<b>Accumulated depreciation</b>						
As at 1 June 2019	-	-	-	-	-	-
Effects of adoption of MFRS 16	6,724	-	-	-	-	6,724
Charge for the year	326	15,066	745	12	151	16,300
Exchange differences	-	383	19	-	1	403
<b>As at 31 May 2020</b>	<b>7,050</b>	<b>15,449</b>	<b>764</b>	<b>12</b>	<b>152</b>	<b>23,427</b>
As at 1 June 2020	7,050	15,449	764	12	152	23,427
Charge for the year	329	14,951	901	18	150	16,349
Termination	-	-	(3)	-	(204)	(207)
Exchange differences	-	(601)	(30)	-	(1)	(632)
<b>As at 31 May 2021</b>	<b>7,379</b>	<b>29,799</b>	<b>1,632</b>	<b>30</b>	<b>97</b>	<b>38,937</b>
<b>Carrying amount</b>						
As at 31 May 2020	25,337	20,762	2,320	78	237	48,734
<b>As at 31 May 2021</b>	<b>24,900</b>	<b>32,233</b>	<b>1,571</b>	<b>60</b>	<b>289</b>	<b>59,053</b>

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**12. LEASES (continued)**

**The Group as lessee (continued)**

Company	Land RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>				
As at 1 June 2019	-	-	-	-
Effects of adoption of MFRS 16	15,045	-	204	15,249
Additions	-	90	-	90
As at 31 May 2020	15,045	90	204	15,339
As at 1 June 2020	15,045	90	204	15,339
Additions	-	-	209	209
Termination	-	-	(204)	(204)
<b>As at 31 May 2021</b>	<b>15,045</b>	<b>90</b>	<b>209</b>	<b>15,344</b>
<b>Accumulated depreciation</b>				
As at 1 June 2019	-	-	-	-
Effects of adoption of MFRS 16	3,984	-	-	3,984
Charge for the year	126	12	106	244
As at 31 May 2020	4,110	12	106	4,228
As at 1 June 2020	4,110	12	106	4,228
Charge for the year	126	18	106	250
Termination	-	-	(204)	(204)
<b>As at 31 May 2021</b>	<b>4,236</b>	<b>30</b>	<b>8</b>	<b>4,274</b>
<b>Carrying amount</b>				
As at 31 May 2020	10,935	78	98	11,111
<b>As at 31 May 2021</b>	<b>10,809</b>	<b>60</b>	<b>201</b>	<b>11,070</b>

**Lease liabilities**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 June 2020/2019	23,555	-	179	-
Effects of adoption of MFRS 16	-	37,519	-	204
Additions	27,627	1,305	209	90
Lease payments	(16,951)	(17,069)	(132)	(125)
Interest expenses	639	1,234	7	10
Termination of lease	(208)	-	-	-
Exchange differences	(194)	566	-	-
<b>As at 31 May</b>	<b>34,468</b>	<b>23,555</b>	<b>263</b>	<b>179</b>

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**12. LEASES (continued)**

**The Group as lessee (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Represented by:				
<b>Current</b>				
Lease liabilities owing to non-financial institutions	13,323	16,438	120	116
<b>Non-current</b>				
Lease liabilities owing to non-financial institutions	21,145	7,117	143	63
	<u>34,468</u>	<u>23,555</u>	<u>263</u>	<u>179</u>

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases with incremental borrowing rates per annum ranging from 3.5% to 5.5% (2020: 3.5% to 5.5%).

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

- (b) The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Land	20 to 99 years
Storage tanks	3 to 8 years
Buildings	2 to 5 years
Office equipment	5 years
Motor vehicles	2 to 4 years

- (c) The Group has certain leases such as buildings and office equipment with lease term of 12 months or less and low value leases of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

- (d) The following are the amounts recognised in profit or loss:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation charge of right-of-use assets	16,349	16,300	250	244
Interest expense on lease liabilities	639	1,234	7	10
Expense relating to short-term leases and lease of low-value assets	200	422	38	28
	<u>17,188</u>	<u>17,956</u>	<u>295</u>	<u>282</u>

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### 13. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares - at cost	<b>206,702</b>	206,702
Accumulated impairment losses	<b>(49,200)</b>	(49,200)
	<b><u>157,502</u></b>	<u>157,502</u>

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

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

- (b) Details of subsidiaries

<b>Name of Company</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Effective % ownership interest held by the Group*</b>	
			<b>2021</b>	<b>2020</b>
			<b>%</b>	<b>%</b>
<b>Direct subsidiaries</b>				
Nycon Manufacturing Sdn. Bhd.	Malaysia	Investment holding and manufacture and marketing of rotomoulded products.	<b>100</b>	100
Nylex Polymer Marketing Sdn. Bhd.	Malaysia	Investment holding and marketing of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets, geosynthetic and general trading.	<b>100</b>	100
PT Nylex Indonesia**	Indonesia	Manufacture, marketing and distribution of PU and PVC leathercloth.	<b>100</b>	100
Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	Trading in petrochemicals and industrial chemicals.	<b>100</b>	100
Fermpro Sdn. Bhd.	Malaysia	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.	<b>100</b>	100



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

(b) Details of subsidiaries (continued)

Name of Company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2021 %	2020 %
<b>Direct subsidiaries</b> <i>(continued)</i>				
Kumpulan Kesuma Sdn. Bhd.	Malaysia	Manufacture and marketing of sealants and adhesive products.	100	100
Wedon Sdn. Bhd.	Malaysia	Marketing of sealants and adhesive products.	100	100
Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	Manufacture and sale of phosphoric acid.	100	100
Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	Manufacture and sale of chemicals.	51	51
CKG Chemicals Pte. Ltd.***	Singapore	Trading and distribution of industrial chemicals and gasoline blending components.	100	100
<b>Subsidiaries of Perusahaan Kimia Gemilang Sdn. Bhd.</b>				
Dynamic Chemical Pte. Ltd.***	Singapore	Blending, trading and distribution of industrial chemicals.	100	100
Perusahaan Kimia Gemilang (Vietnam) Company Ltd.**	Vietnam	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.	100	100
PT PKG Lautan Indonesia**	Indonesia	Importation and distribution of industrial chemicals.	51	51
Ancom Kimia Sdn. Bhd.	Malaysia	Distribution of petrochemicals and industrial chemicals.	60	60
ALB Marine Sdn. Bhd.	Malaysia	Carrying out business of ship owning, ship management and charter hire of tanker.	100	100

\* Equals to the proportion of voting rights held.

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

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

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

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

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

(i) Summarised statements of financial position

	<b>PKI RM'000</b>	<b>SPM RM'000</b>	<b>AKM RM'000</b>	<b>Total RM'000</b>
<b>2021</b>				
Non-current assets	1,301	35	103	1,439
Current assets	28,121	5,804	9,144	43,069
<b>Total assets</b>	<b>29,422</b>	<b>5,839</b>	<b>9,247</b>	<b>44,508</b>
Current liabilities	16,556	309	7,330	24,195
Non-current liabilities	444	-	-	444
<b>Total liabilities</b>	<b>17,000</b>	<b>309</b>	<b>7,330</b>	<b>24,639</b>
<b>Net assets</b>	<b>12,422</b>	<b>5,530</b>	<b>1,917</b>	<b>19,869</b>
Equity attributable to:				
Owners of the parent	6,336	2,820	1,150	10,306
Non-controlling interests	6,086	2,710	767	9,563
	<b>12,422</b>	<b>5,530</b>	<b>1,917</b>	<b>19,869</b>
<b>2020</b>				
Non-current assets	1,526	97	138	1,761
Current assets	28,755	5,366	7,576	41,697
<b>Total assets</b>	<b>30,281</b>	<b>5,463</b>	<b>7,714</b>	<b>43,458</b>
Current liabilities	15,873	208	6,102	22,183
Non-current liabilities	359	5	-	364
<b>Total liabilities</b>	<b>16,232</b>	<b>213</b>	<b>6,102</b>	<b>22,547</b>
<b>Net assets</b>	<b>14,049</b>	<b>5,250</b>	<b>1,612</b>	<b>20,911</b>
Equity attributable to:				
Owners of the parent	7,166	2,677	967	10,810
Non-controlling interests	6,883	2,573	645	10,101
	<b>14,049</b>	<b>5,250</b>	<b>1,612</b>	<b>20,911</b>

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

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

(ii) Summarised statements of profit or loss

	<b>PKI RM'000</b>	<b>SPM RM'000</b>	<b>AKM RM'000</b>	<b>Total RM'000</b>
<b>2021</b>				
<b>Revenue</b>	<u>25,775</u>	<u>2,979</u>	<u>92,734</u>	<u>121,488</u>
<b>Net (loss)/profit for the year</b>	<u>(877)</u>	<u>279</u>	<u>304</u>	<u>(294)</u>
Net (loss)/profit attributable to:				
Owners of the parent	(448)	142	182	(124)
Non-controlling interests	<u>(429)</u>	<u>137</u>	<u>122</u>	<u>(170)</u>
	<u>(877)</u>	<u>279</u>	<u>304</u>	<u>(294)</u>
<b>2020</b>				
<b>Revenue</b>	<u>41,149</u>	<u>3,208</u>	<u>102,267</u>	<u>146,624</u>
<b>Net (loss)/profit for the year</b>	<u>(4,512)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,330)</u>
Net (loss)/profit attributable to:				
Owners of the parent	(2,302)	225	(755)	(2,832)
Non-controlling interests	<u>(2,210)</u>	<u>216</u>	<u>(504)</u>	<u>(2,498)</u>
	<u>(4,512)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,330)</u>

