

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)
[Registration No.: 197001000148 (9378-T)]

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 31 AUGUST 2021
THE FIGURES HAVE NOT BEEN AUDITED

| | Individual Quarter | | Cumulative Quarter | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.08.2021 RM'000 | 31.08.2020 RM'000 | 31.08.2021 RM'000 | 31.08.2020 RM'000 |
| Revenue | 274,922 | 245,919 | 274,922 | 245,919 |
| Cost of sales | (256,692) | (222,369) | (256,692) | (222,369) |
| Gross profit | 18,230 | 23,550 | 18,230 | 23,550 |
| Other income | 1,104 | 586 | 1,104 | 586 |
| Selling and distribution expenses | (12,970) | (13,739) | (12,970) | (13,739) |
| Administrative expenses | (4,336) | (6,922) | (4,336) | (6,922) |
| Other expenses | (37) | (1,075) | (37) | (1,075) |
| Finance costs | (2,130) | (2,214) | (2,130) | (2,214) |
| Share of results of associates, net of tax | 194 | 86 | 194 | 86 |
| Profit before tax | 55 | 272 | 55 | 272 |
| Taxation | 593 | (2,071) | 593 | (2,071) |
| Net profit/(loss) for the period | 648 | (1,799) | 648 | (1,799) |
| Net profit/(loss) attributable to: | | | | |
| Owners of the parent | 332 | (1,518) | 332 | (1,518) |
| Non-controlling interests | 316 | (281) | 316 | (281) |
| | 648 | (1,799) | 648 | (1,799) |
| Earnings/(Loss) per share attributable to owners of the parent (sen) | | | | |
| - basic | 0.19 | (0.87) | 0.19 | (0.87) |
| - diluted | N/A | N/A | N/A | N/A |

(The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 May 2021)

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)
[Registration No.: 197001000148 (9378-T)]

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 AUGUST 2021
THE FIGURES HAVE NOT BEEN AUDITED

| | Individual Quarter | | Cumulative Quarter | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.08.2021 RM'000 | 31.08.2020 RM'000 | 31.08.2021 RM'000 | 31.08.2020 RM'000 |
| Net profit/(loss) for the period | 648 | (1,799) | 648 | (1,799) |
| Other comprehensive income/(loss): | | | | |
| Currency translation differences | 659 | (3,937) | 659 | (3,937) |
| Re-measurement of defined benefit liability | - | - | - | - |
| Other comprehensive income/(loss) for the period | 659 | (3,937) | 659 | (3,937) |
| Total comprehensive income/(loss) for the period | 1,307 | (5,736) | 1,307 | (5,736) |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the parent | 943 | (5,168) | 943 | (5,168) |
| Non-controlling interests | 364 | (568) | 364 | (568) |
| | 1,307 | (5,736) | 1,307 | (5,736) |

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 May 2021)

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)
[Registration No.: 197001000148 (9378-T)]

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

| | As at 31.08.2021 RM'000 (Unaudited) | As at 31.05.2021 RM'000 (Audited) |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 113,535 | 115,357 |
| Right-of-use assets | 55,131 | 59,053 |
| Investment in associates | 3,185 | 2,991 |
| Goodwill arising on consolidation | 83,219 | 82,820 |
| Deferred tax assets | 24,412 | 24,255 |
| | <u>279,482</u> | <u>284,476</u> |
| Current assets | | |
| Inventories | 123,427 | 122,148 |
| Trade and other receivables | 209,055 | 224,265 |
| Investment securities | 808 | 840 |
| Income tax recoverable | 4,652 | 4,124 |
| Short-term deposits with licensed banks | 16,420 | 14,719 |
| Cash and bank balances | 63,680 | 79,532 |
| | <u>418,042</u> | <u>445,628</u> |
| TOTAL ASSETS | <u>697,524</u> | <u>730,104</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 195,143 | 195,143 |
| Reserves | 17,933 | 17,322 |
| Retained profits | 111,101 | 110,769 |
| Less: Treasury shares, at cost | (10,011) | (10,011) |
| | <u>314,166</u> | <u>313,223</u> |
| Non-controlling interests | 9,927 | 9,563 |
| Total equity | <u>324,093</u> | <u>322,786</u> |
| Non-current liabilities | | |
| Deferred tax liabilities | 2,602 | 2,602 |
| Long term borrowings | 24,542 | 26,837 |
| Provision for retirement benefits | 4,828 | 4,679 |
| Long term lease liabilities | 18,602 | 21,145 |
| | <u>50,574</u> | <u>55,263</u> |
| Current liabilities | | |
| Trade and other payables | 119,190 | 150,551 |
| Short-term borrowings | 191,779 | 186,717 |
| Income tax payable | 352 | 1,464 |
| Short-term lease liabilities | 11,536 | 13,323 |
| | <u>322,857</u> | <u>352,055</u> |
| Total liabilities | <u>373,431</u> | <u>407,318</u> |
| TOTAL EQUITY AND LIABILITIES | <u>697,524</u> | <u>730,104</u> |
| Net assets per share attributable to owners of the parent (RM) | 1.75 | 1.75 |

