

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

(Company No : 9378-T)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 28 FEBRUARY 2013
THE FIGURES HAVE NOT BEEN AUDITED**

| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|-------------------|---------------------------|-------------------|
| | 28.02.2013 | 29.02.2012 | 28.02.2013 | 29.02.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 401,469 | 344,531 | 1,287,174 | 1,053,542 |
| Cost of Sales | <u>(371,333)</u> | <u>(318,167)</u> | <u>(1,197,324)</u> | <u>(961,818)</u> |
| Gross Profit | 30,136 | 26,364 | 89,850 | 91,724 |
| Other income | 752 | 2,052 | 1,841 | 2,259 |
| Selling and distribution expenses | (11,655) | (12,638) | (39,208) | (40,825) |
| Administrative expenses | (13,314) | (9,867) | (32,680) | (29,363) |
| Other expenses | (462) | (2,394) | (1,572) | (2,984) |
| Finance cost | <u>(2,007)</u> | <u>(1,820)</u> | <u>(6,034)</u> | <u>(5,551)</u> |
| Profit before taxation | 3,450 | 1,697 | 12,197 | 15,260 |
| Taxation | <u>(2,040)</u> | <u>(1,487)</u> | <u>(6,514)</u> | <u>(5,399)</u> |
| Profit for the period | <u>1,410</u> | <u>210</u> | <u>5,683</u> | <u>9,861</u> |
| Profit attributable to: | | | | |
| Owners of the parent | 1,545 | 128 | 5,886 | 9,587 |
| Non-controlling interests | <u>(135)</u> | <u>82</u> | <u>(203)</u> | <u>274</u> |
| | <u>1,410</u> | <u>210</u> | <u>5,683</u> | <u>9,861</u> |
| Earnings per share attributable to owners of the parent (sen) | | | | |
| - basic | 0.80 | 0.07 | 3.04 | 4.93 |
| - diluted | N/A | N/A | N/A | N/A |

(The Condensed Consolidated Income Statements should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 May 2012)

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

(Company No : 9378-T)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 28 FEBRUARY 2013
THE FIGURES HAVE NOT BEEN AUDITED**

| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|-----------------------|---------------------------|---------------------|
| | 28.02.2013 | 29.02.2012 | 28.02.2013 | 29.02.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period | <u>1,410</u> | <u>210</u> | <u>5,683</u> | <u>9,861</u> |
| Other comprehensive income/(loss): | | | | |
| Currency translation differences | <u>1,591</u> | <u>(6,226)</u> | <u>(3,548)</u> | <u>(1,714)</u> |
| Other comprehensive income/(loss) for the period | <u>1,591</u> | <u>(6,226)</u> | <u>(3,548)</u> | <u>(1,714)</u> |
| Total comprehensive income/(loss) for the period | <u><u>3,001</u></u> | <u><u>(6,016)</u></u> | <u><u>2,135</u></u> | <u><u>8,147</u></u> |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the parent | 3,115 | (6,006) | 2,410 | 7,963 |
| Non-controlling interests | <u>(114)</u> | <u>(10)</u> | <u>(275)</u> | <u>184</u> |
| | <u><u>3,001</u></u> | <u><u>(6,016)</u></u> | <u><u>2,135</u></u> | <u><u>8,147</u></u> |

(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 2012)