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

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

(iii) Summarised statements of comprehensive income

	PKI RM'000	SPM RM'000	AKM RM'000	Total RM'000
<b>2021</b>				
Net (loss)/profit for the year	<u>(877)</u>	<u>279</u>	<u>304</u>	<u>(294)</u>
Other comprehensive loss attributable to:				
Owners of the parent	(383)	-	-	(383)
Non-controlling interests	<u>(368)</u>	<u>-</u>	<u>-</u>	<u>(368)</u>
Other comprehensive loss, net of tax	<u>(751)</u>	<u>-</u>	<u>-</u>	<u>(751)</u>
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(1,628)</u></b>	<b><u>279</u></b>	<b><u>304</u></b>	<b><u>(1,045)</u></b>
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(831)	142	182	(507)
Non-controlling interests	<u>(797)</u>	<u>137</u>	<u>122</u>	<u>(538)</u>
	<b><u>(1,628)</u></b>	<b><u>279</u></b>	<b><u>304</u></b>	<b><u>(1,045)</u></b>
<b>2020</b>				
Net (loss)/profit for the year	<u>(4,512)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,330)</u>
Other comprehensive loss attributable to:				
Owners of the parent	(244)	-	-	(244)
Non-controlling interests	<u>234</u>	<u>-</u>	<u>-</u>	<u>234</u>
Other comprehensive loss, net of tax	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(10)</u>
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(4,522)</u></b>	<b><u>441</u></b>	<b><u>(1,259)</u></b>	<b><u>(5,340)</u></b>
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(2,546)	225	(755)	(3,076)
Non-controlling interests	<u>(1,976)</u>	<u>216</u>	<u>(504)</u>	<u>(2,264)</u>
	<b><u>(4,522)</u></b>	<b><u>441</u></b>	<b><u>(1,259)</u></b>	<b><u>(5,340)</u></b>

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

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

(iv) **Summarised statements of cash flows**

	<b>PKI RM'000</b>	<b>SPM RM'000</b>	<b>AKM RM'000</b>	<b>Total RM'000</b>
<b>2021</b>				
Net cash flows from operating activities	1,390	401	766	2,557
Net cash flows (used in)/from investing activities	(48)	78	(2)	28
Net cash flows from/(used in) financing activities	<u>7,763</u>	<u>(60)</u>	<u>-</u>	<u>7,703</u>
Net increase in cash and cash equivalents	9,105	419	764	10,288
Cash and cash equivalents at beginning of year	8,195	4,398	1,088	13,681
Effects of exchange rate changes	<u>(2,046)</u>	<u>(78)</u>	<u>(2)</u>	<u>(2,126)</u>
	<u>6,149</u>	<u>4,320</u>	<u>1,086</u>	<u>11,555</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>15,254</u></b>	<b><u>4,739</u></b>	<b><u>1,850</u></b>	<b><u>21,843</u></b>
<b>2020</b>				
Net cash flows from operating activities	527	504	932	1,963
Net cash flows from investing activities	19	118	4	141
Net cash flows used in financing activities	<u>(2,797)</u>	<u>(60)</u>	<u>-</u>	<u>(2,857)</u>
Net (decrease)/increase in cash and cash equivalents	(2,251)	562	936	(753)
Cash and cash equivalents at beginning of year	10,116	3,808	152	14,076
Effects of exchange rate changes	<u>330</u>	<u>28</u>	<u>-</u>	<u>358</u>
	<u>10,446</u>	<u>3,836</u>	<u>152</u>	<u>14,434</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>8,195</u></b>	<b><u>4,398</u></b>	<b><u>1,088</u></b>	<b><u>13,681</u></b>

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

**(d) Acquisition of a subsidiary – Ancom Kimia Sdn. Bhd. (“AKM”)**

On 14 June 2019, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn. Bhd. (“PKG”) has entered into a share sale agreement with Retromark Solutions Sdn. Bhd. for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM for a total consideration of RM1,000,000 (“Proposed Acquisition”). Upon completion of the Proposed Acquisition on 8 July 2019, AKM became a 60% owned subsidiary of PKG.

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

	<b>RM'000</b>
Property, plant and equipment	175
Trade and other receivables	11,524
Investment securities	166
Income tax recoverable	550
Cash and bank balances	152
Deferred tax liabilities	(7)
Trade and other payables	(9,688)
Net assets	2,872
Non-controlling interests at the date of acquisition	(1,149)
Goodwill (Note 15)	277
Total deemed purchase consideration	2,000
Less: Fair value of interests retained	(1,000)
Cost of acquisition	1,000
<u>Cash inflow on acquisition:</u>	
Cash and bank balances of subsidiary acquired	152
Net cash inflow of the Group	152

If the acquisition occurred on 1 June 2019, the revenue and profit after tax of the Group for the financial year ended 31 May 2020 would have been increased by RM1,862,129 and RM131,416 respectively.

**(e) Impairment loss recognised**

In the previous financial year, an impairment loss was recognised to write down the carrying amount attributable to investment in CKG Chemicals Pte Ltd amounted to RM24,000,000 in the Statement of Profit or Loss of the Company due to decline in operation. Adverse adjustments were made to the forecasted operating cash flows included in the value in use calculations due to the COVID-19 pandemic. The recoverable amounts were determined using pre-tax discount rate of 3.6% and average growth rate of 3.3%.

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**14. INVESTMENTS IN ASSOCIATES**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	1,640	2,650	400	400
Share of post-acquisition reserves, net of dividends received	1,351	324	-	-
	<b>2,991</b>	<b>2,974</b>	<b>400</b>	<b>400</b>
Less: Accumulated impairment losses	-	(613)	-	-
	<b>2,991</b>	<b>2,361</b>	<b>400</b>	<b>400</b>

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

<b>Name of Company</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Effective % ownership interest held by the Group</b>	
			<b>2021</b>	<b>2020</b>
			<b>%</b>	<b>%</b>
One Chem Terminal Sdn. Bhd.*	Malaysia	To operate, lease and manage chemical tank farm and warehouse.	40	40
Retromark Solutions Sdn. Bhd.	Malaysia	Marketing, promoting, distribution and supporting petrochemical and petroleum related products including industrial chemicals.	-	30
DJ Money Matters Sdn. Bhd.*	Malaysia	Money lending business.	25	25
PT Myindo Acqua Pura	Indonesia	Developing high technology products, in particular micro water treatment and waste treatment.	30	-
Jasa Rimbun Sdn. Bhd.	Malaysia	Marketing and distribution of industrial chemical.	50	-

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

- (c) One Chem Terminal Sdn. Bhd. ("OCT") has a financial year end of 31 December. Therefore, the financial statements of OCT are not coterminous with the Group. In applying the equity method of accounting, the unaudited financial statements of OCT for financial period ended 31 May 2021 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.

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

- (d) On 14 June 2019, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn. Bhd. ("PKG") has entered into a share sale agreement with Retromark Solutions Sdn. Bhd. for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in Ancom Kimia Sdn. Bhd. ("AKM") for a total consideration of RM1,000,000 ("Proposed Acquisition"). Upon completion of the Proposed Acquisition on 8 July 2019, AKM ceased to be the associate of PKG and became a 60% owned subsidiary of PKG.
- (e) Impairment loss on investment in an associate of the Group amounted to RM613,000 was recognised as Retromark Solutions Sdn. Bhd. ("RSSB") became dormant during the previous financial year. The Group has disposed the entire equity holding in RSSB during the financial year.
- (f) In July 2020, a wholly-owned subsidiary of the Company, Nylex Polymer Marketing Sdn. Bhd. has acquired 30% of the paid up capital of PT Myindo Acqua Pura, a company incorporated in the Republic of Indonesia for a cash consideration of IDR750,000,000 (equivalent to RM234,750).
- (g) During the financial year, a wholly-owned subsidiary of the Company, Fermpro Sdn. Bhd. has invested in 50% of the issued and paid up capital of Jasa Rimbun Sdn. Bhd. for a cash consideration of RM5,000.
- (h) The summarised financial information of the associates are not disclosed as it is immaterial to the Group.

**15. GOODWILL ARISING ON CONSOLIDATION**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 June 2020/2019	85,624	100,661
Acquisition of a subsidiary (Note 13(d))	-	277
Impairment loss on goodwill	-	(10,941)
Exchange differences	(2,804)	(4,373)
As at 31 May	<u>82,820</u>	<u>85,624</u>



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

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

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

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

Impairment loss on goodwill amounted to RM10,941,000 was recognised in the previous financial year due to adverse adjustments made to the forecasted operating cash flows included in the value in use calculations due to the COVID-19 pandemic.

**(a) Allocation of goodwill**

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

	<b>Polymer RM'000</b>	<b>Industrial chemical RM'000</b>	<b>Total RM'000</b>
<b>31 May 2021</b>	<u>95</u>	<u>82,725</u>	<u>82,820</u>
<b>31 May 2020</b>	<u>97</u>	<u>85,527</u>	<u>85,624</u>

**(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 6.2% (2020: 3.6%) and average growth rate of 1.5% (2020: 3.3%).

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

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

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

- (i) The discount rate used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU.
- (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 the average gross margins achieved in the year immediately before the budgeted year adjusted for expected efficiency improvements or deficiency.

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

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

For the industrial chemical segment, the estimated recoverable amount is higher than its carrying value for the remaining goodwill assessed during the year. The implication of the key assumption for the recoverable amount is discussed below:

**(i) Discount rate assumptions**

The discount rate calculation is based on the specific circumstances of the Group and its operating segments which takes into account both debt and equity of the Group. The management has considered the possibility of greater than forecasted discount rate. Based on the sensitivity analysis performed by the management, increase of 100 basis point in the discount rate used would result in an additional impairment of RM7,983,000 (2020: Nil).

**(ii) Growth rate assumptions**

Management has considered the possibility of a weaker than the anticipated growth rate which may occur if the Group and its segments do not perform as per expected results. The effect of bearish future growth performance is not expected to have an adverse impact on forecasts included in the budget, where a reduction in 100 basis point of the growth rate used would result in an additional impairment of RM5,465,000 (2020: Nil).