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 May 2021)

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)
[Registration No.: 197001000148 (9378-T)]

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2021

| | <----- Attributable to owners of the parent -----> | | | | Total | Non- controlling interests | Total equity |
|---|--|------------------------|---------------------|--------------------|---------|----------------------------------|-----------------|
| | Share capital | Translation reserve | Retained profits | Treasury shares | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>3 month period ended 31 August 2021</u> | | | | | | | |
| Balance as at 01 June 2021 | 195,143 | 17,322 | 110,769 | (10,011) | 313,223 | 9,563 | 322,786 |
| Net profit for the period | - | - | 332 | - | 332 | 316 | 648 |
| Other comprehensive income | - | 611 | - | - | 611 | 48 | 659 |
| Total comprehensive income for the period | - | 611 | 332 | - | 943 | 364 | 1,307 |
| Balance as at 31 August 2021 | 195,143 | 17,933 | 111,101 | (10,011) | 314,166 | 9,927 | 324,093 |
| <u>3 month period ended 31 August 2020</u> | | | | | | | |
| Balance as at 01 June 2020 | 195,143 | 20,810 | 94,767 | (12,916) | 297,804 | 10,101 | 307,905 |
| Net loss for the period | - | - | (1,518) | - | (1,518) | (281) | (1,799) |
| Other comprehensive loss | - | (3,650) | - | - | (3,650) | (287) | (3,937) |
| Total comprehensive loss for the period | - | (3,650) | (1,518) | - | (5,168) | (568) | (5,736) |
| Balance as at 31 August 2020 | 195,143 | 17,160 | 93,249 | (12,916) | 292,636 | 9,533 | 302,169 |

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 May 2021)

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

[Registration No.: 197001000148 (9378-T)]

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 AUGUST 2021**

| | FY 2022 | FY 2021 |
|---|---|---|
| | 3 months ended 31.08.2021 RM'000 (Unaudited) | 3 months ended 31.08.2020 RM'000 (Unaudited) |
| Cash Flows From Operating Activities | | |
| Profit before tax | 55 | 272 |
| Adjustments for non-cash items | 6,316 | 11,722 |
| Operating cash flows before working capital changes | 6,371 | 11,994 |
| Working Capital Changes | | |
| Receivables | 17,061 | (10,466) |
| Inventories | (732) | 8,649 |
| Payables | (31,686) | 32,453 |
| Related companies | (247) | (2,194) |
| Associates | (158) | 135 |
| Cash flows (used in)/generated from operations | (9,391) | 40,571 |
| Tax paid | (1,985) | (1,975) |
| Retirement benefits paid | - | (106) |
| Net Cash Flows (Used In)/From Operating Activities | (11,376) | 38,490 |
| Cash Flows From Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 146 | 18 |
| Purchase of property, plant and equipment | (701) | (103) |
| Acquisition of interest in an associate | - | (235) |
| Interest received | 551 | 569 |
| Dividend received | 3 | 7 |
| Net Cash Flows (Used In)/From Investing Activities | (1) | 256 |
| Cash Flows From Financing Activities | | |
| Drawdown of borrowings | 61,977 | 41,981 |
| Repayment of borrowings | (59,878) | (62,380) |
| Repayment of lease liabilities | (4,118) | (3,937) |
| Interest paid | (2,130) | (2,214) |
| Net Cash Flows Used In Financing Activities | (4,149) | (26,550) |
| Net (Decrease)/Increase in Cash and Cash Equivalents | (15,526) | 12,196 |
| Effects of Exchange Rate Changes | 1,555 | (3,296) |
| Cash and Cash Equivalents at beginning of year | 91,013 | 80,269 |
| Effects of Exchange Rate Changes | (180) | 583 |
| Cash and Cash Equivalents at end of period | 76,862 | 89,752 |
| The Cash and Cash Equivalents comprise: | | |
| Cash and bank balances | 63,680 | 71,746 |
| Short-term deposits | 16,420 | 21,665 |
| | 80,100 | 93,411 |
| Less: Short-term deposits with maturity of more than three (3) months | (3,238) | (3,659) |
| | 76,862 | 89,752 |