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

(Company No : 9378-T)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2013

| | As at 28.02.2013 RM'000 (Unaudited) | As at 31.05.2012 RM'000 (Restated) | As at 01.06.2011 RM'000 (Restated) |
|--|--|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 67,046 | 69,363 | 66,426 |
| Development expenditure | - | - | 13 |
| Goodwill arising on consolidation | 86,873 | 88,439 | 86,828 |
| Investment securities | - | - | 3,580 |
| Deferred tax assets | 31,866 | 32,120 | 29,830 |
| | <u>185,785</u> | <u>189,922</u> | <u>186,677</u> |
| Current assets | | | |
| Inventories | 132,144 | 175,498 | 140,741 |
| Trade debtors | 236,341 | 247,618 | 209,219 |
| Other debtors, deposits and prepayments | 20,785 | 14,897 | 14,127 |
| Investment securities | 399 | 423 | 458 |
| Tax recoverable | 3,813 | 4,115 | 4,521 |
| Amount owing by related companies | 10,640 | 10,080 | 24 |
| Derivative assets | - | - | 21 |
| Short-term deposits | 10,717 | 9,897 | 18,063 |
| Cash and bank balances | 51,938 | 51,589 | 43,049 |
| | <u>466,777</u> | <u>514,117</u> | <u>430,223</u> |
| TOTAL ASSETS | <u>652,562</u> | <u>704,039</u> | <u>616,900</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 194,338 | 194,338 | 194,338 |
| Reserves | 985 | 4,461 | 805 |
| Retained profits | 88,452 | 85,464 | 75,745 |
| Less: Treasury shares, at cost | (709) | (338) | (33) |
| | <u>283,066</u> | <u>283,925</u> | <u>270,855</u> |
| Non-controlling interests | 3,621 | 3,896 | 6,018 |
| Total equity | <u>286,687</u> | <u>287,821</u> | <u>276,873</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 1,425 | 1,467 | 1,489 |
| Long term borrowings | 653 | 2,425 | 1,465 |
| Provision for retirement benefits | 2,862 | 2,846 | 3,476 |
| | <u>4,940</u> | <u>6,738</u> | <u>6,430</u> |
| Current liabilities | | | |
| Trade creditors | 152,405 | 209,588 | 136,332 |
| Other creditors and accrued expenses | 35,510 | 34,145 | 30,818 |
| Amount owing to related companies | - | 1 | 2 |
| Short-term borrowings | 171,530 | 164,197 | 165,614 |
| Provision for taxation | 1,341 | 1,080 | 831 |
| Derivative liabilities | 149 | 469 | - |
| | <u>360,935</u> | <u>409,480</u> | <u>333,597</u> |
| Total liabilities | <u>365,875</u> | <u>416,218</u> | <u>340,027</u> |
| TOTAL EQUITY AND LIABILITIES | <u>652,562</u> | <u>704,039</u> | <u>616,900</u> |
| Net Assets per share attributable to owners of the parent (RM) | 1.47 | 1.47 | 1.39 |

(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 2012)

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

(Company No : 9378-T)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2013**

| | <----- Attributable to owners of the parent -----> | | | | | | Non- | Total |
|--|--|----------------------------|----------------------------------|-------------------------------|------------------------------|-----------------|------------------------------------|------------------|
| | Share capital RM'000 | Share premium RM'000 | Translation reserve RM'000 | Retained profits RM'000 | Treasury shares RM'000 | Total RM'000 | controlling interests RM'000 | equity RM'000 |
| 9 months quarter ended 28 February 2013 | | | | | | | | |
| Balance as at 01 June 2012 | 194,338 | 805 | (15,403) | 104,523 | (338) | 283,925 | 3,896 | 287,821 |
| Effects of adopting MFRS 1 | - | - | 19,059 | (19,059) | - | - | - | - |
| Restated balance | 194,338 | 805 | 3,656 | 85,464 | (338) | 283,925 | 3,896 | 287,821 |
| Total comprehensive (loss)/income for the year | - | - | (3,476) | 5,886 | - | 2,410 | (275) | 2,135 |
| Transactions with owners | | | | | | | | |
| Dividends | | | | | | | | |
| - Final dividend for the financial year ended 31 May 2012 (2.0 sen less 25% Malaysian income tax) | - | - | - | (2,898) | - | (2,898) | - | (2,898) |
| Repurchase of shares | - | - | - | - | (371) | (371) | - | (371) |
| Total transactions with owners | - | - | - | (2,898) | (371) | (3,269) | - | (3,269) |
| Balance as at 28 February 2013 | 194,338 | 805 | 180 | 88,452 | (709) | 283,066 | 3,621 | 286,687 |
| 9 months quarter ended 29 February 2012 | | | | | | | | |
| Balance as at 01 June 2011 | 194,338 | 805 | (19,059) | 94,804 | (33) | 270,855 | 6,018 | 276,873 |
| Effects of adopting MFRS 1 | - | - | 19,059 | (19,059) | - | - | - | - |
| Restated balance | 194,338 | 805 | - | 75,745 | (33) | 270,855 | 6,018 | 276,873 |
| Total comprehensive (loss)/income for the year | - | - | (1,624) | 9,587 | - | 7,963 | 184 | 8,147 |
| Transactions with owners | | | | | | | | |
| Dividends | | | | | | | | |
| - Interim dividend for the financial year ended 31 May 2011 (2.85 sen less 25% Malaysian income tax) | - | - | - | (4,154) | - | (4,154) | - | (4,154) |
| Repurchase of shares | - | - | - | - | (53) | (53) | - | (53) |
| Total transactions with owners | - | - | - | (4,154) | (53) | (4,207) | - | (4,207) |
| Balance as at 29 February 2012 | 194,338 | 805 | (1,624) | 81,178 | (86) | 274,611 | 6,202 | 280,813 |