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**16. DEFERRED TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 1 June 2020/2019	(23,159)	(23,390)	(22,261)	(23,261)
Recognised in profit or loss (Note 8)	1,164	341	1,400	1,000
Exchange differences	342	(117)	-	-
Acquisition of a subsidiary (Note 13(d))	-	7	-	-
<b>As at 31 May</b>	<b>(21,653)</b>	<b>(23,159)</b>	<b>(20,861)</b>	<b>(22,261)</b>
<i>Presented after appropriate offsetting as follows:</i>				
Deferred tax assets	(24,255)	(25,854)	(20,861)	(22,261)
Deferred tax liabilities	2,602	2,695	-	-
	<b>(21,653)</b>	<b>(23,159)</b>	<b>(20,861)</b>	<b>(22,261)</b>

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

**Deferred tax liabilities**

	<b>Property, plant and equipment RM'000</b>	<b>Offsetting RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
As at 1 June 2020	3,156	(461)	2,695
Recognised in profit or loss	(336)	243	(93)
Exchange differences	78	(78)	-
<b>As at 31 May 2021</b>	<b>2,898</b>	<b>(296)</b>	<b>2,602</b>
As at 1 June 2019	2,895	(515)	2,380
Recognised in profit or loss	263	48	311
Acquisition of a subsidiary (Note 13(d))	4	-	4
Exchange differences	(6)	6	-
<b>As at 31 May 2020</b>	<b>3,156</b>	<b>(461)</b>	<b>2,695</b>
<b>Company</b>			
As at 1 June 2020	1,291	(1,291)	-
Recognised in profit or loss	(579)	579	-
<b>As at 31 May 2021</b>	<b>712</b>	<b>(712)</b>	<b>-</b>
As at 1 June 2019	1,433	(1,433)	-
Recognised in profit or loss	(142)	142	-
<b>As at 31 May 2020</b>	<b>1,291</b>	<b>(1,291)</b>	<b>-</b>

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**16. DEFERRED TAX (continued)**

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

**Deferred tax assets**

	<b>Retirement benefit obligations RM'000</b>	<b>Provision for liabilities RM'000</b>	<b>Tax losses and unabsorbed capital allowances RM'000</b>	<b>Offsetting RM'000</b>	<b>Total RM'000</b>
<b>Group</b>					
As at 1 June 2020	(1,114)	(2,577)	(22,624)	461	(25,854)
Recognised in profit or loss	(7)	(697)	2,204	(243)	1,257
Exchange differences	33	33	198	78	342
<b>As at 31 May 2021</b>	<b>(1,088)</b>	<b>(3,241)</b>	<b>(20,222)</b>	<b>296</b>	<b>(24,255)</b>
As at 1 June 2019	(1,137)	(2,155)	(22,993)	515	(25,770)
Recognised in profit or loss	62	(436)	452	(48)	30
Exchange differences	(39)	11	(83)	(6)	(117)
Acquisition of a subsidiary (Note 13(d))	-	3	-	-	3
<b>As at 31 May 2020</b>	<b>(1,114)</b>	<b>(2,577)</b>	<b>(22,624)</b>	<b>461</b>	<b>(25,854)</b>
<b>Company</b>					
As at 1 June 2020	(635)	(2,382)	(20,535)	1,291	(22,261)
Recognised in profit or loss	(19)	(28)	2,026	(579)	1,400
<b>As at 31 May 2021</b>	<b>(654)</b>	<b>(2,410)</b>	<b>(18,509)</b>	<b>712</b>	<b>(20,861)</b>
As at 1 June 2019	(718)	(2,176)	(21,800)	1,433	(23,261)
Recognised in profit or loss	83	(206)	1,265	(142)	1,000
<b>As at 31 May 2020</b>	<b>(635)</b>	<b>(2,382)</b>	<b>(20,535)</b>	<b>1,291</b>	<b>(22,261)</b>

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**16. DEFERRED TAX (continued)**

Unrecognised tax losses

At the reporting date, the Group and the Company have tax losses of approximately RM72,670,000 (2020: RM65,835,000) and RM30,651,000 (2020: RM20,537,000) respectively 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.

The amounts of unrecognised tax losses are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
No expiry date	30,840	33,760	-	-
Expires by year of assessment 2021	-	582	-	-
Expires by year of assessment 2022	-	313	-	-
Expires by year of assessment 2023	-	136	-	-
Expires by year of assessment 2024	424	1,205	-	-
Expires by year of assessment 2025	18,915	19,752	11,915	11,915
Expires by year of assessment 2026	3,885	3,885	3,865	3,865
Expires by year of assessment 2027	5,778	6,202	4,757	4,757
Expires by year of assessment 2028	12,828	-	10,114	-
	<b>72,670</b>	<b>65,835</b>	<b>30,651</b>	<b>20,537</b>

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**17. INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Cost</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Finished goods	30,848	27,721	-	-
Work-in-progress	2,667	4,268	2,335	3,939
Raw materials and consumable stores	16,840	16,912	3,171	3,794
Inventory-in-transit	189	1,108	-	-
	<u>50,544</u>	<u>50,009</u>	<u>5,506</u>	<u>7,733</u>
<b>Net realisable value</b>				
Finished goods	64,855	34,483	2,066	2,013
Raw materials and consumable stores	6,749	3,455	-	-
	<u>71,604</u>	<u>37,938</u>	<u>2,066</u>	<u>2,013</u>
	<u>122,148</u>	<u>87,947</u>	<u>7,572</u>	<u>9,746</u>

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

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company was RM975,804,000 (2020: RM982,659,000) and RM26,761,000 (2020: RM22,001,000) respectively.

The Group and the Company also wrote down inventories to net realisable value by RM728,000 (2020: RM562,000) and RM678,000 (2020: RM46,000) respectively.

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**18. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade receivables</b>				
Third parties	180,502	122,767	6,438	3,729
Related companies	52	2,177	-	-
	<u>180,554</u>	<u>124,944</u>	<u>6,438</u>	<u>3,729</u>
Less: Impairment loss	<u>(4,210)</u>	<u>(4,400)</u>	<u>(126)</u>	<u>(195)</u>
	<u>176,344</u>	<u>120,544</u>	<u>6,312</u>	<u>3,534</u>
<b>Other receivables</b>				
Amounts due from related companies	1,376	830	12	36
Amounts due from associates	3,513	4,193	2,970	3,718
Amounts due from subsidiaries	-	-	48,101	44,162
Amount due from holding company	24,902	23,541	24,902	23,541
Sundry receivables	6,835	4,109	598	1,312
Deposits	12,409	12,340	13,897	13,847
Prepayments	3,507	8,602	114	112
	<u>52,542</u>	<u>53,615</u>	<u>90,594</u>	<u>86,728</u>
Less: Impairment loss	<u>(4,621)</u>	<u>(5,036)</u>	<u>(5,102)</u>	<u>(6,501)</u>
	<u>47,921</u>	<u>48,579</u>	<u>85,492</u>	<u>80,227</u>
	<u>224,265</u>	<u>169,123</u>	<u>91,804</u>	<u>83,761</u>
Trade and other receivables	224,265	169,123	91,804	83,761
Less: Prepayments	(3,507)	(8,602)	(114)	(112)
Add: Short-term deposits with licensed banks (Note 20)	14,719	16,943	-	-
Add: Cash and bank balances (Note 20)	<u>79,532</u>	<u>66,985</u>	<u>9,351</u>	<u>11,091</u>
Total financial assets, measured at amortised cost	<u>315,009</u>	<u>244,449</u>	<u>101,041</u>	<u>94,740</u>

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

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 90 days (2020: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

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

Management exercised significant judgement in determining the probability of default by trade receivables and appropriate forward looking information, including the effects of COVID-19 pandemic.

Lifetime expected loss provision for trade receivables are as follows:

	Group			Company		
	Gross carrying amount RM'000	Loss allowance RM'000	Carrying amount RM'000	Gross carrying amount RM'000	Loss allowance RM'000	Carrying amount RM'000
<b>31 May 2021</b>						
Current	132,166	(217)	131,949	5,001	(12)	4,989
Past due						
1 to 30 days	34,931	(235)	34,696	1,095	(6)	1,089
31 to 60 days	7,169	(197)	6,972	202	(4)	198
61 to 90 days	554	(196)	358	27	(3)	24
91 to 120 days	608	(107)	501	-	-	-
More than 120 days	3,049	(1,181)	1,868	113	(101)	12
	46,311	(1,916)	44,395	1,437	(114)	1,323
Past due and impaired	2,077	(2,077)	-	-	-	-
	<u>180,554</u>	<u>(4,210)</u>	<u>176,344</u>	<u>6,438</u>	<u>(126)</u>	<u>6,312</u>



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

(a) Trade receivables (continued)

Lifetime expected loss provision for trade receivables are as follows (continued) :

	Group			Company		
	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 May 2020						
Current	82,440	(210)	82,230	1,774	(9)	1,765
Past due						
1 to 30 days	21,382	(240)	21,142	1,117	(11)	1,106
31 to 60 days	11,357	(204)	11,153	286	(11)	275
61 to 90 days	5,194	(257)	4,937	345	(64)	281
91 to 120 days	1,131	(124)	1,007	83	(17)	66
More than 120 days	559	(484)	75	70	(29)	41
	39,623	(1,309)	38,314	1,901	(132)	1,769
Past due and impaired	2,881	(2,881)	-	54	(54)	-
	<u>124,944</u>	<u>(4,400)</u>	<u>120,544</u>	<u>3,729</u>	<u>(195)</u>	<u>3,534</u>

The movements in impairment loss of trade receivables are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
As at 1 June 2020/2019	4,400	4,519	195	247
Write-back for the year	(237)	(128)	(28)	(52)
Written off	(41)	(8)	(41)	-
Exchange differences	88	17	-	-
As at 31 May	<u>4,210</u>	<u>4,400</u>	<u>126</u>	<u>195</u>

(b) Other receivables

Related companies refer to companies within the Ancom Berhad group.

The amounts due from related companies, associates, subsidiaries and holding company are non-trade balances which arose mainly from intercompany advances, expenses paid on behalf and other intercompany charges which are negotiated on a mutually agreed basis. All advances to holding company, subsidiaries and associates are unsecured, repayable within next twelve months in cash and cash equivalents and bore interest at rates ranging from 3.5% to 6.3% (2020: 4.7% to 7.5%) per annum.

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

**(b) Other receivables (continued)**

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

The Group defined significant increase in credit risk as twenty percent (20%) on relative basis and including operating performance of the receivables, payment delays and past due information. It requires management to exercise significant judgement in determining the probability of default by receivables, appropriate forward looking information (i.e. unemployment rate, gross domestic product growth rate and inflation rate) and significant increase in credit risk.

