

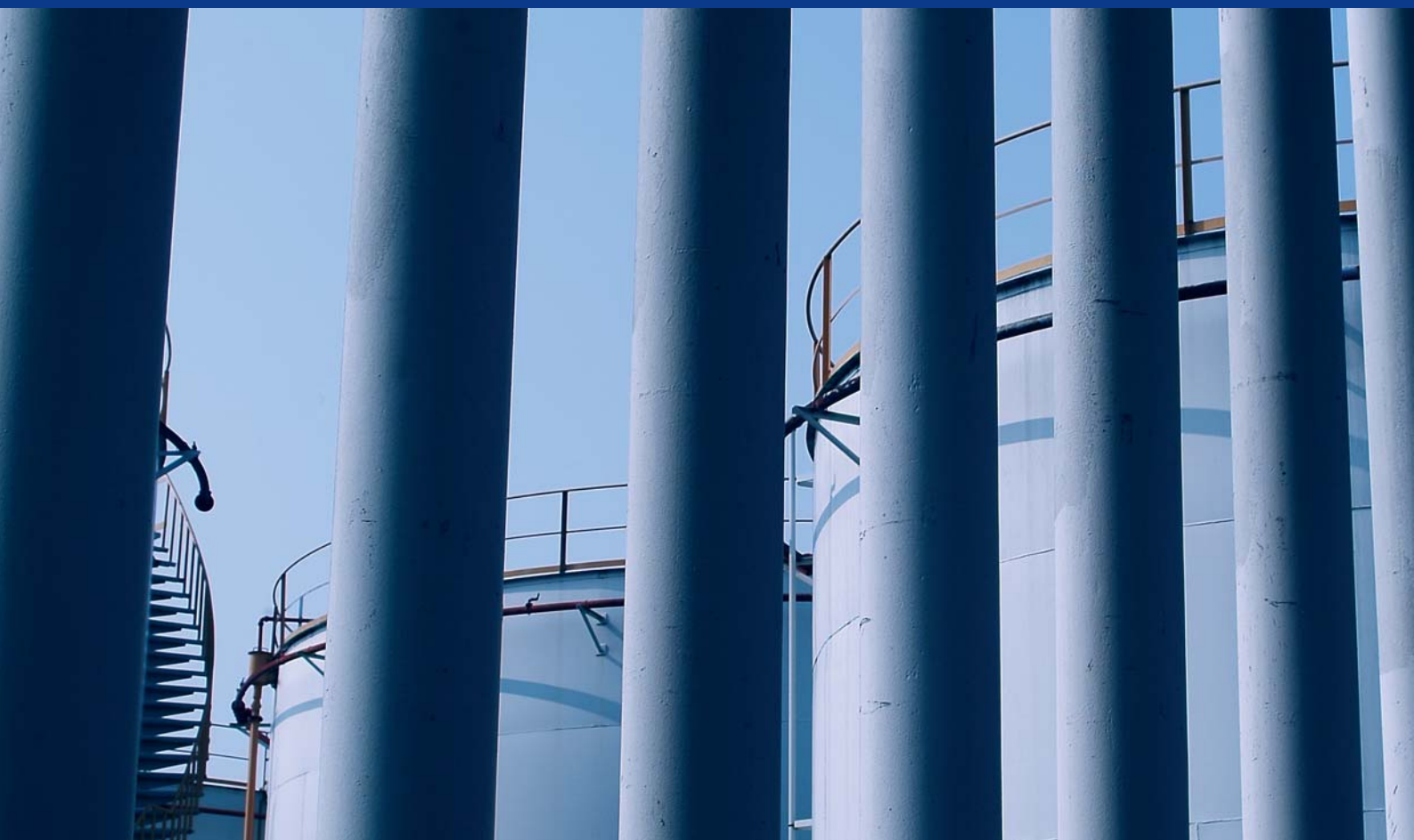


Together we can make a difference



**ANCOM BERHAD**

(8440-M)  
Incorporated in Malaysia







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# Corporate Information



## BOARD OF DIRECTORS

Dato' Johari Razak  
(Executive Chairman)

Dato' Siew Ka Wei  
(Group Managing Director)

Tan Sri Dato' Dr Lin See Yan  
(Independent Non-Executive Director)

Dato' Siew Nim Chee  
(Advisor/Executive Director)

Datuk Hj Mohamed Al Amin bin Hj Abdul Majid, JP  
(Non-Independent Non-Executive Director)