(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 2012)

NYLEX (MALAYSIA) BERHAD

(Incorporated in Malaysia)

(Company No : 9378-T)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 28 FEBRUARY 2013

| | FY 2013 9 months ended 28.02.2013 RM'000 (Unaudited) | FY 2012 9 months ended 29.02.2012 RM'000 (Unaudited) |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Profit before taxation | 12,197 | 15,260 |
| Adjustments for non-cash items | <u>12,265</u> | <u>13,440</u> |
| Operating profit before working capital changes | 24,462 | 28,700 |
| Working Capital Changes | | |
| Receivables | 192 | (1,505) |
| Inventories | 37,811 | 29,980 |
| Payables | (51,767) | (30,511) |
| Group companies | <u>2,087</u> | <u>1,765</u> |
| Cash generated from operations | 12,785 | 28,429 |
| Income tax paid | (5,863) | (7,026) |
| Retirement benefits paid | <u>(217)</u> | <u>(457)</u> |
| Net Cash Generated From Operating Activities | 6,705 | 20,946 |
| Cash Flows From Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 233 | 757 |
| Purchase of property, plant and equipment | (3,468) | (10,574) |
| Proceeds from disposal of unquoted/quoted investment | - | 1,846 |
| Interest received | 932 | 356 |
| Dividend received | <u>10</u> | <u>1,851</u> |
| Net Cash Used In Investing Activities | (2,293) | (5,764) |
| Cash Flows From Financing Activities | | |
| Dividends paid to shareholders of the Company | (2,898) | (4,154) |
| Repayment of hire-purchase creditors | (25) | (558) |
| Drawdown of term loans and advances | 104,699 | 70,243 |
| Repayment of term loans and advances | (97,131) | (75,794) |
| Purchase of Company's own shares | (366) | (53) |
| Interest paid | <u>(6,034)</u> | <u>(5,551)</u> |
| Net Cash Used In Financing Activities | (1,755) | (15,867) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 2,657 | (685) |
| Effects of Exchange Rate Changes | (3,006) | (2,041) |
| Cash and Cash Equivalents at beginning of year | 61,486 | 60,762 |
| Effects of Exchange Rate Changes | <u>1,518</u> | <u>797</u> |
| | 63,004 | 61,559 |
| Cash and Cash Equivalents at end of period | <u>62,655</u> | <u>58,833</u> |
| The Cash and Cash Equivalents comprise: | | |
| Cash and bank balances | 51,938 | 49,258 |
| Short-term deposits | <u>10,717</u> | <u>9,575</u> |
| | <u>62,655</u> | <u>58,833</u> |

(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 2012)



(Incorporated in Malaysia)
(Company No.: 9378-T)

Notes to the Interim Financial Report – For the 3rd Financial Quarter Ended 28 February 2013

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| A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134, INTERIM FINANCIAL REPORTING AND BURSA SECURITIES LISTING REQUIREMENTS |
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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. For the periods up to and including the year ended 31 May 2012, the Group prepared its financial statements in compliance with the Financial Reporting Standards (“FRS”).

This Report is the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 May 2013. MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards has been applied.

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 2012.

In preparing its opening MFRS Statement of Financial Position as at 1 June 2011, which is also the date of transition, the Group has adjusted the amounts previously reported in financial statements prepared in accordance with the FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note A2 below. These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

A2. Significant accounting policies and application of MFRS 1

The annual audited financial statements of the Group for the financial year ended 31 May 2012 were prepared in accordance with the FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 May 2012 except as discussed below:

(a) Business combination

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

Acquisition before date of transition

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

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Foreign currency translation reserve