The movements in impairment loss of other receivables are as follows:

	<b>12 month ECL RM'000</b>	<b>Lifetime ECL - credit impaired RM'000</b>	<b>Total RM'000</b>
<b>2021</b>			
<b>Group</b>			
As at 1 June 2020	264	4,772	5,036
Write-back of other receivables	-	(28)	(28)
Charge for the financial year	15	-	15
Written off	-	(402)	(402)
<b>As at 31 May 2021</b>	<b>279</b>	<b>4,342</b>	<b>4,621</b>
<b>Company</b>			
As at 1 June 2020	690	5,811	6,501
Write-back of other receivables	-	(28)	(28)
Charge for the financial year	70	-	70
Written off	-	(1,441)	(1,441)
<b>As at 31 May 2021</b>	<b>760</b>	<b>4,342</b>	<b>5,102</b>
<b>2020</b>			
<b>Group</b>			
As at 1 June 2019	247	5,000	5,247
Write-back of other receivables	-	(1,029)	(1,029)
Charge for the financial year	17	801	818
<b>As at 31 May 2020</b>	<b>264</b>	<b>4,772</b>	<b>5,036</b>
<b>Company</b>			
As at 1 June 2019	600	5,010	5,610
Charge for the financial year	90	801	891
<b>As at 31 May 2020</b>	<b>690</b>	<b>5,811</b>	<b>6,501</b>

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## 19. INVESTMENT SECURITIES

	Group		Company	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
<b>As at 31 May 2021</b>				
<b>Current</b>				
<i>Held for trading</i>				
Equity instrument (quoted in Malaysia)	<u>840</u>	<u>840</u>	<u>161</u>	<u>161</u>
<b>As at 31 May 2020</b>				
<b>Current</b>				
<i>Held for trading</i>				
Equity instrument (quoted in Malaysia)	<u>638</u>	<u>638</u>	<u>122</u>	<u>122</u>

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

## 20. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term deposits with licensed banks (Note 18)	14,719	16,943	-	-
Cash and bank balances (Note 18)	<u>79,532</u>	<u>66,985</u>	<u>9,351</u>	<u>11,091</u>
	94,251	83,928	9,351	11,091
Short-term deposits with maturity of more than three months	<u>(3,238)</u>	<u>(3,659)</u>	-	-
	<u>91,013</u>	<u>80,269</u>	<u>9,351</u>	<u>11,091</u>

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

The average interest rate of deposits as at the reporting date is 1.7% (2020: 1.9%) per annum.

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

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## **21. SHARE CAPITAL**

	Group/Company			
	Number of ordinary shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
<b>Issued and fully paid:</b>				
As at 31 May	<u>194,338</u>	<u>194,338</u>	<u>195,143</u>	<u>195,143</u>

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

Of the total 194,337,860 (2020: 194,337,860) issued and paid-up ordinary shares as at 31 May 2021, 15,050,648 (2020: 19,419,024) shares are held as treasury shares by the Company (Note 24). Consequently, as at 31 May 2021, the number of ordinary shares in issue after deduction of the treasury shares is 179,287,212 (2020: 174,918,836) ordinary shares.

## **22. RESERVES**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-distributable</b>				
Translation reserves	<u>17,322</u>	<u>20,810</u>	<u>-</u>	<u>-</u>

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

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

## **23. RETAINED EARNINGS**

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

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## 24. TREASURY SHARES

	Group/Company			
	Number of ordinary shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
As at 1 June 2020/2019	19,419	14,689	12,916	10,062
Purchases during the year	-	4,730	-	2,854
Distribution of share dividend	(4,368)	-	(2,905)	-
As at 31 May	<u>15,051</u>	<u>19,419</u>	<u>10,011</u>	<u>12,916</u>

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

## 25. BORROWINGS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Short-term borrowings</b>				
<i>Secured</i>				
Trust receipts	19,308	6,752	-	-
Term loans	4,955	5,215	-	-
<i>Unsecured</i>				
Short-term loans	<u>162,454</u>	<u>163,831</u>	<u>45,400</u>	<u>50,400</u>
	<u>186,717</u>	<u>175,798</u>	<u>45,400</u>	<u>50,400</u>
<b>Long-term borrowings</b>				
<i>Secured</i>				
Term loans	<u>26,837</u>	<u>34,767</u>	<u>-</u>	<u>-</u>
	<u>213,554</u>	<u>210,565</u>	<u>45,400</u>	<u>50,400</u>
<i>Maturity of borrowings</i>				
On demand or within one year	187,174	177,978	45,400	50,400
One to five years	<u>30,911</u>	<u>39,765</u>	<u>-</u>	<u>-</u>
Total undiscounted borrowings	<u>218,085</u>	<u>217,743</u>	<u>45,400</u>	<u>50,400</u>

The borrowings bore interest at rates ranging from 1.9% to 5.6% (2020: 1.9% to 5.8%) per annum at the reporting date.

The secured term loans and trust receipts are for subsidiaries and secured by the mortgage of vessel, assignment of insurance policies covering stock in trade in favour of the bank and/or corporate guarantees by their shareholders as disclosed in Note 11(c) to the financial statements.

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

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**26. PROVISION FOR RETIREMENT BENEFITS**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 1 June 2020/2019	4,561	4,666	2,647	2,990
Benefits paid	(224)	(775)	(183)	(669)
Expense recognised in profit or loss (Note 6)	180	513	262	326
Actuarial loss from re-measurement	22	58	-	-
Exchange fluctuation	140	99	-	-
As at 31 May	<u>4,679</u>	<u>4,561</u>	<u>2,726</u>	<u>2,647</u>

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.

- (a) The Group provides retirement benefit obligations for qualifying employees of its overseas subsidiaries, PT Nylex Indonesia and PT PKG Lautan Indonesia., in accordance with the legislations established in Indonesia.

The principal actuarial assumptions used are as follows:

	<b>Discount rate</b>	<b>Annual salary increase</b>
	<b>%</b>	<b>%</b>
For the reporting period		
<b>2021</b>		
Indonesia	<u>7.8 - 8.0</u>	<u>8.0 - 10.0</u>
<b>2020</b>		
Indonesia	<u>8.1 - 8.5</u>	<u>8.0 - 10.0</u>

The management believes that no reasonably possible changes in any of the above key assumptions would lead to significant changes to the present value of the retirement benefit obligations.

- (b) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below.

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Discount rate:		
- if increase 1%	(268)	(238)
- if decrease 1%	319	247
Annual salary:		
- if increase 1%	312	245
- if decrease 1%	<u>(268)</u>	<u>(238)</u>

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**27. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade payables</b>				
Third parties	122,469	56,011	3,453	2,269
Related companies	1,091	1,195	-	-
	<u>123,560</u>	<u>57,206</u>	<u>3,453</u>	<u>2,269</u>
<b>Other payables</b>				
Amounts due to related companies	6	5	3	5
Amounts due to subsidiaries	-	-	40	106
Other payables	15,239	11,329	4,733	4,982
Accruals	11,746	11,967	6,425	7,861
	<u>26,991</u>	<u>23,301</u>	<u>11,201</u>	<u>12,954</u>
	<u>150,551</u>	<u>80,507</u>	<u>14,654</u>	<u>15,223</u>
Trade and other payables	150,551	80,507	14,654	15,223
Borrowings (Note 25)	213,554	210,565	45,400	50,400
Total financial liabilities, measured at amortised cost	<u>364,105</u>	<u>291,072</u>	<u>60,054</u>	<u>65,623</u>

**(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2020: 30 to 90 days).

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

Related companies refer to companies within the Ancom Berhad group.

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

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

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## **28. DERIVATIVE LIABILITIES**

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

Derivative liabilities of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

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

<u>Group</u>	2021		2020	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Forward currency contracts				
United States Dollar	-	-	1,730	8
Total derivatives		-		8



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## 29. COMMITMENTS

### (a) Capital commitments

Capital expenditures as at the reporting date are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Approved and contracted</i>				
Property, plant and equipment	307	87	80	59
<i>Approved but not contracted</i>				
Property, plant and equipment	8,184	7,704	27	4
	<u>8,491</u>	<u>7,791</u>	<u>107</u>	<u>63</u>

### (b) Guarantees

The Company has provided the following guarantees:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unsecured				
Corporate guarantees given to financial institutions in respect of credit facilities guarantee	-	-	109,077	129,390
Guarantees given by financial institutions in respect of third parties	45,299	24,990	2,074	1,667

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

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

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### 30. CONTINGENT LIABILITIES

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

### 31. RELATED PARTY DISCLOSURES

#### (a) Significant related party transactions

##### Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 13 to the financial statements;
- (ii) Associates as disclosed in Note 14 to the financial statements; and
- (iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Executive Directors of the Group.

