

# TOGETHER WE CAN MAKE A DIFFERENCE

ANNUAL REPORT 2014



**ANCOM BERHAD**

(Company No. 8440-M)  
Incorporated in Malaysia



For over two decades, Ancom Berhad has brought together the diverse elements of our business to provide multi-layered solutions to our customers. Our expertise in merging innovation and technology are the bedrock of our success, guided by our understanding of customer needs and the principle that together, we can make a difference.



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Dato' Johari Razak**

*(Non-Independent Non-Executive Chairman)*

**Dato' (Dr) Siew Ka Wei**

*(Group Managing Director)*

**Tan Sri Dato' Dr Lin See Yan**

*(Independent Non-Executive Director)*

**Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid**

*(Non-Independent Non-Executive Director)*

**Chan Thye Seng**

*(Non-Independent Non-Executive Director)*

**Edmond Cheah Swee Leng**

*(Independent Non-Executive Director)*

**Lim Hock Chye**

*(Independent Non-Executive Director)*

### AUDIT COMMITTEE

Edmond Cheah Swee Leng

*(Chairman)*

Dato' Johari Razak

Lim Hock Chye

### REMUNERATION & NOMINATION COMMITTEE

Tan Sri Dato' Dr Lin See Yan

*(Chairman)*

Edmond Cheah Swee Leng

Lim Hock Chye

### COMPANY SECRETARIES

Choo Se Eng

Wong Wai Foong

### REGISTERED OFFICE

Level 18, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia

Tel : (603) 2264 8888

Fax : (603) 2282 2733

### BUSINESS ADDRESS

No. 2A, Jln 13/2, Sek 13

46200 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Tel : (603) 7495 5000

Fax : (603) 7495 5088

### SHARE REGISTRARS

Tricor Investor Services Sdn Bhd

Level 17, The Gardens North Tower

Mid Valley City, Lingkaran Syed Putra

59200 Kuala Lumpur

Malaysia

Tel : (603) 2264 3883

Fax : (603) 2282 1886

### AUDITORS

BDO

Chartered Accountants

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

- Industrial Products Sector

### PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

Malayan Banking Berhad

CIMB Bank Berhad

AmBank Malaysia Berhad

### SOLICITORS

Shearn Delamore & Co

### DOMICILE

Malaysia

## FIVE-YEAR HIGHLIGHTS



	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000
Sales	1,864,145	2,032,564	1,705,204	1,507,483	1,513,137
Profit before tax	43,777	4,248	10,207	253	34,604
Profit/(Loss) after tax	24,635	(12,533)	404	(5,898)	22,855
Effective percentage rate of tax - %	44	>100	96	>100	34
Net Earnings/(Loss) for Ancom shareholders	9,566	(19,906)	(9,014)	(12,952)	1,480
<b>ASSETS EMPLOYED</b>					
Fixed assets	191,487	228,418	231,537	225,433	223,017
Investments	4,323	4,389	6,693	10,827	16,165
Other non-current assets	106,493	124,473	131,829	130,751	113,820
Current assets	585,829	613,882	642,113	576,722	549,120
Total assets	888,132	971,162	1,012,172	943,733	902,122
<b>FINANCED BY</b>					
Share capital	218,956	218,956	218,956	218,956	218,956
Reserves	61,931	54,153	81,994	88,970	102,567
Less : Treasury Shares, at cost	(2,108)	(2,056)	(2,281)	(2,073)	(2,073)
Ancom shareholders' interests	278,779	271,053	298,669	305,853	319,450
Minority shareholders' interests	142,352	131,078	122,691	121,854	116,454
Total shareholders' funds and non-controlling interests	421,131	402,131	421,360	427,707	435,904
Non-current liabilities	22,679	30,903	37,451	42,088	45,511
Current liabilities	444,322	538,128	553,361	473,938	420,707
Total funds employed	888,132	971,162	1,012,172	943,733	902,122
<b>SHAREHOLDERS' INTERESTS</b>					
Earnings/(Loss) per share – sen	4.42	(9.22)	(4.17)	(5.99)	0.65
Gross dividend per share (paid) – sen	-	-	-	-	1.5
Net assets per share attributable to Ancom shareholders – RM	1.27	1.24	1.36	1.40	1.46
<b>OTHERS</b>					
Depreciation & amortisation	22,416	26,168	26,857	22,797	20,389
Interest expense	12,605	14,405	13,868	12,931	10,508



## LIST OF PRINCIPAL OFFICES

### ANCOM BERHAD - CORPORATE OFFICE

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 5000  
Fax : (603) 7495 5088

### ANCOM-CHEMQUEST TERMINALS SDN BHD

Jeti Petrokimia, Pelabuhan Barat  
42920 Pulau Indah, Port Klang  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 3101 1372  
Fax : (603) 3101 1279

### ANCOM CROP CARE SDN BHD

No. 31 Jalan Tukul P15/P, Section 15  
40200 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 5519 4022  
Fax : (603) 5510 3888

### ANCOM LOGISTICS BERHAD

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 5000  
Fax : (603) 7495 5088

### ASCENSION LAB SDN BHD

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor, Malaysia  
Tel : (603) 7495 5600  
Fax : (603) 7932 2522

### CKG CHEMICALS PTE LTD

133, New Bridge Road  
#25-02, Chinatown Point  
Singapore 059413  
Tel : (65) 6737 2219  
Fax : (65) 6235 6342

### DURIAN FM SDN BHD

No. 35-2, Jalan 20/14  
Section 20, Taman Paramount  
46300 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7865 0057

### DYNAMIC CHEMICAL PTE LTD

133, Cecil Street  
#12-03, Keck Seng Tower  
Singapore 069535  
Tel : (65) 6224 4142  
Fax : (65) 6224 6460

### FERMPRO SDN BHD

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

### IENTERPRISE ONLINE SDN BHD

Unit 1003 & 1005, Blok B  
Pusat Dagangan Phileo Damansara II  
No.15 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7665 1988  
Fax : (603) 7665 1638

### KUMPULAN KESUMA SDN BHD / WEDON SDN BHD

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

### MAGIQADS SDN BHD

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 3338  
Fax : (603) 7495 3339

### MERU UTAMA SDN BHD

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 1188  
Fax : (603) 7495 3333

### MSTI CORPORATION SDN BHD

No. 56-1 & 56-2, Jalan Puteri 5/2  
Bandar Puteri, 47100 Puchong  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 8063 1677  
Fax : (603) 8063 1977

### NYLEX (MALAYSIA) BERHAD

Lot 16, Persiaran Selangor, Section 15  
40200 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 5519 1706  
Fax : (603) 5510 0008

## LIST OF PRINCIPAL OFFICES

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

Lot 593 & 624, Persiaran Raja Lumu  
Kawasan Perusahaan Pandamaran  
42000 Port Klang  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 3168 8282  
Fax : (603) 3168 5711

### **PENGANGKUTAN COGENT SDN BHD**

PTD 149227, Jalan Berjaya 7  
Taman Perindustrian Berjaya  
81200 Kempas Lama  
Johor Darul Takzim  
Malaysia  
Tel : (607) 558 3131  
Fax : (607) 558 1313

### **PERUSAHAAN KIMIA GEMILANG SDN BHD**

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

### **POINT CAST (M) SDN BHD / FOCUS MEDIA NETWORK SDN BHD**

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 1188  
Fax : (603) 7495 1117

### **POINT OF EDUCATION SDN BHD**

Suite 2.1 Main Tower  
Sunsuria Avenue  
Persiaran Mahogani, PJU 5  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 6151 6332  
Fax : (603) 6151 9932

### **PT NYLEX INDONESIA**

Desa Sumengko Km31 Kecamatan  
Wringinanom, Kabupaten Gresik  
East Java, 61176 Indonesia  
Tel : (6221) 898 2625  
Fax : (6221) 898 2623

### **REDBERRY SDN BHD**

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 1188  
Fax : (603) 7495 1106

### **REDBERRY CONTACT CENTER SDN BHD**

Level 14, Menara Aik Hua  
6 Changkat Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Tel : (603) 2718 4222  
Fax : (603) 2031 2028

### **REDBERRY OUTDOORS SDN BHD / REDBERRY MALL SDN BHD**

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 1155  
Fax : (603) 7495 1134

### **UNRESERVED SDN BHD**

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 1288  
Fax : (603) 7956 6808

### **WHEEL SPORT MANAGEMENT SDN BHD**

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 1190  
Fax : (603) 7495 1191

### **TWINSTAR SYNERGY SDN BHD**

No. 2A, Jln 13/2, Sek 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : (603) 7495 1265

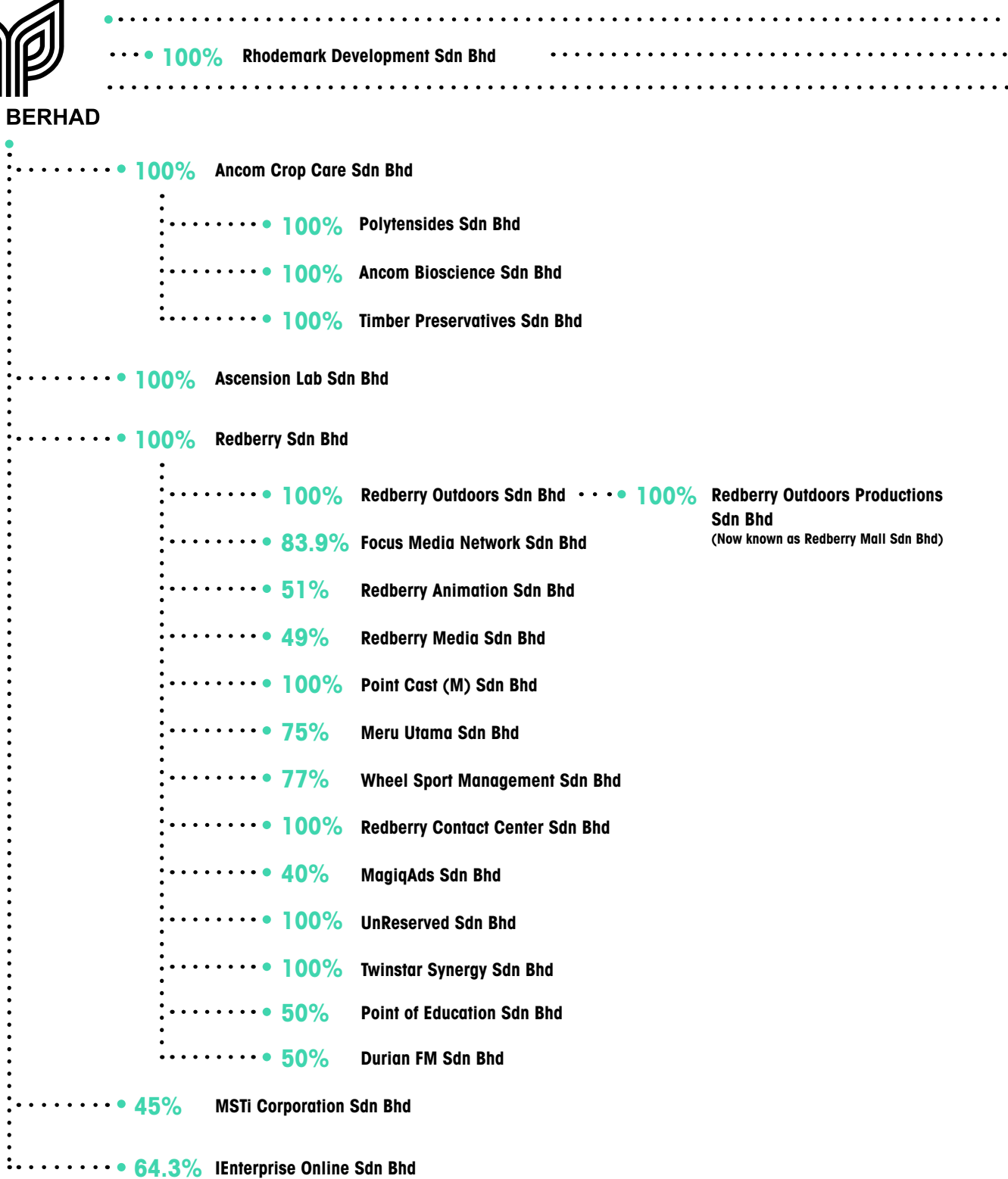


# CORPORATE STRUCTURE

As at 31 May 2014



**ANCOM BERHAD**



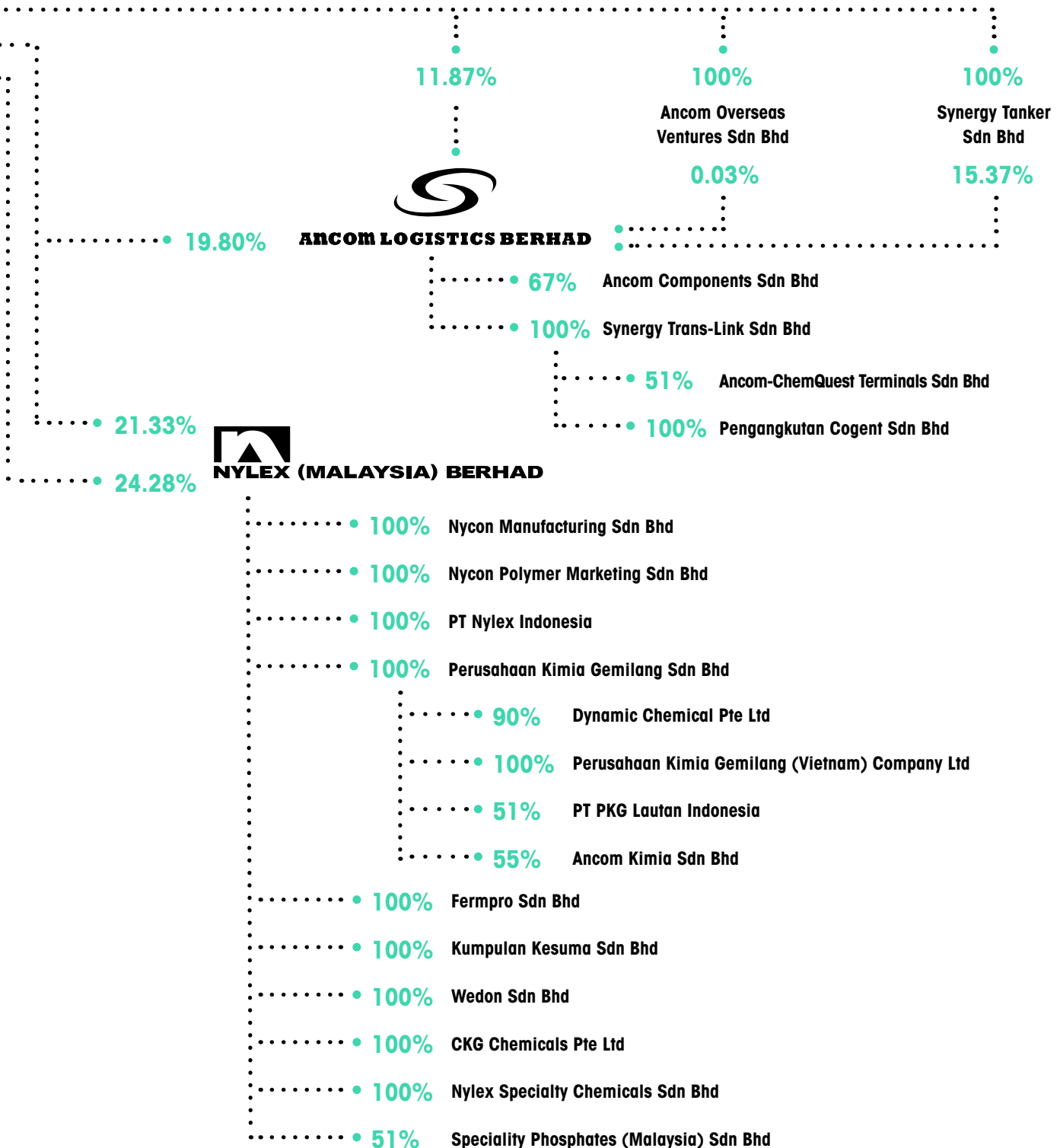
• 100% Redberry Outdoors Productions Sdn Bhd  
(Now known as Redberry Mall Sdn Bhd)

\* Only major companies are shown in the Corporate Structure.



## CORPORATE STRUCTURE

As at 31 May 2014





## BOARD OF DIRECTORS

### **DATO' JOHARI RAZAK**

**Non-Independent**

**Non-Executive Chairman**

*Age 59, Malaysian*



Dato' Johari joined the Board on 27 November 1992 and was appointed as the Group Managing Director on 2 July 1994 and the Executive Chairman on 30 July 2003. He was re-designated to his present position on 1 August 2007. He is currently a member of the Audit Committee of the Company.

Dato' Johari holds a Bachelor of Laws degree from the University of Kent, United Kingdom. He was called to the Bar of England and Wales at Lincoln's Inn in 1976 and was admitted as an Advocate and Solicitor of the High Court of Malaya in 1977. He practiced law with a leading law firm in Malaysia from 1979 and was a Partner of the firm from 1981 to 1994. He re-joined the firm as a Partner on 1 August 2007.

Presently, Dato' Johari is the Chairman of Daiman Development Berhad, a Director of Hong Leong Industries Berhad, Sumatec Resources Berhad, Malaysian Resources Corporation Berhad, Deutsche Bank (Malaysia) Berhad and Daiman Golf Berhad. In the academic field, he is an Adjunct Professor at University of Technology Mara Law Faculty.

## BOARD OF DIRECTORS



Dato' Siew joined the Board on 23 October 1985. He was appointed as the Deputy Group Managing Director/Chief Operating Officer on 17 October 1995 and assumed his present position on 30 July 2003.

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

Currently, Dato' Siew is also the Group Managing Director of Nylex (Malaysia) Berhad and the Executive Vice Chairman of Ancom Logistics Berhad, both subsidiaries of the Company and listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad. He is currently the President of the Imperial College Alumni Association of Malaysia and a Governor of the Board of Governors for Marlborough College of Malaysia.

Dato' Siew was the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 22,000 chief executive officers and leaders of major companies and organisations over the world. He became a director of the International Board of Directors of YPO in 2000 and served until 2003 during which he was the Chairman of YPO's Global Leadership Congress in Beijing, China. In April 2013, Dato' Siew was conferred an honourable degree in Doctor of Business Administration *honoris causa* by the HELP University.

Dato' Siew is a substantial shareholder of the Company.



Tan Sri Lin joined the Board on 30 October 2000 and is currently the Chairman of the Remuneration and Nomination Committee.

Tan Sri Lin is an independent strategy and financial consultant. Qualified as a Chartered Statistician, he graduated from the University of Malaya in Singapore and Harvard University (where he received three degrees, including a PhD in Economics). He is also a British Chartered Scientist, London; Professor of Economics (Adjunct), Universiti Utara Malaysia; Professor of International Finance & Business (Adjunct), Universiti Malaysia Sabah as well as an Eisenhower Fellow and a Fellow of the IMF Institute (Washington DC); Royal Statistical Society (London); Malaysian Institute of Bankers; Malaysian Insurance Institute (Hon.); Malaysian Institute of Management and Malaysian Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies.

Tan Sri Lin has a long and distinguished history of service with the Government of Malaysia and the private sector. He was Chairman/President and Chief Executive Officer of the Pacific Bank Group and for 14 years previously, Deputy Governor of Bank Negara Malaysia, having been a central banker for 34 years. Tan Sri Lin continues to serve the public interest after his retirement, some current appointments include Member of the Prime Minister's Economic Council Working Group; key member of Steering Committees at the Ministry of Higher Education; member of the Asian Shadow Financial Regulatory Committee; Governor, Asian Institute of Management, Manila; Director, Monash University Malaysia Sdn Bhd; Chairman Emeritus, Harvard Graduate School Alumni Council at Harvard University in Cambridge (USA); President of Harvard Club of Malaysia and Economic Advisor to the Associated Chinese Chambers of Commerce & Industry Malaysia. In addition, he is a Trustee of the Tun Ismail Ali Foundation (PNB), Harvard Club of Malaysia Foundation, Malaysian Economic Association Foundation, Jeffrey Cheah Foundation and Program Pertukaran Fellowship Perdana Menteri Malaysia.

Tan Sri Lin sits on the boards of a number of other public listed and private businesses in Singapore and Indonesia. He is currently a Director of Genting Berhad, Wah Seong Corporation Berhad, JobStreet Corporation Berhad, IGB REIT Management Sdn Bhd (Manager for IGB REIT) and Top Glove Corporation Berhad.

## BOARD OF DIRECTORS



Tan Sri Al Amin joined the Board on 16 June 1997.

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

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

Currently Tan Sri Al Amin is the Executive Chairman of Nylex (Malaysia) Berhad and Country View Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad, and Redberry Sdn Bhd, a wholly-owned subsidiary of the Company. He is also the Chairman of SME Corporation Malaysia (formerly known as Small Medium Industries Development Corporation (“SMIDEC”)), an important government agency in the development and enhancement of small and medium enterprises in Malaysia under the Ministry of International Trade and Industry since October 2006; and Chairman of MCIS Insurance Berhad.

Tan Sri Al Amin has been appointed by the Prime Minister as a Council Member of National Information Technology Council (“NITC”) of Malaysia, an organisation that strategically manages ICT in the interest of the nation since October 2010.



Mr. Cheah joined the Board on 30 August 2005. He is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

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

Mr. Cheah started his career as an Audit Manager with a professional accounting firm in London. He was later the Manager in charge of portfolio investment in a merchant bank in Malaysia and subsequently in charge of the corporate and planning division of a public listed company in Malaysia.

Mr. Cheah was formerly the Chief Executive Officer / Executive Director and a member of the Investment Committee of Public Mutual Berhad, the largest private unit trust management company in Malaysia. He was also a Council Member and Chairman of the Secretariat of the Federation of Malaysian Unit Trust Managers (“FMUTM”); a former Task Force Member on Islamic Finance for the Labuan Offshore Financial Services Authority (“LOFSA”); a former member on the Securities Market Consultation Panel in Bursa Malaysia Securities Berhad and a founder member and a past President of the Financial Planning Association of Malaysia (“FPAM”) and the Treasurer for the Society for the Prevention of Cruelty to Animals (“SPCA”).

Mr. Cheah is currently an Investment Committee Member and Director of MAAKL Mutual Berhad; Chairman of Adventa Berhad, a company listed on the Main market of Bursa Malaysia Securities Berhad and a Director of Nylex (Malaysia) Berhad and Ancom Logistics Berhad, both subsidiaries of the Company and listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad.

## BOARD OF DIRECTORS



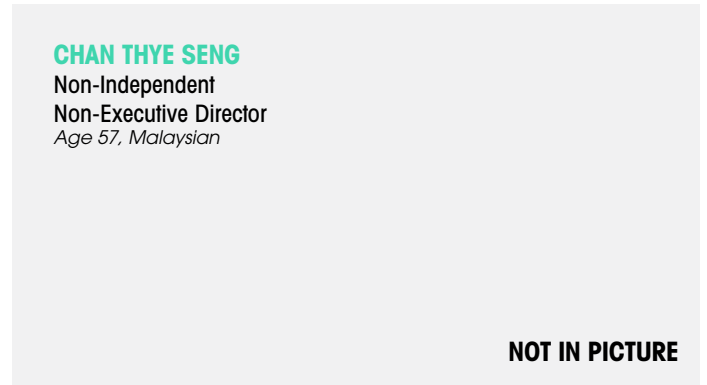
Mr. Lim joined the Board on 1 December 2011. He is currently a member of the Audit Committee and the Remuneration and Nomination Committee respectively of the Company.

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

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

He was also a panel speaker for Bursatra Sdn Bhd on Continuing Education Programmes for public-listed company directors. He is currently the Group Director of Strategic Planning & Corporate Affairs of HELP International Corporation Berhad, a position he has held since April 2008.

Currently, Mr. Lim is a Director of Nylex (Malaysia) Berhad and Ancom Logistics Berhad, both subsidiaries of the Company and listed on the Main Market and ACE Market respectively of Bursa Malaysia Securities Berhad.



Mr. Chan joined the Board on 19 October 1999.

Mr. Chan graduated with a Bachelor of Law (Hons.) degree from University College Cardiff, United Kingdom. He had 13 years experience as a practicing lawyer, after having been called to the Bar at Middle Temple in 1980 and the Malaysian Bar in 1982.

Mr. Chan was previously on the Boards of the Kuala Lumpur Commodities Exchange and Malaysian Futures Clearing Corporation Sdn Bhd. He is currently the Managing Director / Chief Executive Officer of Pacific & Orient Berhad ("P&O") and Pacific & Orient Insurance Co. Berhad, a subsidiary of P&O.

Mr. Chan is a substantial shareholder of the Company through his shareholding in P&O, a substantial shareholder of the Company.

### Notes :

1. None of the Directors has any family relationship with any other Directors and/or substantial shareholders of the Company.
2. Other than certain Related Party Transactions as disclosed in this Annual Report, the Directors do not have any business interest which conflict with their positions in the Company.
3. None of the Director has been convicted for any offence other than traffic offences (if any) within the past ten (10) years.
4. Please refer to page 28 – Statement on Corporate Governance of this Annual Report for the Directors' meeting attendance records.
5. Please refer to page 46 – Directors' Report of this Annual Report for the Directors' securities holdings in the Company and its related corporations.





## CHAIRMAN'S STATEMENT



### Dear Shareholders,

“ On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 31 May 2014 (“FY2014”). ”

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**DATO' JOHARI RAZAK**  
Non-Executive Chairman

## CHAIRMAN'S STATEMENT

### PERFORMANCE

The Group posted a higher profit before tax ("PBT") of RM43.8 million in FY2014 compared with RM4.3 million in FY2013, although revenue declined to RM1.86 billion in FY2014 from RM2.03 billion in FY2013. The improved performance was contributed by an overall improvement in the gross profit, coupled with a one-off gain from the sale of a subsidiary.

The Group posted a net profit attributable to shareholders of RM9.6 million in FY2014 compared to a net loss attributable to shareholders of RM19.9 million in FY2013. This contributed to consolidated net earnings per share of 4.42 sen in FY2014 compared with a net loss per share of 9.22 sen in FY2013. Consolidated net assets per share rose to RM1.27 as at the end of FY2014 from RM1.24 as at the end of FY2013.

### DIVIDEND

The Board is pleased to recommend a first and final single tier dividend of 1.0 sen per ordinary share amounting to RM2.2 million in respect of FY2014, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

### REVIEW OF OPERATIONS

The Agricultural and Industrial Chemicals Division posted a lower revenue of RM1.58 billion in FY2014 compared with RM1.75 billion in FY2013. The decline in revenue was mainly due to a product rationalisation exercise in the industrial chemicals business to discontinue marketing certain unprofitable products. As a result of the rationalisation exercise, the division managed to post a higher segmental profit of RM43.1 million in FY2014 compared with RM42.1 million in FY2013.

The Polymer Division posted revenue of RM118.7 million in FY2014, which is lower when compared with RM125.4 million posted in FY2013. The decline is due to stiff price competition from Chinese and Vietnamese-made PVC products, coupled with weaker sales to domestic furniture manufacturers as their exports were affected by the economic situations in Europe and China. As a result, the division posted a lower segmental profit of RM10.7 million in FY2014 compared with RM14.1 million in FY2013.

The segmental revenue of the Logistics Division fell to RM40.4 million in FY2014 compared to RM52.6 million in FY2013. The decrease in operating revenue for FY2014 was primarily due to the discontinued recognition revenue from Sinsenmoh Transportation Pte Ltd ("SSM") after the completion of its disposal in December 2013. The division posted a higher segmental profit of RM24.0 million in FY2014 compared to RM6.1 million in FY2013, mainly due to the one-off gain of RM20.1 million from the sale of SSM.

The Media Division posted significantly higher revenue of RM107.4 million in FY2014 compared to RM80.9 million in FY2013. In line with the higher revenue posted, the division posted a segmental profit of RM1.3 million in FY2014 compared to a segmental loss of RM25.4 million in FY2013. The performance of the division was primarily driven by successful in-charge of key advertising contracts throughout FY2014. Revenue across all our media platforms performed better in FY2014.

The Investment Holding Division and others incurred an aggregated segmental loss of RM27.1 million in FY2014 compared with RM33.7 million in FY2013. The lower segmental loss was primarily due to lower corporate expenses in the investment holding companies.

### SIGNIFICANT EVENT

On 20 December 2013, our subsidiary, Ancom Logistics Berhad, completed the disposal of its entire equity interest in SSM for a net consideration of RM46.9 million.

### PROSPECTS FOR THE NEXT FINANCIAL YEAR

The Group's business may be vulnerable due to continued uncertainty in the global economic outlook in the next financial year. The Board, together with the Management, will continue to exercise caution in managing the Group's business. We will continue to explore business opportunities to improve our revenue while strengthening our operational and productivity efficiencies.

The Board is of the view that, barring unforeseen circumstances, the financial performance and prospects of the Group will be satisfactory in the next financial year.

### APPRECIATION

The Board wishes to express its appreciation to the shareholders for their unwavering loyalty and support. The Board also wishes to thank its valued customers, suppliers, bankers, business associates and the regulatory authorities for their continued assistance and co-operation.

Last but not least, the Board wishes to express its heartfelt gratitude to the Management and all the staff of the Group for their continuous dedication and commitment.

### DATO' JOHARI RAZAK

Non-Executive Chairman

16 October 2014  
Petaling Jaya,  
Selangor Darul Ehsan





## PERUTUSAN Pengerusi



### Para Pemegang Saham yang Dihormati,

“ Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Kumpulan dan Syarikat yang telah diaudit bagi tahun kewangan berakhir 31 Mei 2014 (“FY2014”). ”

**DATO' JOHARI RAZAK**

Pengerusi Bukan Eksekutif



## PERUTUSAN Pengerusi

### PRESTASI

Prestasi Kumpulan terus berkembang dengan menyaksikan keuntungan sebelum cukai ("PBT") dicatat pada tahap lebih tinggi pada FY2014, iaitu RM43.8 juta berbanding RM4.3 juta pada FY2013. Meskipun hasil menurun kepada RM1.86 bilion pada FY2014 berbanding RM2.03 bilion pada FY2013, peningkatan keuntungan berjaya diraih susulan daripada peningkatan keuntungan kasar secara keseluruhan dan keuntungan atas pelupusan sebuah syarikat subsidiari.

Seiring dengan perkembangan tersebut, Kumpulan mencatat keuntungan bersih diagihkan kepada pemegang saham sebanyak RM9.6 juta pada FY2014 berbanding kerugian bersih diagihkan kepada pemegang saham sebanyak RM19.9 juta pada FY2013. Keuntungan tersebut mencakup perolehan bersih disatukan sesaham bernilai 4.42 sen pada FY2014 berbanding kerugian bersih sesaham bernilai 9.22 sen pada FY2013. Sementara itu, aset bersih disatukan sesaham meningkat kepada RM1.27 setakat akhir FY2014 berbanding RM1.24 pada akhir FY2013.

### DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir sebanyak 1.0 sen bagi setiap saham yang berjumlah kira-kira RM2.2 juta bagi FY2014, tertakluk kepada kelulusan pemegang saham pada Mesyuarat Agung Tahunan Syarikat yang akan datang.