Dato' Mohd Ismail bin Che Rus  
(Independent Non-Executive Director)

Chan Thye Seng  
(Non-Independent Non-Executive Director)

Edmond Cheah Swee Leng  
(Independent Non-Executive Director)

## AUDIT COMMITTEE

Dato' Mohd Ismail bin Che Rus (Chairman)  
Dato' Johari Razak  
Edmond Cheah Swee Leng

## REMUNERATION & NOMINATION COMMITTEE

Tan Sri Dato' Dr Lin See Yan (Chairman)  
Dato' Mohd Ismail bin Che Rus  
Edmond Cheah Swee Leng

## COMPANY SECRETARIES

Choo Se Eng  
Wong Wei Fong

## REGISTERED OFFICE

Level 14, Uptown 1  
No.1 Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7725 2888  
Fax : (603) 7725 7791

## BUSINESS ADDRESS

102-1002 Blok A,  
Pusat Dagangan Phileo Damansara 1  
No.9 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7660 0008  
Fax : (603) 7660 0010  
Email : cosec@ancom.com.my

## SENIOR INDEPENDENT DIRECTOR

- to whom concerns may be addressed to  
Dato' Mohd Ismail bin Che Rus  
c/o Ancom Berhad  
102-1002 Blok A, Pusat Dagangan Phileo Damansara 1  
No.9 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7660 0008  
Fax : (603) 7660 1151  
E-mail : corp@ancom.com.my

## SHARE REGISTRARS

PFA Registration Services Sdn Bhd  
Level 13, Uptown 1, No.1 Jalan SS21/58,  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7725 4888  
Fax : (603) 7722 2311

## AUDITORS

BDO Binder, Chartered Accountants

## PRINCIPAL BANKERS

Ambank Berhad  
Bumiputera-Commerce Bank Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad  
- Industrial Products Sector

## SOLICITORS

Ghazi & Lim  
Lee Hishammuddin Allen & Gledhill  
Shearn Delamore & Co

## DOMICILE

Malaysia

# List of Principal Offices

## **ANCOM BERHAD – CORPORATE OFFICE**

102-1002, Blok A  
Pusat Dagangan Phileo Damansara 1  
No.9 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7660 0008  
Fax : (603) 7660 1151  
Dato' Johari Razak  
(Executive Chairman)  
Dato' Siew Ka Wei  
(Group Managing Director)

## **ANCOM-CHEMQUEST TERMINALS SDN BHD**

Jeti Petrokimia, West Port  
42009 Pulau Indah, Port Klang  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 3101 1372  
Fax : (603) 3101 1461  
Larry Lim  
(Managing Director)

## **ANCOM CROP CARE SDN BHD**

Lot 5, Section 15, Persiaran Selangor  
40000 Shah Alam  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 5519 4022  
Fax : (603) 5510 3888  
Shamsudin Basri  
(Managing Director)

## **ANCOM ENERGY & SERVICES SDN BHD**

702, Blok A  
Pusat Dagangan Phileo Damansara 1  
No.9 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7660 0055  
Fax : (603) 7660 0056  
Mustapa Kamal bin Mohd Razali  
(Director)

## **ANCOM SHIP MANAGEMENT SDN BHD**

Jeti Petrokimia, West Port  
42009 Pulau Indah, Port Klang  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 3101 1661  
Fax : (603) 3101 1461  
Capt Chan Ying Wai  
(Director)

## **CHEMRESOURCES CHINA (AGENCIES) LIMITED**

Room 1503-4, 15/F Cigna Tower  
482 Jaffe Road, Causeway Bay, Hong Kong  
Tel : (852) 2736 7868  
Fax : (852) 2736 3056  
David Lai  
(Director)



## **FERMPRO SDN BHD**

Lot 2, Kawasan Perindustrian Chuping  
02450 Chuping  
Perlis, Malaysia  
Tel : (604) 938 2892  
Fax : (604) 938 2890  
Tan Wee Lian  
(Director/General Manager)

## **NUFARM TECHNOLOGIES (M) SDN BHD**

602, Blok A  
Pusat Dagangan Phileo Damansara 1  
No.9 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7660 0299  
Fax : (603) 7660 0066  
Dr. Clarence Tan  
(Director/General Manager)

## **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  
Lim Liang Tan  
(Managing Director)

## **MERU UTAMA SDN BHD**

Suite E13-21, Block E, Plaza Mont Kiara  
No.2 Jalan Kiara  
50480 Kuala Lumpur, Malaysia  
Tel : (603) 6201 1488  
Fax : (603) 6201 8633  
Patricia Ng  
(Managing Director)