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

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Sales to a related company</i>	(i)				
Ancom Crop Care Sdn. Bhd.		256	231	30	17
<i>Purchases from subsidiaries, related party and associates</i>	(i)				
Perusahaan Kimia Gemilang Sdn. Bhd.		-	-	375	765
Fermpro Sdn. Bhd.		-	-	2	2
Ancom Crop Care Sdn. Bhd.		3,000	24	-	-
Ancom Kimia Sdn. Bhd.		-	5,046	-	-
<i>Freight/transport charges paid to a related company</i>	(i)				
Pengangkutan Cogent Sdn. Bhd.		2,813	4,258	-	-
Vanguard Express Sdn Bhd		5	-	-	-

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**31. RELATED PARTY DISCLOSURES (continued)**

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

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
<i>Pest control service paid to a related company</i>	(i)				
Entopest Environmental Services Sdn. Bhd.		23	15	12	12
<i>Storage rental income from an associate and a related party</i>	(i)				
One Chem Terminal Sdn. Bhd.		859	719	-	-
Pengangkutan Cogent Sdn. Bhd.		11	11	-	-
<i>Storage lease paid to a related company</i>	(i)				
Ancom-ChemQuest Terminals Sdn. Bhd.		5,513	5,058	-	-
<i>IT hardware paid to related companies</i>	(i)				
MSTI Corporation Sdn. Bhd.		-	13	-	13
iEnterprise Online Sdn. Bhd.		-	1,550	-	-
Redberry Media Sdn Bhd		7	-	-	-
<i>Office rental paid to holding company</i>	(i)				
Ancom Berhad		29	16	15	-
<i>Interest income from holding company, subsidiaries and an associate</i>	(ii)				
Ancom Berhad		1,640	1,758	1,640	1,758
CKG Chemicals Pte. Ltd.		-	-	362	468
ALB Marine Sdn. Bhd.		-	-	1,094	1,132
One Chem Terminal Sdn. Bhd.		158	158	158	158
Retromark Solutions Sdn. Bhd.		-	26	-	26
<i>Bulk sponsorship and advertisement expenses paid to related parties</i>	(iii)				
Malay Mail Sdn. Bhd.		-	683	-	-
Redberry Sdn. Bhd.		1,060	2,002	-	500
<i>Gross dividend from subsidiaries</i>					
Kumpulan Kesuma Sdn. Bhd.		-	-	2,563	-
Perusahaan Kimia Gemilang Sdn. Bhd.		-	-	-	2,213
PT Nylex Indonesia		-	-	9,513	11,865
Fernpro Sdn. Bhd.		-	-	3,200	-
Nylex Specialty Chemicals Sdn. Bhd.		-	-	-	2,052

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**31. RELATED PARTY DISCLOSURES (continued)**

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

- (i) The Directors are of the opinion that the sales, purchases and other charges to/from subsidiaries and related companies are entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. The outstanding balances as at 31 May 2021 are disclosed in Note 18 and Note 27 to the financial statements respectively.
- (ii) Interest income arose from advances or loan to holding company, subsidiaries and an associate. The outstanding balances as at 31 May 2021 are disclosed in Note 18 to the financial statements.
- (iii) Bulk sponsorship and advertisement expenses are contracted for certain period or incurred upon each advertisement. The expenses incurred and utilised for the financial year were recognised in the profit or loss.

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fees	379	440	379	440
Short-term employee benefits	8,456	9,429	2,383	2,459
Defined contribution plan and social security costs	755	823	259	223
Other emoluments	566	573	89	97
	<u>10,156</u>	<u>11,265</u>	<u>3,110</u>	<u>3,219</u>

Included in the total remuneration of key management personnel are:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Directors' remuneration (Note 7)	<u>2,442</u>	<u>2,616</u>	<u>1,713</u>	<u>1,401</u>

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## **32. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

#### **(ii) Borrowings**

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

#### **(iii) Quoted equity instruments**

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

#### **(iv) Derivatives**

Fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

### **(b) Fair value hierarchy**

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

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

#### **(b) Fair value hierarchy (continued)**

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

	Level	2021 RM'000	2020 RM'000
<b>Group</b>			
<i>Financial assets at fair value through profit or loss:</i>			
Equity instruments (quoted in Malaysia)	1	840	638
<i>Financial liabilities at fair value through profit or loss:</i>			
Derivative liabilities	2	-	8
<b>Company</b>			
<i>Financial assets at fair value through profit or loss:</i>			
Equity instruments (quoted in Malaysia)	1	161	122

During the financial years ended 31 May 2021 and 31 May 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

### **33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

#### **(a) Interest rate risk**

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

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

**(a) Interest rate risk (continued)**

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Fixed rate	31,584	31,632	56,991	52,545
Floating rate	27,946	20,048	-	-
Interest free	256,319	193,407	44,211	42,317
	<u>315,849</u>	<u>245,087</u>	<u>101,202</u>	<u>94,862</u>
<b>Financial liabilities</b>				
Fixed rate	34,467	24,016	263	180
Floating rate	213,555	210,104	45,400	50,400
Interest free	150,551	80,515	14,654	15,222
	<u>398,573</u>	<u>314,635</u>	<u>60,317</u>	<u>65,802</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Financial assets</b>				
Fixed rate	4.8	5.0	4.3	5.3
Floating rate	5.5	4.1	-	-
<b>Financial liabilities</b>				
Fixed rate	3.8	4.2	5.0	5.0
Floating rate	3.4	4.1	3.4	4.3

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 lower/ higher by approximately RM141,000 (2020: RM144,000) 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.

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

**(b) Foreign currency risk**

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

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

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
USD/RM	(459)	(546)	90	27
SGD/RM	47	35	48	35
JPY/RM	16	19	-	-
USD/SGD	(668)	(278)	-	-
USD/VND	-	(201)	-	-
USD/IDR	297	407	-	-



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

**(b) Foreign currency risk (continued)**

The net unhedged financial assets and financial liabilities of the Group and of the Company 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
<b>As at 31 May 2021</b>					
<b>Receivables</b>					
United States Dollar	11,237	-	-	-	11,237
Singapore Dollar	119	-	2,312	-	2,431
Japanese Yen	223	-	-	-	223
Indonesian Rupiah	-	-	5,920	-	5,920
	<b>11,579</b>	<b>-</b>	<b>8,232</b>	<b>-</b>	<b>19,811</b>
<b>Cash and bank balances</b>					
Ringgit Malaysia	-	-	15	-	15
United States Dollar	11,847	2,467	-	13	14,327
Singapore Dollar	1,966	-	210	-	2,176
Japanese Yen	491	-	2	-	493
Indonesian Rupiah	-	-	6,607	-	6,607
	<b>14,304</b>	<b>2,467</b>	<b>6,834</b>	<b>13</b>	<b>23,618</b>
<b>Borrowings</b>					
United States Dollar	<b>31,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,792</b>
<b>Lease liabilities</b>					
Ringgit Malaysia	-	-	1,109	-	1,109
United States Dollar	-	-	-	1,362	1,362
Singapore Dollar	-	-	28,168	-	28,168
	<b>-</b>	<b>-</b>	<b>29,277</b>	<b>1,362</b>	<b>30,639</b>
<b>Payables</b>					
Ringgit Malaysia	-	-	353	-	353
United States Dollar	9,988	46	-	22	10,056
Singapore Dollar	4	-	3,656	-	3,660
Japanese Yen	-	-	-	-	-
Indonesian Rupiah	-	-	1,905	-	1,905
New Zealand Dollar	20	-	-	-	20
	<b>10,012</b>	<b>46</b>	<b>5,914</b>	<b>22</b>	<b>15,994</b>

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

**(b) Foreign currency risk (continued)**

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

	Functional currency of group companies				
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	Total RM'000
As at 31 May 2020					
<b>Receivables</b>					
United States Dollar	7,413	165	-	-	7,578
Singapore Dollar	78	-	1,081	-	1,159
Japanese Yen	161	-	-	-	161
Indonesian Rupiah	-	-	15,953	-	15,953
	<u>7,652</u>	<u>165</u>	<u>17,034</u>	<u>-</u>	<u>24,851</u>
<b>Cash and bank balances</b>					
Ringgit Malaysia	-	-	39	-	39
United States Dollar	18,184	2,172	-	11	20,367
Singapore Dollar	1,505	-	1,203	-	2,708
Japanese Yen	732	-	2	-	734
Indonesian Rupiah	-	-	2,312	-	2,312
	<u>20,421</u>	<u>2,172</u>	<u>3,556</u>	<u>11</u>	<u>26,160</u>
<b>Borrowings</b>					
United States Dollar	<u>40,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,445</u>
<b>Lease liabilities</b>					
Ringgit Malaysia	-	-	2,959	-	2,959
United States Dollar	-	-	-	8,806	8,806
Singapore Dollar	-	-	10,472	-	10,472
	<u>-</u>	<u>-</u>	<u>13,431</u>	<u>8,806</u>	<u>22,237</u>
<b>Payables</b>					
Ringgit Malaysia	-	-	366	-	366
United States Dollar	5,804	8	-	23	5,835
Singapore Dollar	47	-	3,993	-	4,040
Japanese Yen	65	-	-	-	65
Indonesian Rupiah	-	-	2,754	-	2,754
New Zealand Dollar	3	-	-	-	3
	<u>5,919</u>	<u>8</u>	<u>7,113</u>	<u>23</u>	<u>13,063</u>

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

**(b) Foreign currency risk (continued)**

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

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Receivables</b>		
United States Dollar	1,455	583
Singapore Dollar	119	78
	<u>1,574</u>	<u>661</u>
<b>Cash and bank balances</b>		
United States Dollar	2,479	1,792
Singapore Dollar	1,965	1,504
	<u>4,444</u>	<u>3,296</u>
<b>Payables</b>		
United States Dollar	-	1,080
New Zealand Dollar	20	52
	<u>20</u>	<u>1,132</u>

**(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.

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

**(c) Liquidity risk (continued)**

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

	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>More than five years RM'000</b>	<b>Total RM'000</b>
<b>As at 31 May 2021</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	150,551	-	-	150,551
Loans and borrowings	187,174	30,911	-	218,085
Lease liabilities	14,227	21,762	260	36,249
Total undiscounted financial liabilities	<u>351,952</u>	<u>52,673</u>	<u>260</u>	<u>404,885</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	14,654	-	-	14,654
Loans and borrowings	45,400	-	-	45,400
Lease liabilities	130	148	-	278
Financial guarantee contract	67,090	-	-	67,090
Total undiscounted financial liabilities	<u>127,274</u>	<u>148</u>	<u>-</u>	<u>127,422</u>
<b>As at 31 May 2020</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	80,507	-	-	80,507
Loans and borrowings	177,978	39,765	-	217,743
Lease liabilities	17,087	6,947	550	24,584
Total undiscounted financial liabilities	<u>275,572</u>	<u>46,712</u>	<u>550</u>	<u>322,834</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	15,223	-	-	15,223
Loans and borrowings	50,400	-	-	50,400
Lease liabilities	123	68	-	191
Financial guarantee contract	88,995	-	-	88,995
Total undiscounted financial liabilities	<u>154,741</u>	<u>68</u>	<u>-</u>	<u>154,809</u>

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### **33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)**

#### **(d) Credit risk**

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

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

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

A nominal amount of RM109,077,000 (2020: RM129,390,000) relating to corporate guarantees is provided by the Company to financial institutions for credit facilities granted to its subsidiaries. Nominal amount for guarantees given by financial institutions in respect of third parties for the Group and for the Company was RM45,299,000 (2020: RM24,990,000) and RM2,074,000 (2020: RM1,667,000) respectively.