### TINJAUAN OPERASI

Hasil Segmen Kimia Pertanian dan Kimia Perindustrian pada FY2014 merekodkan RM1.58 bilion berbanding catatan hasil RM1.75 bilion pada FY2013. Penurunan ini berpunca daripada langkah rasionalisasi yang dilaksanakan terhadap produk kimia perindustrian bertujuan menamatkan sebahagian produk yang tidak mempunyai pasaran yang menguntungkan. Pendekatan ini mendorong catatan keuntungan segmen yang lebih tinggi dengan sumbangan berjumlah RM43.1 juta pada FY2014 berbanding RM42.1 juta pada FY2013.

Hasil Segmen Polimer pada FY2014 hanya merekodkan RM118.7 juta berbanding RM125.4 juta pada FY2013. Penurunan dalam hasil adalah disebabkan persaingan

harga yang sengit di antara produk-produk PVC daripada China dan Vietnam serta penurunan hasil jualan kepada pembuat perabot tempatan disebabkan hasil jualan eksport bagi pembuat perabot tempatan terjejas oleh keadaan ekonomi di Eropah dan China. Berlatarkan situasi ini, keuntungan segmen yang dicatatkan adalah lebih rendah pada FY2014, iaitu RM10.7 juta berbanding RM14.1 juta pada tempoh yang sama tahun lepas.

Hasil Segmen Logistik yang dicatatkan juga menurun kepada RM40.4 juta pada FY2014 berbanding RM52.6 juta pada FY2013. Dalam hal ini, penamatan pengiktirafan hasil daripada Sinsenmoh Transportation Pte Ltd ("SSM") setelah pelupusannya selesai pada Disember 2013 dikenal pasti sebagai punca penurunan tersebut. Meskipun begitu, Segmen Logistik meraih keuntungan segmen yang lebih tinggi pada FY2014 iaitu RM24.0 juta berbanding RM6.1 juta pada FY2013 susulan keuntungan atas pelupusan SSM sebanyak RM20.1 juta.

Segmen Media mengorak pencapaian besar dengan catatan kenaikan hasil yang mencecah RM107.4 juta pada FY2014 berbanding RM80.9 juta pada FY2013, justeru kerugian yang ditanggung pada FY2013 berjumlah RM25.4 juta berjaya dialihkan kepada keuntungan bernilai RM1.3 juta pada FY2014. Kejayaan yang memberangsangkan ini merupakan hasil usaha Segmen Media yang memacu pasaran dan prestasi pendapatan pengiklanan sepanjang FY2014. Malah, semua platform media telah menggembelng tenaga sehingga berjaya meningkatkan hasil yang diperolehi.

Sementara itu, Segmen Pegangan Pelaburan dan lain-lain merekodkan kerugian segmen terkumpul sebanyak RM27.1 juta pada FY2014 berbanding kerugian segmen RM33.7 juta pada FY2013. Segmen ini berhasil mengekang kerugian menerusi pengurangan perbelanjaan korporat dalam kalangan syarikat-syarikat pegangan pelaburan.

### PERISTIWA PENTING

Pada 20 Disember 2013, sebuah syarikat subsidiari kami, iaitu Ancom Logistics Berhad, telah menyelesaikan pelupusan kesemua kepentingan ekuitinya dalam SSM dan menghasilkan aliran tunai bersih sebanyak RM46.9 juta.

### PROSPEK PADA TAHUN KEWANGAN HADAPAN

Memandangkan kita terus berdepan dengan cabaran akibat kemelut ketidaktentuan yang berlanjutan dalam suasana ekonomi global, prospek perniagaan pada tahun kewangan hadapan juga mungkin turut terjejas. Oleh hal yang demikian, Lembaga Pengarah dan pihak Pengurusan akan memastikan agar perniagaan Kumpulan dikendalikan dengan peka dan penuh waspada. Kami akan terus meneroka peluang perniagaan bertujuan mempertingkatkan hasil Kumpulan justeru memperkukuh kecekapan operasi dan produktiviti.

Pihak Lembaga Pengarah yakin, bahawa sekiranya tiada aral yang melintang, prestasi kewangan serta prospek Kumpulan pada tahun kewangan hadapan akan berupaya mencapai keberhasilan yang memuaskan semua pihak.

### PENGHARGAAN

Lembaga Pengarah berbesar hati mengambil kesempatan ini untuk menyampaikan setinggi-tinggi terima kasih kepada semua pemegang saham atas kesetiaan dan sokongan mereka yang tidak berbelah bahagi. Pihak Lembaga juga ingin merakamkan setinggi-tinggi penghargaan kepada pelanggan, pembekal, pengurusan bank, rakan niaga serta badan kawal selia atas segala sokongan dan kerjasama yang terus dihulurkan kepada kami.

Di sini juga, pihak Lembaga ingin mengucapkan setulus terima kasih kepada pihak Pengurusan dan semua kakitangan Kumpulan yang memberikan dedikasi dan komitmen padu mereka tanpa mengenal penat dan lelah demi memastikan impian Kumpulan kita ini direalisasikan.

### DATO' JOHARI RAZAK

Pengerusi Bukan Eksekutif

16 Oktober 2014

Petaling Jaya,

Selangor Darul Ehsan



## OPERATIONAL REVIEW

Agricultural and Industrial Chemicals Division posted higher segmental profit of



**43.2 mil**

Revenue growth of

**32.7%**

MEDIA DIVISION



### OVERVIEW

Ancom Berhad (“Ancom” or “Company”) was incorporated in Malaysia on 3 March 1969 as Ansul (Malaysia) Sdn Bhd to pioneer the manufacturing of agricultural chemicals and herbicides in Malaysia. After several changes in management and shareholders, Ancom assumed its present name on 9 September 1989 and was listed on the Kuala Lumpur Stock Exchange on 29 March 1990.

Today, Ancom is a diversified group involved in the following business divisions:

- Agricultural and industrial chemicals - Manufacturing and sale of agricultural and industrial chemical products;
- Polymer - Manufacturing and marketing of polymer products;
- Logistics - Transportation, container haulage, bulk cargo handling, chemicals warehousing and related services;
- Information Technology - Provision of information technology services and sales of computer hardware and software; and
- Media - Provision of digital and out-of-home advertising media space and being general traders of media space in the airport, baggage trolleys and signages.

Ancom is the holding company of Nylex (Malaysia) Berhad (“Nylex”) and Ancom Logistics Berhad (“ALB”) which are listed on Bursa Malaysia Securities Berhad’s Main Market and ACE Market respectively.

### Agricultural and Industrial Chemicals Division

This division operates the largest business of the Group. The manufacturing and sale of agricultural chemical products include a wide range of herbicides, pesticides and insecticides based on Monosodium Methyl Arsenate (“MSMA”) and Glyphosate. These are manufactured in two factories in Malaysia, servicing the domestic market as well as exporting to such faraway places like Cuba, South America, Africa and Central Asia. Our industrial chemical products include ethanol, phosphoric acid, adhesives and sealants. These are marketed and distributed in the Asia-Pacific region.

The division’s key subsidiaries include:

- Ancom Crop Care Sdn Bhd and its subsidiaries:
  - Polytenesides Sdn Bhd;
  - Ancom Bioscience Sdn Bhd; and
  - Timber Preservatives Sdn Bhd.
- Perusahaan Kimia Gemilang Sdn Bhd and its subsidiaries:
  - Dynamic Chemical Pte Ltd, Singapore;
  - Perusahaan Kimia Gemilang (Vietnam) Company Ltd;
  - PT PKG Lautan Indonesia; and
  - Ancom Kimia Sdn Bhd.
- Fermpro Sdn Bhd;
- Nylex Specialty Chemicals Sdn Bhd;
- Speciality Phosphates (Malaysia) Sdn Bhd;
- Kumpulan Kesuma Sdn Bhd;
- CKG Chemicals Pte Ltd, Singapore; and
- Wedon Sdn Bhd.

## OPERATIONAL REVIEW

### Polymer Division

This Division manufactures and markets a wide range of products, namely PVC and PU leather cloth, films and sheets, pre-fabricated drains, bulk chemical containers, road barriers, rubbish bins, playground equipment, water tanks and other custom mouldings.

The key subsidiaries within this division include:

- Nylex and the following subsidiaries:
  - Nycon Manufacturing Sdn Bhd;
  - Nylex Polymer Marketing Sdn Bhd; and
  - PT Nylex Indonesia.

### Logistics Division

ALB and its subsidiaries ("ALB Group") is principally involved in the provision of bulk liquid chemical related logistics services in Malaysia. The bulk liquid terminal is strategically located within Port Klang, West Port Bulk Liquid Terminal and Free Trade Zone. It owns and operates a large fleet of prime movers, road tankers and lorries, providing cross border bulk chemicals land transportation between Malaysia and Singapore.

The key subsidiaries within this division include:

- Ancom-ChemQuest Terminals Sdn Bhd ("ACT"); and
- Pengangkutan Cogent Sdn Bhd ("PCSB").

During the financial year ended 31 May 2014 ("FY2014"), ALB disposed its wholly-owned subsidiary, Sinsenmoh Transportation Pte Ltd, Singapore ("SSM").

### Information Technology ("IT") Division

The IT Division specialises in the supply of computer hardware, software and related products as well as providing software consultation services to the public and private sectors. The division is also a supplier of applications, specialising in application development utilising the Oracle core technologies. Its applications include Enterprise Resource Planning, Corporate Treasury, Co-operations and Credit Guarantee System. Its other applications include Gaming Systems, Wireless Work In Progress Systems and many more. The division, through its wholly-owned subsidiary, Ascension Lab Sdn Bhd, also established a website for personal financial planning called Ringgit Plus ([www.ringgitplus.com](http://www.ringgitplus.com)).

The division's key subsidiaries include:

- MSTi Corporation Sdn Bhd;
- iEnterprise Online Sdn Bhd; and
- Ascension Lab Sdn Bhd.

## OPERATIONAL REVIEW

### Media Division

The Group's Media Division owns and operates multiple media platforms which include outdoor billboards, in-door advertisements in airports, advertisements on buses, advertisements in hypermarkets and digital screens with a primary focus in the Klang Valley. The division also secures the rights to operate and manage advertisements in a major cinema chain in Malaysia. It also operates an out-sourced customer contact centre catering mainly to financial institutions, insurance companies and telecommunication companies. The division holds the rights for organising and promoting international and local motor sport events. The division also has a printing press line under its wholly-owned subsidiary, Twinstar Synergy Sdn Bhd. Through an associate, DurianFM Sdn Bhd ("DurianFM"), the division is involved in Internet radio broadcasting.

The key subsidiaries of this division include:

- Redberry Sdn Bhd ("Redberry") and its subsidiaries:
  - Meru Utama Sdn Bhd ("MUSB");
  - Redberry Outdoors Sdn Bhd ("RBO");
  - Focus Media Network Sdn Bhd ("FMN");
  - Point Cast (M) Sdn Bhd ("PCM");
  - Redberry Contact Centre Sdn Bhd ("RBCC");
  - Wheel Sport Management Sdn Bhd; and
  - Twinstar Synergy Sdn Bhd ("Twinstar");

The key associates of this division include:

- MagiqAds Sdn Bhd; and
- DurianFM.

## REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

During FY2014, the Group posted a lower revenue of RM1.86 billion compared with RM2.03 billion in the previous financial year ended 31 May 2013 ("FY2013"). The key business division of the Group is the Agricultural and Industrial Chemicals Division. Despite lower revenue, profit before tax ("PBT") improved to RM43.8 million in FY2014 compared with RM4.3 million in FY2013 mainly due to an overall improvement in the results of operating units and also the one-off gain from the sale of SSM.

### Agricultural and Industrial Chemicals Division

The Division posted a lower revenue of RM1.58 billion in FY2014 compared with RM1.75 billion in FY2013, excluding inter-segment revenue. The main reason for the decline was a lower revenue contribution from our industrial chemicals distribution operations. Despite the decrease in reported revenue, the Division posted a higher segmental profit of RM43.1 million in FY2014 compared with RM42.1 million in FY2013.

Revenue contribution from the industrial chemicals distribution operations declined following a product rationalisation exercise to discontinue the marketing of certain unprofitable products. As for the manufacturing operations for phosphoric acid, ethanol, sealants and adhesive products, the division performed well in FY2014. A combination of better sourcing of key raw materials, improved factory production efficiencies and higher sales of better margin products contributed to the positive results of the industrial chemicals manufacturing operations. As a result of these initiatives, PBT rose by 86.6% in FY2014.

The agricultural chemical business experienced slower revenue in the second half of FY2014 as overseas demand fell. Falling crude oil prices have affected the demand for our key products which are used in the production of biofuels overseas. Further, over-supply of diuron-based products in the region has also affected our export sales in Southeast Asia. As a result, revenue fell to RM132.2 million in FY2014 compared with RM150.1 million in FY2013, while PBT fell by 24.6% in FY2014 (FY2013: +91.4%).

## OPERATIONAL REVIEW

### Polymer Division

Revenue of the Polymer Division of RM118.7 million in FY2014 is lower when compared with RM125.4 million posted in FY2013. Segmental profit declined to RM10.7 million in FY2014 compared with RM14.1 million in FY2013. The overall revenue in the Shah Alam plant has declined, mainly as competition from Chinese and Vietnamese-made PVC products caused lower demand for our films and coated fabrics ("FCF") products. Further, the economic slowdown in Europe and China negatively impacted local furniture manufacturers, affecting the sales of our products to these manufacturers. Weaker demand for the sub-soil drainage products for export market has also affected the revenue of our Shah Alam plant.

Our manufacturing plant in Surabaya, Indonesia, also posted lower revenue, mainly due to the devaluation of the Indonesian Rupiah against the US Dollar and Malaysian Ringgit. This, coupled with increasing in raw material prices, has eroded our profit margins. Nonetheless, we have commenced our expansion project to increase the capacity in our Surabaya plant, and we expect this project to be completed in the first half of 2015. This plant expansion is part of our long-term plan to strengthen our presence in Indonesia, where we expect better returns on investment.

### Logistics Division

Revenue from the Logistics Division (excluding inter-segment sales) decreased to RM40.4 million in FY2014 compared to RM52.6 million a year earlier. Segmental profit in FY2014 increased to RM24.0 million from RM6.1 million in the FY2013 mainly due to the one-off gain from the sale of SSM. Following the disposal of SSM, the results of the Logistics Division are made up of operations from ACT and PCSB.

ACT operates a tank farm in West Port in Klang, Selangor. ACT provides bulk storage facilities for liquid chemicals servicing MNC petrochemicals companies in Malaysia and the region. ACT maintained steady revenue of RM10.3 million in FY2014, on sustained strong demand for its tank farms throughout the financial year. Revenue remains similar to FY2013 as ACT is currently at full capacity, coupled with a tank damaged by lightning towards the end of FY2014. The outlook for ACT remains positive and the company should continue to benefit from the prevailing strong demand for tank farm storage facilities. PBT of ACT fell by 10% in FY2014 (FY2013: 7.2%) due to higher costs incurred for repairs and maintenance.

PCSB owns and operates a fleet of approximately 80 road tankers. It provides cross border bulk chemicals land transportation services between Malaysia and Singapore. The revenue of PCSB decreased by 5.0% (FY2013: 2.4%) for FY2014 whilst PBT fell by 58.0% (FY2013: -59.2%) as the company faced stiff competition and a shortage of experience drivers. As a result, the fleet's direct operational costs increased while revenue growth was minimal. Going forward, PCSB will be reviewing its fleet and resources to improve on cost efficiencies and optimise its resources.

### Information Technology ("IT") Division

The Group's IT Division posted revenue of RM15.6 million in FY2014 (excluding inter-segment sales) compared with RM17.7 million in FY2013. Segmental loss increased to RM2.4 million compared with RM0.8 million in FY2013. The division is primarily involved in public sector IT projects and applications development. The highly competitive tendering process in the public sector remains the key challenge for the division.

### Media Division

The Media Division continued to grow strongly in the year under review. Operating revenue rose to RM107.4 million in FY2014 compared with RM80.9 million in FY2013. The division posted a segmental profit of RM1.3 million in FY2014 compared to a segmental loss of RM25.4 million FY2013.

Revenue growth in FY2014 was primarily driven by successful in-charge of key advertising contracts throughout the financial year. Revenue across the media platforms posted better performance. With higher revenue, the division posted a segmental profit in FY2014 against a segmental loss in FY2013.

## OPERATIONAL REVIEW

The core units within the Media Division are RBO, RBCC, FMN and MUSB.

Our advertising concessions for outdoor billboards and buses are managed by RBO. In FY2014, revenue from this medium grew by 18.0% (FY2013: +14.6%). RBO posted PBT of RM0.3 million in FY2014 compared with a loss before tax of RM0.5 million in FY2013.

RBCC is an outsourced customer contact center in the country and remains one of the key players in the call-center industry. Revenue grew by 19.3% in FY2014 (FY2013: +27.5%) as RBCC expanded its capacity during the financial year. PBT grew by 22.7% in FY2014 (FY2013: -10.1%) in line with its revenue.

FMN manages the digital advertising platforms in cinemas and office buildings. Revenue grew by 152.5% in FY2014 (FY2013: +54.1%), boosted by the full-year results of the popular cinema advertising platform. FMN posted a PBT of RM1.2 million in FY2014 compared to a loss before tax of RM0.5 million in FY2013.

MUSB owns exclusive rights to the Kuala Lumpur International Airport (KLIA) and KLIA2 advertising mediums. MUSB's revenue increased by 21.3% (FY2013: +13.4%) whilst PBT increased two-fold on the continued success. Airport advertising has become major attractions to advertisers. As a media group, we have successfully leveraged our multi-platforms to grow the media business strongly.

Included in the segmental results of the Media Division is the result of Redberry, the intermediate holding company of the division. In FY2014, Redberry incurred impairments of RM10.0 million on intangible assets and receivables. These are mainly related to past acquisitions of media rights.

### Investment Holding Division and Others

The Investment Holding Division and others incurred an aggregated segmental loss of RM27.1 million in FY2014 compared with RM33.7 million in FY2013. The lower segmental loss was primarily due to lower corporate expenses in the investment holding companies.

### Prospects and Outlook

Our key business segment, the Agricultural and Industrial Chemicals Division should perform satisfactorily in the next financial year. Nevertheless, pressure on profit margins remains as product suppliers and logistics providers seek higher prices in our industrial chemicals business. Competition in the agricultural chemical business is expected to intensify due to aggressive price competition in foreign markets. The Polymer Division is expected to remain satisfactory despite stiff competition from cheaper imports. Following the completion of structural and operational reorganisation, the Media Division is now in a better position for future growth.

There are still uncertainties in global economic conditions which may impact the Group's business. The Board and the Management will continue to exercise caution in managing the Group's business in the next financial year. The Board will continue to explore ways to improve revenue growth while strengthening its operational and productivity efficiencies.

The Board is of the view that, barring unforeseen circumstances, the financial performance and prospects of the Group will be satisfactory in the next financial year.



## STATEMENT ON CORPORATE GOVERNANCE

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



### INTRODUCTION

The Board of Directors of the Company ("Board") acknowledges the importance of adopting good corporate governance practices in discharging its duties and responsibilities to safeguard the Company's assets and to enhance shareholders' value and financial performance of the Company and its subsidiaries ("Group"). The Board has taken steps as diligent as practical and is committed towards adopting a Corporate Governance Framework for the Group which complies with the principles of the Malaysian Code on Corporate Governance 2012 ("Code") with reference to the Corporate Governance Guide ("Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year ended 31 May 2014.

The Board is pleased to report below the Group's application of the principles and the extent to which the Group has complied with the recommendations as set out in the Code throughout the financial year ended 31 May 2014.

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

#### Clear Functions of the Board and Management

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

The Management, under the direction and responsibility of the Group Managing Director ("GMD"), is accountable for the day-to-day operations of the Group and implementation of the Board's decisions and policies.

#### Clear Roles and Responsibilities of the Board

The principal duties and responsibilities of the Board are as follows:

- Formulating and charting the strategic direction and setting out the Group's short and long term plans and objectives;
- Reviewing, approving and adopting the Group's annual budgets, key operational initiatives, major investment and funding decisions;
- Overseeing and reviewing the Group's business operation and performance within a systematic and controlled environment;
- Establishing a succession plan for Senior Management;
- Overseeing the development and implementation of a shareholders' communication policy for the Company;
- Reviewing the risk management framework and the adequacy and integrity of the Group's internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group; and
- Promoting ethical and the best corporate governance cultures within the Group.

The Board plays an active role in formulating the Group's strategic direction with the GMD and its Management team although it is not involved in the day-to-day business operation of the Group.

## STATEMENT ON CORPORATE GOVERNANCE

The key matters reserved for the Board's approval include the Annual Business Plan, significant corporate proposals including mergers and acquisitions, Group business restructuring and new issue of securities, acquisitions and disposal of significant assets and expenditure above a certain amount.

The GMD has the overall responsibility for the day-to-day management of the Group's business and operations and for implementing the Board's policies and decisions. He is supported by the Management team and the various divisional heads.

The roles of the Non-Executive Chairman and the GMD are distinct and separate with a clear division of responsibilities to ensure a balance of power and authority. The Chairman holds a Non-Executive position and is primarily responsible for ensuring the Board's effectiveness and conduct in discharging its responsibilities.

At the beginning of each financial year, Management presents the strategy for the new financial year together with the annual budget and financial performance forecasts to the Board for approval. The Board appraises the Group's actual business and financial performances against the results in the previous year as well as the budget and forecasts at the quarterly Board meetings. At the quarterly Board meetings, the GMD provides the Board with an update on the Group's key strategic initiatives and key operational issues.

The Board has established an Audit Committee and a Remuneration and Nomination Committee which are entrusted with specific responsibilities to oversee the affairs of the Company, with the authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, the Chairman of the respective Board Committees reports to the Board on the key matters discussed by the Board Committees at its respective meetings. Minutes of the Board Committee meetings are also enclosed together with the Board papers for the Directors' attention.

The activities of the Audit Committee and the Remuneration & Nomination Committee are further discussed in separate sections of this Statement.

### Formalised Ethical Standard through Code of Ethics

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

### Strategically Promoting Sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. As detailed in pages 40 to 41 of this Annual Report, the Group continued to carry out activities which demonstrate its commitment to the global environmental, social, governance and sustainability agenda during the financial year ended 31 May 2014.

### Access to Information and Advice

All Directors have unrestricted access to information on the Group on an on-going basis. The Directors also interact with the Management team to seek further information, updates or explanation on any aspect of the Group's operations or businesses. Furthermore, the Directors have access to the advice and services of the Company Secretaries and may, at the Company's expense, engage independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate.



## STATEMENT ON CORPORATE GOVERNANCE

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain minutes of meetings, operational and financial performance reports, details of corporate proposals, the quarterly Interim Financial Reports or the annual Audited Financial Statements, reports of the Board Committees, Internal Audit Reports and other matters for the Directors' perusal.

Senior Management staff or professional advisers appointed by the Company to advise the Company on its corporate proposals were invited to attend the Board meetings and to provide the Board with explanations and clarifications to facilitate informed decision making.

### Qualified and Competent Company Secretaries

The Board is supported by two (2) qualified and competent Company Secretaries. The Company Secretaries regularly update and appraise the Board on new regulations issued by the regulatory authorities. The Company Secretaries attend and ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretaries work closely with the Chairman and the GMD to ensure timely and appropriate information flows within the Board and to the Board Committees and to the Management.

### Formalisation and Review of Board Charter

The Board is mindful of the need to safeguard the interest of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter. A copy of the Company's Board Charter is available at the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their role and responsibilities to ensure accountability. The Board Charter focuses on the following areas:

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

The Board Charter shall be reviewed and updated from time to time to reflect changes to the Board's practices and amendments of the relevant rules, requirements and regulations.

## 2. STRENGTHEN COMPOSITION

The Board comprises seven (7) Directors. One (1) of them is an Executive Director, who is also the GMD, and six (6) are Non-Executive Directors, including the Non-Executive Chairman who is a Non-Independent Director. Three (3) of the Non-Executive Directors are Independent Directors. During the financial year under review, the composition of the Board complied with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") which requires at least one-third (1/3) of its members to be Independent Directors.

The Board comprises Directors who are persons of caliber and credibility with extensive expertise and a wealth of experience in legal, accounting, corporate finance, marketing, public services and business practice to support the Group's continuous growth and prosperity.

The profile of the Directors is set out in pages 8 to 11 of this Annual Report.

## STATEMENT ON CORPORATE GOVERNANCE

The presence of a majority of Non-Executive Directors on the Board provided the necessary checks and balances on the conduct of the GMD in managing the business of the Group. The Independent Non-Executive Directors are not employees of the Group and do not participate in the day-to-day operations of the Group. They are all independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. Their expertise allows them to provide independent judgment on the issues of strategy, business performance, resources and standards of conduct. They also provide independent views in the Board's discussions and are actively involved in the Board Committees of the Company.

### Remuneration and Nomination Committee

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

The Terms of Reference of the R&N Committee is available at the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

During the financial year ended 31 May 2014, the members of the R&N Committee, all of whom are Independent Non-Executive Directors, are as follows:

Tan Sri Dato' Dr Lin See Yan - Chairman  
Edmond Cheah Swee Leng - Member  
Lim Hock Chye - Member

The R&N Committee is responsible for reviewing and assessing the performance and effectiveness of the Board and the Board Committee as a whole as well as its Directors individually and collectively. Should there be any Board vacancy or the need for new talent on the Board, the R&N Committee is responsible for identifying and recommending suitable candidates for Board memberships. In such an evaluation, the R&N Committee would consider the candidates' qualifications, skill, knowledge, expertise and experience, professionalism, integrity and, in the case of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities and functions expected from them. The Board is also responsible for reviewing the gender diversity in the Board composition.

### Annual Assessment

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

The results of assessment forms the basis of the R&N Committee's recommendation to the Board for the re-election of Directors at the annual general meeting ("AGM") of the Company and also for new appointments.

During the financial year under review, the R&N Committee, after reviewing the current compositions of the Board and the Board Committee, is satisfied that the composition of the Board and Board Committees are appropriate in terms of the required mix of skill, experience and core competencies as required under the Board Charter and the terms of reference of the Board Committees. Accordingly, the R&N Committee recommended that the current compositions of the Board and Board Committees be retained and did not recommend any new appointments.

The R&N Committee has not identified any woman candidate for appointment to the Board in the current financial year under review. The Committee will keep a look out for suitable woman candidate for appointment to the Board and Board Committees in order to satisfy the gender diversity requirements by 2016.

## STATEMENT ON CORPORATE GOVERNANCE

### Remuneration of Directors

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

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

The R&N Committee also reviewed the remuneration of the GMD and made recommendation on the same for the Board's approval. The GMD did not participate in the Board deliberation on his remuneration at the Board meeting. The remuneration of the GMD comprises of monthly salary, bonuses, benefits-in-kind ("BIK") and other benefits that the Board will approve from time to time. The GMD is not entitled to a Director's fee and attendance allowance for the Board and Board Committee meetings he attends.

The following is the remuneration of the Non-Executive Directors of the Company:

### Directors' fee

For the last financial year, the Chairman of the Board and the Non-Executive Directors of the Board received RM70,000/- and RM50,000/- respectively as Directors' fee per annum. The members of the Audit Committee received RM30,000/- each while the members of the R&N Committee received RM20,000/- each per annum. These were as recommended by the R&N Committee and the total Directors' fee of RM456,000/= was approved by the shareholders at the 44<sup>th</sup> AGM of the Company.

In addition, the Non-Executive Directors also received attendance allowance amounting to RM416.67 for each Board and Board committee meeting attended. Other than the Non-Executive Chairman who is provided with a car and a driver, the other Non-Executive Directors are not entitled to any BIK.

During the financial year under review, the R&N Committee engaged a firm of consultants to provide a review of the Director's fee for Non-Executive Directors of 30 Malaysian Public Listed Companies listed on the Main Market of Bursa Securities, based on their most recent annual reports as at 1 January 2014.

Based on the above and the members' personal experience, the R&N Committee is of the opinion that the amount of Directors' fee and allowances paid in the last financial year were reflective of the market rates and recommended the same amount of remuneration be paid to the Non-Executive Directors in the current financial year.

The Board has endorsed the R&N Committee's recommendation and will propose the same quantum of Directors' fee for the Board and Board Committees for the current financial year subject to the approval of the Company's shareholders at the forthcoming 45<sup>th</sup> AGM.

## STATEMENT ON CORPORATE GOVERNANCE

Subject to the aforementioned, the details of the remuneration received and receivable by the Directors from the Company and its subsidiaries during the financial year, by category and in bands of RM50,000, are as shown below :

Remuneration by category		Executive Director	Non-Executive Director	Total
Fees	RM'000	-	790	790
Salaries and bonuses (including EPF)	RM'000	3,139	2,663	5,802
Other emoluments	RM'000	-	92	92
Benefits-in-kind	RM'000	53	63	116
<b>Total</b>	RM'000	3,192	3,608	6,800

Remuneration in bands of RM50,000	Executive Director	Non-Executive Director	Total
RM50,001 to RM100,000	-	1	1
RM100,001 to RM150,000	-	2	2
RM250,001 to RM300,000	-	2	2
RM2,400,001 to RM2,450,000	-	1#	1
RM3,150,001 to RM3,200,000	1	-	1
<b>Total</b>	1	6	7

# This is paid/payable to Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid, a Non-Independent Non-Executive Director who is the Executive Chairman of the subsidiaries, Nylex (Malaysia) Berhad and Redberry Sdn Bhd.

In addition to the above, the Company has taken up a Directors' and Officers' Liability ("D&O") insurance for the benefit of all the Directors. The D&O insurance covers the defense costs and legal representation expenses of the Directors in respect of actions against them for liabilities arising from their actions in their capacity as Director of the Company and/or its subsidiaries. It does not indemnify a Director if he is proven to have acted fraudulently or dishonestly or for any intentional breach of the law.

### 3. REINFORCE INDEPENDENCE

#### Assessment of Independence

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

- The Independent Directors are neither employees nor related to any major shareholders/Management of the Group and do not participate in the day-to-day operation of the Group and has fulfilled the definition of "Independent Directors" in the Listing Requirements;
- He/She is free from any business or other relationship with the Group which would materially interfere with the exercise of his/her independent judgment on matters on hand; and

## STATEMENT ON CORPORATE GOVERNANCE

- He/She is a person of caliber, credibility and has the necessary skill and experience to bring an independent judgment to bear on the issues of strategy, business performance, resources and standards of conduct. He/She is able to provide independent views in the Board's discussion.

### Tenure of Independence

The Board noted Recommendation 3.2 of the Code that the tenure of an Independent Directors should not exceed a cumulative term of nine (9) years.

From the date the Independent Directors were appointed, they were required to provide an undertaking to Bursa Securities confirming and declaring that they are Independent Directors as defined under Paragraph 1.01 of the Listing Requirements.

The Board is of the view that the length of service of the Independent Directors should not affect a Directors' independence but rather the important criteria of the Independent Directors are their independence from Management and their freedom from any business and other relationship which could interfere with the exercise of their independent judgment or the ability to act in the best interest of the Company.

In addition, as the Board has adopted the criteria set out under the definitions of "Independent Director" in the Listing Requirements to assess independence of Directors, accordingly, the Board believes that Recommendation 3.2 of the Code (assessment of Independent Director should also include tenure) and Recommendation 3.3 of the Code (the Board is allowed to seek shareholders' approval for Independent Directors after nine (9) years tenure to remain as an Independent Director) are irrelevant.

Pursuant to this, the Board is satisfied that Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng have fulfilled the criteria and will continue to retain them as Independent Directors of the Company, notwithstanding that they have served as Independent Directors of the Board for more than nine (9) years as at 31 May 2014.