Under the FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM19,059,000 were adjusted to retained profits.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under the FRS to those reported for those periods and at the date of transition under MFRS are provided below:

| | As previously stated RM'000 | Reclassification RM'000 | As restated RM'000 |
|----------------------------|--|------------------------------------|-------------------------------|
| At 1 June 2011 | | | |
| Translation reserve | (19,059) | 19,059 | 0 |
| Retained profits | 94,804 | (19,059) | 75,745 |
| At 29 February 2012 | | | |
| Translation reserve | (20,683) | 19,059 | (1,624) |
| Retained profits | 100,237 | (19,059) | 81,178 |
| At 31 May 2012 | | | |
| Translation reserve | (15,403) | 19,059 | 3,656 |
| Retained profits | 104,523 | (19,059) | 85,464 |

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 42nd Annual General Meeting held on 21 November 2012, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares. For the current quarter and the financial year-to-date, the Company purchased 95,800 and 678,400, respectively, of ordinary shares of RM1.00 each in the Company pursuant to Section 67A of the Companies Act, 1965, details of which are as follows:

| Date | No. of Shares | Highest Price (RM) | Lowest Price (RM) | Average Price (RM) | Total Consideration (RM) |
|----------------|----------------|--------------------|-------------------|--------------------|--------------------------|
| June 2012 | 48,800 | 0.5450 | 0.5350 | 0.5384 | 26,553 |
| July 2012 | 112,300 | 0.5900 | 0.5350 | 0.5738 | 64,874 |
| August 2012 | 211,700 | 0.5700 | 0.5350 | 0.5502 | 117,075 |
| | <u>372,800</u> | | | | <u>208,502</u> |
| September 2012 | 201,700 | 0.5600 | 0.5250 | 0.5435 | 110,231 |
| October 2012 | 8,100 | 0.5500 | 0.5500 | 0.5500 | 4,541 |
| | <u>582,600</u> | | | | <u>323,274</u> |
| December 2012 | 10,000 | 0.5000 | 0.5000 | 0.5000 | 5,046 |
| January 2013 | 35,600 | 0.5000 | 0.4900 | 0.4930 | 17,734 |
| February 2013 | 50,200 | 0.4950 | 0.4600 | 0.4817 | 24,416 |
| | <u>678,400</u> | | | | <u>370,470</u> |

Notes: The consideration is inclusive of brokerage, contract stamp and clearing fees.

As at 28 February 2013, a total of 1,231,924 treasury shares at a total cost of RM708,460 were held by the Company pursuant to Section 67A (3A) (b) of the Companies Act, 1965.

A7. Dividend Paid

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

A8. Segment Revenue and Results

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

| 9-Month period ended 28.02.2013 | Polymer RM'000 | Industrial Chemical RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---------------------------------|-------------------|----------------------------------|------------------|------------------------|------------------------|
| Revenue | | | | | |
| External sales | 92,898 | 1,194,276 | - | - | 1,287,174 |
| Inter-segment sales | - | 136 | - | (136) | - |
| Total revenue | <u>92,898</u> | <u>1,194,412</u> | <u>-</u> | <u>(136)</u> | <u>1,287,174</u> |

| 9-Month period ended 28.02.2013 | Polymer RM'000 | Industrial Chemical RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|---------------------------|---|--------------------------|--------------------------------|--------------------------------|
| Results | | | | | |
| Segment result | 11,105 | 18,174 | (11,048) | - | 18,231 |
| Finance costs | | | | | (6,034) |
| Profit before taxation | | | | | 12,197 |
| Taxation | | | | | (6,514) |
| Net profit for the period | | | | | 5,683 |
| Non-controlling interests | | | | | 203 |
| Net profit after non-controlling interests | | | | | 5,886 |

| 9-Month period ended 29.02.2012 | Polymer RM'000 | Industrial Chemical RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|---------------------------|---|--------------------------|--------------------------------|--------------------------------|
| Revenue | | | | | |
| External sales | 101,357 | 952,185 | - | - | 1,053,542 |
| Inter-segment sales | 1 | 128 | - | (129) | - |
| Total revenue | 101,358 | 952,313 | - | (129) | 1,053,542 |

| | | | | | |
|--|--------|--------|----------|---|---------|
| Results | | | | | |
| Segment result | 11,870 | 20,203 | (11,262) | - | 20,811 |
| Finance costs | | | | | (5,551) |
| Profit before taxation | | | | | 15,260 |
| Taxation | | | | | (5,399) |
| Net profit for the period | | | | | 9,861 |
| Non-controlling interests | | | | | (274) |
| Net profit after non-controlling interests | | | | | 9,587 |

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 2012. The carrying values are based on valuations carried out in 1985 by independent qualified valuers less depreciation.