### **34. CAPITAL MANAGEMENT**

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

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

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

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

		<b>Group</b>	
	<b>Note</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Borrowings	25	213,554	210,565
Short-term deposits with licensed banks	20	(14,719)	(16,943)
Cash and bank balances	20	(79,532)	(66,985)
		<u>119,303</u>	<u>126,637</u>
Total equity attributable to owners of the parent		<u>313,223</u>	<u>297,804</u>
Net gearing ratio		<u>38.1%</u>	<u>42.5%</u>

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**34. CAPITAL MANAGEMENT (continued)**

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of more than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement for the financial years ended 31 May 2021 and 31 May 2020.

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

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

- (a) The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next 12 months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continuously monitor its fund and operational needs.

- (b) In July 2020, a wholly-owned subsidiary of the Company, Nylex Polymer Marketing Sdn. Bhd. has acquired 30% of the paid up capital of PT Myindo Acqua Pura, a company incorporated in the Republic of Indonesia for a cash consideration of IDR750,000,000 (equivalent to RM234,750).
- (c) On 16 July 2020, the holding company of the Company, Ancom Berhad ("Ancom") and Ancom Logistic Berhad ("ALB") (a 45.06% owned subsidiary of Ancom, listed on ACE Market of Bursa Malaysia Securities Berhad) had entered into a Heads of Agreement ("HOA") with shareholders of S7 Holdings Sdn. Bhd., Merrington Assets Limited, MY E.G. Capital Sdn. Bhd. and Avocat Sdn. Bhd. where the Company is involved in the proposed acquisition of Synergy Trans-Link Sdn. Bhd. (a wholly owned subsidiary of ALB), and its subsidiaries at a valuation to be agreed by the Company and ALB. The Board has on 15 July 2020 approved in principle on the proposed acquisition subject to the terms and conditions to be determined by the Company and ALB at later date.
- (d) During the financial year, a wholly-owned subsidiary of the Company, Fermpro Sdn. Bhd. has invested in 50% of the issued and paid-up capital of Jasa Rimbun Sdn. Bhd. for a cash consideration of RM5,000.

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

- (e) (i) **Proposed disposal of all the assets and liabilities of the Company to Ancom Berhad (“Ancom”) (“Proposed Disposal”); and**  
(ii) **Proposed distribution of the proceeds from the Proposed Disposal amounting to RM164.3 million to all the entitled shareholders of the Company by way of a capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 (“Proposed Distribution”)**  
**(Collectively to be referred to as “Proposals”)**

On 28 April 2021, the Company had received a letter dated 28 April 2021 from Ancom (“Proposal Letter”) offering to acquire all its assets and liabilities for a total consideration of RM179,287,212, out of which RM15,000,000 is proposed to be paid and retained by the Company in cash and RM164,287,212 is proposed to be distributed to the shareholders of the Company pursuant to the Proposed Distribution, upon the terms and conditions as set out in the Proposal Letter and subject to the execution of a sale of business agreement to effect the Proposed Disposal (“Offer”).

On 28 June 2021, Nylex Board (save for Dato’ Siew Ka Wei, being an interested director via his direct and indirect interest in Ancom and the Company) has decided to accept the Offer, subject to, among others, the approvals of the non-interested shareholders of Nylex and the relevant regulatory authorities, where required.

On 29 July 2021, Nylex has entered into the Sale of Business Agreement with Ancom and its wholly owned subsidiary, Nylex Holdings Sdn. Bhd. in respect of the Proposed Disposal. As at the date of this report, the Proposals are yet to be completed.

- (f) On 24 May 2021, sale and purchase agreement entered into between Perusahaan Kimia Gemilang (Vietnam) Company Ltd. and TOP Solvent (Vietnam) Limited Liability Company in respect of the proposed disposal of terminal assets for a cash consideration of USD6,250,000 (equivalent to approximately RM26,390,625). The sale and purchase transaction has yet to be completed as at the date of this report.

**36. SEGMENT INFORMATION**

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

**(a) Business segments**

The Group comprises the following main business segments:

**(i) Polymer**

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

**(ii) Industrial chemical**

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

**(iii) Logistics**

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

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36. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Polymer RM'000	Industrial chemical RM'000	Logistics RM'000	Investment holding RM'000	Adjustments and eliminations RM'000	Note Consolidated RM'000
2021						
<b>Revenue</b>						
External sales	91,768	1,042,354	17,555	-	-	1,151,677
Inter-segment sales	-	377	698	-	(1,075)	(i) -
<b>Total revenue</b>	<b>91,768</b>	<b>1,042,731</b>	<b>18,253</b>	<b>-</b>	<b>(1,075)</b>	<b>1,151,677</b>
<b>Results</b>						
Interest income	181	344	-	1,797	-	2,322
Depreciation	4,840	18,224	3,350	327	-	26,741
Unrealised gain/(loss) on foreign exchange	76	(3,160)	1,634	(441)	-	(1,891)
Inventories written down	(678)	(50)	-	-	-	(728)
Provision for retirement benefits	(190)	70	-	(60)	-	(180)
Loss on disposal of property, plant and equipment	(547)	(26)	-	-	-	(573)
Segment profit/(loss)	5,411	25,800	(1,026)	(3,793)	-	26,392
<b>Assets</b>						
Investments in associates	-	-	-	2,991	-	(iii) 2,991
Goodwill arising on consolidation	95	82,725	-	-	-	(iii) 82,820
Additions to non-current assets	3,041	29,281	52	63	-	(ii) 32,437
<b>Segment assets</b>	<b>91,072</b>	<b>422,490</b>	<b>70,986</b>	<b>119,688</b>	<b>(59,943)</b>	<b>(iii) 644,293</b>
<b>Segment liabilities</b>	<b>17,609</b>	<b>308,895</b>	<b>83,816</b>	<b>56,941</b>	<b>(59,943)</b>	<b>(iv) 407,318</b>



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36. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Polymer RM'000	Industrial chemical RM'000	Logistics RM'000	Investment holding RM'000	Adjustments and eliminations RM'000	Note Consolidated RM'000
2020						
<b>Revenue</b>						
External sales	86,935	1,028,899	20,471	-	-	1,136,305
Inter-segment sales	-	767	1,551	-	(2,318)	(i) -
<b>Total revenue</b>	<b>86,935</b>	<b>1,029,666</b>	<b>22,022</b>	<b>-</b>	<b>(2,318)</b>	<b>1,136,305</b>
<b>Results</b>						
Interest income	397	550	-	1,942	-	2,889
Depreciation	(4,910)	(18,223)	(4,046)	(242)	-	(27,421)
Unrealised gain/(loss) on foreign exchange	236	1,897	(1,259)	788	-	1,662
Inventories written back/(written down)	245	(807)	-	-	-	(562)
Provision for retirement benefits	(351)	(102)	-	(60)	-	(513)
Impairment loss on investment in an associate	-	-	-	(613)	-	(613)
Impairment loss on goodwill	-	-	-	(10,941)	-	(10,941)
Segment profit/(loss)	6,183	(6,017)	(2,269)	(16,837)	-	(18,940)
<b>Assets</b>						
Investments in associates	-	-	-	2,361	-	(iii) 2,361
Goodwill arising on consolidation	97	85,527	-	-	-	(iii) 85,624
Additions to non-current assets	616	5,663	885	7,051	-	(ii) 14,215
Segment assets	94,469	314,746	73,284	114,108	(53,675)	(iii) 542,932
<b>Segment liabilities</b>						
	12,926	216,304	85,088	62,369	(53,675)	(iv) 323,012

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**36. SEGMENT INFORMATION (continued)**

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

**Note**

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

**(b) Geographical segments**

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

	<b>Revenue</b>		<b>Segment assets</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	714,598	664,231	<b>418,125</b>	376,780
Indonesia	125,305	142,210	<b>76,617</b>	78,192
Singapore	97,430	84,180	<b>130,277</b>	72,622
Vietnam	50,474	51,240	<b>19,274</b>	15,338
Bangladesh	45,486	20,823	-	-
Philippines	40,199	35,824	-	-
Australia	16,236	16,489	-	-
Thailand	11,736	7,880	-	-
Sri Lanka	10,549	8,967	-	-
Africa	10,207	6,490	-	-
Germany	7,624	73,174	-	-
Other Europe	7,159	3,062	-	-
New Zealand	4,620	3,836	-	-
Taiwan	2,743	5,584	-	-
Japan	2,292	3,081	-	-
Hong Kong	1,721	1,657	-	-
Brunei	1,185	393	-	-
Middle East	879	4,001	-	-
India	566	1,078	-	-
Pakistan	233	1,253	-	-
Other North and South East Asia	243	326	-	-
Nepal	142	468	-	-
The Americas	50	58	-	-
	<b>1,151,677</b>	<b>1,136,305</b>	<b>644,293</b>	<b>542,932</b>

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

Information in relation to the Nylex Group and its properties were provided by Nylex and/or its management and/or obtained from publicly available sources. The responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Circular.

### 2. CONSENTS AND CONFLICT OF INTERESTS

#### 2.1 Maybank IB

Maybank IB, being the Principal Adviser to our Company for the Proposed Acquisition, has given and has not subsequently withdrawn its respective written consents for the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or our affiliates<sup>1</sup>, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates.

This is a result of the businesses of the Maybank Group generally acting independently of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, the Maybank Group has extended credit facilities amounting to RM282.6 million to our Group and/or our affiliates (including a financing facility of up to RM50.0 million to our Company to fund the Proposed Acquisition), of which about RM101.1 million is outstanding.

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<sup>1</sup> An "affiliate" of any person and/or entity shall mean any other person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first person, as well as any managed or advised private equity funds and similar investment vehicles of such person. For purposes of this definition, "control" of a person means the possession of power to direct or cause the direction of management and policies of such person, whether through ownership of 50% voting securities or more, or by contract or otherwise.