### Separation of the Positions of the Chairman and the GMD

The position of the Chairman and the GMD are held by two (2) different persons with different roles and responsibilities. The distinct and separate roles of the Chairman and the GMD, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

As mentioned above, the composition of the Board complies with the Listing Requirements which required at least one-third (1/3) of its members to be Independent Directors. However, the composition does not comply with Recommendation 3.5 of the Code which requires that where the Chairman of the Board is not an Independent Director, the Board must consist of a majority of Independent Directors. The Chairman of the Board, Dato' Johari Razak, is a Non-Executive Non-Independent Director while the Board now consists of four (4) Non-Independent Directors and three (3) Independent Directors.

Despite the non-compliance, the Board is satisfied that Dato' Johari, a practicing solicitor and partner of a major and reputable law firm in the country, with his legal knowledge and experience both in the business and legal circles as well as his experience being Board Director of other listed companies in Malaysia, was able to provide strong leadership to the Board by marshaling the Board's priority more objectively in the absence of him having any business relationship with the Group.

## STATEMENT ON CORPORATE GOVERNANCE

### 4. FOSTER COMMITMENT

All the Directors have committed sufficient time to carry out their duties for the tenure of their appointments. To ensure that the Directors have the time to focus on and fulfill their roles and responsibilities, the Directors do not hold more than five (5) directorships in public listed companies as required in the Listing Requirements, EXCEPT FOR Tan Sri Dato' Dr Lin See Yan, who holds directorships in six (6) public listed companies including a REIT. Tan Sri Lin, who is now retired and a full time professional Independent Director, has obtained approval from Bursa Securities a waiver to comply with the Listing Requirements until 31 December 2014.

To help the Directors in planning their attendance at the Board and Committee meetings, at the end of each calendar year, the Company Secretaries draw a proposed timetable for all the Board and Committee meetings, including the AGM, to be held in the next calendar year. Reminders are also sent to the Directors prior to each Board/Committee meeting.

The Directors are also required to inform the Board should they accept new board directorships in other public listed companies.

#### Board Meetings

The Board holds its Board meetings quarterly and additional meetings are convened as and when necessary as determined by the Chairman. The attendance records below indicate the level of commitment of the Directors in carrying out their duties as Directors of the Company.

The Board held five (5) Board meetings while the Audit Committee and the R&N Committee held six (6) and one (1) meetings respectively during the financial year. The attendance record of the Directors is as follows:

#### Attendance at Board meetings:

Name of Directors	Attendance
Dato' Johari Razak	5/5
Tan Sri Dato' Dr Lin See Yan	5/5
Dato' (Dr) Siew Ka Wei	4/5
Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid	4/5
Chan Thye Seng	5/5
Edmond Cheah Swee Leng	5/5
Lim Hock Chye	5/5

#### Attendance at Audit Committee meetings:

Name of Directors	Attendance
Edmond Cheah Swee Leng	6/6
Dato' Johari Razak	6/6
Lim Hock Chye	6/6

#### Attendance at R&N Committee meeting:

Name of Directors	Attendance
Tan Sri Dato' Dr Lin See Yan	1/1
Edmond Cheah Swee Leng	1/1
Lim Hock Chye	1/1

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

## STATEMENT ON CORPORATE GOVERNANCE

### Continuing Development Program and Training

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

The Board has assumed the onus of determining and overseeing the training needs of the Directors and will encourage Directors to attend courses, seminars and training to enhance their skills and knowledge and to keep abreast with the relevant changes in laws, regulations and business environment to effectively discharge their responsibilities. In addition to the updates on relevant guidelines and statutory and regulatory requirements provided by the Company Secretaries from time to time, the Directors have on their own initiative requested to attend courses according to their individual needs as a Director or as members of a Board committee on which they serve.

The following are the seminars/courses/training attended by the Directors during the financial year:

#### ***Dato' Johari Razak***

- In-house Corporate Training Program on "Role & Responsibilities of Directors Under the Listing Requirements" and "Updates on Corporate Governance Guide - 2<sup>nd</sup> Edition" conducted by Tricor Knowledge House Sdn Bhd in May 2014.

#### ***Dato' (Dr) Siew Ka Wei***

- In-house Corporate Training Program on "Role & Responsibilities of Directors Under the Listing Requirements" and "Updates on Corporate Governance Guide - 2<sup>nd</sup> Edition" conducted by Tricor Knowledge House Sdn Bhd in May 2014.

#### ***Tan Sri Ir (Dr) Mohammed Al Amin Abdul Majid***

- Half day seminar on "New Companies Bill" organised by Country View Berhad in January 2014.

#### ***Tan Sri Dato' Dr Lin See Yan***

- Risk Management Forum Embracing Risk for Long-Term Corporate Success – Boosting Your Risk Governance organised by PNB Investment Institute Sdn Bhd in June 2013;
- Speak on "World Economic Scenario: Prospects in World of Slow Growth and Zero Interest Rates" at the 15<sup>th</sup> International Surveyors Congress organised by Royal Institute of Surveyors Malaysia and The Royal Institute of Surveyors in June 2013;
- Speak on "Growth in Emerging Asia Will Slacken: What Are We To Do" organised by the Mutiara Community Forum in July 2013;
- Luncheon discussion on "Quantitative Easing (QE) and Singapore's Housing Market" organised by Tecity Investment & Research of Singapore in July 2013;
- SID Directors Conference on "Corporate Governance: From Form To Value Creation" organised by the Singapore Institute of Directors in September 2013;
- Speak at the MICPA-Bursa Malaysia Business Forum 2013 "Regional Business Outlook : What's Next" in October 2013;
- PNB Nominee Directors Convention 2014 on "Managing Stakeholders' Expectations in the Fast Changing Business Trends Towards Value Creation" organised by PNB Investment Institute Sdn Bhd in February 2014;
- Panelist at the Inaugural Conference of the Jeffrey Cheah Institute on Southeast Asia on "Human Capital Needs for the 21<sup>st</sup> Century: The Role of Higher Education" in March 2014;

## STATEMENT ON CORPORATE GOVERNANCE

- Keynote speaker at the Luncheon Talk on "Current Economic Situation in Malaysia" organised by the Hawaii Asia Pacific Association ("HAPA") in April 2014;
- Roundtable discussion on Financial Reporting organised by Malaysian Accounting Standards Board in April 2014; and
- Speaker at the 2014 Shanghai Forum on "Economic Globalisation and the Choice of Asia – Asia Transforms : Identifying New Dynamics" and the Fudan FTZ Forum organised by the School of Economics, Fudan University, Shanghai in May 2014.

### **Chan Thye Seng**

- In-house Corporate Training Program on "Role & Responsibilities of Directors Under the Listing Requirements" and "Updates on Corporate Governance Guide - 2<sup>nd</sup> Edition" conducted by Tricor Knowledge House Sdn Bhd in May 2014

### **Edmond Cheah Swee Leng**

- The New Landscape for Global Political Risk Management organised by Bursatra Sdn Bhd in July 2013; and
- In-house Corporate Training Program on "Role & Responsibilities of Directors Under the Listing Requirements" and "Updates on Corporate Governance Guide - 2<sup>nd</sup> Edition" conducted by Tricor Knowledge House Sdn Bhd in May 2014.

### **Lim Hock Chye**

- Directors Training on Enterprise Risk Management organised by HELP University in June 2013; and
- In-house Corporate Training Program on "Role & Responsibilities of Directors Under the Listing Requirements" and "Updates on Corporate Governance Guide - 2<sup>nd</sup> Edition" conducted by Tricor Knowledge House Sdn Bhd in May 2014.

### **Re-election of Directors**

In accordance with the Company's Articles of Association, a Director is subject to retire and be eligible for re-election at the first AGM of the Company after his appointment.

The Articles also provide that at least one-third (1/3) of the Board, who are longest in office since their last election, shall be subject to retirement by rotation every year and that each Director shall retire at least once every three (3) years, although he shall be eligible for re-election at the AGM. The GMD does not have a service contract which the notice period for termination is more than one year. The GMD is also subject to retirement at least once every three (3) years and shall be eligible for re-election at the AGM.

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

The R&N Committee is responsible for making recommendations to the Board on the re-election of Directors who are re-retiring pursuant to the Articles of Association of the Company. Accordingly, two (2) Directors retired by rotation at the 44<sup>th</sup> Annual General Meeting of the Company on 23 November 2013 and were re-elected to the Board by the Company's shareholders.

To assist shareholders in making their decision in the re-election of Directors, sufficient information such as personal profile, attendance at Board and Committee meetings and the shareholdings in the Company of the Directors standing for re-election were furnished in the Annual Report.



## STATEMENT ON CORPORATE GOVERNANCE

### 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board strives to present true and fair, comprehensive, balanced and meaningful evaluation and assessment of the Group's financial performance, financial position and future prospects of the Group in the annual Audited Financial Statements and the quarterly Interim Financial Reports of the Company and of the Group in accordance with the Companies Act, 1965 ("CA"), the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and the Listing Requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial positions of the Company and of the Group to enable them to ensure that the financial statements comply with the CA, the MFRSs and IFRSs and the Listing Requirements.

A statement by the Board on its responsibilities for preparing the annual Audited Financial Statements is set out in page 42 of this Annual Report.

The Group's Quarterly Interim Financial Reports are reviewed by the Audit Committee together with the Management while the Annual Audited Financial Statements are reviewed by the Audit Committee together with the Management and the External Auditors. Thereafter, the Audit Committee will recommend to the Board to approve the same prior to releasing to Bursa Securities within the stipulated time frame. The Audit Committee also provides assurance to the Board that all the statutory financial statements and reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial positions.

The Board has a formal and transparent relationship with the External Auditors. The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors. The assessment would focus on whether there exists any relationship between the External Auditors and the Directors or Senior Management and major shareholders of the Group as well as any conflict of interest arising there from, including the extent of non-audit services performed by the External Auditors during the financial year that will give rise to questions about the External Auditors' independence and objectivities in carrying out the responsibilities entrusted to them.

The Audit Committee, upon satisfying itself with the independence of the External Auditors, would recommend to the Board on the appointment of External Auditors which is subject to the approval of the shareholders of the Company at the AGM. The Board will however determine the External Auditors' remuneration as authorised by the shareholders at the AGM.

The report of the Audit Committee is set out in pages 34 to 36 of this Annual Report.

Whenever required, the Audit Committee would hold private sessions with the External Auditors in the absence of the Management to discuss issues affecting the Group, if any.

### 6. RECOGNISE AND MANAGE RISKS

The Board acknowledges their responsibility to maintain a sound system of internal controls covering not only financial controls but also operational and compliance controls to identify risks in the Group's operation and financial performance and to design measures to manage those risks. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board, through the Audit Committee, seeks regular assurance on the continuity and effectiveness of the internal control system through independent reviews by the Internal Auditors.

## STATEMENT ON CORPORATE GOVERNANCE

As per its Terms of Reference, the Audit Committee has been explicitly accorded the power to appoint and to decide on the remuneration and resignation/dismissal of the Internal Auditors. It has also been empowered to ensure that the internal audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has all the authorities and resources to carry out its responsibilities. It also approves the Internal Audit plan and reviews and assesses the performance of the internal audit function.

The report of the Audit Committee and the Statement on Risk Management and Internal Control are separately set out in pages 34 to 36 and 37 to 39 respectively of this Annual Report.

### 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

In line with the Listing Requirements and best practices, the Company must disclose to the public all material information necessary for informed investing and take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information. The Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's Investor Relation ("IR") portal ([www.ancom.com.my](http://www.ancom.com.my)), and ensures that such information should be handled appropriately to avoid leakage and improper use of such information.

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

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

The Company's IR portal ([www.ancom.com.my](http://www.ancom.com.my)) provides all relevant corporate information and is accessible by the public. The Company's website includes share price information, all announcements made by the Company, Annual Reports, financial results, as well as the corporate governance statement of the Company.

### 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### Investors' Relations and Shareholders' Communication

The Board recognises the importance of transparency and accountability to its shareholders and the need for regular, effective and comprehensive communications with the Company's shareholders and investors. The Company maintains active communications with its shareholders and investors on the Group's performance, business activities, financial performance, material information and corporate events through the issuance of annual reports, announcements, quarterly financial reports, circulars and press releases.

The Company has established an IR portal at [www.ancom.com.my](http://www.ancom.com.my) for the benefit of the shareholders and investors. Copies of the Company's Annual Reports, quarterly Interim Financial Reports, announcements, circulars and press releases, as well as the Company's share price performance and financial ratios are also posted on the IR portal and these are accessible by the shareholders and investors without any restriction.

Shareholders and investors are also able to pose questions and queries to the Company via the IR portal. These questions and queries are attended to by the Company's Senior Management or the Board, as the case maybe.

## STATEMENT ON CORPORATE GOVERNANCE

The Board also encourages shareholders to communicate with the Company through other channels. The Board has decided not to appoint a Director to whom any queries or concerns may be conveyed as shareholders and investors are now able to convey their views and queries through the Company's IR portal at [www.ancom.com.my](http://www.ancom.com.my) or e-mail at [corp@ancom.com.my](mailto:corp@ancom.com.my).

### General Meetings

The Company's general meeting is the principal forum for dialogue between the Company and its shareholders.

At the general meetings, the Board encourages and welcomes shareholders to ask questions regarding the affairs of the Group, its financial performance and on the resolutions being proposed at the meetings. The GMD would give a briefing on the performance during the financial year and his view and insights on the future prospects of the Group's businesses. The Chairman, when presenting the agenda items for voting, would give a brief background on the items to be voted and shareholders are invited to give their views and comments before voting takes place.

Shareholders would be informed of their rights to demand for a poll vote on the resolutions before the commencement of the general meeting. In line with the Listing Requirements to encourage more shareholder participation at the Company's general meetings, the Company allows its members who are entitled to attend and vote at the general meeting to appoint a proxy to attend and vote for him and that the proxy so appointed may, but need not be, a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The Company's Articles of Association explicitly allow the right of a proxy to speak at general meetings.

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

The Company held its 44<sup>th</sup> AGM at the Hilton Petaling Jaya at No 2 Jalan Barat, 46200 Petaling Jaya. The Notice of the AGM, the annual Audited Financial Statement and the related circulars were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice was advertised in a national English newspaper within the prescribed deadlines. All the Directors and a total of 104 shareholders and proxies attended the AGM.

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

Proceedings of the AGM were properly minuted and the shareholders may inspect the minutes in accordance with the provisions of the CA.

The Notice for the forthcoming 45<sup>th</sup> AGM of the Company, which will be held on 20 November 2014, is on pages 175 to 178 of this Annual Report.

### CONCLUSION

The Board recognises the importance of the Group practicing good corporate governance and will continually improve on the Group's corporate governance practices and structure to achieve an optimal governance framework.



## AUDIT COMMITTEE REPORT

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

The Board is pleased to present its Audit Committee Report for the financial year ended 31 May 2014.

### 1. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee is available at the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

### 2. MEMBERS

The membership of the Audit Committee during the financial year is as listed below:

- Edmond Cheah Swee Leng - Chairman  
(Independent Non-Executive Director)
- Dato' Johari Razak - Member  
(Non-Independent Non-Executive Chairman)
- Lim Hock Chye - Member  
(Independent Non-Executive Director)

Edmond Cheah Swee Leng is a member of the Malaysian Institute of Accountants (MIA). The composition of the Audit Committee during the financial year complied with the Terms of Reference of the Audit Committee.

### 3. SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee held six (6) meetings. The Audit Committee members attended all the meetings held during the financial year. The Internal Auditors and the External Auditors attended four (4) and three (3) Audit Committee meetings respectively. There were no private sessions held with the External Auditors without the presence of Management during the financial year.

Below is a summary of the activities undertaken by the Audit Committee during the financial year:

#### Financial results

- Reviewed the quarterly Interim Financial Reports with Senior Management before recommending them for the Board's approval for release to Bursa Securities; and
- Reviewed the annual Audited Financial Statements with the Senior Management and External Auditors prior to submission to the Board for approval for release to Bursa Securities.

The reviews above were to ensure, inter-alia, that the quarterly Interim Financial Reports and the annual Audited Financial Statements complied with the provisions of the Companies Act, 1965, the Listing Requirements, the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and other statutory and regulatory requirements and that all audit issues were satisfactorily resolved.

#### Statutory audits

- Reviewed and approved the External Auditors' statutory audit plan including the scope of the audit for the financial year prior to the commencement of the audit;
- In respect of the statutory audit plan, to appraise with the Senior Management the significant changes to the MFRSs and IFRSs and the significant areas of audit emphasis and the possible impact of these changes and areas of audit emphasis to the Group's annual Audited Financial Statements;

## AUDIT COMMITTEE REPORT

- Reviewed with the External Auditors, the results of their audit, the annual Audited Financial Statements and the internal control recommendations in respect of the weaknesses noted in the Group's internal control system, if any, in the course of their audit and the Management's responses and remedial actions to be undertaken in relation to the weaknesses noted therein; and
- Reviewed the External Auditors' performance with the Management, their independence and suitability for re-appointment, the fairness of their remuneration and recommended their reappointment to the Board (subject to approval by shareholders).

### Internal audits

- Reviewed and approved the internal audit plan, including the scope of the audit for the financial year prior to commencement of the audit;
- Reviewed with the Internal Auditors, the quarterly Internal Audit Reports, which detailed the findings on weaknesses in the Group's internal control system and the possible impact on the effectiveness of the internal control system;
- Reviewed the Management's responses on the weaknesses noted in the quarterly Internal Audit Reports and monitored the remedial actions taken by the Management in response to the weaknesses noted; and
- Reviewed the performance of the Internal Auditors and the resource requirements thereof.

### Related party transactions

- Reviewed and approved the related party transactions entered into by the Group and appropriate disclosures in the annual Audited Financial Statements.

### Share issuance scheme

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

During the Board Meeting, the Chairman of the Audit Committee briefed the Board on the matters discussed at the Audit Committee meetings. The Chairman also briefed the Board on the discussion on the Internal Audit Reports and the issues raised in respect of the Group's internal control system, the quarterly Interim Financial Reports, the annual Audited Financial Statements and the recommendations of the Committee thereon to the Board to approve the quarterly Interim Financial Report and the annual Audited Financial Statements for release to Bursa Securities.

## 4. INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent and adequately resourced Internal Audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the Group's internal control system. During the financial year, the Group's Internal Audit functions were outsourced to Sterling Business Alignment Consulting Sdn Bhd, a professional consulting firm.

As per the Terms of References for the Audit Committee, the Audit Committee has been explicitly accorded the power to ensure that the Internal Audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has all the authorities and resources to carry out its responsibilities. The Audit Committee also has the authority to appoint and accept the resignation/dismissal of the Internal Auditors.

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## AUDIT COMMITTEE REPORT

During the financial year, the Internal Auditors carried out their responsibilities according to the Internal Audit Plan approved by the Audit Committee. Amongst the responsibilities of the Internal Auditors were:

- a. to assist the Board in reviewing the adequacy and effectiveness of the Group's internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity the management information system and consequently to determine future requirements for the internal control system and to co-develop a prioritised action plan;
- b. to assess the Group's business operation and to identify the business processes within the Group that the Internal Audit should focus on; and
- c. to allocate audit resources to areas within the Group that provide the Audit Committee and the Management an efficient and effective level of audit coverage.

At the Audit Committee meetings, the Internal Auditors presented the quarterly Internal Audit Reports to the Audit Committee for review and discussion. The quarterly Internal Audit Reports highlighted internal control weaknesses in the business operations and the Internal Auditors' assessment of the impact on the Group's business operations, and if possible, the financial impact on the Group's financial results of the weaknesses identified in the Group's internal control system.

In the quarterly Internal Audit reports, the Internal Auditors also recommended the corrective actions to overcome the weaknesses and detailed the Management's responses to the findings and the recommendations. Targets were set for the appropriate corrective actions to be effected and the Internal Auditors reported their findings on the follow-up reviews in the subsequent quarterly Internal Audit Reports to the Audit Committee.

## 5. CONCLUSION

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

Please refer pages 37 to 39 of this Annual Report for the Statement on Risk Management and Internal Control.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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



### INTRODUCTION

The Board of Directors of the Company ("Board") recognises and is committed to maintaining a sound internal control system and effective risk management framework within the Group to safeguard its assets and shareholders' investment as stipulated in the Malaysian Code on Corporate Governance 2012 ("Code").

The Board is pleased to provide the Group's Statement on Risk Management and Internal Control for the financial year ended 31 May 2014 made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the Task Force with the support and endorsement by Bursa Securities.

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

### RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment and maintenance of a sound Risk Management and Internal Control system in the Group. The Board is also responsible for reviewing the adequacy, effectiveness and integrity of the Group's Risk Management and Internal Control system through ongoing and independent reviews carried out by the Internal Audit function of the Group to achieve the following objectives:

- Safeguard assets of the Group and shareholders' interests;
- Identify and manage risks affecting the Group;
- Ensure compliance with regulatory requirements; and
- Ensure operational results are closely monitored and substantial variances are promptly explained.

As at the date of this Statement, an Internal Control system has been put in place in the Group. The Board has engaged a consultant to implement and formalise the Risk Management Framework for the Group during the financial year. Two (2) of the Company's listed subsidiaries and their respective subsidiaries have implemented their respective Risk Management Framework during the financial year under review.

It is important to note that the Group's Risk Management and Internal Control system is designed to manage and mitigate, rather than to eliminate, the risk that may impede the achievement of the Group's business objectives due to its inherent limitations and the consideration of cost factors. As such, the Group's Risk Management and Internal Control system can only provide reasonable and not absolute assurance against material misstatement of management or financial information, financial losses or fraud.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### RISK MANAGEMENT PROCESS AND INTERNAL CONTROL

The Group has an ongoing process for identifying, evaluating and managing key risks and its internal controls for its key subsidiaries. The Board has delegated the management of risks in the Group's daily operations to the Management team. These processes are embedded within the Group's business operations and guided by the operational manuals and policies and procedures of the Group. The Internal Auditors reviewed the risk management process and internal controls system and reported its findings to the Audit Committee.

The Board is satisfied with the review on the adequacy, effectiveness and integrity of the Group's Risk Management and Internal Control system undertaken during the financial year and it has received the assurance from the Group Managing Director and the Chief Financial Officer.

### KEY ELEMENTS OF INTERNAL CONTROL

The main features of the Group's Internal Control system during the financial year ended 31 May 2014 are summarised as follows:

- **Organisation Structure and Responsibility Levels**

The Group's organisational structure has clearly defined levels of authority and lines of responsibility from operating units up to the Board level to ensure accountabilities for risk management and control activities. There are proper segregation of duties and responsibilities to eliminate the incidence of an employee having total control of a business process.

The Board entrusted the daily running of the business to the Group Managing Director and his Management team. The Group Managing Director is assisted by the Divisional Managing Directors who are "hands-on" in running the operating divisions. Experienced and competent employees were placed in positions of responsibility to ensure that the objectives of the Group's risk management and internal control system are achieved.

The Board of Directors received timely information pertaining to the operation, performance and profitability of the Group and was alerted of any significant matters that required its immediate attention by the Group Managing Director.

- **Audit Committee and Internal Audit**

The Audit Committee was entrusted by the Board to ensure that an effective and adequate Risk Management and Internal Control system is in place at all times. To assist the Audit Committee in discharging its duties and responsibilities, the Audit Committee outsources the Internal Audit functions to a professional firm to take charge of the Group's Internal Audit function.

The Audit Committee has been empowered to ensure that the Internal Audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has all the authorities and resources to carry out its responsibilities and it approves the Internal Audit plan.

The Internal Audit function conducts independent reviews of the key activities within the Group's operating units based on a detailed Internal Audit plan which has been approved by the Audit Committee.

The Internal Audit function reports its findings on the Group's Internal Control system quarterly to the Audit Committee.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The report includes any incidence of non-compliance of the Group's Internal Control system, if any. The Internal Audit function also ensures that all weaknesses and non-compliance of the Internal Control system are rectified accordingly.

During the financial year under review, the Internal Auditor function did not report any incidence of non-compliance of the Group's Internal Control System and any other matters that would have a material effect on the Group's financial results and its going-concern assumptions. The Board was therefore satisfied that there were continuous efforts by Management to address and resolve areas with control weaknesses and that the control procedures were in place and being followed.

- **Reporting and Review**

The Group Managing Director holds meetings whenever applicable with the Divisional Managing Directors and Senior Management to discuss and resolve operational, corporate, financial and key management issues. A performance review comparing the actual results with the previous year's results and the explanation on significant variances are presented to the Board during the Board meetings.

The Group's quarterly Interim Financial Report and annual Audited Financial Statements are only released to Bursa Securities after being reviewed by the Audit Committee and approved by the Board.

- **Group Policies and Procedures**

The Group's Policies and Procedures are a formal guide for the Management and employees of the Group to carry out their day-to-day duties. The Group's Policies and Procedures cover the following core areas: Authority limits and authorisation mandates, protection and maintenance of assets, human resources management, sales, financial, procurement and operations. The Limits of Authority in the Group's Policies and Procedures will delineate authority limits to the appropriate persons to ensure accountability and segregation of duties.

## CONCLUSION

The Board is of the view that the Group's Risk Management and Internal Control system during the financial year under review, and up to the date of issuance of the financial statements, was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would jeopardise the value of the Group's assets and shareholders' investment.



## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Board understands the need for business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders.

In this respect, the Company and its subsidiaries ("Group") has adopted the following broad principals in carrying out its activities:

- the Group shall conduct its business ethically and with integrity, honesty and fairness and with the utmost level of corporate governance;
- the Group shall not breach the regulations and laws, and shall respect the cultures of the countries in which it operates;
- the Group will build relationships with its shareholders, suppliers, customers, employees, partners and authorities that are based on trust, mutual respect and outcomes; and
- the Group shall manage its activities according to the principles of sustainable development for the needs of future generations.

The Group carried out activities during the financial year ended 31 May 2014 which focus on four areas as disclosed below:

### Environment

As a responsible corporation, the Group has initiated various sustainable environmental conservation efforts. Chemical wastes are sent to Kualiti Alam for proper disposal and monthly reports on the scheduled waste are submitted to the Department of Environment ("DOE") and the relevant local authorities. Used materials such as papers, paper cartons and cardboard boxes are re-used, where possible, or sent to recycling centers. Used photocopy ink cartridges are sent to ink suppliers for re-use to help save the environment.

Wherever practical, the Group uses only eco-friendly chemicals in its products.

### Workplace

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

- Proactive measures were taken to reduce employees' exposure to noise, such as providing ear plugs and soundproofing the affected areas where possible. Annual Employee Audiometric Hearing tests were conducted to ensure employees' hearing remained in good condition. Annual medical check-ups were also conducted on the factory workers in hazardous areas;
- Scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on site drills were conducted to ensure that employees are well trained to handle emergency situations;
- Regular training on workplace safety, product handling, inspection of fire-fighting equipment; Fire Safety talk by the Public Fire Safety & Prevention Education Centre, Personal Protection Equipment talk and fire and chemical handling drills were carried out for the employees on a regular basis;
- Regular first aid training to employees at the Group's Bulk Liquid Terminal; and
- Fire drill conducted with Bomba Malaysia/West Port Bomba at the Group's Bulk Liquid Terminal to test the emergency response team's readiness in the event of fire or accident at the Terminal.

Management and Supervisory Development programs which highlighted career advancement opportunities were also organised by the Group for existing employees who possess potential.

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## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

### Community

Consistent with one of the important focal areas of Corporate Social Responsibility which is to be responsible to the communities in which the Group operates, the Group provided industrial training/internship opportunities to eight (8) students from five (5) local institutes of higher learning. A subsidiary also hosted students from a local institution of higher learning to observe the proceedings at its general meeting.

Employees of the Group are encouraged to volunteer in community projects. During the financial year, the Group organised various fund raising activities for old folks homes and orphanages; donated bloods for hospitals, contributed food and building materials to local villagers in Indonesia; made donations to schools, charity organisations and other community projects in Malaysia, Singapore and Indonesia. One of the subsidiaries sponsored the production cost and the on-and-off screen promotion activities for Hospice Malaysia. Its staff also took part in distributing vegetarian meals to the homeless in Kuala Lumpur in collaboration with Kechara Soup Kitchen.

### Marketplace

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

Supplier Audits are regularly conducted to ensure that materials provided by the Group's suppliers meet the standards imposed by the DOE or Environment Quality Act, 1974 ("EQA").

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



## DIRECTORS' RESPONSIBILITIES STATEMENT IN RELATION TO THE PREPARATION OF AUDITED FINANCIAL STATEMENTS

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

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare Financial Statements for a financial year which shall give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Directors are required to issue a Statement explaining their responsibilities in the preparation of the Financial Statements.

The Directors hereby state that they are responsible to ensure that the Company and the Group keep proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group as at 31 May 2014 and the profit and loss of the Company and of the Group for the financial year ended 31 May 2014. The Directors are also responsible to ensure that the Financial Statements comply with the Companies Act, 1965, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the Listing Requirements and other statutory and regulatory requirements.

In preparing the audited Financial Statements of the Company and of the Group for the financial year ended 31 May 2014 ("Financial Statements"), the Directors have:

- adopted accounting policies which are appropriate and consistently applied;
- made judgment and estimates which are reasonable and prudent;
- prepared the Financial Statements on the assumption that the Company and the Group will operate as a going concern; and
- ensured that all applicable approved accounting standards have been followed subject to any material departure being disclosed and explained in the Financial Statements.

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



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## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2014.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 44 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year, except for a subsidiary, Dynamic Chemical Pte. Ltd. as disclosed in Note 44 to the financial statements.

### RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	24,635	3,676
Attributable to:		
Owners of the parent	9,566	3,676
Non-controlling interests	15,069	-
	24,635	3,676

### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors propose a first and final single tier tax exempt dividend of 1.00 sen per ordinary share amounting to RM2,162,000 in respect of the financial year ended 31 May 2014, which is subject to the approval of members at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by the members, will be accounted for as an appropriation of retained earnings in the next financial year.

### RESERVES AND PROVISIONS

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

### ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

## DIRECTORS' REPORT

## REPURCHASE/RESALE OF SHARES

At the 44<sup>th</sup> Annual General Meeting held on 20 November 2013, the shareholders of the Company, by an ordinary resolution, renewed the authority given to the Directors to purchase the Company's own shares based on the following terms:

- (i) The number of ordinary shares to be repurchased shall, in aggregate with the Treasury Shares then still held by the Company, not exceed 10% of the total issued and paid up share capital of the Company for the time being;
- (ii) The amount to be utilised for the repurchase of shares by the Company shall not exceed the total retained earnings and share premium of the Company as at 31 May 2013; and
- (iii) The Directors may retain the ordinary shares so repurchased as Treasury Shares and may resell such Treasury Shares or distribute the Treasury Shares as share dividend or to cancel the ordinary shares so repurchased in a manner that they deem fit and expedient in accordance with the Companies Act, 1965 in Malaysia and the applicable guidelines of Bursa Malaysia Securities Berhad.

During the financial year, the total shares repurchased by the Company out of internally generated funds and the consideration paid are as follows:

Month	Number of shares repurchased	Purchase price			Total consideration RM
		Lowest RM	Highest RM	Average RM	
November 2013	21,600	0.360	0.360	0.360	7,776
May 2014	80,000	0.545	0.555	0.551	44,290
	<u>101,600</u>				<u>52,066</u>

As at 31 May 2014, a total of 2,795,827 (2013: 2,694,227) treasury shares at a total cost of RM2,108,000 (2013: RM2,056,000) were held by the Company in accordance with Section 67A(3)(b) of the Companies Act, 1965 in Malaysia.