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 contingent liabilities since the last annual Statements of Financial Position as at 31 May 2012.

A13. Capital Commitment

The capital commitments as at 28 February 2013 are as follows:

| | RM'000 |
|-------------------------------|---------------|
| Property, plant and equipment | |
| - Approved and contracted | 385 |
| - Approved but not contracted | 519 |
| | <hr/> |
| | 904 |
| | <hr/> |

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| B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS |
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B1. Detailed Analysis of the Performance of All Operating Segments of the Group for the Current Quarter and Financial Year-To-Date

For the nine months ended 28 February 2013, the Nylex Group achieved higher sales of RM1,287.2 million, which represents an increase of 22.2% from RM1,053.5 million recorded in the same period last year. The increase in sales was due to improved sales performance in the Industrial Chemical Division. However, the Group recorded lower profit before tax ("PBT") of RM12.2 million, compared to RM15.3 million recorded in the corresponding period last year.

For the current quarter under review, the Nylex Group achieved higher sales of RM401.5 million, which represents an increase of 16.5% from RM344.5 million recorded in the same period last year. The increase in sales was due to improved sales performance in both the Polymer and Industrial Chemical Divisions. Consequently, the Group recorded higher PBT of RM3.5 million, compared to RM1.7 million recorded in Q3 FY 2012.

The Polymer Division achieved sales of RM31.8 million for the current financial quarter, which represents an increase of 7.3% from RM29.7 million in the corresponding quarter in Q3 FY 2012. However, competition from cheap imports continues to adversely affect the margins of our products. For the quarter, despite higher sales, the Division has maintained the same PBT of RM3.8 million achieved in the same period last year.

The Industrial Chemical Division has also recorded higher sales of RM369.7 million for the quarter, an increase of 17.4% compared with RM314.9 million recorded in the same period last year. The increase is mainly attributed to stronger sales of our products in Indonesia. However, continued weak economic conditions in Europe and slower growth in China have caused more producers to push their products aggressively into South East Asia. As a result, our margins have been eroded and the Division contributed a lower PBT of RM3.5 million to the Group for Q3 FY 2013, compared with RM3.8 million achieved in the same period last year.

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

For the current quarter under review, the Group achieved lower sales of RM401.5 million and a PBT of RM3.5 million compared to sales of RM444.0 million and a PBT of RM5.4 million in the immediate preceding quarter.

The lower sales for the current quarter is due to lower demand for our products because of the year end and new year festivities. Consequently, the Group recorded a lower PBT for the current quarter.

B3. Current Year's Prospects

Continuing uncertainty over the resolution of the global financial crisis will dampen the economic outlook of this region. The Board is of the view that the trading condition for the remaining period of the financial year ending 31 May 2013 will continue to be difficult.

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

We expect the Industrial Chemical Division to perform satisfactorily but there is pressure on margins as product suppliers and logistic providers seek higher prices.

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

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 28.02.2013 RM'000 | Preceding Year 29.02.2012 RM'000 | Current Year 28.02.2013 RM'000 | Preceding year 29.02.2012 RM'000 |
| Taxation based on results for the period | | | | |
| - Current | | | | |
| Malaysian | (1,273) | (2,325) | (4,243) | (6,511) |
| Foreign | (753) | (623) | (2,292) | (1,868) |
| - Deferred tax | (58) | 2,136 | (23) | 3,652 |
| | (2,084) | (812) | (6,558) | (4,727) |
| Over/(Under) provision in prior years | 44 | (675) | 44 | (672) |
| | (2,040) | (1,487) | (6,514) | (5,399) |

The effective tax rate of the Group is higher than the statutory tax rate mainly due to the losses recorded in certain foreign subsidiaries in the current financial year were not allowed for any tax benefit in the Group and also the non-deductibility of certain expenses for tax purposes.