## APPENDIX IV – FURTHER INFORMATION (Cont'd)

Notwithstanding, Maybank IB confirms that the aforesaid lending relationship will not give rise to a conflict of interest situation in its capacity as Principal Adviser to our Company for the Proposed Acquisition as:

- (i) the extension of the credit facilities arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by, among others, the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the credit facilities extended by the Maybank Group to our Group and/or our affiliates represents approximately 0.3% of the audited NA of the Maybank Group as at 31 December 2020 of RM84.4 billion.

Maybank IB is also the Principal Adviser to Nylex for the Proposed Acquisition. Our Board is fully informed of Maybank IB's role as (1) Principal Adviser to our Company for the Proposed Acquisition and (2) Principal Adviser to Nylex for the Proposed Acquisition and Proposed Distribution, and had provided its consent to the same. Nevertheless, our Company has appointed KAF IB as the Independent Adviser to provide comments, opinions, information and recommendation to the non-interested directors and non-interested shareholders of our Company in respect of the Proposed Acquisition.

Maybank IB confirms that as at the LPD, it is not aware of any conflict of interest situation which exists or is likely to exist in its capacity as Principal Adviser for the Proposed Acquisition.

### 2.2 KAF IB

KAF IB, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

KAF IB confirms that as at the LPD, it is not aware of any conflict of interest situation which exists or is likely to exist in its capacity as the Independent Adviser for the Proposed Acquisition.

## 3. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group which may have a material impact on the profit and/or NA of our Group:

Capital commitments	RM'000
In respect of purchase of property, plant and equipment:	
• Approved and contracted for	28,867
• Approved but not contracted for	31,104
	<b>59,971</b>

## 4. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the profits and/or NA of our Group.

**5. MATERIAL LITIGATION**

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened, against our Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

**(i) High Court of Malaya at Kuala Lumpur Suit No. WA-22NCVC-87-02/2018**

On 12 February 2018, Ancom Crop Care Sdn. Bhd. and Hamshi Plantation Sdn. Bhd. initiated a legal action at the High Court of Malaya at Kuala Lumpur as plaintiffs against Logix World (M) Sdn. Bhd. and Citra Semerbak Sdn. Bhd. as defendants to claim against and to hold the defendants jointly and severally liable for a principal sum of RM2,702,500, being the unpaid amount for goods sold and delivered by the plaintiffs to the defendants, and interest at the rate of 12.0% per annum from 24 October 2017 until full and final settlement.

On 21 May 2019, the plaintiffs filed the Substantive Application for Contempt against the directors of Logix World (M) Sdn. Bhd.. The court had on 13 July 2020 found the directors of Logix World (M) Sdn. Bhd. guilty of contempt and that the plaintiffs have proven their case against the aforesaid directors for interference with the administration of justice beyond reasonable doubt. The court has fixed the date for sentencing of the aforementioned contempt committed by the directors of Logix World (M) Sdn. Bhd. on 15 October 2021.

Full trials for the matter are ongoing and the parties are obtaining further directions from the court on the next trial dates. The solicitors for the plaintiffs are of the opinion that they can only evaluate the likelihood of the outcome of the case and the approximate amount which may be granted by the court after the evidence has been presented in the court later. The matter is not expected to have a material impact on the earnings, NA and gearing of our Group as the principal sum of RM2,702,500 has been fully provided and accounted for in prior years.

**(ii) High Court of Malaya at Shah Alam Company Winding Up Petition No. BA-28NCC-7-01/2021**

On 13 July 2020, Mobileads Marketing Sdn. Bhd. (“**MMSB**”) issued a statutory notice of demand to Redberry Outdoors Sdn. Bhd. (“**ROSB**”) pursuant to Section 465 and 466 of the Act in respect of an amount of RM111,510 owing by ROSB to MMSB for the outdoor transit advertising services provided by MMSB to ROSB. On 18 January 2021, MMSB filed a winding up petition against ROSB at the High Court of Malaya at Shah Alam for failure to pay the afore-mentioned amount.

ROSB did not contest against the winding up petition filed by MMSB and accordingly on 13 July 2021, MMSB obtained a winding-up order from the High Court of Malaya at Shah Alam against ROSB that:

- (a) ROSB be wound up by the court under the provisions of the Act;
- (b) the Official Receiver of Malaysia be appointed as liquidator of ROSB; and
- (c) the costs of RM5,000 of the winding-up petition subject to allocator fee to be paid out of the assets of ROSB.

As at the LPD, ROSB is in the process of liquidation. The matter is not expected to have a material impact on the earnings, NA and gearing of our Group.

**(iii) High Court of Malaya at Shah Alam Company Winding Up Petition No. BA-28NCC-292-05/2021**

On 18 February 2021, Prasarana Integrated Development Sdn. Bhd. (“**PIDSB**”) obtained a judgment in default from the High Court of Malaya against ROSB on 17 March 2021 in relation to an amount of RM3,766,250 payable by ROSB to PIDSB under a licence agreement dated 17 December 2020 entered into between PIDSB and ROSB, pursuant to which ROSB is ordered to pay the following to PIDSB:

- (a) the amount of RM3,766,250 and late payment penalty of RM1,859,795 calculated based on the rate of 8.0% per annum as at 31 January 2021;
- (b) late payment penalty charges upon the amount of RM3,766,250 calculated at a rate of 8.0% per annum from 31 January 2021 up to full settlement of such amount;
- (c) costs of bus repair expenses in the sum of RM86,521;
- (d) management fee for the bus repair at the rate of 10.0% upon the sum of RM86,521;
- (e) costs of action in the sum of RM1,597; and
- (f) any other reliefs as the court deems fair or reasonable.

On 3 May 2021, PIDSB issued a statutory notice of demand to ROSB pursuant to Section 465 and 466 of the Act in respect of the afore-mentioned judgement sum. On 28 May 2021, PIDSB filed a winding up petition against ROSB at the High Court of Malaya at Shah Alam for failure to pay the afore-mentioned judgement sum.

Our Company does not intend to contest against the winding up petition filed by PIDSB. The matter is not expected to have a material impact on the earnings, NA and gearing of our Group.

**6. MATERIAL CONTRACTS**

Save for the material contracts entered into by the Nylex Group as disclosed in Section 10 of **Appendix I** of this Circular and as disclosed below, our Group has not entered into any material contracts (not being contract entered into in the ordinary course of business) within the past two (2) years immediately preceding the date of this Circular:

- (i) SBA, which is the subject matter of this Circular;
- (ii) sale and purchase agreement dated 19 January 2021 entered into between Syarikat Wandeerfull (Kg Attap) Sdn. Bhd. and Pudu Ria Florist Trading Sdn. Bhd. in respect of the sale and purchase of a parcel of land held under issue document of title Pajakan Negeri 49034, Lot 285, Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring approximately 1,892 square metres in area, together with a single storey detached factory annexed with a three storey office building erected thereon bearing the postal address of no. 41, Jalan 5, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur for purchase consideration of RM8,000,000. The sale and purchase transaction has yet to be completed as at the LPD;
- (iii) offer to purchase agreement dated 1 September 2020 entered into between ALB and S7 Holdings Sdn. Bhd. for the acquisition of 76.38% equity interest in S5 Holdings Inc. by ALB from S7 Holdings Sdn. Bhd.; and
- (iv) heads of agreement dated 16 July 2020 entered into between Ancom, ALB, S7 Holdings Sdn. Bhd., Merrington Assets Limited, MY E.G. Capital Sdn. Bhd. and Avocat Sdn. Bhd. for acquisition of new business by ALB and disposal of ALB's existing core business to Nylex, as part of ALB's group restructuring exercise.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of our Company at Unit 30-01, Level 30, Tower A Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) our Constitution;
- (ii) the Constitution of the Nylex Group;
- (iii) our audited consolidated financial statements for the past two (2) FYEs 31 May 2020 and 31 May 2021;
- (iv) the audited consolidated financial statements of the Nylex Group for the past two (2) FYEs 31 May 2019 and 31 May 2021;
- (v) SBA;
- (vi) the letters of consent referred to in Section 2 above;
- (vii) our material contracts referred to in Section 6 above and the material contracts of the Nylex Group referred to in Section 10 of Appendix I of this Circular; and
- (viii) cause papers for the material litigation referred to in Section 5 above.





## ANCOM BERHAD

Registration No: 196901000122 (8440-M)  
(Incorporated in Malaysia)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting ("**EGM**") of Ancom Berhad ("**Ancom**" or the "**Company**") will be conducted entirely through live streaming from the broadcast venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan ("**Broadcast Venue**") on Tuesday, 26 October 2021 at 3.30 p.m. or immediately following the conclusion or adjournment of the 52<sup>nd</sup> Annual General Meeting ("**AGM**") of the Company scheduled to be held at the same venue and on the same day at 2.30 p.m., whichever is later, using remote participation and voting facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd via TIH Online website at <https://tiah.online>, for the purpose of considering and, if thought fit, passing the following resolutions:

#### ORDINARY RESOLUTION

#### **PROPOSED ACQUISITION OF THE ENTIRE BUSINESS AND UNDERTAKING INCLUDING ALL THE ASSETS AND LIABILITIES OF NYLEX (MALAYSIA) BERHAD FOR A CONSIDERATION OF RM179,287,212**

**"THAT** subject to the approval of all the relevant authorities or parties being obtained and the conditions precedent in the sale of business agreement dated 29 July 2021 ("**SBA**") entered into by the Company and its wholly-owned subsidiary, Nylex Holdings Sdn. Bhd. ("**Nylex Holdings**") with Nylex (Malaysia) Berhad ("**Nylex**") being fulfilled and waived (as the case may be), approval be and is hereby given for the Company to acquire all the business and undertaking of Nylex, whether or not relating to the business of Nylex, including all the assets and liabilities of Nylex as at the completion date of the SBA ("**Nylex Business**") for a purchase consideration of RM179,287,212 ("**Purchase Consideration**") ("**Proposed Acquisition**").