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 May 2021)



NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

(Registration No.: 197001000148 (9378-T))

Notes to the Interim Financial Report
– For the 1st Financial Quarter Ended 31 August 2021

| |
|--|
| A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134, INTERIM FINANCIAL REPORTING AND BURSA SECURITIES LISTING REQUIREMENTS |
|--|

A1. Basis of Preparation

This Interim Financial Report (“Report”) is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”). This Report complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

This Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2021.

These notes to the Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 May 2021.

A2. Significant accounting policies

The significant accounting policies and methods of computation adopted by the Group in this Report are consistent with those adopted in the most recent audited financial statements for the year ended 31 May 2021 except for the adoption of the following MFRSs/Amendments/Annual Improvements to MFRSs (collectively referred to as “pronouncements”) to be applied for the financial period beginning on or after 1 January 2021:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform - Phase 2*

Amendment to MFRS 16 *Leases Covid-19-Related Rent Concessions beyond 30 June 2021*

The adoption of the above pronouncements will have no material impact on the financial statements of the Group.

A3. Seasonality or Cyclicity of Interim Operations

The operations of the Group were not significantly affected by seasonality and cyclicity factors.

A4. Items of Unusual Nature and Amount

There were no items affecting the assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size or incidence.

A5. Changes in Estimates Reported in Prior Interim Periods

There were no changes in estimated amounts reported in prior periods, which have a material effect on the current period.

A6. Debts and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayments of debts and equity securities for the current quarter and financial year-to-date, except for the following:

Treasury shares:

At the Company's 51st Annual General Meeting held on 26 October 2021, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares. The Company did not purchase any shares for the current quarter and financial year-to-date.

As at 31 August 2021, a total of 15,050,648 treasury shares at a total cost of RM10,010,685.15 were held by the Company pursuant to Section 127(4)(b) of the Companies Act 2016.

A7. Dividends Paid

The Company has not paid any dividend for the current financial year-to-date.

A8. Segment Revenue and Results

The segment revenue and segment results for business segments for the current financial year-to-date are as follows:

| 3-Month period ended | Industrial | | Investment | | | |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| 31.8.2021 | Polymer | Chemical | Logistics | Holding | Eliminations | Consolidated |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | |
| External sales | 13,040 | 259,147 | 2,735 | - | - | 274,922 |
| Inter-segment sales | - | 44 | - | - | (44) | - |
| Total revenue | 13,040 | 259,191 | 2,735 | - | (44) | 274,922 |
| Results | | | | | | |
| Segment result | 315 | 3,562 | (1,967) | 275 | - | 2,185 |
| Finance costs | | | | | | (2,130) |
| Profit before tax | | | | | | 55 |
| Taxation | | | | | | 593 |
| Net profit for the period | | | | | | 648 |
| Non-controlling interests | | | | | | (316) |
| Net profit after non-controlling interests | | | | | | 332 |
| 3-Month period ended | | | | | | |
| 31.8.2020 | Polymer | Industrial | Logistics | Investment | Eliminations | Consolidated |
| | RM'000 | Chemical | RM'000 | Holding | RM'000 | RM'000 |
| Revenue | | | | | | |
| External sales | 25,144 | 217,510 | 3,265 | - | - | 245,919 |
| Inter-segment sales | - | 127 | - | - | (127) | - |
| Total revenue | 25,144 | 217,637 | 3,265 | - | (127) | 245,919 |
| Results | | | | | | |
| Segment result | 1,724 | 2,120 | (300) | (1,058) | - | 2,486 |
| Finance costs | | | | | | (2,214) |
| Profit before tax | | | | | | 272 |
| Taxation | | | | | | (2,071) |
| Net loss for the period | | | | | | (1,799) |
| Non-controlling interests | | | | | | 281 |
| Net loss after non-controlling interests | | | | | | (1,518) |

A9. Valuation of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment from the Audited Financial Statements for the financial year ended 31 May 2021. The carrying values are based on valuations carried out in 1985 by independent qualified valuers less accumulated depreciation. Upon transition to MFRS 1 on 1 June 2011, the Group elected to use the previously revalued leasehold land and buildings carrying amounts as deemed cost.