The shares purchased are being held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965 in Malaysia.

The number of ordinary shares as at 31 May 2014 net of treasury shares is 216,160,515 (2013: 216,262,115) ordinary shares of RM1.00 each.

## DIRECTORS

The Directors who have held for office since the date of the last report are:

Dato' Johari Razak (*Non-Executive Chairman*)  
 Dato' (Dr) Siew Ka Wei (*Group Managing Director*)  
 Tan Sri Dato' Dr Lin See Yan  
 Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid  
 Chan Thye Seng  
 Edmond Cheah Swee Leng  
 Lim Hock Chye

In accordance with Article 81 of the Company's Articles of Association, Edmond Cheah Swee Leng and Lim Hock Chye retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

## DIRECTORS' REPORT

Tan Sri Dato' Dr Lin See Yan retires in accordance with Section 129(2) of the Companies Act, 1965 in Malaysia at the forthcoming Annual General Meeting. The Board recommends that Tan Sri Dato' Dr Lin See Yan be re-appointed as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 in Malaysia, to hold office until the conclusion of the next Annual General Meeting.

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 May 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of Ordinary Shares of RM1.00 Each			Balance at 31.5.2014
	Balance at 1.6.2013	Bought	Sold	
<b>Shares in the Company</b>				
<b>Direct interests</b>				
Dato' Johari Razak	465,427	-	-	465,427
Dato' (Dr) Siew Ka Wei	17,880,065	3,096,900	-	20,976,965
Tan Sri Dato' Dr Lin See Yan	165,375	-	-	165,375
<b>Indirect interests</b>				
Dato' (Dr) Siew Ka Wei	19,398,848	1,212,900	-	20,611,748
Chan Thye Seng	39,742,502	3,054,900	-	42,797,402
<b>Shares in subsidiaries</b>				
<b>Nylex (Malaysia) Berhad ('Nylex')</b>				
<b>Direct interests</b>				
Dato' Johari Razak	131,360	-	-	131,360
Dato' (Dr) Siew Ka Wei	1,522,049	-	-	1,522,049
Tan Sri Dato' Dr Lin See Yan	17,337	-	-	17,337
<b>Indirect interests</b>				
Dato' (Dr) Siew Ka Wei	93,667,135	4,300	-	93,671,435
Chan Thye Seng	31,453	-	-	31,453
<b>Ancom Logistics Berhad ('ALB')</b>				
<b>Direct interests</b>				
Dato' Johari Razak	23,271	-	-	23,271
Dato' (Dr) Siew Ka Wei	725,867	-	-	725,867
Tan Sri Dato' Dr Lin See Yan	8,268	-	-	8,268
<b>Indirect interests</b>				
Dato' (Dr) Siew Ka Wei	223,712,349	-	-	223,712,349
Chan Thye Seng	15,000	-	-	15,000



## DIRECTORS' REPORT

By virtue of their interests in the ordinary shares of the Company, Dato' (Dr) Siew Ka Wei and Chan Thye Seng are deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received and receivable by the Directors as disclosed in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 39 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those disclosed above.

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

#### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the following:

	Note	Group 2014 RM'000	Company 2014 RM'000
1. Gain on disposal of investment in a subsidiary	33	20,087	-
2. Bad debts written off - third parties	33	1,432	-
3. Impairment losses on:			
- intangible assets	33	3,850	-
- investments in associates	33	1,000	-
- goodwill on consolidation	33	5,044	-
- amounts owing by subsidiaries	33	-	2,104
- amounts owing by associates	33	4,467	-
- trade and other receivables	33	3,410	-

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## DIRECTORS' REPORT

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; and
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### (III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 45 to the financial statements.

## AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Dato' Johari Razak**  
Director

**Dato' (Dr) Siew Ka Wei**  
Director

Kuala Lumpur  
29 September 2014

## STATEMENT BY DIRECTORS

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



In the opinion of the Directors, the financial statements set out on pages 52 to 166 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 46 to the financial statements on page 167 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

**Dato' Johari Razak**  
Director

**Dato' (Dr) Siew Ka Wei**  
Director

Kuala Lumpur  
29 September 2014

## STATUTORY DECLARATION

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



I, Lim Chang Meng, being the officer primarily responsible for the financial management of Ancom Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 167 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly  
declared by the abovenamed  
at Kuala Lumpur this  
29 September 2014

**Lim Chang Meng**

Before me:  
Kapt. (B) Jasni Bin Yusoff  
(No. W465)  
Commissioner for Oaths



## INDEPENDENT AUDITORS' REPORT

To the members of Ancom Berhad (Incorporated in Malaysia)

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ancom Berhad, which comprise statements of financial position as at 31 May 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 52 to 166.

#### ***Directors' Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 May 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 44 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

## INDEPENDENT AUDITORS' REPORT

To the members of Ancom Berhad (Incorporated in Malaysia)

- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

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

#### **BDO**

AF: 0206  
Chartered Accountants

Kuala Lumpur  
29 September 2014

#### **Francis Cyril A/L S R Singam**

3056/04/15 (J)  
Chartered Accountant



## STATEMENTS OF FINANCIAL POSITION

As at 31 May 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	<b>191,487</b>	228,418	<b>40,147</b>	39,792
Investment properties	8	<b>139</b>	145	-	-
Investments in subsidiaries	9	-	-	<b>264,652</b>	264,650
Investments in associates	10	<b>2,509</b>	3,509	-	-
Investment in a joint venture	11	<b>980</b>	-	-	-
Other investments	12	<b>695</b>	735	<b>503</b>	545
Intangible assets	13	<b>3,634</b>	15,243	<b>6</b>	3
Goodwill on consolidation	14	<b>71,618</b>	74,529	-	-
Deferred tax assets	15	<b>29,649</b>	32,735	-	-
Other receivables	17	<b>1,592</b>	1,966	-	-
		<b>302,303</b>	357,280	<b>305,308</b>	304,990
<b>Current assets</b>					
Inventories	16	<b>125,563</b>	190,756	-	-
Trade and other receivables	17	<b>324,721</b>	348,414	<b>857</b>	4,074
Amounts owing by subsidiaries	18	-	-	<b>65,947</b>	67,662
Amounts owing by associates	19	<b>1,772</b>	3,731	<b>167</b>	-
Amount owing by a joint venture	20	<b>345</b>	-	-	-
Derivative assets	31	<b>17</b>	39	-	-
Current tax assets		<b>2,074</b>	855	<b>377</b>	479
Other investments	12	<b>3,635</b>	863	-	-
Cash and bank balances	21	<b>127,702</b>	69,224	<b>648</b>	321
		<b>585,829</b>	613,882	<b>67,996</b>	72,536
<b>Total Assets</b>		<b>888,132</b>	971,162	<b>373,304</b>	377,526

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

## STATEMENTS OF FINANCIAL POSITION

As at 31 May 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the owners of the parent</b>					
Share capital	22	<b>218,956</b>	218,956	<b>218,956</b>	218,956
Reserves	23	<b>61,931</b>	54,153	<b>25,349</b>	21,673
Less: Treasury shares, at cost	22	<b>(2,108)</b>	(2,056)	<b>(2,108)</b>	(2,056)
		<b>278,779</b>	271,053	<b>242,197</b>	238,573
<b>Non-controlling interests</b>		<b>142,352</b>	131,078	-	-
<b>Total Equity</b>		<b>421,131</b>	402,131	<b>242,197</b>	238,573
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	24	<b>6,336</b>	13,273	<b>250</b>	3,466
Deferred tax liabilities	15	<b>13,461</b>	14,768	<b>2,643</b>	2,653
Government grant	27	-	-	-	-
Provision for retirement benefits	28	<b>2,882</b>	2,862	-	-
		<b>22,679</b>	30,903	<b>2,893</b>	6,119
<b>Current liabilities</b>					
Borrowings	24	<b>210,986</b>	271,742	<b>40,910</b>	53,463
Trade and other payables	29	<b>232,177</b>	263,304	<b>1,721</b>	2,018
Amounts owing to subsidiaries	30	-	-	<b>85,578</b>	77,353
Amounts owing to associates	19	<b>523</b>	508	<b>5</b>	-
Derivative liabilities	31	-	1	-	-
Current tax liabilities		<b>636</b>	2,573	-	-
		<b>444,322</b>	538,128	<b>128,214</b>	132,834
<b>Total Liabilities</b>		<b>467,001</b>	569,031	<b>131,107</b>	138,953
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>888,132</b>	971,162	<b>373,304</b>	377,526

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



## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 May 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	32	<b>1,864,145</b>	2,032,564	<b>20,066</b>	23,998
Cost of sales		<b>(1,653,061)</b>	(1,838,205)	-	-
Gross profit		<b>211,084</b>	194,359	<b>20,066</b>	23,998
Other operating income		<b>28,968</b>	5,844	<b>40</b>	156
Distribution costs		<b>(71,694)</b>	(65,290)	-	-
Administrative expenses		<b>(98,182)</b>	(91,252)	<b>(9,087)</b>	(10,547)
Other operating expenses		<b>(13,024)</b>	(24,861)	<b>(3,217)</b>	(11,976)
Finance costs		<b>(12,605)</b>	(14,405)	<b>(4,066)</b>	(4,789)
Share of results of associates		-	(147)	-	-
Share of results of a joint venture		<b>(770)</b>	-	-	-
Profit/(Loss) before tax	33	<b>43,777</b>	4,248	<b>3,736</b>	(3,158)
Tax expense	34	<b>(19,142)</b>	(16,781)	<b>(60)</b>	(128)
Profit/(Loss) for the financial year		<b>24,635</b>	(12,533)	<b>3,676</b>	(3,286)
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit of loss</b>					
Foreign currency translations		<b>1,673</b>	(4,212)	-	-
Transfer of exchange translation reserve upon disposal of a subsidiary	9.3	<b>(907)</b>	-	-	-
Other comprehensive income/(loss), net of tax		<b>766</b>	(4,212)	-	-
Total comprehensive income/(loss)		<b>25,401</b>	(16,745)	<b>3,676</b>	(3,286)
Profit/(Loss) attributable to:					
Owners of the parent		<b>9,566</b>	(19,906)	<b>3,676</b>	(3,286)
Non-controlling interests		<b>15,069</b>	7,373	-	-
		<b>24,635</b>	(12,533)	<b>3,676</b>	(3,286)
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent		<b>9,723</b>	(21,997)	<b>3,676</b>	(3,286)
Non-controlling interests		<b>15,678</b>	5,252	-	-
		<b>25,401</b>	(16,745)	<b>3,676</b>	(3,286)
<b>Earnings/(Loss) per ordinary share attributable to the owners of the parent (sen):</b>					
<b>Basic and diluted:</b>					
Earnings/(Loss) per ordinary share	35	<b>4.42</b>	(9.22)		

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2014



Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>As at 31 May 2013</b>		218,956	4,332	203	4,987	(53)	(2,056)	44,684	<b>271,053</b>	131,078	<b>402,131</b>
Profit for the financial year		-	-	-	-	-	-	9,566	<b>9,566</b>	15,069	<b>24,635</b>
Other comprehensive income, net of tax		-	-	-	-	157	-	-	<b>157</b>	609	<b>766</b>
Total comprehensive income		-	-	-	-	157	-	9,566	<b>9,723</b>	15,678	<b>25,401</b>
<b>Transactions with owners</b>											
Repurchase of treasury shares of the Company	22(b)	-	-	-	-	-	(52)	-	<b>(52)</b>	-	<b>(52)</b>
Repurchase of treasury shares of a subsidiary		-	-	-	-	-	-	-	<b>-</b>	(134)	<b>(134)</b>
Arising from accretion of equity interest in a subsidiary	9.1(a)	-	-	-	-	-	-	(1,945)	<b>(1,945)</b>	(1,710)	<b>(3,655)</b>
Additional interests acquired by non-controlling interests of a subsidiary	9.1(c)	-	-	-	-	-	-	-	<b>-</b>	9,079	<b>9,079</b>
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	<b>-</b>	(11,639)	<b>(11,639)</b>
Total transactions with owners		-	-	-	-	-	(52)	(1,945)	<b>(1,997)</b>	(4,404)	<b>(6,401)</b>
<b>As at 31 May 2014</b>		218,956	4,332	203	4,987	104	(2,108)	52,305	<b>278,779</b>	142,352	<b>421,131</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the financial year ended 31 May 2014

Group	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>As at 31 May 2012</b>	218,956	4,332	203	4,987	2,038	(2,281)	70,434	<b>298,669</b>	122,691	<b>421,360</b>
(Loss)/Profit for the financial year	-	-	-	-	-	-	(19,906)	<b>(19,906)</b>	7,373	<b>(12,533)</b>
Other comprehensive loss, net of tax	-	-	-	-	(2,091)	-	-	<b>(2,091)</b>	(2,121)	<b>(4,212)</b>
Total comprehensive (loss)/income	-	-	-	-	(2,091)	-	(19,906)	<b>(21,997)</b>	5,252	<b>(16,745)</b>
<b>Transactions with owners</b>										
Net disposal of treasury shares of the Company	-	-	-	-	-	225	-	<b>225</b>	-	<b>225</b>
Repurchase of treasury shares of a subsidiary	-	-	-	-	-	-	-	<b>-</b>	(396)	<b>(396)</b>
Net dilution of equity interest in subsidiaries	-	-	-	-	-	-	(5,608)	<b>(5,608)</b>	8,542	<b>2,934</b>
Arising from accretion of equity interest in a subsidiary	-	-	-	-	-	-	(236)	<b>(236)</b>	(1,728)	<b>(1,964)</b>
Additional non-controlling interests arising on business combination	-	-	-	-	-	-	-	<b>-</b>	571	<b>571</b>
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	<b>-</b>	(3,854)	<b>(3,854)</b>
Total transactions with owners	-	-	-	-	-	225	(5,844)	<b>(5,619)</b>	3,135	<b>(2,484)</b>
<b>As at 31 May 2013</b>	218,956	4,332	203	4,987	(53)	(2,056)	44,684	<b>271,053</b>	131,078	<b>402,131</b>

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

## STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 May 2014



Company	Note	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
<b>As at 31 May 2013</b>		218,956	4,332	4,917	(2,056)	12,424	238,573
Profit for the financial year		-	-	-	-	3,676	3,676
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	3,676	3,676
<b>Transaction with owners</b>							
Repurchase of treasury shares of the Company	22(b)	-	-	-	(52)	-	(52)
<b>Total transaction with owners</b>		-	-	-	(52)	-	(52)
<b>As at 31 May 2014</b>		<b>218,956</b>	<b>4,332</b>	<b>4,917</b>	<b>(2,108)</b>	<b>16,100</b>	<b>242,197</b>
<b>As at 31 May 2012</b>		218,956	4,332	4,917	(2,281)	15,710	241,634
Loss for the financial year		-	-	-	-	(3,286)	(3,286)
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(3,286)	(3,286)
<b>Transaction with owners</b>							
Net disposal of treasury shares of the Company		-	-	-	225	-	225
<b>Total transaction with owners</b>		-	-	-	225	-	225
<b>As at 31 May 2013</b>		<b>218,956</b>	<b>4,332</b>	<b>4,917</b>	<b>(2,056)</b>	<b>12,424</b>	<b>238,573</b>

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



## STATEMENTS OF CASH FLOWS

For the financial year ended 31 May 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash Flows From Operating Activities</b>					
Profit/(Loss) before tax		<b>43,777</b>	4,248	<b>3,736</b>	(3,158)
Adjustments for:					
Amortisation of government grant	27	-	(600)	-	-
Amortisation of intangible assets	13	<b>3,643</b>	6,436	<b>1</b>	1
Bad debts written off:					
- third parties		<b>1,432</b>	26	-	-
- subsidiaries		-	-	-	2,000
Deposits written off		<b>1</b>	503	-	-
Depreciation of investment properties	8	<b>6</b>	6	-	-
Depreciation of property, plant and equipment	7	<b>18,767</b>	19,726	<b>1,069</b>	1,176
Dividend income (gross)	32	<b>(19)</b>	(6)	<b>(18,902)</b>	(22,837)
Fair value adjustment on other investments		<b>(32)</b>	(59)	<b>42</b>	(52)
Fair value adjustment on non-current other receivables		<b>(107)</b>	424	-	-
Fair value gain on derivatives	31	<b>(17)</b>	(38)	-	-
Gain on disposal of investment in an associate		-	(1,123)	-	-
Gain on disposal of investment in a subsidiary	9.3	<b>(20,087)</b>	-	-	-
Gain on disposal of property, plant and equipment		<b>(807)</b>	(257)	<b>(40)</b>	-
Gain on disposal of treasury shares		-	(104)	-	(104)
Loss on dilution of equity interest in subsidiaries	9	-	-	-	4,590
Loss on disposal of other investments		-	909	-	909
Impairment losses on:					
- amounts owing by subsidiaries	18	-	-	<b>2,104</b>	3,081
- amounts owing by associates	19	<b>4,467</b>	2,561	-	105
- goodwill on consolidation	14	<b>5,044</b>	-	-	-
- intangible assets	13	<b>3,850</b>	2,348	-	-
- investments in associates	10	<b>1,000</b>	-	-	112
- other investments		-	1,687	-	-
- trade and other receivables	17(e)	<b>3,410</b>	6,691	-	-
Interest expense		<b>12,605</b>	14,405	<b>4,066</b>	4,789
Interest income		<b>(622)</b>	(1,488)	<b>(108)</b>	(181)
Inventories written down	16	<b>2,408</b>	2,239	-	-
Inventories written off		<b>900</b>	-	-	-
Intangible assets written off	13	<b>53</b>	-	-	-
Property, plant and equipment written off	7	<b>1,599</b>	1,848	<b>1</b>	6
Reversal of impairment losses on trade and other receivables	17(e)	<b>(1,141)</b>	(320)	-	-
Reversal of impairment loss on investments in associates		-	(1,548)	-	-
Share of results in a joint venture	11	<b>770</b>	-	-	-
Share of results in associates	10	-	147	-	-
Unrealised (gain)/loss on foreign exchange		<b>(191)</b>	1,653	-	-
Waiver of payable balances		<b>(200)</b>	-	-	-
Write back of warranties		<b>(162)</b>	(204)	-	-
Write off of deferred expenses		-	127	-	-
Provision for retirement benefits	28	<b>362</b>	343	-	-
<b>Operating profit/(loss) before working capital changes</b>		<b>80,709</b>	60,580	<b>(8,031)</b>	(9,563)

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

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 May 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash Flows From Operating Activities</b> <i>(continued)</i>					
<b>Operating profit/(loss) before working capital changes</b> <i>(continued)</i>					
		<b>80,709</b>	60,580	<b>(8,031)</b>	(9,563)
Decrease/(Increase) in inventories		<b>61,885</b>	(4,060)	-	-
Decrease/(Increase) in trade and other receivables		<b>10,715</b>	(7,272)	<b>3,217</b>	(3,518)
(Decrease)/Increase in trade and other payables		<b>(26,609)</b>	(48,602)	<b>(297)</b>	1,109
(Increase)/ Decrease in amounts owing by associates		<b>(2,508)</b>	1,958	<b>(167)</b>	232
Increase in amount owing by a joint venture		<b>(345)</b>	-	-	-
Increase in amounts owing to associates		<b>15</b>	495	<b>5</b>	-
<b>Cash generated from/(used in) operations</b>		<b>123,862</b>	3,099	<b>(5,273)</b>	(11,740)
Dividend received		<b>19</b>	6	<b>18,902</b>	10,111
Retirement benefits paid	28	<b>(296)</b>	(308)	-	-
Tax (paid)/refunded		<b>(19,618)</b>	(11,185)	<b>32</b>	-
<b>Net cash from/(used in) operating activities</b>		<b>103,967</b>	(8,388)	<b>13,661</b>	(1,629)
<b>Cash Flows From Investing Activities</b>					
Acquisition of a subsidiary	9	-	284	-	-
Acquisition of additional interests in a subsidiary	9.1(a)	<b>(3,655)</b>	-	<b>(2)</b>	-
Additional interests acquired by non-controlling interests of a subsidiary	9.1(c)	<b>9,079</b>	-	-	-
Dilution of equity interest in a subsidiary		-	2,934	-	2,934
Interest received		<b>622</b>	1,488	<b>108</b>	181
Proceeds from disposal of property, plant and equipment		<b>1,726</b>	1,165	<b>40</b>	-
Purchase of intangible assets	13	<b>(63)</b>	(449)	<b>(4)</b>	(1)
Purchase of other investments		<b>(2,700)</b>	(400)	-	-
Purchase of property, plant and equipment	7(a)	<b>(11,655)</b>	(14,343)	<b>(1,425)</b>	(1,241)
Repayments to subsidiaries		-	-	<b>7,836</b>	4,126
Proceeds from disposal of a subsidiary	9.3	<b>46,949</b>	-	-	-
Proceeds from disposal of other investments		-	2,448	-	747
Repurchase of treasury shares of a subsidiary		<b>(134)</b>	(396)	-	-
Placement of short term deposits:					
- pledged with licensed banks		<b>(1,389)</b>	654	-	-
- with maturity period more than three (3) months		<b>(106)</b>	-	-	-
Compensation received from termination of a marketing right	13	<b>4,126</b>	-	-	-
<b>Net cash from/(used in) investing activities</b>		<b>42,800</b>	(6,615)	<b>6,553</b>	6,746

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

**STATEMENTS OF CASH FLOWS**

For the financial year ended 31 May 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash Flows From Financing Activities</b>					
Dividends paid to non-controlling interests of subsidiaries		(11,639)	(3,854)	-	-
Interest paid		(12,605)	(14,405)	(4,066)	(4,789)
Proceeds from disposal of treasury shares		-	767	-	767
Repurchase of treasury shares of the company		(53)	(438)	(52)	(438)
Repayments of hire purchase and lease creditors		(4,282)	(8,552)	(206)	(796)
Net (repayment)/drawdown of borrowings		(63,631)	25,359	(17,250)	1,250
<b>Net cash used in financing activities</b>		<b>(92,210)</b>	<b>(1,123)</b>	<b>(21,574)</b>	<b>(4,006)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>54,557</b>	<b>(16,126)</b>	<b>(1,360)</b>	<b>1,111</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>51,564</b>	<b>66,083</b>	<b>(6,193)</b>	<b>(7,304)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>1,482</b>	<b>1,607</b>	<b>-</b>	<b>-</b>
		<b>53,046</b>	<b>67,690</b>	<b>(6,193)</b>	<b>(7,304)</b>
<b>Cash and cash equivalents at end of financial year</b>	21	<b>107,603</b>	<b>51,564</b>	<b>(7,553)</b>	<b>(6,193)</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2014



## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Lot 2A, Jalan 13/2, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements for the financial year ended 31 May 2014 comprise the Company and its subsidiaries and the interest of the Group in associates and a joint venture. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 29 September 2014.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 44 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year, except for a subsidiary, Dynamic Chemical Pte. Ltd. as disclosed in Note 44 to the financial statements.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 52 to 166 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 46 to the financial statements set out on page 167 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of accounting

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 preparation of these financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of an investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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



**NOTES TO THE FINANCIAL STATEMENTS**

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**4. SIGNIFICANT ACCOUNTING POLICIES** (continued)**4.2 Basis of consolidation** (continued)

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly venture.

**4.3 Business combinations**

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except for deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

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

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, 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 non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.3 Business combinations *(continued)*

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.8(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

#### 4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and is not depreciated. Assets under construction are not depreciated until such time when the asset is available for use.

Depreciation on other property, plant and equipment is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2% - 12.5%
Leasehold land	1% - 5%
Plant and machinery	5% - 33.3%
Motor vehicles	5% - 25%
Furniture, fittings and office equipment	5% - 33.3%
Renovation	2% - 10%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

**NOTES TO THE FINANCIAL STATEMENTS**

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**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***4.4 Property, plant and equipment and depreciation** *(continued)*

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

**4.5 Lease and hire purchase****(a) Finance leases and hire purchase**

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership of the Group are recognised initially at amounts equal to the fair value of the leased asset, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

**(b) Operating leases**

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

**(c) Lease of land and buildings**

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.6 Investment properties

Investment properties are properties which are held to earn rentals yields or for capital appreciation or for both and are not occupied by the Group. Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investments properties are fifty (50) years.

At the end of each reporting period, the carrying amount of an item of the investment properties are assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

#### 4.7 Investments

##### (a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.7 Investments *(continued)*

##### (b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the separate financial statements of the Company, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investment of the Group.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the net investment in the associate of the Group.

The share of the profit or loss of the associate by the Group during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the proportionate interest of the Group in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The share of those changes by the Group is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate to the extent that there is no impairment.

When the share of losses of the Group in the associate equals or exceeds its interest in the associates, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest financial statements for which the difference in end of the reporting periods is not more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.7 Investments *(continued)*

##### (b) Associates *(continued)*

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

##### (c) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures*.

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

- (i) The structure of the joint arrangement;
- (ii) The legal form of joint arrangements structured through a separate vehicle;
- (iii) The contractual terms of the joint arrangement agreement; and
- (iv) Any other facts and circumstances.

When there are changes in the facts and circumstances change, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

#### 4.8 Intangible assets

##### (a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.



**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***4.8 Intangible assets** *(continued)***(a) Goodwill** *(continued)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the share of the net fair value of net assets of the associates' identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associate's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

**(b) Other intangible assets**

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount could be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.8 Intangible assets *(continued)*

##### (b) Other intangible assets *(continued)*

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

##### **Development expenditure**

Development expenditure is written off to profit or loss as and when incurred except that development expenditure of which the Group can demonstrate that it is technically feasible to develop products or processes, adequate resources are available to complete the development and there is an intention to complete and sell the products or processes to generate future economic benefits.

After initial recognition, the development expenditure is carried at cost less accumulated amortisation and any accumulated impairment losses. The development expenditure is amortised over the period of time not exceeding five (5) years and are assessed for any indication that the asset may be impaired. If any indication exists, the Group shall estimate the recoverable amount of the asset as stated in Note 4.9 to the financial statements. The amortisation expense and any impairment loss is recognised in profit or loss.

The development expenditure is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

##### **Rights**

Rights relating to the exclusive audiovisual advertising network distribution is recognised as an asset at the acquisition date and initially measured at cost.

After initial recognition, the rights are carried at cost less accumulated amortisation and any accumulated impairment losses. The rights are amortised on a straight line basis over five (5) to fifteen (15) years and are assessed for any indication that the asset may be impaired. If any indication exists, the Group shall estimate the recoverable amount of the asset as stated in Note 4.9 to the financial statements. The amortisation expense and any impairment loss is recognised in profit or loss.

The rights are derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

##### **Computer software**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three (3) to five (5) years.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.9 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries, associates and a joint venture), inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

#### 4.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of the Group is determined using the first-in, first-out and weighted average method. The cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present condition and location. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour, other direct cost and an appropriate portion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

##### 4.11.1 Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***4.11 Financial instruments** *(continued)***4.11.1 Financial assets** *(continued)***(b) Held-to-maturity investments**

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

**(c) Loans and receivables**

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

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

**(d) Available-for-sale financial assets**

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.11 Financial instruments *(continued)*

##### 4.11.1 Financial assets *(continued)*

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

##### 4.11.2 Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

###### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

###### (b) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

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**4. SIGNIFICANT ACCOUNTING POLICIES** (continued)**4.11 Financial instruments** (continued)**4.11.2 Financial liabilities** (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries 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 will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

**4.11.3 Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.



## NOTES TO THE FINANCIAL STATEMENTS

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

#### 4.11 Financial instruments *(continued)*

##### 4.11.3 Equity *(continued)*

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

#### 4.12 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

##### (a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

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

The carrying amount of loans and receivables are reduced through the use of an allowance account.

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

##### (b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***4.12 Impairment of financial assets** *(continued)***(b) Available-for-sale financial assets** *(continued)*

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

**4.13 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

**4.14 Government grants**

Government grants are recognised in the financial statements when there is reasonable assurance that:

- (a) The Group would comply with the conditions attached to the grant; and
- (b) The grants would be received.

Government grants relating to costs are deferred and recognised as income in profit or loss on a straight line basis over the periods necessary to match them with the related costs that they are intended to compensate.

Government grants related to assets are presented in the statement of financial position as deferred revenue and recognised in profit or loss on a systematic basis over the useful life of the asset.

**4.15 Income taxes**

Income taxes include all domestic and foreign taxes on taxable profits. Income taxes also include other taxes such as withholding taxes and real property gains taxes payable on disposal of properties, if any.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

**(a) Current tax**

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.15 Income taxes *(continued)*

##### (b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effects of actual enactment by the end of reporting period.

#### 4.16 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and 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.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***4.16 Provisions** *(continued)*

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for warranties is recognised based on the estimated liabilities to repair or replace products when the underlying products or services are sold. The estimated liability is based on historical warranty data and a weighting of all possible outcome against their associated probabilities.

**4.17 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

**4.18 Employee benefits****(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

**(b) Defined contribution plans**

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

#### 4.18 Employee benefits *(continued)*

##### (c) Retirement benefits obligation

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

#### 4.19 Foreign currencies

##### 4.19.1 Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

##### 4.19.2 Foreign currency translation and balances

Transactions in foreign currencies are converted into the functional currency of each company in the Group at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

##### 4.19.3 Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***4.20 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

**(a) Sale of goods**

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

**(b) Services rendered**

Revenue in respect of the rendering of services is recognised when the stage of completion at the end of the reporting period and the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as percentage of total services to be performed.

**(c) Rental income**

Rental income is recognised on an annual basis in accordance with the substance of the relevant agreements.

**(d) Interest income**

Interest income is recognised as it accrues, using the effective interest method.

**(e) Dividend income**

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

**4.21 Operating segments**

Operating segments are defined as components of the Group that:

- (a) Engages in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group (i.e. the Group Managing Director) in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 4.21 Operating segments *(continued)*

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
  - (i) the combined reported profit of all operating segments that did not report a loss; and
  - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five percent (75%) of the revenue of the Group.

#### 4.22 Earnings per share

##### (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

##### (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

#### 4.23 Fair value measurements

The fair value of an asset or a liability, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.



## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***4.23 Fair value measurements** *(continued)*

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

**5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs****5.1 New MFRSs adopted during the current financial year**

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title	Effective Date
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits (2011)</i>	1 January 2013
MFRS 127 <i>Separate Financial Statements</i>	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs <i>Annual Improvements 2009 – 2011 Cycle</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

## NOTES TO THE FINANCIAL STATEMENTS

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### 5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs *(continued)*

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

There is no material effect upon the adoption of the above accounting standards, amendments and interpretations during the financial year other than:

**(a) Amendments to MFRS 101 is mandatory for annual periods beginning on or after 1 July 2012.**

These Amendments require that items in other comprehensive income must be grouped into two sections:

- (i) Those that are or may be reclassified into profit or loss; and
- (ii) Those that will not be reclassified into profit or loss.

The Group has changed the presentation of the statements of profit or loss and other comprehensive income according to these Amendments.

**(b) MFRS 12 is mandatory for annual periods beginning on or after 1 January 2013.**

This Standard prescribes the disclosure requirements relating to interests of an entity in subsidiaries, joint arrangements, associates and structured entities. This Standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the relationship of the reporting entity with other entities.

Following the adoption of this Standard, the Group has disclosed the requirements applicable to the Group in Notes 9, 10 and 11 to the financial statements.