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

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 28.02.2013 (RM'000 equivalent) | As At 31.05.2012 (RM'000 equivalent) |
|------------------------------|---|---|
| Short-term borrowings | | |
| Secured | | |
| - Indonesian Rupiah | 1,919 | 2,027 |
| - Vietnam Dong | 5,408 | 2,554 |
| - United States Dollar | 42,544 | 52,864 |
| | 49,871 | 57,445 |
| Unsecured | | |
| - Ringgit Malaysia | 121,642 | 106,720 |
| - Indonesian Rupiah | 17 | 32 |
| | 121,659 | 106,752 |
| | 171,530 | 164,197 |

| | As At 28.02.2013 (RM'000 equivalent) | As At 31.05.2012 (RM'000 equivalent) |
|-----------------------------|---|---|
| Long-term borrowings | | |
| Secured | | |
| - Vietnam Dong | 0 | 202 |
| - Indonesian Rupiah | 640 | 2,196 |
| | <u>640</u> | <u>2,398</u> |
| Unsecured | | |
| - Indonesian Rupiah | 13 | 27 |
| | <u>653</u> | <u>2,425</u> |
| Total Borrowings | <u>172,183</u> | <u>166,622</u> |

B9. Derivatives Financial Instruments

The Group has entered 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.

The outstanding foreign exchange derivatives as at 28 February 2013 are as follows:

| Type of Derivatives | Currency | Contract/Notional Value RM'000 | Fair Value RM'000 |
|----------------------------|-----------------|---|------------------------------|
| Foreign exchange | | | |
| - Less than 1 year | USD | 3,267 | 3,334 |
| | SGD | 5,039 | 5,121 |

The above derivatives were entered into as hedges for sales and purchases denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to the Group's foreign currencies denominated financial assets and liabilities.

There is minimal credit risk as the derivatives were entered into with reputable banks.

B10. Disclosure of Realised and Unrealised Profits/Losses

Bursa Securities has, on 25 March 2010 and 20 December 2010, issued directives requiring all listed issuers to disclose the breakdown of unappropriated profits or accumulated losses as at the end of the reporting period, on a group basis, into realised and unrealised profits or losses, as the case may be, in the notes to its quarterly reports.

The breakdown of retained profits of the Group as at 28 February 2013, pursuant to the format prescribed by Bursa Securities, is as follows:

| | As At End of Current Quarter 28.02.2013 RM'000 | As At End of Last Financial Year 31.05.2012 RM'000 (Restated) |
|---|---|--|
| Total retained profits of Nylex (Malaysia) Berhad and its subsidiaries: | | |
| - Realised | 133,887 | 127,920 |
| - Unrealised | 28,899 | 31,997 |
| | <u>162,786</u> | <u>159,917</u> |
| Less: Consolidation adjustments | (74,334) | (74,453) |
| Total Group retained profits as per consolidated accounts | <u>88,452</u> | <u>85,464</u> |

B11. Notes to the Statement of Comprehensive Income for the Current Quarter and Financial Year-To-Date

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

| | Current Quarter 28.02.2013 RM'000 | Financial Year-To-Date 28.02.2013 RM'000 |
|--|--|---|
| Interest income | (313) | (932) |
| Dividend income | 0 | (10) |
| Interest expense | 2,007 | 6,034 |
| Depreciation and amortisation | 1,608 | 4,951 |
| Write back of provision for receivables | (21) | (562) |
| Provision for and write off of inventories | 249 | 880 |
| Loss on disposal of unquoted investments | 0 | 0 |
| (Gain)/Loss on foreign exchange | (94) | 2,021 |
| Impairment of goodwill | 0 | 0 |
| Fair value (gain)/ loss on investments | (20) | 24 |
| Fair value loss on derivatives | 151 | 149 |

B12. Material Litigation

There was no material litigation since the date of the last annual Statement of Financial Position as at 31 May 2012.

B13. Dividends

The Directors do not recommend the payment of any dividend for the current financial quarter (FY 2012: Nil).

B14. 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 of RM1,544,694 (29.02.2012: RM128,335) and net profit of RM5,886,042 (29.02.2012: RM9,587,183) for the financial year-to-date as reported in the condensed consolidated income statements of the Group, divided by the weighted average number of ordinary shares in issue during the current quarter of 193,172,663 (29.02.2012: 194,221,636) and for the financial year-to-date of 193,349,706 (29.02.2012: 194,273,974).

Diluted Earnings Per Share

Not applicable as the Company does not have dilutive potential ordinary shares in issue as at the date of the Statement of Financial Position.

B15. 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 2012.

BY ORDER OF THE BOARD

Choo Se Eng
Stephen Geh Sim Whye
Company Secretaries

Petaling Jaya
30 April 2013