**That** approval be and is hereby given to the Company to nominate Nylex Holdings as the recipient of the Nylex Business.

**THAT** RM15,000,000 out of the Purchase Consideration shall be paid to and retained by Nylex in cash and RM164,287,212 out of the Purchase Consideration ("**Distribution Amount**") shall be distributed to the entitled shareholders of Nylex pursuant to the Proposed Distribution (as defined below).

**THAT** as the Company is the holding company of Nylex and Nylex is not permitted to hold shares in its holding company pursuant to Section 22 of the Companies Act 2016 which prohibits a corporation from being a member of its holding company, upon completion of the Proposed Acquisition, Nylex shall, subject to obtaining all requisite approvals, implement a distribution exercise comprising of:

- (a) a capital reduction exercise in accordance with Section 116 of the Companies Act 2016 involving a reduction of part of the share capital of Nylex, which shall require confirmation by the High Court of Malaya; and
- (b) a capital repayment exercise involving distribution of the Distribution Amount to be received by Nylex upon completion of the Proposed Acquisition to all the shareholders of Nylex whose names appear on the Record of Depositors of Nylex on an entitlement date to be determined by the Board of Directors of Nylex ("**Nylex Board**") and announced later ("**Entitlement Date**").

(the "**Proposed Distribution**").



**THAT** in view that Ancom and its wholly-owned subsidiary, Rhodemark Development Sdn. Bhd. ("**Rhodemark**") (collectively, the "**Interested Shareholders**") collectively hold 90,133,977 ordinary shares in Nylex, representing approximately 50.27% of the total number of ordinary shares in Nylex ("**Nylex Shares**") (excluding treasury shares) in issue, the Purchase Consideration will be satisfied by Ancom in the following manner:

- (a) RM15,000,000 in cash which is to be retained by Nylex ("**Retained Cash**"); and
- (b) The Distribution Amount shall be payable to Nylex and thereafter distributed by Nylex to its entitled shareholders pursuant to the Proposed Distribution, out of which subject to the Interested Shareholders holding, in aggregate, 90,133,977 Nylex Shares representing approximately 50.27% of the total number of Nylex Shares (excluding treasury shares) in issue on the Entitlement Date:
  - (A) RM81,694,262 which is proposed to be distributed to all the entitled shareholders of Nylex (except for the Interested Shareholders) whose name appear on the Record of Depositors of Nylex on the Entitlement Date ("**Nylex MI**") ("**MI Distribution Amount**") shall be payable by Ancom in the following manner:
    - (1) RM35,000,000 shall be paid by Ancom to Nylex in cash into Nylex's designated account on the completion date of the SBA and thereafter to be distributed by Nylex to the Nylex MI on the payment date to be announced by Nylex Board; and
    - (2) RM46,694,262 shall be distributed via the issuance of 31,129,508 new ordinary shares in Ancom ("**Ancom Shares**") ("**Consideration Shares**") at an issue price of RM1.50 per Ancom Share ("**Issue Price**"), which shall, on the payment date to be announced by the Nylex Board, be issued directly by Ancom to the Nylex MI pursuant to the Proposed Distribution; and
  - (B) RM82,592,950 shall be distributed to the Interested Shareholders and, to the extent that any such portion is distributable to Rhodemark, Rhodemark shall (and Ancom shall procure Rhodemark to) instruct Nylex to pay Rhodemark's entitlement under the Proposed Distribution to Ancom, following which Ancom shall apply the entire amount receivable by Ancom from Nylex in respect of the Proposed Distribution equivalent to approximately 50.27% of the Distribution Amount by way of set-off against an equivalent amount payable by Ancom to Nylex as part of the Purchase Consideration ("**Set-off Arrangement**").

**THAT** pursuant to the above, the net amount payable by the Company for the Proposed Acquisition following the Set-off Arrangement will be RM96,694,262, comprising the Retained Cash and the MI Distribution Amount.

**THAT** pursuant to the terms of the SBA, approval be and is hereby given for the Company to allot and issue the Consideration Shares to the Nylex MI;

**THAT** the Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing Ancom Shares, save and except that the Consideration Shares shall not be entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid to the shareholders of the Company for which the entitlement date is prior to the date of allotment and issuance of the Consideration Shares;

**AND THAT** the Board of Directors of Ancom ("**Board**") be and is hereby authorised and empowered to give full effect to the Proposed Acquisition and the SBA with full power to deal with all matters incidental, ancillary to and/or relating thereto, to take all such steps and to execute and deliver and/or cause to be executed and delivered the SBA and all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, extensions, assignments, confirmations, declarations and/or guarantees to or with any party or parties, and to do all such acts, things and matters as it may deem fit, necessary and/or expedient in the best interests of Ancom and/or appropriate in order to implement, finalise and give full effect to the Proposed Acquisition under the terms and conditions of the SBA, with full powers to negotiate, approve, agree and assent to any conditions, revaluations, modifications, variations and/or amendments as may be required by any relevant authorities and/or as the Board deems fit, appropriate and in the best interest of Ancom."

## **SPECIAL RESOLUTION**

### **PROPOSED CHANGE OF NAME OF THE COMPANY**

"**THAT** subject to the passing of the Ordinary Resolution above and the approval of all the relevant authorities or parties being obtained (if required), the name of the Company be and is hereby changed from "Ancom Berhad" to "Ancom Nylex Berhad" ("**Proposed Change of Name**") with effect from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia to the Company and that the name of the Company wherever appearing in the Constitution be and is hereby amended accordingly;

**AND THAT** the Board and/or the Company Secretaries be and are hereby authorised to do or procure to be done all acts, deeds, things and to execute, enter into, sign and deliver on behalf of the Company all documents as the Board may consider necessary, expedient and/or appropriate and to carry out all necessary formalities to give full effect to the Proposed Change of Name."

## **BY ORDER OF THE BOARD**

**CHOO SE ENG (MIA 5876)**  
**WONG WAI FOONG (MAICSA 7001358)**  
Company Secretaries  
Petaling Jaya  
Dated this 4 October 2021

### **Notes:**

1. Pursuant to Section 327(2) of the Companies Act 2016, the Chairman will be present at the Broadcast Venue being the main venue of the EGM. **Members will not be allowed to attend the EGM in person at the Broadcast Venue on the day of the meeting.** Members are to participate, speak (via real time submission of typed texts only) and vote remotely. Please refer to the Administrative Guide for Shareholders, a copy of which is available at the Company's website at <http://www.ancom.com.my/egm.php> on registration, participation and voting at the EGM.
2. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 18 October 2021 shall be entitled to participate, speak and vote or appoint proxy(ies) to participate, speak and vote on their behalf at the EGM.
3. A member, including an authorised nominee, who is entitled to participate, speak and vote at the EGM may appoint not more than two (2) proxies to participate, speak and vote for him/her. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the 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. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.

6. *The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the EGM:*
  - i. *In hardcopy form*  
*The Proxy Form may be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.*
  - ii. *By electronic means*  
*The Proxy Form can be electronically lodged with the Share Registrar of the Company via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for Shareholders on the appointment and registration of proxy for the EGM by electronic means.*
7. *Any authority pursuant to which such an appointment is made by a Power of Attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for holding the EGM at which the person named in the appointment proposes to vote. A copy of the Power of Attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
8. *For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL Certificate of Appointment of Authorised Representative ("**Certificate**") with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia before the time appointed for holding the EGM at which the person named in the appointment proposes to vote. The Certificate should be executed in the following manner:*
  - i. *If the corporate member has a Common Seal, the Certificate should be executed under seal in accordance with the constitution of the corporate member.*
  - ii. *If the corporate member does not have a Common Seal, the Certificate should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*
9. *A member who has appointed a proxy or attorney or authorised representative to participate in the EGM must request his/her proxy or attorney or authorised representative to register himself/herself for the remote participation and voting facilities at the Share Registrar's TIIH Online website at <https://tiih.online>. Please read and follow the procedures provided in the Administrative Guide for Shareholders.*



## PROXY FORM

### ANCOM BERHAD

(Registration No: 196901000122 (8440-M))  
(Incorporated in Malaysia)

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

I/We.....NRIC No. ....  
(Full Name in Block Letters)

of.....  
(Full Address)

being (a) member(s) of **ANCOM BERHAD**, hereby appoint

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

or failing \*him / her, the Chairman of the Meeting as \*my/our \*proxy /proxies to attend and to vote for \*me/us on \*my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held and conducted entirely through live streaming from the Broadcast Venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 October 2021 at 3.30 p.m., or immediately following the conclusion or adjournment of the 52<sup>nd</sup> Annual General Meeting of the Company scheduled to be held at the same venue and on the same day at 2.30 p.m. and to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution	Proposed Acquisition		
Special Resolution	Proposed Change of Name		

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

[\*Delete if not applicable]

Dated this ..... day of ..... 2021

Telephone no. during office hours:

--

Signature/Common Seal of shareholder(s)



**Notes:**

1. Pursuant to Section 327(2) of the Companies Act 2016, the Chairman will be present at the Broadcast Venue being the main venue of the EGM. **Members will not be allowed to attend the EGM in person at the Broadcast Venue on the day of the meeting.** Members are to participate, speak (via real time submission of typed texts only) and vote remotely. Please refer to the Administrative Guide for Shareholders, a copy of which is available at the Company's website at <http://www.ancom.com.my/egm.php> on registration, participation and voting at the EGM.
2. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 18 October 2021 shall be entitled to participate, speak and vote or appoint proxy(ies) to participate, speak and vote on their behalf at the EGM.
3. A member, including an authorised nominee, who is entitled to participate, speak and vote at the EGM may appoint not more than two (2) proxies to participate, speak and vote for him/her. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the 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. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.
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  - i. In hardcopy form  
The Proxy Form may be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
  - ii. By electronic means  
The Proxy Form can be electronically lodged with the Share Registrar of the Company via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for Shareholders on the appointment and registration of proxy for the EGM by electronic means.

Fold this flap for sealing

Then fold here

AFFIX  
STAMP

**ANCOM BERHAD**  
The Share Registrar:  
Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

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