**(c) MFRS 13 is mandatory for annual periods beginning on or after 1 January 2013.**

This Standard is now the sole MFRS containing the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other MFRSs.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other MFRSs have now been relocated to MFRS 13.

Whilst there have been some rewording of the previous guidance on MFRS 13, there are very few changes to the previous fair value measurement requirements. Instead, MFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

MFRS 13 did not materially impact any fair value measurements of the assets or liabilities of the Group. It has only a presentation and disclosure impact and therefore, has no effect on the financial position or performance of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs** *(continued)***5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2014**

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 10 <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 <i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127 <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements to MFRSs 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements to MFRSs 2011 - 2013 Cycle</i>	1 July 2014
<i>Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	Deferred
MFRS 9 <i>Financial Instruments (2009)</i>	Deferred
MFRS 9 <i>Financial Instruments (2010)</i>	Deferred
MFRS 9 <i>Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)</i>	Deferred
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for future financial years.

**6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS****6.1 Changes in estimates**

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors are of the opinion that there are no significant changes in estimates during the reporting period and at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

#### 6.2 Critical judgements made in applying accounting policies

The following are judgements made by the management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

- (i) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

- (ii) Classification of non-current bank borrowings

The term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

#### 6.3 Key sources of estimation uncertainty

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

##### 6.3.1 Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful life. Management estimates that the useful lives of the assets are as disclosed in Note 4.4 to the financial statements. These are common life expectancies applied in the industries which the Group and the Company operate in. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the assets, and therefore future depreciation charges could be revised. A ten percent (10%) difference in the average useful lives of these assets from management's estimates would result in approximately a RM1,877,000 variance in profit for the financial year.

##### 6.3.2 Impairment of investments in subsidiaries and associates and amounts owing by subsidiaries and associates

The Company reviews the investments in subsidiaries and associates for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries and associates when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and associates and amounts owing by subsidiaries and associates are assessed by reference to the value in use of the respective subsidiaries and associates.

The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries and associates discounted at an appropriate discount rate. Such a discounted cash flow method involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement was also used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries and associates.

**NOTES TO THE FINANCIAL STATEMENTS**

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**6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *(continued)***6.3 Key sources of estimation uncertainty** *(continued)***6.3.3 Impairment of intangible assets**

If any indication exists, the Group estimates the recoverable amount of the asset in according with Note 4.9 to the financial statements. This requires an estimation of the value-in-use of the intangible assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 13 to the financial statements.

**6.3.4 Impairment of goodwill on consolidation**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating unit ('CGU') to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiary and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 14 to the financial statements.

**6.3.5 Deferred tax assets**

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

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

At the end of the reporting period, the Group has recognised RM29,649,000 (2013: RM32,735,000) of deferred tax assets arising from unused tax losses and unabsorbed capital allowances as management considered that it is probable that taxable profits will be available against which the losses and allowances can be utilised. Variances from future taxable profits estimated will result in changes in the deferred tax assets recognised.

**6.3.6 Impairment of receivables**

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

## NOTES TO THE FINANCIAL STATEMENTS

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### 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

#### 6.3 Key sources of estimation uncertainty *(continued)*

##### 6.3.7 Fair values of 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. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 38 to the financial statements.

##### 6.3.8 Fair value measurement

The fair value measurement of the financial and non-financial assets and liabilities of the Group utilises market observable inputs and data as far as possible, where applicable. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- (i) Level 1: Quoted prices in active markets for identical items (unadjusted);
- (ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- (iii) Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures these elements in the financial statements at fair value:

- (i) Other investments, Note 12 to the financial statements;
- (ii) Derivative assets and liabilities, Note 31 to the financial statements; and
- (iii) Financial instruments, Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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7. PROPERTY, PLANT AND EQUIPMENT

Group 2014	Balance as at 1.6.2013 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge for the financial year RM'000	Translation adjustments RM'000	Written off RM'000	Disposal of a subsidiary (Note 9.3) RM'000	Reclassi- fications RM'000	Balance as at 31.5.2014 RM'000	
										<b>Carrying amount</b>
Freehold land	1,016	-	-	-	-	-	-	-	-	1,016
Buildings	48,554	47	-	(1,182)	(311)	-	(1,180)	-	-	45,928
Leasehold land	74,678	187	-	(1,019)	266	-	(20,201)	-	-	53,911
Plant and machinery	71,138	5,037	(452)	(10,687)	(380)	(1,596)	(302)	132	-	62,890
Motor vehicles	18,616	2,726	(452)	(4,360)	201	-	(5,018)	2	-	11,715
Furniture, fittings and office equipment	7,115	1,608	(15)	(1,123)	2	(3)	(272)	-	-	7,312
Renovation	6,580	1,656	-	(396)	47	-	(972)	-	-	6,915
Assets under construction	721	1,213	-	-	-	-	-	(134)	-	1,800
	<b>228,418</b>	<b>12,474</b>	<b>(919)</b>	<b>(18,767)</b>	<b>(175)</b>	<b>(1,599)</b>	<b>(27,945)</b>	<b>-</b>	<b>-</b>	<b>191,487</b>

← At 31.5.2014 →

	Accumulated depreciation and Cost impairment		Carrying amount RM'000
	RM'000	RM'000	
Freehold land	1,016	-	1,016
Buildings	49,422	(3,494)	45,928
Leasehold land	56,699	(2,788)	53,911
Plant and machinery	218,809	(155,919)	62,890
Motor vehicles	41,211	(29,496)	11,715
Furniture, fittings and office equipment	25,985	(18,673)	7,312
Renovation	9,575	(2,660)	6,915
Assets under construction	1,800	-	1,800
	<b>404,517</b>	<b>(213,030)</b>	<b>191,487</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

Group 2013	Balance as at	Additions	Disposals	Depreciation charge for	Translation adjustments	Written off	Reclassi- fications	Balance
	1.6.2012			the financial				31.5.2013
	RM'000	RM'000	RM'000	year	RM'000	RM'000	RM'000	RM'000
<b>Carrying amount</b>								
Freehold land	1,016	-	-	-	-	-	-	1,016
Buildings	50,180	1,982	(206)	(1,838)	(383)	-	(1,181)	48,554
Leasehold land	75,890	-	-	(804)	(408)	-	-	74,678
Plant and machinery	62,765	13,245	(599)	(10,163)	(379)	(1,145)	7,414	71,138
Motor vehicles	20,562	3,233	(98)	(4,864)	(59)	(5)	(153)	18,616
Furniture, fittings and office equipment	7,399	1,297	(5)	(1,516)	(16)	(8)	(36)	7,115
Renovation	5,737	178	-	(541)	(11)	-	1,217	6,580
Assets under construction	7,988	701	-	-	(17)	(690)	(7,261)	721
	<u>231,537</u>	<u>20,636</u>	<u>(908)</u>	<u>(19,726)</u>	<u>(1,273)</u>	<u>(1,848)</u>	<u>-</u>	<u>228,418</u>

	← At 31.5.2013 →		
	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Freehold land	1,016	-	1,016
Buildings	50,926	(2,372)	48,554
Leasehold land	78,030	(3,352)	74,678
Plant and machinery	218,992	(147,854)	71,138
Motor vehicles	49,387	(30,771)	18,616
Furniture, fittings and office equipment	25,351	(18,236)	7,115
Renovation	9,705	(3,125)	6,580
Assets under construction	721	-	721
	<u>434,128</u>	<u>(205,710)</u>	<u>228,418</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

Company 2014	Balance	Additions	Written off	Depreciation	Balance
	as at 1.6.2013			charge for the financial	
	RM'000	RM'000	RM'000	year RM'000	31.5.2014 RM'000
<b>Carrying amount</b>					
Leasehold land	30,121	-	-	(330)	29,791
Buildings	7,456	-	-	(155)	7,301
Motor vehicles	994	-	-	(380)	614
Furniture, fittings and office equipment	300	569	(1)	(57)	811
Renovation	921	856	-	(147)	1,630
	<b>39,792</b>	<b>1,425</b>	<b>(1)</b>	<b>(1,069)</b>	<b>40,147</b>

	At 31.5.2014		Carrying amount RM'000
	Cost RM'000	Accumulated depreciation and impairment RM'000	
Leasehold land	30,781	(990)	29,791
Buildings	7,727	(426)	7,301
Plant and machinery	2,403	(2,403)	-
Motor vehicles	2,524	(1,910)	614
Furniture, fittings and office equipment	1,647	(836)	811
Renovation	3,695	(2,065)	1,630
	<b>48,777</b>	<b>(8,630)</b>	<b>40,147</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

Company 2013	Balance as at 1.6.2012	Additions	Written off	Depreciation charge for the financial year	Balance as at 31.5.2013
	RM'000			RM'000	RM'000
<b>Carrying amount</b>					
Leasehold land	30,451	-	-	(330)	30,121
Buildings	6,438	1,157	-	(139)	7,456
Motor vehicles	1,403	-	(3)	(406)	994
Furniture, fittings and office equipment	345	14	(3)	(56)	300
Renovation	1,096	70	-	(245)	921
	<b>39,733</b>	<b>1,241</b>	<b>(6)</b>	<b>(1,176)</b>	<b>39,792</b>

	← At 31.5.2013 →		
	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Leasehold land	30,781	(660)	30,121
Buildings	7,727	(271)	7,456
Plant and machinery	2,403	(2,403)	-
Motor vehicles	2,602	(1,608)	994
Furniture, fittings and office equipment	1,081	(781)	300
Renovation	2,839	(1,918)	921
	<b>47,433</b>	<b>(7,641)</b>	<b>39,792</b>

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Purchase of property, plant and equipment	<b>12,474</b>	20,636	<b>1,425</b>	1,241
Financed by hire purchase and lease arrangements	<b>(819)</b>	(6,293)	-	-
Cash payments on purchase of property, plant and equipment	<b>11,655</b>	14,343	<b>1,425</b>	1,241

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

- (b) The carrying amount of property, plant and equipment of the Group and of the Company under hire purchase and finance lease at the end of the reporting period are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Motor vehicles	<b>3,038</b>	5,529	<b>474</b>	745
Furniture, fittings and office equipment	-	608	-	-
Plant and machinery	<b>5,874</b>	6,212	-	-
	<b>8,912</b>	12,349	<b>474</b>	745

- (c) As at 31 May 2014, land and buildings of the Group and of the Company with total carrying amount of RM52,874,000 (2013: RM74,683,000) and RM37,092,000 (2013: RM37,571,000) respectively have been charged to banks for banking facilities granted to the Group. Refer to Note 24 to the financial statements.

- (d) As at 31 May 2014, certain plant and machinery of the Group have been charged to licensed banks for banking facilities granted to certain subsidiaries. Refer to Note 24 to the financial statements.

**8. INVESTMENT PROPERTIES**

	Balance as at 1.6.2013 RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2014 RM'000
	<b>2014 Group</b>		
Freehold land at cost	20	-	<b>20</b>
Buildings at cost	125	(6)	<b>119</b>
	<b>145</b>	<b>(6)</b>	<b>139</b>
	<b>Balance as at 1.6.2012 RM'000</b>	<b>Depreciation charge for the financial year RM'000</b>	<b>Balance as at 31.5.2013 RM'000</b>
<b>2013 Group</b>			
Freehold land at cost	<b>20</b>	-	<b>20</b>
Buildings at cost	<b>131</b>	(6)	<b>125</b>
	<b>151</b>	<b>(6)</b>	<b>145</b>
		<b>Group</b>	
		<b>2014 RM'000</b>	<b>2013 RM'000</b>
Fair value		<b>385</b>	385

## NOTES TO THE FINANCIAL STATEMENTS

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### 8. INVESTMENT PROPERTIES *(continued)*

- (a) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM18,000 (2013: RM18,000).
- (b) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM9,332 (2013: RM9,037).
- (c) The fair value of investment properties for disclosure purposes, which are at Level 3 fair value, were recommended by the Directors as at the end of reporting period based on indicative market value of similar properties in the vicinity on a price per square foot basis.
- (d) The investment properties of the Group are mainly used to generate rental income. However, the fair value of the investment properties reflect the highest and best use of the said properties should the investment properties be disposed. Currently, management does not intend to dispose off the investment properties and the existing use of the investment properties remains for rental purposes.

### 9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Quoted shares in Malaysia, at cost	53,706	53,704
Unquoted shares, at cost	267,929	267,929
	<b>321,635</b>	321,633
Less: Impairment loss of investments in unquoted shares	<b>(56,983)</b>	(56,983)
	<b>264,652</b>	264,650

- (a) The details of the subsidiaries are disclosed in Note 44 to the financial statements.
- (b) Quoted investments in a subsidiary with a carrying amount of RM20,817,000 (2013: RM42,930,000) and quoted investments held by a subsidiary with a carrying amount of RM49,630,000 (2013: RM55,922,000) have been charged to a licensed bank for credit facilities granted to the Company (Note 24 to the financial statements).
- (c) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000	Others* RM'000	Total RM'000
<b>2014</b>				
NCI percentage of ownership interest and voting interest (%)	54.5%	52.9%		
Carrying amount of NCI	98,658	30,926	12,768	142,352
Profit allocated to NCI	3,109	7,692	4,268	15,069

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

(c) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows: (continued)

	<b>Nylex (Malaysia) Berhad RM'000</b>	<b>Ancom Logistics Berhad RM'000</b>	<b>Others* RM'000</b>	<b>Total RM'000</b>
<b>2013</b>				
NCI percentage of ownership interest and voting interest (%)	54.5%	52.9%		
Carrying amount of NCI	87,034	33,619	10,425	131,078
Profit allocated to NCI	3,096	2,092	2,185	7,373

\* The NCI of all other subsidiaries that are not wholly-owned by the Group are deemed to be immaterial.

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	<b>Nylex (Malaysia) Berhad RM'000</b>	<b>Ancom Logistics Berhad RM'000</b>
<b>2014</b>		
<b>Assets and liabilities</b>		
Non-current assets	173,302	39,679
Current assets	439,853	41,301
Non-current liabilities	(4,584)	(7,099)
Current liabilities	(307,345)	(9,068)
Net assets	301,226	64,813
<b>Results</b>		
Revenue	1,566,028	49,729
Profit for the financial year	7,164	13,923
Total comprehensive income	7,523	13,825
Cash flows from operating activities	76,783	4,991
Cash flows from investing activities	8,840	42,920
Cash flows used in financing activities	(54,279)	(21,775)
Net increase in cash and cash equivalents	31,344	26,136
Dividend paid to NCI	1,613	10,026

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

- (d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows: (continued)

<b>2013</b>	<b>Nylex (Malaysia) Berhad RM'000</b>	<b>Ancom Logistics Berhad RM'000</b>
<b>Assets and liabilities</b>		
Non-current assets	185,209	71,663
Current assets	498,899	24,223
Non-current liabilities	(4,450)	(9,761)
Current liabilities	(391,973)	(16,206)
Net assets	<u>287,685</u>	<u>69,919</u>
<b>Results</b>		
Revenue	1,728,625	61,463
Profit for the financial year	7,023	1,779
Total comprehensive income	<u>3,159</u>	<u>1,584</u>
Cash flows (used in)/from operating activities	(33,550)	8,048
Cash flows (used in)/from investing activities	(2,261)	173
Cash flows from/(used in) financing activities	22,208	(7,862)
Net (decrease)/increase in cash and cash equivalents	<u>(13,603)</u>	<u>359</u>
Dividend paid to NCI	<u>1,621</u>	<u>2,233</u>

**9.1 Acquisition of additional interest in subsidiaries**

- (a) On 28 February 2014, Redberry Sdn. Bhd. ('RBSB'), a wholly-owned subsidiary of the Company, acquired an additional 120,000 ordinary shares of RM1.00 each in Meru Utama Sdn. Bhd. ('MUSB') for a cash consideration of RM3,655,000, thereby increasing the Group's equity interest in MUSB from 64% to 75%. The proportionate share of the book value of net assets of MUSB for the additional equity interest at the acquisition date was RM1,710,000. The difference between the cost of acquisition of the additional equity interest and the proportionate share of the book value of net assets at the transaction date of RM1,945,000 has been adjusted to equity.
- (b) During the financial year, the Company acquired an additional 4,300 ordinary shares in Nylex (Malaysia) Berhad ('Nylex') for a cash consideration of RM2,064. There was no material change in the effective equity interest held by the Company in Nylex and the above acquisition did not have any material financial effect to the Group and the Company.



**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**9. INVESTMENTS IN SUBSIDIARIES** *(continued)***9.1 Acquisition of additional interest in subsidiaries** *(continued)*

- (c) During the financial year, Perusahaan Kimia Gemilang Sdn. Bhd., a wholly-owned subsidiary of Nylex, increased its shareholding in PT PKG Lautan Indonesia via:
- (i) conversion of shareholders' loan of approximately RM2,581,000 into 816,510 ordinary shares; and
  - (ii) subscription of 2,636,088 ordinary shares at a cost of approximately RM8,318,000.

The additional interests acquired by the NCI was approximately RM9,079,000.

The additional investments did not result in any change in the percentage of shareholding of the Group.

- (d) In the previous financial year, the Company's wholly-owned subsidiary, Ancom Crop Care Sdn. Bhd. ('ACC') acquired the remaining 49% equity interest in Timber Preservatives Sdn. Bhd. ('Timber') from Medisup Securities Limited ('Medisup') by way of the disposal of its 49% equity interest in Nufarm Technologies (M) Sdn. Bhd. ('Nufarm') to Medisup. Upon completion, Timber became a wholly-owned subsidiary of ACC. The proportionate share of the book value of net assets of Timber for 49% equity interest at the acquisition date was RM1,728,266. The difference between the cost of acquisition of the additional equity interest and the proportionate share of the book value of net assets at the transaction date of RM235,718 has been adjusted to equity in the previous financial year.

**9.2 Acquisition of subsidiaries**

- (a) On 3 March 2014, Redberry Outdoors Sdn. Bhd. ('RBO'), a wholly-owned subsidiary of the Group completed an acquisition of the entire issued and paid up capital of Puncak Berlian Sdn. Bhd. ('PBSB') comprising two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00. The acquisition did not have any material financial effect to the Group.
- (b) In the previous financial year:
- (i) On 1 June 2012, RBSB, a wholly-owned subsidiary of the Company, completed an acquisition of the entire issued and paid up capital of Twinstar Synergy Sdn. Bhd. ('Twinstar'), comprising two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00. Subsequently, on 28 September 2012, Twinstar increased its authorised share capital of RM100,000 to RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each of which 999,998 ordinary shares were issued to and fully paid up by Redberry for a cash consideration of RM999,998. These shares are registered in the names of two (2) officers of the Company, which are held in trust by the said officers. The above arrangement did not have any material financial effect to the Group in the previous financial year.
  - (ii) On 4 July 2012, the Company acquired one (1) ordinary share of RM1.00 representing 33.3% of the share capital of Advanced Technology Studies Centre Sdn. Bhd. ('ATSC') from Lee Nan Phin ('LNP'), a Director of a subsidiary of the Company, iEnterprise Online Sdn. Bhd. ('IEOL') by way of disposal of 594,000 ordinary shares of RM1.00 each or 33% equity interest held by the Company in IEOL to LNP ('Share Exchange'), thereby increasing the effective equity interest in ATSC from 33.3% to 54.1%. The above acquisition of ATSC did not have any material financial effect to the Group and the Company in the previous financial year.
  - (iii) On 13 August 2012, the Company completed an acquisition of the entire issued and paid-up share capital of Ascension Lab Sdn. Bhd. ('ALAB') (formerly known as Subur Wiramaju Sdn. Bhd.), which was incorporated on 12 July 2012, comprising two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00. These shares are registered in the names of two (2) officers of the Company, which are held in trust by the said officers. The above acquisition of ALAB did not have any material financial effect to the Group and the Company in the previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 9. INVESTMENTS IN SUBSIDIARIES *(continued)*

#### 9.3 Disposal of equity interests in subsidiaries

- (a) During the financial year, Ancom Logistics Berhad ('ALB'), a subsidiary of the Company, disposed two (2) ordinary shares in Ancom Systems Technology (Malaysia) Sdn. Bhd. for a total cash consideration of RM2.00. The disposal did not have any material financial effect to the Group.
- (b) On 31 December 2013, ALB had disposed its entire equity interest in Ancom Ship Management Sdn. Bhd. ('ASM') comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. The disposal did not have any material financial effect to the Group.
- (c) On 20 December 2013, Synergy Trans-Link Sdn. Bhd., a wholly-owned subsidiary of ALB, disposed its holding of 7,911,192 ordinary shares in Sinsenmoh Transportation Pte Ltd for a total cash consideration of RM46,503,000 to CWT Limited.

The effects on the financial statements for the year ended 31 May 2014 upon the disposal of the subsidiary were as follows:

	Note	At the date of disposal RM'000
Property, plant and equipment	7	27,945
Trade receivables		5,680
Other receivables		771
Cash and bank balances		680
Trade payables		(1,253)
Other payables		(2,424)
Taxation		(228)
Short-term bank borrowings		(2,669)
Deferred tax liabilities	15	(1,179)
Net assets disposed off		27,323
Transfer from foreign exchange reserve		(907)
		26,416
Total disposal proceeds		(46,503)
Gain on disposal to the Group		(20,087)
<b>Cash inflow arising from disposal:</b>		
Cash consideration		46,503
Cash and bank balances of subsidiary disposed		(680)
Bank overdraft of subsidiary disposed		1,126
Net cash inflow to the Group		46,949

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**9. INVESTMENTS IN SUBSIDIARIES** *(continued)***9.4 Common control transaction**

In the previous financial year, the Company transferred its entire 100% equity interest consisting of two (2) ordinary shares in Unreserved Sdn. Bhd. ('Unreserved') to RBSB for a cash consideration of RM2.00. Following the transfer, Unreserved became a wholly-owned subsidiary of Redberry.

**9.5 Dilution of equity interests in subsidiaries**

In the previous financial year:

- (a) The Company had disposed its 33% equity interest in IEOL by way of Share Exchange for a consideration of RM100,000. Following the Share Exchange, the Company's equity interest in IEOL reduced from 97.3% to 64.3%. The reduction in the Group's proportionate share of the net assets of IEOL arising from the dilution of equity interest amounting to RM433,446 has been adjusted directly to equity as a transaction with owners.

The loss arising on dilution of investment in IEOL to the Company in the previous financial year is as follows:

<b>Company</b>	<b>2013 RM'000</b>
Cost of investment	577
Consideration*	(100)
	<hr/>
Loss on dilution of equity interest in a subsidiary	477
	<hr/>

\* represents fair value of the net assets of ATSC

- (b) The Company disposed 2.7% equity interest in Nylex (Malaysia) Berhad ('Nylex') for a cash consideration of RM2,934,322. The Group's effective equity interest in Nylex reduced from 48.2% to 45.5%. The reduction in the Group's proportionate share of the net assets of Nylex arising from the above dilution of equity interest amounting to approximately RM8,109,000 has been adjusted directly to equity as a transaction with owners.

The loss arising on dilution of investment in Nylex to the Company in the previous financial year is as follows:

<b>Company</b>	<b>2013 RM'000</b>
Cost of investment	8,653
Cash consideration	(4,540)
	<hr/>
Loss on dilution of equity interest in a subsidiary	4,113
	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 10. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares, at cost	6,709	6,709	1,216	1,216
Group's share of post acquisition results	(2,009)	(2,009)	-	-
	4,700	4,700	1,216	1,216
Less: Impairment loss	(2,191)	(1,191)	(1,216)	(1,216)
	2,509	3,509	-	-

- (a) In the previous financial year, RBSB, a wholly-owned subsidiary of the Company, subscribed for 50,000 ordinary shares of RM1.00 each in Durian FM Sdn. Bhd. ('Durian FM') representing 50% of equity interest in Durian FM for a cash consideration of RM2.00. The transaction did not have any material financial effect to the Group.
- (b) The details of the associates are disclosed in Note 44 to the financial statements.
- (c) The summarised financial information of the associates are as follows:

	Tamco Chongqing Switchgear Company Limited*	MagiqAds Sdn. Bhd.	Other individually immaterial associates	Total
	RM'000	RM'000	RM'000	RM'000
<b>2014</b>				
<b>Assets and liabilities</b>				
Non-current assets	2,306	952	178	3,436
Current assets	5,934	6,090	2,344	14,368
Non-current liabilities	-	(307)	-	(307)
Current liabilities	(2,517)	(24,418)	(833)	(27,768)
Net assets/(liabilities)	5,723	(17,683)	1,689	(10,271)
<b>Results</b>				
Revenue	-	16,517	-	16,517
Loss for the financial year	(66)	(2,242)	(77)	(2,385)
Total comprehensive loss	(203)	(2,242)	(77)	(2,522)

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 10. INVESTMENTS IN ASSOCIATES (continued)

(c) The summarised financial information of the associates are as follows: (continued)

<b>2013</b>	<b>Tamco Chongqing Switchgear Company Limited*</b>	<b>MagiqAds Sdn. Bhd.</b>	<b>Other individually immaterial associates</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and liabilities</b>				
Non-current assets	2,412	719	189	3,320
Current assets	3,915	8,679	2,458	15,052
Non-current liabilities	-	(237)	-	(237)
Current liabilities	(401)	(24,602)	(881)	(25,884)
Net assets/(liabilities)	5,926	(15,441)	1,766	(7,749)
<b>Results</b>				
Revenue	-	13,064	12	13,076
Loss for the financial year	-	(5,074)	(588)	(5,662)
Total comprehensive loss	-	(5,074)	(588)	(5,662)

\* The associate is currently under voluntary liquidation and is in the process of disposing its property and other assets for realisation in cash, which will be distributed to its shareholders in accordance with the liquidation process.

The associates have been impaired to their recoverable amounts and thus do not share any further losses during the current financial year.

The reconciliation of movement in the impairment loss is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
At 1 June 2013/2012	1,191	1,191	1,216	1,216
Impairment loss during the financial year	1,000	-	-	-
At 31 May 2014/2013	2,191	1,191	1,216	1,216

The reconciliation of the net assets of the associates to the carrying amount of the investments in associates is disclosed in Note 10(d) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 10. INVESTMENTS IN ASSOCIATES (continued)

- (d) The reconciliation of the share of net assets of the associates to the carrying amount of the investments in associates are as follows:

	Tamco Chongqing Switchgear Company Limited*	MagiqAds Sdn. Bhd.	Other individually immaterial associates	Total
	RM'000	RM'000	RM'000	RM'000
<b>As at 31 May 2014</b>				
Share of net assets of the Group	2,804	-	829	3,633
Unrecognised share of losses#	1,067	-	-	1,067
Impairment loss	(2,069)	-	(122)	(2,191)
Carrying amount in the statements of financial position	1,802	-	707	2,509
<b>Share of results of the Group for the financial year ended 31 May 2014</b>				
Share of profit or loss of the Group	-	-	-	-
Share of total comprehensive loss of the Group	-	-	-	-
<b>As at 31 May 2013</b>				
Share of net assets of the Group	2,904	-	829	3,733
Unrecognised share of losses#	967	-	-	967
Impairment loss	(1,069)	-	(122)	(1,191)
Carrying amount in the statements of financial position	2,802	-	707	3,509
<b>Share of results of the Group for the financial year ended 31 May 2013</b>				
Share of profit or loss of the Group	-	-	(147)	(147)
Share of total comprehensive loss of the Group	-	-	(147)	(147)

# The Group has stopped recognising its share of losses as there is no further obligation in respect of those losses using the equity method of accounting.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 11. INVESTMENT IN A JOINT VENTURE

	Group	
	2014	2013
	RM'000	RM'000
Unquoted shares, at cost	1,750	-
Group's share of post acquisition results	(770)	-
	980	-

- (a) On 30 September 2013, RBSB, a wholly-owned subsidiary of the Company, acquired 50% equity interest in Point of Education Sdn. Bhd. ('PESB') with an initial issued and paid-up share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, which was satisfied by the capitalisation of RM500,000 of an amount owing by PESB.
- (b) On 30 December 2013, RBSB subscribed for an additional 1,250,000 ordinary shares of RM1.00 each in PESB which was satisfied by the capitalisation of RM1,250,000 of an amount owing by PESB. There was no change in the effective equity interest held by the Group in PESB.
- (c) PESB, the only joint venture in which the Group participates in, is an unlisted separate entity whose quoted market price is not available. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to assets and obligation for liabilities of the joint arrangement resting primarily with PESB. This joint arrangement has been classified as a joint venture and has been included in the consolidated financial statements using the equity method.
- (d) The details of the joint venture is disclosed in Note 44 to the financial statements.
- (e) The summarised financial information of the joint venture is as follows:

	2014 RM'000
<b>Assets and liabilities</b>	
Non-current assets	909
Current assets	2,257
Non-current liabilities	(3,398)
Current liabilities	(260)
Net liabilities	(492)
<b>Results</b>	
Revenue	1,103
Loss for the financial year	(1,540)
Total comprehensive loss	(1,540)

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

11. INVESTMENT IN A JOINT VENTURE *(continued)*

- (f) The reconciliation of the share of net assets of the joint venture to the carrying amount of the investment in the joint venture is as follows:

	PESB RM'000
<b>As at 31 May 2014</b>	
Share of net liabilities of the Group	(246)
Goodwill	1,226
	<b>980</b>
<b>Share of results of the Group for the financial year ended 31 May 2014</b>	
Share of loss by the Group	(770)
Share of total comprehensive loss of the Group	(770)

- (g) PESB is not allowed to distribute its profits prior to the consent of the venture partner.

## 12. OTHER INVESTMENTS

	Group	
	2014 RM'000	2013 RM'000
<b>Non-current</b>		
<i>Financial assets at fair value through profit or loss</i>		
Quoted shares in Malaysia	395	420
Club memberships	300	315
	<b>695</b>	735
Total non-current other investments		
<b>Current</b>		
<i>Financial assets at fair value through profit or loss</i>		
Quoted shares in Malaysia	428	679
Unit trusts	3,207	184
	<b>3,635</b>	863
Total current other investments		



## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 12. OTHER INVESTMENTS (continued)

	Company	
	2014 RM'000	2013 RM'000
<b>Non-current</b>		
<i>Financial assets at fair value through profit or loss</i>		
Quoted shares in Malaysia	260	288
Club memberships	243	257
Total non-current other investments	503	545

Information on fair value hierarchy is disclosed in Note 37(d) to the financial statements.

### 13. INTANGIBLE ASSETS

Group 2014	Balance as at 1.6.2013 RM'000	Additions RM'000	Impairment loss RM'000	Termination of a marketing right RM'000	Written off RM'000	Amortisation during the financial year RM'000	Balance as at 31.5.2014 RM'000
Development expenditure	528	-	(250)	-	-	(278)	-
Rights	14,497	-	(3,600)	(4,126)	-	(3,293)	3,478
Computer software	218	63	-	-	(53)	(72)	156
	15,243	63	(3,850)	(4,126)	(53)	(3,643)	3,634

2013	Balance as at 1.6.2013 RM'000	Additions RM'000	Impairment loss RM'000	Amortisation during the financial year RM'000	Balance as at 31.5.2014 RM'000
Development expenditure	594	-	-	(66)	528
Rights	20,965	401	(2,348)	(4,521)	14,497
Computer software	2,019	48	-	(1,849)	218
	23,578	449	(2,348)	(6,436)	15,243

	Company	
	2014 RM'000	2013 RM'000
<b>Computer software</b>		
Balance as at 1 June 2013/2012	3	3
Addition during the financial year	4	1
Amortisation during the financial year	(1)	(1)
Balance as at 31 May 2014/2013	6	3

**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**13. INTANGIBLE ASSETS** *(continued)*

Development expenditure is expenditure incurred for the development of new products.