A10. Material Events Subsequent to the End of the Current Period

There were no material events subsequent to the end of the current period up to the date of this Report that have not been reflected in the financial statements for the current period.

A11. Changes in Composition of the Group

There were no material changes in the composition of the Group for the current quarter and financial year-to-date including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring or discontinuing operations.

A12. Contingent Liabilities

There were no material contingent liabilities since the last annual Statements of Financial Position as at 31 May 2021.

A13. Capital Commitment

The capital commitment as at 31 August 2021 are as follows:

| | RM'000 |
|-------------------------------|---------------|
| Property, plant and equipment | |
| - Approved and contracted | 7,365 |
| - Approved but not contracted | 13,306 |
| | <hr/> |
| | 20,671 |
| | <hr/> <hr/> |

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS

B1. Detailed Analysis of the Performance of All Operating Segments of the Group for the Current Quarter and Financial Year-To-Date

| | Individual Quarter | | | Cumulative Quarter | | |
|--|--------------------------|--------------------------|-----------|--------------------------|--------------------------|-----------|
| | Current Year | Preceding Year | Changes % | Current Year | Preceding Year | Changes % |
| | 31.08.2021 RM'million | 31.08.2020 RM'million | | 31.08.2021 RM'million | 31.08.2020 RM'million | |
| Revenue | 274.9 | 245.9 | 11.8 | 274.9 | 245.9 | 11.8 |
| Profit before interest and tax | 2.2 | 2.5 | (12.1) | 2.2 | 2.5 | (12.1) |
| Profit before tax | 0.1 | 0.3 | (79.8) | 0.1 | 0.3 | (79.8) |
| Profit/(Loss) after tax | 0.6 | (1.8) | 136.0 | 0.6 | (1.8) | 136.0 |
| Profit/(Loss) attributable to owners of the parent | 0.3 | (1.5) | 121.9 | 0.3 | (1.5) | 121.9 |

For the current quarter under review, the Nylex Group posted higher revenue of RM274.9 million, which represents an increase of 11.8% from RM245.9 million recorded in the same period last financial year. The improved sales performance was mainly contributed by Industrial Chemical Division as a result of higher average selling prices for its products, despite lower volume sold. After taking into account the share of results of associates and some corporate expenses, the Group recorded lower Profit Before Tax ("PBT") of RM0.1 million, compared to RM0.3 million recorded in the corresponding period last year. The reimposition of total nationwide lockdown in June 2021, followed by enhanced movement control order ("EMCO") in large part of Selangor and several localities in Kuala Lumpur for two weeks in July 2021, has adversely affected the domestic operational activities and weaken the consumer demand.

The Polymer Division achieved lower sales of RM13.1 million for the current financial quarter, which represents a decrease of 47.8% from RM25.1 million in the corresponding quarter in Q1 FY 2021. This was mainly attributed to lower sales by both of its manufacturing plant in Shah Alam and Surabaya, Indonesia, impacted by movement restrictions. In tandem with lower revenue, the Division recorded a lower PBT of RM0.4 million compared with PBT of RM1.7 million achieved in the same period last year.

The Industrial Chemical Division managed to record higher revenue of RM259.1 million for the quarter, an increase of 19.1% compared with RM217.5 million recorded in the same period last year, mainly attributed to higher sales by its distribution segment as a result of generally higher average selling prices for its products. The Division recorded higher PBT of RM2.3 million for Q1 FY 2022 as compared to RM1.0 million recorded in the same period last year.

During the quarter, the Logistics Division recorded lower revenue of RM2.7 million compared with RM3.3 million recorded in the same period last year. The Division suffered higher Loss Before Tax ("LBT") of RM2.8 million compared to LBT of RM1.3 million registered in the corresponding quarter in Q1 FY 2021. The declined performance was due to lower charter volume shipped across the ASEAN region and increase in operation time at loading and discharge port due to additional Covid-19 port formalities by authority affecting vessel turnover.