During the financial year, an impairment loss was recognised to write-down the carrying amount of the development expenditure as the Directors do not anticipate any future economic benefits associated with the intangible asset. The impairment loss of RM250,000 has been recognised in the profit or loss under other operating expenses.

Rights represent audio and visual advertising network distributions secured by the Group for media sales.

During the financial year, the amortisation for development expenditure, rights and computer software of RM278,000 (2013: RM66,000), RM3,293,000 (2013: 4,521,000), and RM72,000 (2013: 1,849,000) respectively has been recognised in profit or loss under other operating expenses.

The following describes the key assumptions used on which the Group has based its cash flow projections for the purposes of the impairment test on individual cash generating units ('CGU') held as Rights:

Media Segment: CGU 1

- i. Cash flows were projected based on financial budgets approved by the CGU. The budgets covered a period of ten (10) years, in accordance with the remaining years of utilisation of the Right.
- ii. The revenue to be derived from the Right is anticipated to be at least RM500,000 from financial year 2015 to financial year 2024.
- iii. A pre-tax discount rate of 8.20% per annum has been applied.

The carrying amount of the CGU is at recoverable amount for which an impairment charge of RM3,600,000 was recorded during the financial year.

Based on the sensitivity analysis performed by management, a 1% increase in the discount rate used would result in an additional impairment loss of approximately RM135,000.

Based on the sensitivity analysis performed by management, if the revenue to be derived is anticipated to be at RM400,000 per year, this would result in an additional impairment loss of approximately RM670,000.

Media Segment: Other CGUs

The carrying amount of other CGUs have been fully impaired or fully amortised during the financial year. During the current financial year, one of the Right of the Group had been terminated for which the Group received cash compensation of RM4,126,000.

**14. GOODWILL ON CONSOLIDATION**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 June 2013/2012	<b>74,529</b>	75,992
Foreign exchange differences	<b>2,133</b>	(1,463)
Impairment loss	<b>(5,044)</b>	-
Balance as at 31 May 2014/2013	<b>71,618</b>	74,529

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

## (a) Allocation of goodwill

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

	<b>Industrial chemical RM'000</b>	<b>Polymer RM'000</b>	<b>Media RM'000</b>	<b>Total RM'000</b>
As at 31 May 2014	<b>52,918</b>	<b>91</b>	<b>18,609</b>	<b>71,618</b>
As at 31 May 2013	55,817	103	18,609	74,529

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

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 their recoverable amount. The value-in-use is determined by discounting future cash flows over a relevant period. The future cash flows are based on management's business plans, which is the best estimate of future performance. 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 plans may be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions.

## (c) In respect of the industrial chemical (including CKG Chemicals Pte. Ltd.) and polymer CGUs, the key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:

- (i) The discount rate used reflects management's best estimate of return on capital employed. In computing the value-in-use of each CGU, management has applied a discount rate of 6.9% (2013: 6.6%).
- (ii) Growth rate used is based on historical trends of each CGU taking into account industry outlook. The average growth rate ranges from 0% to 4.2% (2013: 4.2%) per annum.
- (iii) The profit margin applied to the projections are based on the historical profit margin trends for each of the individual CGUs.

During the financial year, an impairment loss was recognised to write-down the carrying amount of goodwill on consolidation attributable to CKG Chemicals Pte. Ltd., The impairment loss of RM5,044,000 (2013: Nil) has been recognised in profit or loss under other operating expenses.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 14. GOODWILL ON CONSOLIDATION (continued)

- (c) In respect of the industrial chemical (including CKG Chemicals Pte.Ltd.) and polymer CGUs, the key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows: (continued)

For the industrial chemical CGU, the estimated recoverable amount is equal to its carrying value and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

#### Discount rate assumptions

The discount rate calculation is based on the specific circumstances of the subsidiary and its operating segments and is derived from the subsidiary's weighted average cost of capital which takes into account both debt and equity of the subsidiary. Management has considered the possibility of greater than forecasted discount rate. Based on the sensitivity analysis performed by management, a 1% increase in the discount rate used would result in an additional impairment of RM3,031,000.

- (d) In respect of the media CGU, the key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:
- (i) Growth rate used is based on the historical trend of the CGU. The average growth rate ranges from 5.0% to 10.0% (2013: 5.0%) per annum.
- (ii) A pre-tax discount rate of 8.2% (2013: 8.0%) per annum has been applied.

Management is not aware of any reasonable possible changes in the key assumptions, which would cause the carrying amount of the media CGU to materially exceed its recoverable amount.

### 15. DEFERRED TAX (ASSETS)/LIABILITIES

- (a) The deferred tax (assets)/liabilities are made up of the following:

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance as at 1 June 2013/2012		(17,967)	(18,456)	2,653	2,681
Recognised in profit or loss	34	2,451	325	(10)	(28)
Disposal of a subsidiary	9.3	(1,179)	-	-	-
Foreign exchange differences		507	164	-	-
		1,779	489	(10)	(28)
Balance as at 31 May 2014/2013		(16,188)	(17,967)	2,643	2,653
Presented as:					
Deferred tax assets, net		(29,649)	(32,735)	-	-
Deferred tax liabilities, net		13,461	14,768	2,643	2,653

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**15. DEFERRED TAX (ASSETS)/LIABILITIES** *(continued)*

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

<b>Deferred tax liabilities of the Group 2014</b>	<b>Property, plant and equipment RM'000</b>	<b>Others RM'000</b>	<b>Offsetting RM'000</b>	<b>Total RM'000</b>	
Balance as at 1 June 2013/2012	17,705	(33)	(2,904)	14,768	
Recognised in profit or loss	(1,143)	(36)	999	(180)	
Disposal of a subsidiary	(879)	(300)	-	(1,179)	
Foreign exchange differences	67	14	(29)	52	
	<b>15,750</b>	<b>(355)</b>	<b>(1,934)</b>	<b>13,461</b>	
Balance as at 31 May 2014/2013					
<b>2013</b>					
Balance as at 1 June 2012/2011	16,886	44	(3,127)	13,803	
Recognised in profit or loss	811	10	240	1,061	
Foreign exchange differences	8	(87)	(17)	(96)	
	<b>17,705</b>	<b>(33)</b>	<b>(2,904)</b>	<b>14,768</b>	
Balance as at 31 May 2013/2012					
<b>Deferred tax assets of the Group 2014</b>	<b>Provision for liabilities RM'000</b>	<b>Unutilised tax losses and unabsorbed capital allowances RM'000</b>	<b>Others RM'000</b>	<b>Offsetting RM'000</b>	<b>Total RM'000</b>
Balance as at 1 June 2013/2012	(4,850)	(30,134)	(655)	2,904	(32,735)
Recognised in profit or loss	2,329	1,318	(17)	(999)	2,631
Foreign exchange differences	12	414	-	29	455
	<b>(2,509)</b>	<b>(28,402)</b>	<b>(672)</b>	<b>1,934</b>	<b>(29,649)</b>
Balance as at 31 May 2014/2013					
<b>2013</b>					
Balance as at 1 June 2012/2011	(4,547)	(30,187)	(652)	3,127	(32,259)
Recognised in profit or loss	(304)	(183)	(9)	(240)	(736)
Foreign exchange differences	1	236	6	17	260
	<b>(4,850)</b>	<b>(30,134)</b>	<b>(655)</b>	<b>2,904</b>	<b>(32,735)</b>
Balance as at 31 May 2013/2012					

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**15. DEFERRED TAX (ASSETS)/LIABILITIES** *(continued)*

- (c) The components and movements of deferred tax liabilities of the Company during the financial year are as follows:

<b>Deferred tax liabilities of the Company</b>	<b>Property, plant and equipment RM'000</b>	<b>Total RM'000</b>
<b>2014</b>		
Balance as at 1 June 2013/2012	2,653	2,653
Recognised in profit or loss	(10)	(10)
Balance as at 31 May 2014/2013	<b>2,643</b>	<b>2,643</b>
<b>2013</b>		
Balance as at 1 June 2012/2011	2,681	2,681
Recognised in profit or loss	(28)	(28)
Balance as at 31 May 2013/2012	<b>2,653</b>	<b>2,653</b>

- (d) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	<b>Group</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Unutilised tax losses	75,796	62,250
Unabsorbed capital allowances	11,847	10,720
Taxable temporary differences	<b>(3,412)</b>	<b>(2,935)</b>
	<b>84,231</b>	70,035

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not certain that these subsidiaries will have future taxable profits to offset the unutilised tax losses and unabsorbed capital allowances.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 16. INVENTORIES

	Group	
	2014 RM'000	2013 RM'000
<b>At cost</b>		
Raw materials	18,209	15,241
Packing materials	290	414
Work-in-progress	1,232	914
Finished goods	33,881	39,675
	<b>53,612</b>	56,244
<b>At net realisable value</b>		
Raw materials	11,273	7,069
Work-in-progress	3,651	3,444
Finished goods	57,027	123,999
	<b>71,951</b>	134,512
	<b>125,563</b>	190,756

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,514,736,000 (2013: RM1,683,479,000). The Group has also written down inventories by RM2,408,000 (2013: RM2,239,000) to their net realisable value.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Non-current</b>				
Loans and receivables - other receivables	1,592	1,966	-	-
<b>Current</b>				
Trade receivables	285,568	296,627	-	-
Less: Impairment loss	(5,489)	(4,852)	-	-
	280,079	291,775	-	-
Other receivables	27,529	36,458	926	4,132
Less: Impairment loss	(7,605)	(9,679)	(291)	(291)
	19,924	26,779	635	3,841
Deposits	2,543	3,584	221	225
<b>Loans and receivables</b>	302,546	322,138	856	4,066
Deferred expenditure	8,037	9,298	-	-
Prepayments	14,138	16,978	1	8
	22,175	26,276	1	8
	324,721	348,414	857	4,074

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from one (1) month to four (4) months (2013: one (1) to three (3) months). They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.
- (b) The currency exposure profiles of trade and other receivables are disclosed in Note 38(i) to the financial statements.
- (c) Deferred expenditure of the Group represents payments made in advance associated with deferred revenue recorded relating to the utilisation of advertising space in the next financial year as disclosed in Note 29 to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

(d) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2014 RM'000	2013 RM'000
Neither past due nor impaired	197,065	213,165
Past due, not impaired		
1 to 30 days	37,468	43,286
31 to 60 days	17,761	23,600
61 to 90 days	10,740	4,802
91 to 120 days	3,339	2,153
More than 120 days	13,706	4,769
Past due and impaired		
	83,014	78,610
	5,489	4,852
	<b>285,568</b>	<b>296,627</b>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

At the end of the reporting period, trade receivables of the Group that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

Receivable that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

Group	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
<b>2014</b>			
Trade receivables	192	5,297	5,489
Less: Impairment loss	(192)	(5,297)	(5,489)
	-	-	-
<b>2013</b>			
Trade receivables	112	5,060	5,172
Less: Impairment loss	(13)	(4,839)	(4,852)
	99	221	320

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 17. TRADE AND OTHER RECEIVABLES (continued)

(e) The reconciliation of movement in impairment loss is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Trade receivables</b>				
At 1 June 2013/2012	4,852	7,563	-	-
Charge for the financial year	977	1,848	-	-
Reversal of impairment loss	(334)	(320)	-	-
Written off	-	(4,178)	-	-
Exchange differences	(6)	(61)	-	-
At 31 May 2014/2013	5,489	4,852	-	-
<b>Other receivables</b>				
At 1 June 2013/2012	9,679	4,862	291	291
Charge for the financial year	2,433	4,843	-	-
Reversal of impairment loss	(807)	-	-	-
Written off	(3,700)	(26)	-	-
At 31 May 2014/2013	7,605	9,679	291	291
	13,094	14,531	291	291

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(f) Information on financial risks of trade and other receivables are disclosed in Note 38 to the financial statements.

## 18. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Interest bearing	-	2,604
Non-interest bearing	75,583	72,590
	75,583	75,194
Less: Impairment loss	(9,636)	(7,532)
	65,947	67,662

## NOTES TO THE FINANCIAL STATEMENTS

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**18. AMOUNTS OWING BY SUBSIDIARIES** *(continued)*

The amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured and payable upon demand in cash and cash equivalents. In the previous financial year, the interest rate for the interest bearing amounts was 6.75% per annum.

Information on financial risks of amounts owing by subsidiaries are disclosed in Note 38 to the financial statements.

**19. AMOUNTS OWING BY/(TO) ASSOCIATES**

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amounts owing by associates	<b>8,800</b>	6,292	<b>272</b>	105
Less: Impairment loss	<b>(7,028)</b>	(2,561)	<b>(105)</b>	(105)
	<b>1,772</b>	3,731	<b>167</b>	-
Amounts owing to associates	<b>(523)</b>	(508)	<b>(5)</b>	-

The amounts owing by/(to) associates represent balances arising from trade transactions, advances and payments made on behalf which are unsecured, interest free and payable upon demand in cash and cash equivalents. The trade transactions are carried out based on normal trade terms as disclosed in Note 17(a) to the financial statements.

Information on financial risks of amounts owing by/(to) associates are disclosed in Note 38 to the financial statements.

**20. AMOUNT OWING BY A JOINT VENTURE**

The amount owing by a joint venture represents advances and payments made on behalf, which are unsecured, interest free and payable upon demand in cash and cash equivalents.

Information on financial risks of amount owing by a joint venture are disclosed in Note 38 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### 21. CASH AND BANK BALANCES

Cash and cash equivalents included in the statements of cash flows comprise the following as at the end of the reporting period:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term deposits with licensed banks	<b>34,558</b>	15,326	-	-
Cash and bank balances	<b>93,144</b>	53,898	<b>648</b>	321
As reported in statements of financial position	<b>127,702</b>	69,224	<b>648</b>	321
Less:				
Short term deposits with maturity period more than three (3) months	<b>(106)</b>	-	-	-
Short term deposits pledged with licensed banks	<b>(5,952)</b>	(4,563)	-	-
Bank overdrafts (Note 24)	<b>(14,041)</b>	(13,097)	<b>(8,201)</b>	(6,514)
As reported in statements of cash flows	<b>107,603</b>	51,564	<b>(7,553)</b>	(6,193)

- (a) Short term deposits of the Group amounting to RM5,952,000 (2013: RM4,563,000) have been pledged to licensed banks for banking facilities granted to certain subsidiaries of the Group as disclosed in Note 24 to the financial statements.
- (b) Information on financial risks of cash and bank balances are disclosed in Note 38 to the financial statements.
- (c) The currency exposure profiles of cash and bank balances are disclosed in Note 38(i) to the financial statements.

### 22. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of shares	RM'000	Number of shares	RM'000
Ordinary shares of RM1.00 each:				
Authorised	<b>500,000,000</b>	<b>500,000</b>	500,000,000	500,000
Issued and fully paid	<b>218,956,342</b>	<b>218,956</b>	218,956,342	218,956

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

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**22. SHARE CAPITAL** (continued)

## (b) Treasury shares

During the financial year, the total shares repurchased by the Company out of internally generated funds and the consideration paid are as follows:

Month	Number of shares repurchased	Purchase price			Total consideration RM
		Lowest RM	Highest RM	Average RM	
November 2013	21,600	0.360	0.360	0.360	7,776
May 2014	80,000	0.545	0.555	0.551	44,290
	<u>101,600</u>				<u>52,066</u>

As at 31 May 2014, a total of 2,795,827 (2013: 2,694,227) treasury shares at a total cost of RM2,108,000 (2013: RM2,056,000) were held by the Company in accordance with Section 67A(3)(b) of the Companies Act, 1965 in Malaysia.

The shares purchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia.

The number of ordinary shares as at 31 May 2014 net of treasury shares is 216,160,515 (2013: 216,262,115) ordinary shares of RM1.00 each.

**23. RESERVES**

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Non-distributable</b>				
Share premium	4,332	4,332	4,332	4,332
Capital reserve	203	203	-	-
Exchange translation reserve	104	(53)	-	-
Capital redemption reserve	4,987	4,987	4,917	4,917
<b>Distributable</b>				
Retained earnings	52,305	44,684	16,100	12,424
	<u>61,931</u>	<u>54,153</u>	<u>25,349</u>	<u>21,673</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 23. RESERVES (continued)

(a) Exchange translation reserve

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

(b) Capital redemption reserve

The capital redemption reserve arose from a capital reduction exercise pursuant to the requirements of Section 64 of the Companies Act, 1965 in Malaysia.

(c) Retained earnings

The Company is under the single tier system and as a result, there is no restriction on the Company to frank the payment of dividends out of its entire retained earnings as at the end of the reporting period.

### 24. BORROWINGS

Note	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Non-current liabilities</b>				
<b>Unsecured</b>				
Hire purchase and lease creditors	26	-	9	-
<b>Secured</b>				
Hire purchase and lease creditors	26	3,211	5,482	250
Term loans	25	3,125	7,782	-
		<b>6,336</b>	13,264	<b>250</b>
		<b>6,336</b>	13,273	<b>250</b>

NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

24. BORROWINGS (continued)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Current liabilities</b>					
<b>Unsecured</b>					
Bankers' acceptances		-	1,564	-	-
Bank overdrafts		11,181	9,520	8,201	6,514
Revolving credits		8,000	13,250	8,000	34,250
Term loans	25	128,369	123,210	-	-
		<b>147,550</b>	147,544	<b>16,201</b>	40,764
<b>Secured</b>					
Bankers' acceptances		1,004	-	-	-
Bank overdrafts		2,860	3,577	-	-
Revolving credits		31,210	25,363	23,000	-
Trust receipts		18,302	69,359	-	-
Hire purchase and lease creditors	26	1,790	2,973	209	199
Term loans	25	8,270	22,926	1,500	12,500
		<b>63,436</b>	124,198	<b>24,709</b>	12,699
		<b>210,986</b>	271,742	<b>40,910</b>	53,463
<b>Total borrowings</b>					
Bankers' acceptances		1,004	1,564	-	-
Bank overdrafts	21	14,041	13,097	8,201	6,514
Revolving credits		39,210	38,613	31,000	34,250
Trust receipts		18,302	69,359	-	-
Hire purchase and lease creditors	26	5,001	8,464	459	665
Term loans	25	139,764	153,918	1,500	15,500
		<b>217,322</b>	285,015	<b>41,160</b>	56,929

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 24. BORROWINGS (continued)

- (a) The secured borrowings of the Group are secured by the following:
- (i) a fixed charge over the land and buildings of the Group. Refer to Note 7 in the financial statements;
  - (ii) a fixed charge over certain plant and machinery of the Group. Refer to Note 7 in the financial statements;
  - (iii) a charge over certain shares of a quoted subsidiary of the Company and a charge over quoted investments held by a subsidiary. Refer to Note 9 in the financial statements;
  - (iv) pledge of short term deposits of the Group with licensed banks. Refer to Note 21 in the financial statements;
  - (v) assignment of insurance policies covering stock in trade of certain subsidiaries; and
  - (vi) Joint and several guarantees from a Director of the Company.
- (b) The secured borrowings of the Company are secured by the following:
- (i) a fixed and floating charge over certain assets of the Company; and
  - (ii) certain shares of a quoted subsidiary.

(c) Breach of covenant

During the current financial year, CKG Chemicals Pte Ltd ('CKG'), a wholly-owned subsidiary of Nylex, has breached a covenant of bank borrowings as CKG did not fulfil the bank facility's requirement to maintain a minimum tangible net worth of USD8.0 million. Trust receipts of USD2.214 million has been classified as current liability as at the end of the reporting period. This amount has been fully repaid as at end of June 2014.

As of the date of this report, the bank has granted a waiver on the breach of covenant.

- (d) Information on financial risks of borrowings are disclosed in Note 38 to the financial statements.
- (e) The currency exposure profiles of borrowings are disclosed in Note 38(i) to the financial statements.

### 25. TERM LOANS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Current liabilities:</b>				
- not later than one year	136,639	146,136	1,500	12,500
<b>Non-current liabilities:</b>				
- later than one year and not later than five years	3,125	7,782	-	3,000
	<b>139,764</b>	153,918	<b>1,500</b>	15,500



## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 26. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Minimum hire purchase and lease payments:				
- not later than one year	2,121	3,451	231	231
- later than one year and not later than five years	3,500	5,989	262	493
- later than five years	-	9	-	-
Total minimum hire purchase and lease payments	5,621	9,449	493	724
Less: Future interest charges	(620)	(985)	(34)	(59)
Present value of hire purchase and lease payments	5,001	8,464	459	665
Repayable as follows:				
<b>Current liabilities:</b>				
- not later than one year	1,790	2,973	209	199
<b>Non-current liabilities:</b>				
- later than one year and not later than five years	3,211	5,482	250	466
- later than five years	-	9	-	-
	3,211	5,491	250	466
	5,001	8,464	459	665

Information on financial risks of hire purchase and lease creditors is disclosed in Note 38 to the financial statements.

## 27. GOVERNMENT GRANT

	Group	
	2014 RM'000	2013 RM'000
Balance as at 1 June 2013/2012	-	600
Less: Recognised in profit or loss	-	(600)
Balance as at 31 May 2014/2013	-	-

The government grant was given by the Ministry of Science, Technology and Innovation in relation to the development of an animated television series.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 28. PROVISION FOR RETIREMENT BENEFITS

Movements in the net liabilities recognised in the statements of financial position are as follows:

	Note	Group	
		2014 RM'000	2013 RM'000
Balance as at 1 June 2013/2012		<b>2,862</b>	2,846
Charged to profit or loss	42	<b>362</b>	343
Utilised during the financial year		<b>(296)</b>	(308)
Foreign exchange differences		<b>(46)</b>	(19)
Balance as at 31 May 2014/2013		<b>2,882</b>	2,862

The retirement benefit obligation is a post-employment benefit plan whereby the Group pays fixed contribution and will have no legal or constructive obligation to pay further contributions. The retirement benefit obligation is applicable to employees employed prior to 1 July 2005 who have more than ten (10) years of continuous working experience with the Group.

### 29. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	<b>164,503</b>	191,674	-	-
Other payables	<b>23,731</b>	31,910	<b>555</b>	605
Accruals	<b>33,187</b>	31,857	<b>1,166</b>	1,413
	<b>221,421</b>	255,441	<b>1,721</b>	2,018
Deferred revenue	<b>10,756</b>	7,863	-	-
	<b>232,177</b>	263,304	<b>1,721</b>	2,018

- The normal credit terms available to the Group in respect of trade payables ranged from 30 to 90 days (2013: 30 to 90 days) from date of invoice.
- Information on financial risks of trade and other payables are disclosed in Note 38 to the financial statements.
- Deferred revenue of the Group represents the portion of the consideration received in advance in respect of the utilisation of advertising space in the next financial year.
- The currency exposure profiles of trade and other payables are disclosed in Note 38(i) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**30. AMOUNTS OWING TO SUBSIDIARIES**

The amounts owing to subsidiaries represent advances and payments made on the Company's behalf by the subsidiaries, which are unsecured, interest-free and payable upon demand in cash and cash equivalents, except for an amount of RM11,717,000 (2013: RM10,857,000), which is subject to interest of 6.5% (2013: 6.5%) per annum.

Information on financial risks of amounts owing to subsidiaries are is disclosed in Note 38 to the financial statements.

**31. DERIVATIVE ASSETS AND LIABILITIES**

The Group uses forward currency contracts to manage foreign currency transaction exposure. These contracts are not designated as cash flow or fair value hedges and such derivatives do not qualify for hedge accounting. The changes in the fair value of those forward currency contracts are recognised as other income or expense in the statements of profit and loss and other comprehensive income.

Forward currency derivatives are used to hedge the Group's trade receivables and future sales denominated in United States Dollar and Singapore Dollar of which firm commitments existed at the end of the reporting period.

As at the end of the reporting period, the Group had entered into forward currency contracts with the following notional amounts:

	2014		2013	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Derivative assets</b>				
Forward currency contracts				
United States Dollar	745	17	-	-
Singapore Dollar	-	-	2,978	39
	<b>745</b>	<b>17</b>	<b>2,978</b>	<b>39</b>
<b>Derivative liabilities</b>				
Forward currency contracts				
United States Dollar	-	-	1,989	(1)

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 32. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of goods	<b>1,727,007</b>	1,898,122	-	-
Services rendered	<b>137,097</b>	134,436	-	-
Rental income	<b>22</b>	-	<b>1,056</b>	980
Interest income	-	-	<b>108</b>	181
Dividend income (gross):				
- Quoted investments in Malaysia	<b>19</b>	6	<b>19</b>	6
- Quoted subsidiaries	-	-	<b>3,183</b>	1,161
- Unquoted subsidiaries	-	-	<b>15,700</b>	21,670
	<b>19</b>	6	<b>18,902</b>	22,837
	<b>1,864,145</b>	2,032,564	<b>20,066</b>	23,998

## 33. PROFIT/(LOSS) BEFORE TAX

Note	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before tax is arrived at after charging:				
Amortisation of intangible assets	<b>13</b>	6,436	<b>1</b>	1
Auditors' remuneration:				
- statutory:				
- to BDO:				
- current year	<b>312</b>	297	<b>118</b>	112
- under/(over) provision in prior years	<b>28</b>	-	<b>30</b>	(6)
- other auditors:				
- current year	<b>499</b>	613	-	-
- under provision in prior years	-	11	-	-
- non-statutory:				
- to BDO	<b>18</b>	18	<b>18</b>	18
Other fees to BDO:				
- other non-audit services	<b>10</b>	-	-	-
Intangible assets written off	<b>13</b>	-	-	-
Bad debts written off:				
- third parties	<b>1,432</b>	26	-	-
- subsidiaries	-	-	-	2,000
Deposits written off	<b>1</b>	503	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**33. PROFIT/(LOSS) BEFORE TAX** *(continued)*

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before tax is arrived at after charging: <i>(continued)</i>					
Depreciation of:					
- property, plant and equipment	7	<b>18,767</b>	19,726	<b>1,069</b>	1,176
- investment properties	8	<b>6</b>	6	-	-
Write off of deferred expenses		-	127	-	-
Directors' remuneration:					
Fees					
- paid by the Company		<b>470</b>	456	<b>470</b>	456
- paid by subsidiaries		<b>821</b>	796	-	-
Salaries and other emoluments					
- paid by the Company		<b>487</b>	505	<b>487</b>	505
- paid by subsidiaries		<b>11,848</b>	15,430	-	-
Fair value (gain)/loss on:					
- derivatives	31	<b>(17)</b>	(38)	-	-
- non-current other receivables		<b>(107)</b>	424	-	-
- other investments		<b>(32)</b>	(59)	<b>42</b>	(52)
Impairment losses on:					
- amounts owing by subsidiaries	18	-	-	<b>2,104</b>	3,081
- amounts owing by associates	19	<b>4,467</b>	2,561	-	105
- goodwill on consolidation	14	<b>5,044</b>	-	-	-
- intangible assets	13	<b>3,850</b>	2,348	-	-
- investments in associates	10	<b>1,000</b>	-	-	112
- other investments		-	1,687	-	-
- trade and other receivables	17(e)	<b>3,410</b>	6,691	-	-
Interest expense on:					
- amount owing to a subsidiary		-	-	<b>857</b>	788
- bank overdrafts		<b>855</b>	1,022	<b>677</b>	775
- term loans, revolving credits and bankers' acceptance		<b>11,112</b>	12,711	<b>2,491</b>	3,203
- others		<b>638</b>	672	<b>41</b>	23
Inventories written down	16	<b>2,408</b>	2,239	-	-
Inventories written off		<b>900</b>	-	-	-
Loss on foreign exchange:					
- realised		<b>3,984</b>	1,993	-	-
- unrealised		<b>254</b>	2,102	-	-
Loss on dilution of equity interest in subsidiaries	9	-	-	-	4,590
Loss on disposal of other investments		-	909	-	909
Property, plant and equipment written off	7	<b>1,599</b>	1,848	<b>1</b>	6

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 33. PROFIT/(LOSS) BEFORE TAX (continued)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before tax is arrived at after charging: (continued)					
Rental of:					
- equipment		1,002	3,401	16	2
- land and premises		2,182	1,992	27	18
- storage		19,947	18,687	-	-
- others		-	17	-	-
Provision for retirement benefits	28	362	343	-	-
And crediting:					
Amortisation of government grant	27	-	600	-	-
Gain on disposal of:					
- property, plant and equipment		807	257	40	-
- investment in a subsidiary	9.3	20,087	-	-	-
- investment in an associate		-	1,123	-	-
- treasury shares		-	104	-	104
Gain on foreign exchange:					
- realised		897	1,079	-	-
- unrealised		445	449	-	-
Interest income from:					
- advances to a subsidiary		-	-	88	175
- others		622	1,488	20	6
Rental income from:					
- a subsidiary		-	-	188	215
- others		918	820	868	765
Reversal of impairment loss on:					
- trade and other receivables	17(e)	1,141	320	-	-
- investments in associates		-	1,548	-	-
Write back of warranties		162	204	-	-
Waiver of payable balances		200	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 34. TAX EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense based on profit for the financial year:				
Malaysian income tax	15,455	12,466	227	156
Foreign income tax	2,338	2,876	-	-
	17,793	15,342	227	156
(Over)/Under provision in prior years:				
- Malaysian income tax	(1,081)	1,157	(157)	-
- Foreign income tax	(21)	(43)	-	-
	(1,102)	1,114	(157)	-
	16,691	16,456	70	156
Deferred tax (Note 15)				
Relating to origination and reversal of temporary differences	1,456	(584)	(33)	(39)
Under provision in prior years	995	909	23	11
	2,451	325	(10)	(28)
	19,142	16,781	60	128

The Malaysian income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated taxable profit for the fiscal year.

Tax expense for other taxation authorities are calculated at the rates prevailing in the respective jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**34. TAX EXPENSE** (continued)

The numerical reconciliations between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before tax	<b>43,777</b>	4,248	<b>3,736</b>	(3,158)
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	<b>10,944</b>	1,062	<b>934</b>	(790)
Tax effects in respect of:				
Non-allowable expenses	<b>8,131</b>	10,653	<b>1,517</b>	6,396
Non-taxable income	<b>(4,025)</b>	(601)	<b>(2,257)</b>	(5,489)
Tax incentives and allowances	<b>(74)</b>	(2,156)	-	-
Deferred tax assets not recognised	<b>5,493</b>	7,875	-	-
Effect of changes in tax rate	<b>(196)</b>	(142)	-	-
Share of results of associates	-	37	-	-
Share of results of a joint venture	<b>193</b>	-	-	-
Utilisation of unrecognised tax losses and capital allowances	<b>(1,944)</b>	(1,928)	-	-
Different tax rates in foreign jurisdictions	<b>727</b>	(42)	-	-
	<b>19,249</b>	14,758	<b>194</b>	117
(Over)/Under provision in prior years:				
- income tax	<b>(1,102)</b>	1,114	<b>(157)</b>	-
- deferred tax	<b>995</b>	909	<b>23</b>	11
	<b>(107)</b>	2,023	<b>(134)</b>	11
	<b>19,142</b>	16,781	<b>60</b>	128

Tax savings of the Group and the Company are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Utilisation of tax losses	<b>1,944</b>	1,928	-	-
Utilisation of tax incentives	<b>74</b>	2,156	-	-



## NOTES TO THE FINANCIAL STATEMENTS

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**35. EARNINGS/(LOSS) PER ORDINARY SHARE**

## (a) Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share for the financial year has been calculated based on the consolidated profit/(loss) for the year attributable to owners of the parent of RM9,566,000 (2013: RM19,906,000) and the weighted average number of 216,243,000 (2013: 215,901,000) ordinary shares in issue (after adjusting for treasury shares) during the financial year.

	Group	
	2014	2013
Profit/(Loss) attributable to equity holders of the parent (RM'000)	9,566	(19,906)
Weighted average number of ordinary shares in issue ('000)	216,243	215,901
Basic earnings/(loss) per ordinary share for the financial year	4.42	(9.22)

## (b) Diluted earnings/(loss) per ordinary share

Diluted earnings/(loss) per ordinary share is the same as basic earnings/(loss) per ordinary share as there is no dilutive potential ordinary share.

**36. DIVIDEND**

	Group and Company			
	2014		2013	
	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
First and final dividend proposed	1.00	2,162	-	-

The Directors propose a first and final single tier tax exempt dividend of 1.00 sen per ordinary share amounting to RM2,162,000 in respect of the financial year ended 31 May 2014, which is subject to the approval of members at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by the members, will be accounted for as an appropriation of retained earnings in the next financial year.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 37. FINANCIAL INSTRUMENTS

#### (a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while it maintains acceptable capital ratios in order to support its business and maximise shareholder value. The overall strategy of the Group remains unchanged from that in financial year ended 31 May 2013.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 May 2014 and 31 May 2013.

The Group monitors capital using a gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated as total borrowings (comprising current and non-current borrowings as shown in the statement of financial position). Capital represents equity attributable to the owners of the parent.

	Group	
	2014 RM'000	2013 RM'000
Total debts	<b>217,322</b>	285,015
Total equity	<b>278,779</b>	271,053
Gearing ratio	<b>0.78</b>	1.05

Pursuant to the requirements of Practice Note No. 17/2005, of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 May 2014.

During the current financial year, CKG Chemicals Pte Ltd ('CKG'), a wholly-owned subsidiary of Nylex, has breached a covenant of bank borrowings as CKG did not fulfil the bank facility's requirement to maintain a minimum tangible net worth of USD8.0 million. Trust receipts of USD2.214 million has been classified as current liability as at the end of the reporting period. This amount has been fully repaid as at end of June 2014.

As of the date of this report, the bank has granted a waiver on the breach of covenant.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**37. FINANCIAL INSTRUMENTS** (continued)

(b) Financial instruments

	Loans and receivables RM'000	Fair value through profit or loss RM'000	Total RM'000
<b>Financial assets</b>			
<b>2014</b>			
<b>Group</b>			
Trade and other receivables	304,138	-	304,138
Amounts owing by associates	1,772	-	1,772
Amount owing by a joint venture	345	-	345
Other investments	-	4,330	4,330
Derivative assets	-	17	17
Cash and bank balances	127,702	-	127,702
	<b>433,957</b>	<b>4,347</b>	<b>438,304</b>
<b>Company</b>			
Trade and other receivables	856	-	856
Amounts owing by subsidiaries	65,947	-	65,947
Amounts owing by associates	167	-	167
Other investments	-	503	503
Cash and bank balances	648	-	648
	<b>67,618</b>	<b>503</b>	<b>68,121</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**37. FINANCIAL INSTRUMENTS** *(continued)*(b) Financial instruments *(continued)*

	<b>Loans and receivables RM'000</b>	<b>Fair value through profit or loss RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>			
<b>2013</b>			
<b>Group</b>			
Trade and other receivables	324,104	-	324,104
Amounts owing by associates	3,731	-	3,731
Other investments	-	1,598	1,598
Derivative assets	-	39	39
Cash and bank balances	69,224	-	69,224
	<u>397,059</u>	<u>1,637</u>	<u>398,696</u>
<b>Company</b>			
Trade and other receivables	4,066	-	4,066
Amounts owing by subsidiaries	67,662	-	67,662
Other investments	-	545	545
Cash and bank balances	321	-	321
	<u>72,049</u>	<u>545</u>	<u>72,594</u>

NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**37. FINANCIAL INSTRUMENTS** *(continued)*

(b) Financial instruments *(continued)*

	<b>Other financial liabilities RM'000</b>	<b>Total RM'000</b>
<b>Financial liabilities</b>		
<b>2014</b>		
<b>Group</b>		
Trade and other payables, net of deferred revenue	221,421	221,421
Amounts owing to associates	523	523
Borrowings	217,322	217,322
	<b>439,266</b>	<b>439,266</b>
<b>Company</b>		
Trade and other payables	1,721	1,721
Amounts owing to subsidiaries	85,578	85,578
Amounts owing to associates	5	5
Borrowings	41,160	41,160
	<b>128,464</b>	<b>128,464</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**37. FINANCIAL INSTRUMENTS** *(continued)*(b) Financial instruments *(continued)*

	<b>Fair value through profit or loss RM'000</b>	<b>Other financial liabilities RM'000</b>	<b>Total RM'000</b>
<b>Financial liabilities</b>			
<b>2013</b>			
<b>Group</b>			
Trade and other payables, net of deferred revenue	-	255,441	255,441
Amounts owing to associates	-	508	508
Borrowings	-	285,015	285,015
Derivative liabilities	1	-	1
	<b>1</b>	<b>540,964</b>	<b>540,965</b>
<b>Company</b>			
Trade and other payables	-	2,018	2,018
Amounts owing to subsidiaries	-	77,353	77,353
Borrowings	-	56,929	56,929
	<b>-</b>	<b>136,300</b>	<b>136,300</b>

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair values and whose carrying amounts are at reasonable approximation of fair values.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, 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 end of the reporting period.

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

- (ii) Quoted investments

The fair value of quoted investments is determined by reference to the exchange quoted market bid prices at the close of the business at the end of the reporting period.

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**NOTES TO THE FINANCIAL STATEMENTS**

31 May 2014

**37. FINANCIAL INSTRUMENTS** *(continued)*(c) Methods and assumptions used to estimate fair value *(continued)*

## (iii) Club memberships

The fair value of club memberships is determined by reference to comparable market value of similar club memberships.

## (iv) Hire purchase and lease creditors

The fair values of the hire purchase and lease creditors are estimated by discounting future contractual cash flows at current market interest rates available to the Group by reference to similar leasing arrangements.

## (v) Term loans

The fair value of term loans are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending or borrowing arrangements at the reporting date.

## (vi) Derivatives

The fair value of forward foreign currency contracts 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 the reporting period applied to a contract of similar amount and maturity profile.

## (vii) Unit trusts

Unit trusts are valued using valuation models which uses both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, the risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

## (d) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 37. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position:

2014 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
<b>Financial assets at fair value through profit or loss</b>										
- Unit trust	-	3,207	-	3,207	-	-	-	-	3,207	3,207
- Quoted shares	823	-	-	823	-	-	-	-	823	823
- Club memberships	-	300	-	300	-	-	-	-	300	300
- Derivative assets	-	17	-	17	-	-	-	-	17	17
	<b>823</b>	<b>3,524</b>	<b>-</b>	<b>4,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,347</b>	<b>4,347</b>
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
- Hire purchase and lease creditors	-	-	-	-	-	5,621	-	-	5,621	5,001



NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**37. FINANCIAL INSTRUMENTS (continued)**

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position: (continued)

2013 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
<b>Financial assets at fair value through profit or loss</b>										
- Unit trust	184	-	-	184	-	-	-	-	184	184
- Quoted shares	1,099	-	-	1,099	-	-	-	-	1,099	1,099
- Club memberships	-	315	-	315	-	-	-	-	315	315
- Derivative assets	-	39	-	39	-	-	-	-	39	39
	1,283	354	-	1,637	-	-	-	-	1,637	1,637
<b>Financial liabilities</b>										
<b>Financial assets at fair value through profit or loss</b>										
Derivative liabilities	-	1	-	1	-	-	-	-	1	1
<b>Other financial liabilities</b>										
- Hire purchase and lease creditors	-	-	-	-	-	9,162	-	9,162	9,162	8,464
	-	1	-	1	-	9,162	-	9,162	9,163	8,465

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**37. FINANCIAL INSTRUMENTS (continued)**

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position: (continued)

2014 Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
<b>Financial assets at fair value through profit or loss</b>										
- Quoted shares	260	-	-	260	-	-	-	-	260	260
- Club memberships	-	243	-	243	-	-	-	-	243	243
	<b>260</b>	<b>243</b>	<b>-</b>	<b>503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503</b>	<b>503</b>
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
- Hire purchase and lease creditors	-	-	-	-	-	493	-	493	493	459

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**37. FINANCIAL INSTRUMENTS (continued)**

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position: (continued)

2013 Company	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000		
<b>Financial assets</b>								
<b>Financial assets at fair value through profit or loss</b>								
- Quoted shares	288	-	-	288	-	-	-	288
- Club memberships	-	257	-	257	-	-	-	257
	288	257	-	545	-	-	-	545
<b>Financial liabilities</b>								
<b>Other financial liabilities</b>								
- Hire purchase and lease creditors	-	-	-	-	-	700	-	700
	-	-	-	-	-	700	-	665

There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 May 2014 and 31 May 2013.

The Group has established policies and procedures in respect of the measurement of fair value of financial instruments. Management regularly reviews significant unobservable inputs and valuation adjustments.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

It is, and has been throughout the financial year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks and these are summarised below:

#### (i) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its net investments in overseas subsidiaries and normal trading activities, both external and intra-group, where the currency denomination differs from the functional currency, Ringgit Malaysia ('RM'). The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income against local currency costs.

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

<b>31 May 2014</b>	<b>Ringgit Malaysia (‘RM’) RM’000</b>	<b>Indonesia Rupiah (‘IDR’) RM’000</b>	<b>United States Dollar (‘USD’) RM’000</b>	<b>Vietnam Dong (‘VND’) RM’000</b>	<b>Total RM’000</b>
<b>Functional currency</b>					
<b>Trade and other receivables</b>					
United States Dollar	24,885	9,146	-	-	34,031
Singapore Dollar	1,841	-	1,260	-	3,101
Japanese Yen	11	-	-	-	11
	<b>26,737</b>	<b>9,146</b>	<b>1,260</b>	<b>-</b>	<b>37,143</b>
<b>Cash and bank balances</b>					
United States Dollar	13,979	3,479	-	2	17,460
Singapore Dollar	881	-	606	-	1,487
	<b>14,860</b>	<b>3,479</b>	<b>606</b>	<b>2</b>	<b>18,947</b>

NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

**(i) Foreign currency risk** *(continued)*

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

	Ringgit Malaysia (‘RM’) RM’000	Indonesia Rupiah (‘IDR’) RM’000	United States Dollar (‘USD’) RM’000	Vietnam Dong (‘VND’) RM’000	Total RM’000
<b>31 May 2014</b>					
<b>Functional currency</b>					
<b>Borrowings</b>					
United States Dollar	8,023	2,553	-	13,085	23,661
<b>Trade and other payables</b>					
United States Dollar	11,871	7,338	-	-	19,209
Singapore Dollar	4	-	2,093	-	2,097
New Zealand Dollar	28	-	-	-	28
Ringgit Malaysia	-	-	326	-	326
	<b>11,903</b>	<b>7,338</b>	<b>2,419</b>	<b>-</b>	<b>21,660</b>
<b>31 May 2013</b>					
<b>Functional currency</b>					
<b>Trade and other receivables</b>					
United States Dollar	32,534	7,574	-	-	40,108
Singapore Dollar	643	-	1,500	-	2,143
Japanese Yen	71	-	-	-	71
	<b>33,248</b>	<b>7,574</b>	<b>1,500</b>	<b>-</b>	<b>42,322</b>
<b>Cash and bank balances</b>					
United States Dollar	12,531	3,233	-	8	15,772
Singapore Dollar	973	-	638	-	1,611
	<b>13,504</b>	<b>3,233</b>	<b>638</b>	<b>8</b>	<b>17,383</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**(i) Foreign currency risk** (continued)

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

<b>31 May 2013</b> <b>Functional currency</b>	<b>Ringgit Malaysia (‘RM’) RM’000</b>	<b>Indonesia Rupiah (‘IDR’) RM’000</b>	<b>United States Dollar (‘USD’) RM’000</b>	<b>Vietnam Dong (‘VND’) RM’000</b>	<b>Total RM’000</b>
<b>Borrowings</b>					
United States Dollar	6,671	18,776	-	5,152	30,599
<b>Trade and other payables</b>					
United States Dollar	7,996	52,296	-	-	60,292
Singapore Dollar	4	-	2,509	-	2,513
New Zealand Dollar	24	-	-	-	24
Ringgit Malaysia	-	-	350	-	350
	8,024	52,296	2,859	-	63,179

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group’s profit/(loss) after tax to a reasonably possible change in the foreign currencies strengthened or weakened by 3% and exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

<b>Profit/(Loss) after tax</b>	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM’000</b>	<b>RM’000</b>
USD/RM - strengthen by 3%	427	(684)
- weaken by 3%	(427)	684
USD/VND - strengthen by 3%	(294)	116
- weaken by 3%	294	(116)
USD/IDR - strengthen by 3%	62	1,356
- weaken by 3%	(62)	(1,356)

The Group’s profit/(loss) after tax is not sensitive to other foreign currencies.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(ii) Interest rate risk**

The Group's exposure to interest rate risk arises mainly from the Group's borrowings, and is managed through the use of fixed and floating rate borrowings and deposits.

The following tables set out the carrying amounts, the effective annual interest rates as at the end of reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

Note	Effective annual interest rate %	Within 1 year					More than 5 years	Total
		1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 years		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Group</b>								
<b>As at 31 May 2014</b>								
<b>Fixed rates</b>								
Short term deposits with licensed banks	21	1.56% - 3.50%	34,558	-	-	-	34,558	
Hire purchase and lease creditors	26	2.19% - 5.70%	1,790	1,555	119	9	5,001	
<b>Floating rates</b>								
Bank overdrafts	24	7.1% - 8.6%	14,041	-	-	-	14,041	
Bankers' acceptances	24	5.63%	1,004	-	-	-	1,004	
Revolving credits	24	4.13% - 8.10%	39,210	-	-	-	39,210	
Trust receipts	24	4.13% - 7.35%	18,302	-	-	-	18,302	
Term loans	24	4.15% - 12.00%*	136,639	1,500	125	-	139,764	

\* Term loan of RM1,495,000 denominated in VND has an effective annual interest rate of 12.00% per annum.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

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

## (ii) Interest rate risk (continued)

Note	Effective annual interest rate %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>Group</b>								
<b>As at 31 May 2013</b>								
<b>Fixed rates</b>								
Short term deposits with licensed banks	21	15,326	-	-	-	-	-	15,326
Hire purchase and lease creditors	26	2,973	2,817	1,280	1,266	119	9	8,464
<b>Floating rates</b>								
Bank overdrafts	24	13,097	-	-	-	-	-	13,097
Bankers' acceptances	24	1,564	-	-	-	-	-	1,564
Revolving credits	24	38,613	-	-	-	-	-	38,613
Trust receipts	24	69,359	-	-	-	-	-	69,359
Term loans	24	146,136	4,657	1,500	1,500	125	-	153,918

\* Term loan of RM774,000 denominated in VND has an effective annual interest rate of 14.90% per annum.



NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

Note	Effective annual interest rate %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>Company</b>								
<b>As at 31 May 2014</b>								
<b>Fixed rates</b>								
		209	143	97	10	-	-	459
	26	5.63% - 6.73%						
<b>Floating rates</b>								
	24	7.35% - 8.10%	-	-	-	-	-	8,201
	24	4.85% - 6.85%	-	-	-	-	-	31,000
	24	5.15% - 7.50%	-	-	-	-	-	1,500
<b>Company</b>								
<b>As at 31 May 2013</b>								
<b>Fixed rates</b>								
		199	215	146	97	8	-	665
	26	3.59% - 5.05%						
	18	6.75%	-	-	-	-	-	2,604
<b>Floating rates</b>								
	24	7.35% - 8.10%	-	-	-	-	-	6,514
	24	4.80% - 6.70%	-	-	-	-	-	34,250
	24	5.00% - 6.50%	3,000	-	-	-	-	15,500

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### (ii) Interest rate risk *(continued)*

##### Sensitivity analysis for floating rate instruments

As at 31 May 2014, if there was a variation in interest rates by 10 basis points with all other variables held constant, the Group's and the Company's profit/(loss) after tax for the financial year, arising mainly as a result of higher or lower interest expense on variable borrowings, would have been:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Effects on profit/(loss) after tax</b>				
10 basis point higher	(159)	207	(31)	43
10 basis point lower	159	(207)	31	(43)

The sensitivity was lower in 2014 than 2013 because of a decrease in outstanding borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

##### Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the carrying amount of fixed rate financial instruments of the Group and of the Company are measured at amortised cost. Therefore, no sensitivity analysis for fixed rate instruments was prepared as the change in market interest rate at the end of the reporting period would not affect profit or loss.

#### (iii) Liquidity risk

It is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate for the Group's operations.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**(iii) Liquidity risk** (continued)

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

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>2014</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables, net of deferred revenue	221,421	-	-	221,421
Amounts owing to associates	523	-	-	523
Borrowings	210,986	6,956	-	217,942
Total undiscounted financial liabilities	432,930	6,956	-	439,886
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	1,721	-	-	1,721
Amounts owing to subsidiaries	85,578	-	-	85,578
Amounts owing to associates	5	-	-	5
Borrowings	40,910	284	-	41,194
Total undiscounted financial liabilities	128,214	284	-	128,498

## NOTES TO THE FINANCIAL STATEMENTS

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**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)***(iii) Liquidity risk** *(continued)*

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>2013</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables, net of deferred revenue	255,441	-	-	255,441
Amounts owing to associates	508	-	-	508
Borrowings	271,742	13,771	9	285,522
Derivative liabilities	1	-	-	1
Total undiscounted financial liabilities	527,692	13,771	9	541,472
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	2,018	-	-	2,018
Amounts owing to subsidiaries	77,353	-	-	77,353
Borrowings	53,463	3,493	-	56,956
Total undiscounted financial liabilities	132,834	3,493	-	136,327

**(iv) Credit risk**

Cash deposits and receivables may give rise to credit risk, which requires the loss to be recognised if a counterparty failed to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period granted by the Group ranged from one (1) month to four (4) months (2013: One (1) month to three (3) months). Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In respect of the cash and bank balances placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

**NOTES TO THE FINANCIAL STATEMENTS**

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**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)***(iv) Credit risk** *(continued)*Exposure to credit risk

At the end of the reporting period, the maximum exposures to credit risk of the Group and of the Company are represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the end of the reporting period, the Group did not have any significant exposure to any individual customer or counterparty nor did it have any major concentration of credit risk related to any financial instruments.

At the end of the reporting period, the Company did not have any significant exposure to any individual customer or counterparty nor did it have any major concentration of credit risk related to any financial instruments other than the amounts owing by subsidiaries of RM65,947,000 (2013: RM67,662,000).

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17 to the financial statements.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 17 to the financial statements.

**39. RELATED PARTY DISCLOSURES****(a) 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 could be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries as disclosed in Note 44 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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

**(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:**

	Group	
	2014 RM'000	2013 RM'000
Sales to a company in which certain Director of the Company have substantial indirect shareholding	4,123	4,053
Purchases from a company in which certain Director of the Company have substantial indirect shareholding	337	641
Purchases from an associate - MagiqAds Sdn. Bhd.	1,424	2,152
Professional legal fees paid to a firm in which a Director of the Company is a Partner	1,092	1,118
Insurance premium paid to a company in which a Director of the Company has a substantial indirect shareholding	39	28
	<b>Company</b>	
	2014 RM'000	2013 RM'000
Professional legal fees paid to a firm in which a Director of the Company is a Partner	1,092	1,118

The Directors of the Group and of the Company are of the opinion that the above transactions were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

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

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

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**39. RELATED PARTY DISCLOSURES** *(continued)***(c) Compensation of key management personnel** *(continued)*

The remuneration of Directors and other key management personnel of the Group and of the Company during the financial year was as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term employee benefits	18,498	28,596	440	480
Defined contribution plan	1,521	1,396	47	25
Benefits-in-kind	1,584	1,651	116	130
	<b>21,603</b>	31,643	<b>603</b>	635

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

Capital commitments not provided for in the financial statements are as follows:

	Group	
	2014 RM'000	2013 RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	24,508	2,265
Approved but not contracted for	33	97
	<b>24,541</b>	2,362

**(b) Operating lease commitments**

The Group has aggregate future minimum leases commitments as at the end of each reporting period, as follows:

	Group	
	2014 RM'000	2013 RM'000
Not later than one year	15,780	20,068
Later than one year and not later than five years	7,046	26,803
Later than five years	4,916	28,287
	<b>27,742</b>	75,158

## NOTES TO THE FINANCIAL STATEMENTS

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### 41. CONTINGENT LIABILITIES

	2014 RM'000	2013 RM'000
<b>Unsecured</b>		
<b>Group</b>		
Guarantees given to third parties by subsidiaries in respect of trade performance	<b>23,811</b>	22,716
<b>Company</b>		
Guarantees given to financial institutions in respect of credit facilities granted	<b>54,821</b>	52,833

The Directors are of the view that the fair value of such corporate guarantees given by the Group and the Company is negligible as the chances of the financial institutions to call upon the corporate guarantees are remote.

### 42. EMPLOYEE BENEFITS

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries and wages		<b>67,503</b>	79,486	<b>3,142</b>	3,074
Defined contribution plan		<b>7,187</b>	6,966	<b>366</b>	320
Provision for retirement benefits	28	<b>362</b>	343	-	-
Other benefits		<b>4,858</b>	3,451	-	-
		<b>79,910</b>	90,246	<b>3,508</b>	3,394

Included in the employee benefits of the Group and of the Company are Executive Director's remuneration and other emoluments amounting to RM12,335,000 (2013: RM15,935,000) and RM487,000 (2013: RM505,000) respectively.



## NOTES TO THE FINANCIAL STATEMENTS

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**42. EMPLOYEE BENEFITS** (continued)

The details of remuneration received/receivable by Directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Directors of the Company</b>				
Executive Director				
- salaries, bonus and allowances	<b>2,835</b>	8,941	<b>440</b>	480
- defined contribution plan	<b>304</b>	487	<b>47</b>	25
	<b>3,139</b>	9,428	<b>487</b>	505
Non-Executive Directors				
- salaries, bonus and allowances*	<b>2,428</b>	2,100	-	-
- defined contribution plan	<b>235</b>	130	-	-
- fees	<b>790</b>	794	<b>470</b>	456
- other emoluments	<b>92</b>	87	-	-
	<b>3,545</b>	3,111	<b>470</b>	456
Total remuneration of Directors of the Company	<b>6,684</b>	12,539	<b>957</b>	961
<b>Other Directors of the subsidiaries</b>				
- fees	<b>501</b>	541	-	-
- salaries and other emoluments	<b>5,459</b>	3,718	-	-
- defined contribution plan	<b>982</b>	472	-	-
	<b>6,942</b>	4,731	-	-
	<b>13,626</b>	17,270	<b>957</b>	961

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM1,584,000 (2013: RM1,651,000) and RM116,000(2013: RM130,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

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### 42. EMPLOYEE BENEFITS (continued)

The number of Directors of the Company whose total remuneration during the financial year fall within the following bands is analysed below:

	Number of Directors			
	2014		2013	
Directors of the Company	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
RM50,001 to RM100,000	-	1	-	1
RM100,001 to RM150,000	-	2	-	2
RM250,000 to RM300,000	-	2	-	2
RM2,300,001 to RM2,350,000	-	-	-	1*
RM2,400,001 to RM2,450,000	-	1*	-	-
RM3,150,001 to RM3,200,000	1	-	-	-
RM9,450,001 to RM9,500,000	-	-	1	-
	1	6	1	6

\* This is paid/payable to a Non-Executive Director who is the Executive Director of the subsidiaries, i.e. Nylex and RBSB.

### 43. OPERATING SEGMENTS

The Group's operations comprise the following main operating segments:

Investment holding	: Investment holding
Agricultural and industrial chemicals	: Manufacture and sale of agricultural and industrial chemical products
Logistics	: Transportation, container haulage, bulk cargo handling, chemicals warehousing and related services
Information technology ('IT')	: Provision of IT services and sales of computer hardware and software
Media	: Providing digital and outdoor advertising media space and being general traders of media space in the airport, baggage trolleys and signages
Polymer	: Manufacturing and marketing of polymer products

Others mainly comprise trading, contracting and marketing in electrical engineering products.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations before tax. These policies have been applied consistently throughout the current and previous financial years.

The Group's chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment.

The inter-segment assets are added to the segment assets to arrive at total assets reported in the statements of financial position.

The inter-segment liabilities are added to the segment liabilities to arrive at total liabilities reported in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

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43. OPERATING SEGMENTS (continued)

(a) Operating segment

	Investment holding RM'000	Agricultural and industrial chemicals RM'000	Logistics RM'000	IT RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>2014</b>									
<b>Revenue</b>									
External sales	18	1,579,355	40,406	15,566	107,413	118,674	2,713		1,864,145
Inter-segment	19,079	959	6,610	202	167	-	-	(27,017)	-
Total revenue	19,097	1,580,314	47,016	15,768	107,580	118,674	2,713		1,864,145
<b>Segment (loss)/ profit before tax</b>	(27,133)	43,087	24,033	(2,406)	1,313	10,708	-	(5,825)	43,777
Interest income	108	302	5	16	119	161	856	(945)	622
Depreciation and amortisation	(1,077)	(3,743)	(5,904)	(69)	(6,564)	(4,452)	(607)	-	(22,416)
Share of results of a joint venture	-	-	-	-	(770)	-	-	-	(770)
Impairment losses on non-financial assets	-	(5,044)	(1,250)	-	(3,600)	-	-	-	(9,894)
Interest expense	(3,297)	(5,458)	(325)	(52)	(551)	(3,793)	(74)	945	(12,605)
Other material non-cash items:									
Inventories written down	-	-	-	-	-	(2,408)	-	-	(2,408)
Impairment loss on:									
- amounts owing by associates	-	-	-	-	(4,467)	-	-	-	(4,467)
- trade and other receivables	(132)	-	-	(1,024)	(1,954)	-	(300)	-	(3,410)
Property, plant and equipment written off	(1)	-	-	-	(1,595)	-	(3)	-	(1,599)
Gain on disposal of investment in a subsidiary	-	-	20,087	-	-	-	-	-	20,087

## NOTES TO THE FINANCIAL STATEMENTS

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## 43. OPERATING SEGMENTS (continued)

## (a) Operating segment (continued)

2014	Investment holding RM'000	Agricultural and industrial chemicals							Elimination RM'000	Total RM'000
		Investment holding RM'000	Logistics RM'000	IT RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination RM'000		
<b>Segment assets</b>	44,466	528,934	54,587	6,653	113,663	110,130	86,143	(56,444)	888,132	
Investments in associates	381	-	1,803	-	-	-	-	325	2,509	
Investment in a joint venture	-	-	-	-	980	-	-	-	980	
Goodwill on consolidation	-	83,974	-	-	25,836	91	-	(38,283)	71,618	
Additions to property, plant and equipment and computer and computer software	1,429	4,363	1,647	55	3,251	1,086	706	-	12,537	
<b>Segment liabilities</b>	46,369	282,308	11,532	3,909	52,056	24,555	40,554	5,718	467,001	

NOTES TO THE FINANCIAL STATEMENTS

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43. OPERATING SEGMENTS (continued)

(a) Operating segment (continued)

2013	Investment holding RM'000	Agricultural and industrial chemicals							Elimination RM'000	Total RM'000
		Investment holding RM'000	Logistics RM'000	IT RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination RM'000		
<b>Revenue</b>										
External sales	2,845	1,753,074	52,625	17,709	80,926	125,385	-	-	2,032,564	
Inter-segment	24,348	428	5,993	660	-	18	-	(31,447)	-	
<b>Total revenue</b>	<b>27,193</b>	<b>1,753,502</b>	<b>58,618</b>	<b>18,369</b>	<b>80,926</b>	<b>125,403</b>	<b>-</b>	<b>-</b>	<b>2,032,564</b>	
<b>Segment (loss)/ profit before tax</b>	<b>(33,727)</b>	<b>42,091</b>	<b>6,122</b>	<b>(764)</b>	<b>(25,402)</b>	<b>14,108</b>	<b>-</b>	<b>1,820</b>	<b>4,248</b>	
Interest income	182	1,183	3	15	117	164	787	(963)	1,488	
Depreciation and amortisation	(1,183)	(3,939)	(6,950)	(95)	(9,144)	(4,614)	(243)	-	(26,168)	
Share of results of associates	326	-	-	-	(473)	-	-	-	(147)	
Impairment losses on non-financial assets	(112)	(844)	-	-	(1,551)	-	(2,507)	895	(4,119)	
Interest expense	(5,577)	(5,013)	(517)	(357)	(666)	(3,174)	(64)	963	(14,405)	
Other material non-cash items:										
Inventories written down	-	(968)	-	-	-	(1,271)	-	-	(2,239)	
Impairment loss on:										
- amounts owing by associates	(105)	-	-	-	(2,456)	-	-	-	(2,561)	
- other investments	-	-	-	-	(1,687)	-	-	-	(1,687)	
- trade and other receivables	-	-	-	(278)	(6,341)	(72)	-	-	(6,691)	
Loss on dilution of equity interest in subsidiaries	(4,590)	-	-	-	-	-	-	4,590	-	
Property, plant and equipment written off	(6)	-	(2)	-	(1,840)	-	-	-	(1,848)	

## NOTES TO THE FINANCIAL STATEMENTS

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## 43. OPERATING SEGMENTS (continued)

## (a) Operating segment (continued)

2013	Investment holding RM'000	Agricultural and industrial chemicals							Total RM'000
		Investment holding RM'000	Logistics RM'000	IT RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination RM'000	
<b>Segment assets</b>	46,584	600,759	93,406	6,085	110,870	112,047	59,633	(58,222)	971,162
Investments in associates	381	-	2,803	-	-	-	-	325	3,509
Goodwill on consolidation	-	86,873	-	-	25,836	103	-	(38,283)	74,529
Additions to property, plant and equipment and computer software	1,241	4,533	2,972	135	8,622	3,167	415	-	21,085
<b>Segment liabilities</b>	66,578	363,906	18,187	3,483	38,858	25,907	42,262	9,850	569,031

The Group does not have significant reliance on a single major customer, with whom the Group transacted more than ten (10) percent of its revenue during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

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**43. OPERATING SEGMENTS** (continued)**(b) Geographical segment**

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Segment assets	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	856,137	894,542	699,281	515,453
Singapore	469,065	401,172	104,464	125,734
Other Southeast Asian countries	337,909	545,900	84,387	329,975
Other Asian countries	48,237	75,133	-	-
Australia and New Zealand	50,250	60,370	-	-
North and South America	76,545	48,765	-	-
Africa	25,140	6,165	-	-
Europe	862	517	-	-
	<b>1,864,145</b>	<b>2,032,564</b>	<b>888,132</b>	<b>971,162</b>

**44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE**

(a) Details of subsidiaries are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Direct:</i>				
Ancom Crop Care Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and marketing of agricultural chemical products
Ancom Overseas Ventures Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding company and provision of management services
Ancom Energy & Services Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
Synergy Tanker Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Rhodemark Development Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
® HSO Business Systems Sdn. Bhd.	Malaysia	48.0%	48.0%	Dormant