B2. Material Change in the Profit Before Tax for the Current Quarter as compared with Immediate Preceding Quarter

| | Current Quarter 31.08.2021 RM'million | Immediate Preceding Quarter 31.05.2021 RM'million | Changes % |
|---|--|--|----------------------|
| Revenue | 274.9 | 353.3 | (22.2) |
| Profit before interest and tax | 2.2 | 14.5 | (85.0) |
| Profit before tax | 0.1 | 12.7 | (99.6) |
| Profit after tax | 0.6 | 11.0 | (94.1) |
| Profit attributable to owners of the parent | 0.3 | 11.0 | (97.0) |

For the current quarter under review, the Group recorded lower revenue of RM274.9 million compared to RM353.3 million achieved in the immediate preceding quarter. Lower revenue was due to lower demand from customers who had experienced disruptions to their operational activities arising from containment measures mandated by the authorities in Malaysia and regionally, namely Vietnam, Indonesia and Singapore. The Group registered lower PBT of RM0.1 million for Q1 FY 2022 compared with PBT of RM12.7 million in the immediate preceding quarter.

B3. Current Year's Prospects

The consumer demand and economic activities especially in this region, is expected to improve following the gradual relaxation of pandemic restrictions, supported by Covid-19 vaccination program. The recent energy crisis in Europe and China which threatens disruption to global supply chain, may provide opportunity for the Group to increase its sales to the region.

The Board will continue to seek opportunities to strengthen our businesses and to improve the Group's performance, for the remaining period of financial year ending 31 May 2022.

B4. Variance of Actual Profit from Forecast Profit/Profit Guarantee

This is not applicable as there was no forecast profit or profit guarantee issued in respect of the current financial year.

B5. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|--|---|---|---|---|
| | Current Year 31.08.2021 RM'000 | Preceding Year 31.08.2020 RM'000 | Current Year 31.08.2021 RM'000 | Preceding year 31.08.2020 RM'000 |
| Taxation based on results for the period | | | | |
| - Current | | | | |
| Malaysian | (305) | (1,830) | (305) | (1,830) |
| Foreign | (64) | (467) | (64) | (467) |
| - Deferred tax | 137 | 237 | 137 | 237 |
| | (232) | (2,060) | (232) | (2,060) |
| Over/(Under) provision in prior years | 825 | (11) | 825 | (11) |
| | 593 | (2,071) | 593 | (2,071) |

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due to the overprovision recorded in certain subsidiaries.

B6. Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the date of this report, other than the following:

1. Proposed Acquisition of Synergy Trans-Link Sdn Bhd and its subsidiaries

Nylex had on 16 July 2020 announced that Nylex's holding company, Ancom Berhad ("Ancom") and Ancom Logistic Berhad ("ALB") (a subsidiary of Ancom), had on the same date entered into a Heads of Agreement ("HOA") with S7 Holdings Sdn Bhd, Merrington Assets Limited, MY E.G. Capital Sdn Bhd and Avocat Sdn Bhd regarding corporate exercises involving ALB. In the said HOA, ALB proposed to dispose of the entire equity interest in its wholly-owned subsidiary, Synergy Trans-Link Sdn Bhd and its subsidiaries to Nylex at a valuation to be agreed by Nylex and ALB ("Proposed Acquisition"). The Board of Directors of Nylex had on 15 July 2020 approved in principle the Proposed Acquisition subject to the terms and conditions to be determined by Nylex and ALB at later date.

As at the date of this report, the Proposed Acquisition is yet to be completed.

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

On 28 April 2021, Nylex had received a letter dated 28 April 2021 from Ancom ("Proposal Letter") offering to acquire all the assets and liabilities of Nylex, upon the terms and conditions as set out in the Proposal Letter and subject to the execution of a sale of business agreement to effect the Proposed Disposal ("Offer").

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

On 29 July 2021, Nylex entered into the Sale of Business Agreement with Ancom and its wholly owned subsidiary, Nylex Holdings Sdn Bhd in respect of the Proposed Disposal.

On 26 October 2021, the Proposals were approved by the shareholders of the Company at the Extraordinary General Meeting.

The completion of the Proposals is subject to fulfilment of the remaining conditions precedent as set out in the Sale of Business Agreement.

As at the date of this report, the Proposals are yet to be completed.

B7. Utilisation of Proceeds

Not applicable as the Company has not raised any proceeds from any of its corporate exercise.