## NOTES TO THE FINANCIAL STATEMENTS

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## 44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Direct:</i>				
@ MSTi Corporation Sdn. Bhd.	Malaysia	<b>45.0%</b>	45.0%	Trading of computer hardware and software and rendering of IT related consultancy services
*iEnterprise Online Sdn. Bhd.	Malaysia	<b>64.3%</b>	64.3%	Development of IT systems and providing IT related consultancy services.
WorldSQL.com Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Dormant
Ascension Lab Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Development of IT systems and providing IT related consultancy services.
Redberry Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Investment holding
Rentas Cabaran Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Dormant
<i>Indirect:</i>				
Ancom Bioscience Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Trading of agricultural chemical products
Polytensides Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Manufacture and sale of agricultural chemical products
Timber Preservatives Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Manufacture and distribution of timber and preservatives related chemical products
Ancom Nutrifooods Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Dormant
Advanced Technology Studies Centre Sdn. Bhd.	Malaysia	<b>54.0%</b>	54.0%	Promoting knowledge and skills development in IT
*Ancom do Brasil Ltda	Brazil	<b>99.9%</b>	99.9%	Dormant. Holder of licenses for certain agricultural chemical products



## NOTES TO THE FINANCIAL STATEMENTS

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**44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE** (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Indirect:</i>				
*Ancom Australia Pty. Ltd.	Australia	<b>100.0%</b>	100.0%	Dormant. Holder of licenses for certain agricultural chemical products
*Malancom Agrochemicals (Pte) Limited	South Africa	<b>100.0%</b>	100.0%	Dormant. Holder of licenses for certain agricultural chemical products
*ChemResources China (Agencies) Limited	Hong Kong	<b>100.0%</b>	100.0%	Trading of petro-chemical and other chemical products
®Redberry Media Sdn. Bhd.	Malaysia	<b>49.0%</b>	49.0%	Provision of referring media job services
Meru Utama Sdn. Bhd.	Malaysia	<b>75.0%</b>	64.0%	General traders and rental of media space at airport, baggage trolleys and signages
Redberry Contact Center Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Providing call centre services
Wheel Sport Management Sdn. Bhd.	Malaysia	<b>77.0%</b>	77.0%	Promoters and organiser of motor sports and to buy, sell and deal in all kinds of motors
Redberry Outdoors Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Provision of outdoor advertising media space
Redberry Events Sdn. Bhd.	Malaysia	<b>90.0%</b>	90.0%	Provision of event organisation services
Redberry Mall Sdn. Bhd. (Formerly known as Redberry Outdoors Productions Sdn. Bhd.)	Malaysia	<b>100.0%</b>	100.0%	Dormant
Focus Media Network Sdn. Bhd.	Malaysia	<b>83.9%</b>	83.9%	Provision of digital advertising media space
*Redberry Animation Sdn. Bhd.	Malaysia	<b>51.0%</b>	51.0%	Production and marketing and animation television series

## NOTES TO THE FINANCIAL STATEMENTS

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## 44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Indirect:</i>				
Unreserved Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Point Cast (M) Sdn. Bhd.	Malaysia	100.0%	100.0%	Provision of digital advertising media space
Twinstar Synergy Sdn. Bhd.	Malaysia	100.0%	100.0%	Printing of newspapers, journals, magazines, books and other literary works
AES Mayak Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant
*Puncak Berlian Sdn. Bhd.	Malaysia	100.0%	-	Dormant
**@ Nylex (Malaysia) Berhad	Malaysia	45.5%	45.5%	Investment holding and manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other polymer products, including geotextiles and prefabricated sub-soil drainage systems
**@ Nycon Manufacturing Sdn. Bhd.	Malaysia	45.5%	45.5%	Manufacture and marketing of rotomoulded plastic products, including bulk chemical containers, road barriers, playground equipment and disposal bins
**@ Nylex Polymer Marketing Sdn. Bhd.	Malaysia	45.5%	45.5%	Marketing of polyurethane ('PU') and polyvinyl chloride ('PVC') synthetic leather, films and sheets, geosynthetic and general trading
**@ PT Nylex Indonesia	Indonesia	45.5%	45.5%	Manufacture, marketing and distribution of PVC and PU leather cloth
**@ Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	45.5%	45.5%	Trading in petrochemicals and industrial chemicals

## NOTES TO THE FINANCIAL STATEMENTS

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**44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE** (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Indirect:</i>				
*#@ Fermpro Sdn. Bhd.	Malaysia	<b>45.5%</b>	45.5%	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products
*#@ Kumpulan Kesuma Sdn. Bhd.	Malaysia	<b>45.5%</b>	45.5%	Manufacture and marketing of sealants and adhesive products
*#@ Wedon Sdn. Bhd.	Malaysia	<b>45.5%</b>	45.5%	Marketing of sealants and adhesive products
*#@ Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	<b>45.5%</b>	45.5%	Manufacture and sale of phosphoric acid
*#@ Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	<b>23.2%</b>	23.2%	Manufacture and sale of chemicals
*#@ CKG Chemicals Pte. Ltd.	Singapore	<b>45.5%</b>	45.5%	Trading and distribution of industrial chemicals and gasoline blending components
*#@^ Dynamic Chemical Pte. Ltd.	Singapore	<b>41.0%</b>	41.0%	Blending, trading and distribution of industrial chemicals
*#@ Perusahaan Kimia Gemilang Gemilang (Vietnam) Company Ltd.	Vietnam	<b>45.5%</b>	45.5%	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals
*#@ PT PKG Lautan Indonesia	Indonesia	<b>23.2%</b>	23.2%	Importation and distribution of industrial chemicals

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

## 44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Indirect:</i>				
*#@ Ancom Kimia Sdn. Bhd.	Malaysia	<b>25.0%</b>	25.0%	Distribution of petrochemicals and industrial chemicals
***@ Ancom Logistics Berhad	Malaysia	<b>47.1%</b>	47.1%	Investment holding
***@ Synergy Trans-Link Sdn. Bhd.	Malaysia	<b>47.1%</b>	47.1%	Investment holding
***@ Ancom-ChemQuest Terminals Sdn. Bhd.	Malaysia	<b>24.0%</b>	24.0%	Build, own, operate, lease and manage chemical tank farm and warehouse
***@ Pengangkutan Cogent Sdn. Bhd.	Malaysia	<b>47.1%</b>	47.1%	Providing transportation and related services
***@ Sinsenmoh Transportation Pte. Ltd.	Singapore	-	47.1%	Freight forwarding, packaging and crafting services
***@ Ancom Systems Technology (Malaysia) Sdn. Bhd.	Malaysia	-	47.1%	Dormant
***@ Hikmat Ikhlas Sdn. Bhd.	Malaysia	<b>16.5%</b>	16.5%	Trading and contracting in electrical engineering products
***@ Ancom Components Sdn. Bhd.	Malaysia	<b>31.9%</b>	31.9%	Manufacturing and marketing of low voltage switchgear
***@ Ancom Ship Management Sdn. Bhd.	Malaysia	-	47.1%	Dormant
* Syarikat Wandeerfull Sdn. Bhd.	Malaysia	<b>100.0%</b>	100.0%	Investment holding, dealing in and subletting of properties
* Pureplay Interactive Sdn. Bhd.	Malaysia	<b>100.0%</b>	-	Digital marketing, providing web software and consulting services related to information technology

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE** (continued)

(b) Details of associates are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Direct:</i>				
*iSpring Capital Sdn. Bhd.	Malaysia	<b>42.0%</b>	42.0%	Dormant
<i>Indirect:</i>				
*Wandeerfull Industries Sdn. Bhd.	Malaysia	<b>30.0%</b>	30.0%	Property investment
*Ancom Philippines Inc.	Philippines	<b>39.6%</b>	39.6%	Dormant. Holder of licenses for certain agricultural chemical products
*Tamco Chongqing Switchgear Company Limited	China	<b>23.1%</b>	23.1%	Under voluntary liquidation
*MagiqAds Sdn. Bhd.	Malaysia	<b>40.0%</b>	40.0%	Advertising media design and production
*Durian FM Sdn. Bhd.	Malaysia	<b>50.0%</b>	50.0%	Internet radio broadcasting

(c) Details of the joint venture is as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
<i>Indirect:</i>				
*Point of Education Sdn. Bhd.	Malaysia	<b>50.0%</b>	-	Managing and operating a college of art and design

\* Not audited by BDO or BDO Member Firms.

@ The Group considers that it controls these subsidiaries even though it owns less than 50% of voting rights. This is because the Group is the single largest shareholder of these companies. Since the date of acquisition of these subsidiaries, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. Further details of Nylex and ALB are as follows:

# The financial statements of Nylex were consolidated as a subsidiary as the Group has control over the Board of Nylex.

## The financial statements of ALB were consolidated as a subsidiary as the Group has power to govern the financial and operating policies of the ALB under a statute or an agreement.

^ The principal activities of this subsidiary has expanded to include blending and distribution of industrial chemicals.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

### 45. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 28 February 2014, Redberry Sdn. Bhd. ('RBSB'), a wholly-owned subsidiary of the Company, acquired an additional 120,000 ordinary shares of RM1.00 each in Meru Utama Sdn. Bhd. ('MUSB') for a cash consideration of RM3,655,000, thereby increasing the Group's equity interest in Meru from 64% to 75%. The proportionate share of the book value of net assets of MUSB for the additional equity interest at the acquisition date was RM1,710,000. The difference between the cost of acquisition of the additional equity interest and the proportionate share of the book value of net assets at the transaction date of RM1,945,000 has been adjusted to equity.
- (b) On 3 March 2014, Redberry Outdoors Sdn. Bhd. ('RBO'), a wholly-owned subsidiary of the Group completed an acquisition of the entire issued and paid up capital of Puncak Berlian Sdn. Bhd. ('PBSB'), comprising two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00. The above acquisition did not have any material financial effect to the Group.
- (c) On 30 September 2013, RBSB, a wholly-owned subsidiary of the Company, acquired 50% equity interest of Point of Education Sdn. Bhd. ('PESB') with an initial issued and paid-up share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, which was satisfied by the capitalisation of RM500,000 of an amount owing by PESB.

On 30 December 2013, RBSB subscribed for an additional 1,250,000 ordinary shares of RM1.00 each in PESB, which was satisfied by the capitalisation of RM1,250,000 of an amount owing by PESB. There was no change in the effective equity interest held by the Group in PESB.

- (d) During the financial year, the Company acquired an additional 4,300 ordinary shares in Nylex (Malaysia) Berhad ('Nylex') for a cash consideration of RM2,064. There was no material change in the effective equity interest held by the Company in Nylex and the above acquisition did not have any material financial effect to the Group and the Company.
- (e) During the financial year, Perusahaan Kimia Gemilang Sdn. Bhd., a wholly-owned subsidiary of Nylex, increased its shareholding in PT PKG Lautan Indonesia via:
- (i) conversion of shareholders' loan of approximately RM2,581,000 into 816,510 ordinary shares; and
  - (ii) subscription of 2,636,088 ordinary shares at a cost of approximately RM8,318,000.

The additional interests acquired by the NCI was approximately RM9,079,000.

The additional investment did not result in any change in the percentage of shareholding of the Group.

- (f) During the financial year, Ancom Logistics Berhad ('ALB'), a subsidiary of the Company, disposed two (2) ordinary shares in Ancom Systems Technology (Malaysia) Sdn. Bhd. for a cash consideration of RM2.00. The above disposal did not have any material financial effect to the Group.
- (g) On 31 December 2013, ALB had disposed its entire equity interest in Ancom Ship Management Sdn. Bhd. ('ASM') comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. The disposal did not have any material financial effect to the Group.
- (h) On 20 December 2013, Synergy Trans-Link Sdn. Bhd., a wholly-owned subsidiary of ALB, disposed its holding of 7,911,192 ordinary shares in Sinsenmoh Transportation Pte. Ltd. for a total cash consideration of RM46,503,000 to CWT Limited.

## NOTES TO THE FINANCIAL STATEMENTS

31 May 2014

**46. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES**

The retained earnings as at the end of the reporting period are analysed as follows:

<b>Company</b>	<b>2014</b>	
	<b>Group RM'000</b>	<b>Company RM'000</b>
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
Realised	<b>38,627</b>	18,743
Unrealised	<b>18,167</b>	(2,643)
	<b>56,794</b>	16,100
Total share of accumulated losses from associates and a joint venture:		
Realised	<b>(2,779)</b>	-
	<b>54,015</b>	16,100
Less: Consolidation adjustments	<b>(1,710)</b>	-
	<b>52,305</b>	16,100



## ADDITIONAL INFORMATION

in Compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

### SHARE BUY BACK

The Company purchased 101,600 shares of the Company during the financial year. Details of the transactions are disclosed in the Director's Report and Note 22(b) to the financial statements.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

### UTILISATION OF PROCEEDS

The Company did not raise proceeds from any corporate exercise during the financial year.

### AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

### SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities during the financial year.

### NON-AUDIT FEE

The Company paid a total of RM28,000 to the external auditors of the Company in the financial year for non-audit assignments.

### COST OF INTERNAL AUDIT FUNCTION

During the financial year, the internal audit function of the Company was carried out by Sterling Business Alignment Consulting Sdn. Bhd., an independent professional consulting firm for a fee of RM30,000.

### VARIATION IN RESULTS

There was no material variance between the results for the financial year ended 31 May 2014 and the unaudited results previously announced. The Company did not announce any profit estimates, forecasts and projections for the financial year.

### PROFIT GUARANTEE

There was no profit guarantee received by the Company in respect of the financial year ended 31 May 2014.

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

There was no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries which involves the Directors and/or substantial shareholders, either still subsisting as at the end of the financial year ended 31 May 2014 or entered into since the end of the previous financial year.



## ADDITIONAL INFORMATION

### SIGNIFICANT RELATED PARTY TRANSACTIONS

The disclosure on the Significant Related Party Transactions for the financial year ended 31 May 2014 is as set out in Note 39 of the financial statements.

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

The Company did not seek shareholders' mandate for RRPT in the last annual general meeting. The following RRPT were conducted during the financial year ended 31 May 2014 :

Related Party	Transacting Party for RRPT	Nature of RRPT	Value of RRPT (RM'000)	Interested directors, major shareholders and connected persons
Malay Mail S/B ("MMSB")	Twinstar Synergy S/B ("TSSB", a wholly-owned subsidiary of Redberry S/B, which in turn is a wholly-owned subsidiary of the Company)	Provision of printing services by TSSB to MMSB	4,123	<ul style="list-style-type: none"> <li>• Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid</li> <li>• Dato' (Dr) Siew Ka Wei</li> <li>• Datin Young Ka Mun</li> <li>• Siew Ka Kheong</li> <li>• Quek Lay Kheng</li> <li>• Siew Nim Chee &amp; Sons S/B</li> <li>• Silver Dollars S/B</li> </ul>

Note:  
S/B - Sdn. Bhd.



## LIST OF PROPERTIES

Location / Address	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2014 (RM'000)	Date of Acquisition / Revaluation
<b>Ancom Berhad</b>					
1. P.T. 4227 Mukim of Kapar Daerah Klang Selangor	Unexpired leasehold interest of 72 years (Expiring on 9 June 2086)	2.52 hectares	Office and factory buildings Age of buildings: approximately 23 years	8,250	30 March 2011
2. H.S.(D) 7524 2A, Jalan 13/2 Petaling Jaya Selangor	Unexpired leasehold interest of 91 years (Expiring in 2105)	1.31 hectares	Office and factory buildings Age of buildings: approximately 29 to 39 years	28,843	7 April 2011
<b>Ancom Crop Care Sdn. Bhd.</b>					
1. PN 77684, Lot 39, Seksyen 15 Bandar Shah Alam Daerah Petaling Selangor	Unexpired leasehold interest of 94 years (Expiring in 2108)	2.22 hectares	Office and factory buildings Age of buildings: approximately 44 years	15,782	11 May 2011
2. H.S.(D) 240444 PT No. 827 Bandar Shah Alam Daerah Petaling Selangor	Unexpired leasehold interest of 92 years (Expiring in 2106)	153 sq.m.	Three-storey shop office Age of buildings: approximately 4 years	1,305	1 February 2011
<b>Ancom Energy &amp; Services Sdn. Bhd.</b>					
1. H.S.(D) 128193 PT125513, Mukim Klang Daerah Klang Selangor	Unexpired leasehold interest of 82 years (Expiring on 24 February 2097)	0.22 hectare	Vacant land	462	7 April 2011

## LIST OF PROPERTIES

Location / Address	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2014 (RM'000)	Date of Acquisition / Revaluation
<b>Syarikat Wandeerfull Sdn. Bhd.</b>					
1. Shoplot No. 1.30 First Floor Wisma Cosway Kuala Lumpur	Freehold	40 sq.m.	Shoplot Age of building: approximately 38 years	119	31 May 2004
2. Geran 11679 Lot 40268 Mukim of Batu Daerah Wilayah Persekutuan	Freehold	597 sq.m.	Vacant land	20	31 May 2004
<b>Ancom-ChemQuest Terminals Sdn. Bhd.</b>					
1. Jeti Petrokimia Pelabuhan Barat Pelabuhan Klang Selangor	Unexpired lease period of 10 years (Expiring on 31 August 2024)	9.8 acres	Tank farm, office and warehouse Age of building: approximately 17 years	25,323	N/A
<b>Pengangkutan Cogent Sdn. Bhd.</b>					
1. PTD 149227 Jalan Berjaya 7 Taman Perindustrian Berjaya Daerah Johor Bahru, Johor	Freehold	6,070.3 sq.m.	Office building Age of building: 5 years	3,618	2010
<b>Nylex (Malaysia) Berhad</b>					
1. H.S.(D) 256546 Lot 16 Persiaran Selangor, Section 15 Shah Alam Selangor	Unexpired leasehold interest of 94 years (Expiring on 29 June 2108)	2.93 hectares	Office and factory buildings Age of buildings: approximately 43 years	33,560	5 May 2011
2. H.S.(D) 256546 Lot 16 Persiaran Selangor, Section 15 Shah Alam Selangor	Unexpired leasehold interest of 94 years (Expiring on 29 June 2108)	1.21 hectares	Warehouse, factory and buildings Age of buildings: approximately 34 years		

## LIST OF PROPERTIES

Location / Address	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2014 (RM'000)	Date of Acquisition / Revaluation
<b>Nylex Specialty Chemicals Sdn. Bhd.</b>					
1. H.S.(M) 5507 P.T. 593, Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang	Unexpired leasehold interest of 60 years (Expiring on 1 September 2074)	0.87 hectares	Warehouse, factory and office buildings Age of buildings: approximately 39 years	3,758	25 April 2011
2. H.S.(M) 6588 P.T. 624, Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang	Unexpired leasehold interest of 62 years (Expiring on 19 February 2076)	0.83 hectares	Warehouse, factory and office buildings Age of buildings: Approximately 37 years	3,369	25 April 2011
<b>Fermpro Sdn. Bhd.</b>					
1. H.S.(M) 748 Lot 1113 Mukim of Chuping Perlis	Unexpired leasehold interest of 32 years (Expiring on 22 November 2046)	1.62 hectares	Office and factory buildings Age of buildings: approximately 26 years	1,906	11 April 2011
2. H.S.(M) 1804 Plot 3 & 4 P.T. 924A Mukim of Chuping Perlis	Unexpired leasehold interest of 45 years (Expiring on 7 February 2059)	2.43 hectares	Spent molasses treatment pond	576	11 April 2011
3. H.S.(M) 1803 P.T. 2978 Mukim of Chuping Perlis	Unexpired leasehold interest of 45 years (Expiring on 7 February 2059)	0.81 hectares	Office and factory buildings Age of buildings: approximately 12 years	578	11 April 2011
<b>Perusahaan Kimia Gemilang Sdn. Bhd.</b>					
1. H.S.(M) 6259 P.T. 4228 Mukim of Kapar Daerah Klang Selangor	Unexpired leasehold interest of 72 years (Expiring on 9 June 2086)	2.85 hectares	Office and factory building Age of building: approximately 23 years	9,303	7 April 2011

## ANALYSIS OF SHAREHOLDINGS

As at 30 September 2014

**No. Of Holders Of Each Class Of Equity Securities**

Class of securities	:	Ordinary shares of RM1.00 each ("Shares")
Total no. issued	:	218,956,342
No. of holders	:	9,046
Voting rights	:	One vote per Share on a poll One vote per shareholder on a show of hands

**Distribution Schedule**

Holdings	No. of holders	Total Holdings	%
Less than 100	1,681	48,079	0.02
100 to 1,000	765	402,639	0.19
1,001 to 10,000	4,938	20,522,564	9.49
10,001 to 100,000	1,492	45,142,362	20.88
100,001 to less than 5% of issued Shares	168	103,100,590	47.70
5% and above of issued Shares	2	46,944,281	21.72
	9,046	216,160,515	100.00
Treasury shares	-	2,795,827	-
	9,046	218,956,342	100.00

**Substantial Holders**

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Chan Thye Seng	-	-	42,797,402 <sup>(a)</sup>	19.80
Pacific & Orient Berhad	31,877,978	14.75	10,589,424 <sup>(b)</sup>	4.90
Dato' (Dr) Siew Ka Wei	21,141,265	9.78	20,611,748 <sup>(c)</sup>	9.53
Siew Nim Chee & Sons Sdn. Bhd.	14,558,987	6.74	-	-

**Note:**

- (a) Held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.  
 (b) Held through Pacific & Orient Insurance Co. Berhad.  
 (c) Held through Silver Dollars Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Siew Ka Kheong, Datin Young Ka Mun and Quek Lay Kheng.

**Directors' Holdings**

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Johari Razak	465,427	0.22	-	-
Dato' (Dr) Siew Ka Wei	21,141,265	9.78	20,611,748 <sup>(a)</sup>	9.53
Tan Sri Dato' Dr Lin See Yan	165,375	0.08	-	-
Chan Thye Seng	-	-	42,797,402 <sup>(b)</sup>	19.80

**Note:**

- (a) Held through Silver Dollars Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Siew Ka Kheong, Datin Young Ka Mun and Quek Lay Kheng.  
 (b) Held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.

## ANALYSIS OF SHAREHOLDINGS

As at 30 September 2014

### Thirty Largest Shareholders As Per Record of Depositors

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

Name	No. of shares	%
1. Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Ka Wei	15,066,303	6.969
2. Pacific & Orient Berhad	13,874,116	6.418
3. Pacific & Orient Berhad	9,218,900	4.264
4. Lim Chui Kui @ Lim Chooi Kui	7,076,243	3.273
5. TA Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sendirian Berhad	6,790,170	3.141
6. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Pacific & Orient Insurance Co. Berhad	5,392,878	2.494
7. Pacific & Orient Insurance Co Berhad	5,196,546	2.404
8. Pacific & Orient Berhad	5,143,162	2.379
9. Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Ka Wei	4,827,166	2.233
10. Malaysia Nominees (Tempatan) Sendirian Berhad - Silver Dollars Sdn. Bhd.	4,727,683	2.187
11. Malaysia Nominees (Tempatan) Sendirian Berhad - Siew Nim Chee & Sons Sdn. Bhd.	4,461,317	2.063
12. CitiGroup Nominees (Asing) Sdn. Bhd. - Exempt An for Citibank NA, Singapore (Julius Baer)	4,074,800	1.885
13. EB Nominees (Tempatan) Sendirian Berhad - E & O Developers Sdn. Bhd.	3,643,762	1.685
14. Kenanga Nominees (Tempatan) Sdn. Bhd. - Siew Nim Chee & Sons Sendirian Berhad	3,307,500	1.530
15. Asian Strategic Investments Group Limited	2,581,020	1.194
16. Pacific & Orient Berhad	2,563,100	1.185
17. Thong Yaw Hong	2,480,625	1.147
18. EB Nominees (Tempatan) Sendirian Berhad - Eastern & Oriental Berhad	1,821,881	0.842
19. CimSec Nominees (Asing) Sdn. Bhd. - Exempt An for CIMB Securities (Singapore) Pte Ltd	1,719,406	0.795
20. Malaysia Nominees (Tempatan) Sendirian Berhad - Siew Ka Wei	1,288,796	0.596
21. CimSec Nominees (Tempatan) Sdn. Bhd. - CIMB for Chan Hua Eng	1,100,000	0.508
22. Pacific & Orient Berhad	1,078,700	0.499
23. HLB Nominees (Tempatan) Sdn. Bhd. - Tan Teng Heng	1,000,000	0.462
24. Lee Pooi Seng	1,000,000	0.462
25. SJ Sec Nominees (Tempatan) Sdn. Bhd. - Josephine A/P Devasagayam	1,000,000	0.462
26. Yeap Chin Loon	968,557	0.448
27. Astro (M) Sdn. Bhd.	951,980	0.440
28. Ng Wing Kong	823,799	0.381
29. Yeap Mong Sie	815,750	0.377
30. RHB Capital Nominees (Tempatan) Sdn. Bhd. - Lim Kam Seng	740,000	0.342
Total	114,734,160	53.065

## NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the 45<sup>th</sup> Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1<sup>st</sup> Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 20 November 2014 at 2.30 p.m to transact the following businesses :

### AGENDA

#### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company and of the Group and the Reports of the Directors and the Auditors thereon for the financial year ended 31 May 2014; **(Please Refer Explanatory Note 1)**
2. To approve a single tier tax exempt dividend of 1.0 sen per share for the financial year ended 31 May 2014; **(Resolution 1)**
3. To approve the payment of the Directors' fees for the financial year ended 31 May 2014; **(Resolution 2)**
4. To re-elect the following Directors who retire pursuant to Article 81 of the Company's Articles of Association:
  - 4.1 Edmond Cheah Swee Leng **(Resolution 3)**
  - 4.2 Lim Hock Chye **(Resolution 4)**
5. To re-appoint Tan Sri Dato' Dr Lin See Yan, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965 to hold office until the conclusion of the next annual general meeting of the Company; **(Resolution 5)**
6. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration; **(Resolution 6)**

#### AS SPECIAL BUSINESS

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

7. Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature ("Proposed New RRPT Mandate") **(Resolution 7)**

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into the categories of recurrent related party transactions of a revenue or trading nature set out in the table in Section 2.2 of the Company's Circular to Shareholders/ Statement dated 29 October 2014 with the related parties set out in Section 2.2 in the Circular, such transactions which are necessary for the Group's day-to-day operations and carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

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## NOTICE OF ANNUAL GENERAL MEETING

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

- (i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

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

8. Proposed Renewal of Shareholders' Mandate to Purchase Ancom Berhad's Own Shares (“Proposed Renewal of SBB Mandate”)

**(Resolution 8)**

“THAT subject to the provisions of the Companies Act, 1965 (“Act”), the Articles of Association of the Company, the regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad (“Bursa Securities”) or any other regulatory authorities, the Directors be and are hereby authorised to utilise an amount not exceeding the total audited share premium and retained profits of the Company as at 31 May 2014 of RM4,332,000 and RM16,100,000 respectively to purchase such number of ordinary shares of RM1 each of the Company PROVIDED THAT the ordinary shares so purchased shall, in aggregate with the treasury shares as defined under section 67A of the Act (“Treasury Shares”) then still held by the Company, not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being AND THAT such authority shall unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors may retain the ordinary shares so purchased as Treasury Shares and may distribute the Treasury Shares as share dividend or may resell the Treasury Shares or may cancel the ordinary shares so purchased in a manner they deem fit and expedient as prescribed by the Act and the applicable regulations and guidelines of Bursa Securities and any other relevant authorities for the time being in force AND THAT authority be and is hereby given to the Directors to take all such steps to implement finalise and to give effect to the aforesaid transactions with full power to assent to any conditions modifications variations and amendments as may be imposed by the relevant authorities or as they deem fit and expedient at their discretion in the best interest of the Company in accordance with the aforesaid Act, regulations and guidelines.”



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## NOTICE OF ANNUAL GENERAL MEETING

9. Proposed Issuance of New Ordinary Shares of RM1 Each Pursuant to Section 132D of the Companies Act, 1965 ("Proposed Renewal of Share Issue Mandate")

**(Resolution 9)**

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

### OTHER ORDINARY BUSINESS

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

By order of the Board,

**CHOO SE ENG**  
**WONG WAI FOONG**  
Secretaries

Petaling Jaya  
29 October 2014

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES

1. A registered member entitled to attend and vote at the Meeting may appoint up to two (2) proxies to attend and vote for him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an authorised nominee, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. 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.
4. Where a member 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.
5. If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 November 2014 ("General Meeting Records of Depositories") shall be eligible to attend, speak and vote or appoint proxy to attend and vote on his behalf.
7. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

### EXPLANATORY NOTES

#### 1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

#### 2. Item 7 of the Agenda

Resolution 7 proposed under item 7 of the Agenda, if passed, will give the Company authority to enter into recurring transactions of a revenue or trading nature with its related parties as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a subsequent general meeting, expire at the next annual general meeting.

Further details relating to Resolution 7 are set out in the Company's Circular to Shareholders / Statement dated 29 October 2014, a copy of which is sent to you together with the Company's 2014 Annual Report.

#### 3. Item 8 of the Agenda

Resolution 8 proposed under item 8 of the Agenda, if passed, will give the Directors authority to purchase and/or hold up to 10% of the total issued and paid-up share capital of the Company for the time being. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a general meeting, expire at the next annual general meeting.

Further details relating to Resolution 8 are set out in the Company's Circular to Shareholders / Statement dated 29 October 2014, a copy of which is sent to you together with the Company's 2014 Annual Report.

#### 4. Item 9 of the Agenda

Resolution 9 proposed under item 9 of the Agenda, if passed, will authorise the Directors to issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental / regulatory bodies. This authorisation will empower the Directors to issue shares notwithstanding that the authorisation has ceased to be in force if the shares are issued in pursuance of an offer, agreement or option, made or granted by the Directors while the authorisation was in force. This authorisation will expire at the conclusion of the next annual general meeting.

This is the renewal of the mandate obtained from the shareholders of the Company at the last annual general meeting ("Previous Mandate"). The Previous Mandate was not utilised and accordingly no proceeds were raised. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.



**ANCOM BERHAD**  
(Company No: 8440-M)  
(Incorporated in Malaysia)

# PROXY FORM

CDS A/C No.	No. of shares held

I/We \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_  
(Full Address)

being (a) member(s) of 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 to attend and to vote for me / us on my / our behalf at the 45<sup>th</sup> Annual General Meeting of the Company to held at Kristal Ballroom 1, 1<sup>st</sup> Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 20 November 2014 at 2.30 p.m. or any adjournment thereof and to vote as indicated below:

Item	Agenda	Resolution	For	Against
1.	To receive Audited Financial Statements and Reports			
2.	To approve single tier tax exempt dividend	1		
3.	To approve Directors' fees	2		
4.	To re-elect the following Directors who retire pursuant to Article 81 of the Company's Articles of Association:			
	4.1 Edmond Cheah Swee Leng	3		
	4.2 Lim Hock Chye	4		
5.	To re-appoint Tan Sri Dato' Dr Lin See Yan, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965	5		
6.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration	6		
7.	To approve the Proposed New RRPT Mandate	7		
8.	To approve the Proposed Renewal of SBB Mandate	8		
9.	To approve the Proposed Renewal of Share Issue Mandate	9		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

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

(\*Delete if not applicable)

Telephone no.

during office hours : \_\_\_\_\_

**Notes:**

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AFFIX  
STAMP

**ANCOM BERHAD**

(Company No. : 8440-M)

Registered Office:  
c/o Tricor Corporate Services Sdn. Bhd.  
Level 18, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia

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