B8. Group Borrowings

| | As At 31.08.2021 (RM'000 equivalent) | As At 31.05.2021 (RM'000 equivalent) |
|------------------------------|---|---|
| Short-term borrowings | | |
| Secured | | |
| - United States Dollar | 9,746 | 13,037 |
| - Vietnamese Dong | 9,975 | 11,225 |
| | <u>19,721</u> | <u>24,262</u> |
| Unsecured | | |
| - Ringgit Malaysia | 133,653 | 132,050 |
| - United States Dollar | 38,405 | 30,405 |
| | <u>172,058</u> | <u>162,455</u> |
| | <u>191,779</u> | <u>186,717</u> |
| Long-term borrowings | | |
| Secured | | |
| - United States Dollar | <u>24,542</u> | <u>26,837</u> |
| Total Borrowings | <u>216,321</u> | <u>213,554</u> |

B9. Derivatives Financial Instruments

The Group enters into foreign exchange derivatives to manage the exposure to foreign exchange risk when the Company and its subsidiaries enter into transactions that are not denominated in their functional currencies.

The foreign exchange derivatives are recognised on the contract dates and are measured at fair value with changes in fair value recognised in profit or loss.

There were no outstanding foreign exchange derivatives as at 31 August 2021.

B10. Notes to the Consolidated Statements of Profit or Loss for the Current Quarter and Financial Year-To-Date

The Profit Before Tax was arrived at after charging/(crediting) the following:

| | Current Quarter 31.08.2021 RM'000 | Financial Year-To-Date 31.08.2021 RM'000 |
|---|--|---|
| Interest income | (551) | (551) |
| Dividend income | (3) | (3) |
| Interest expense | 2,130 | 2,130 |
| Depreciation | 6,670 | 6,670 |
| Provision for and write off/(Write-back) of receivables | (1,184) | (1,184) |
| Provision for and write off/(Write-back) of inventories | (1,000) | (1,000) |
| (Gain)/Loss on foreign exchange | (439) | (439) |
| Fair value loss on investments | 32 | 32 |

B11. Material Litigation

Save as disclosed below, our Group is not engaged in any material litigation since the date of the last annual Statements of Financial Position as at 31 May 2021:

High Court of Malaya at Kuala Lumpur Suit No. WA-25-341-10/2021

On 14 October 2021, Fermpro Sdn Bhd (“Fermpro”), a wholly-owned subsidiary of the Company, submitted an application for Judicial Review to High Court of Malaya at Kuala Lumpur as Applicant against Royal Malaysian Customs Department (“Customs”) as Respondent, in regard to Customs decision dated 3 August 2021 that affirmed Customs earlier decisions dated 15 June 2020 to issue four Bills of Demand (“BODs”) for indirect taxes totaling RM7.8 million, comprising import duty, excise duty, Goods and Services Tax (“GST”) and sales tax (collectively referred to as “the indirect taxes”).

The BODs were issued by Customs due to the alleged liability of Fermpro for the indirect taxes in the removal of goods from Westport Free Commercial Zone (“FCZ”) to Licensed Manufacturing Warehouse (“LMW”) for the period January 2017 to August 2019.

Upon consulting its tax consultants, the Company is of the view that the BODs are without any technical basis and there are reasonably strong grounds for Fermpro to challenge the validity of the said BODs raised by the Customs, amongst others, the removal of goods from FCZ to LMW should not be liable to import duty, excise duty and sales tax under established general principles in indirect tax law and practice. The GST demanded by Customs is effectively levied on the import duty and excise duty elements and hence, should not be applicable as well, since import duty and excise duty should not be applicable in the removal of goods from FCZ to LMW.

The hearing date is fixed on 6 December 2021.

B12. Dividends

The Directors do not recommend the payment of any dividend for the current financial quarter (FY 2021: Nil).

B13. Earnings per Share

Basic Earnings Per Share

The calculation of basic earnings per share was based on the net profit attributable to owners of the parent for the current quarter and financial year-to-date of RM332,141 (31.8.2020: net loss of RM1,518,612) as reported in the condensed consolidated statements of profit or loss of the Group, divided by the weighted average number of ordinary shares in issue during the current quarter and financial year-to-date of 179,287,212 (31.8.2020: 174,918,836).

Diluted Earnings Per Share

The Group has no potential ordinary shares in issue as at reporting date. Therefore, Diluted Earnings Per Share equals to Basic Earnings Per Share.

B14. Qualification of Auditors' Report of Preceding Financial Statements

There was no audit qualification in the auditors' report of the Group's Audited Financial Statements for the financial year ended 31 May 2021.

BY ORDER OF THE BOARD

Choo Se Eng
Stephen Geh Sim Whye
Company Secretaries

Petaling Jaya
28 October 2021