## List of Principal Offices *(continued)*



### **MSTI CORPORATION SDN BHD**

Unit 1003 & 1005, Blok A  
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  
Chandran Perumal  
(Managing Director)

### **NYLEX (MALAYSIA) BERHAD**

Persiaran Selangor, Section 15  
Shah Alam Industrial Estate  
40200 Shah Alam  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 5519 1706  
Fax : (603) 5510 0008  
Dato' Siew Ka Wei  
(Group Managing Director)  
Eric Chan Hean Chin  
(Acting Managing Director, Polymer Division)

### **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 6098  
Chong Chien Fatt  
(Managing Director)

### **ORGANIGRO SDN BHD**

902, Blok A, Pusat Dagangan Phileo Damansara 1  
No.9 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7957 8771  
Fax : (603) 7956 8780  
Raja Nor Mazli Raja Mohar  
(Managing Director)

### **PENGANGKUTAN COGENT SDN BHD**

51-1 Jalan Molek 1/8, Taman Molek  
81100 Johor Bharu  
Johor, Malaysia  
Tel : (607) 353 5321  
Fax : (607) 353 5609  
Larry Lim  
(Director)

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

302, Blok A, Pusat Dagangan Phileo Damansara 1  
No.9 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7660 0033  
Fax : (603) 7660 0133  
Kok Kim Loong  
(Director/General Manager)

### **SM INTEGRATED TRANSWARE PTE LTD**

32 Tanjung Penjuru, Jurong Town  
Singapore 609028  
Tel : (602) 6264 8488  
Fax : (602) 6898 1588  
Larry Lim  
(Managing Director)

### **TAMCO CORPORATE HOLDINGS BERHAD**

Lot 2A, Jalan 13/2  
46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7956 2799  
Fax : (603) 7955 6009  
Abdul Latif bin Mahamud  
(Group Managing Director)

### **TAMCO ELECTRICAL & INDUSTRIAL PTY LTD**

31 Kitchen Road, Dandenong 3175  
Melbourne, Victoria, Australia  
Tel : (613) 9706 7288  
Fax : (613) 9706 9112  
Claude Corso  
(Chief Executive Officer)

### **TAMCO SHANGHAI SWITCHGEAR COMPANY LTD**

No. 5699 South Hongmei Road, Minhang District  
Shanghai 200241, China  
Tel : (8621) 64500 568  
Fax : (8621) 64500 968  
Kane Zhu  
(General Manager)

### **TAMCO SYSTEMS (MALAYSIA) SDN BHD**

No.35 Persiaran Industri  
Bandar Sri Damansara  
52200 Kuala Lumpur, Malaysia  
Tel : (603) 6276 8732  
Fax : (603) 6272 1137  
Chong Yen Hong  
(General Manager)

### **TAMCO SYSTEMS (SINGAPORE) PTE LTD**

No.5 Penjuru Close, 3rd Floor  
Singapore 608600  
Tel : (602) 6862 3777  
Fax : (602) 6862 8628  
Ng Kok Meng  
(Chief Executive Officer)

### **VISION IP SERVICES SDN BHD**

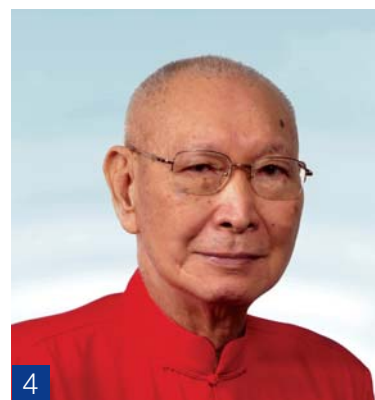
Level 14, Menara Aik Hua  
6 Changkat Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Tel : (603) 2718 4222  
Fax : (603) 2031 2028  
Veronica Choong  
(Chief Operating Officer)

# Five-Year Highlights

	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Sales	1,101,600	978,681	935,592	715,033	761,815
Profit/(loss) from operations	13,636	52,994	45,006	(3,132)	52,598
Profit/(loss) before tax	580	37,900	27,170	(18,966)	34,691
Profit/(loss) after tax	(12,431)	25,167	9,511	(34,785)	18,856
Effective percentage rate of tax	2,243%	34%	63%	N/A	46%
Net earnings/(loss) for Ancom shareholders	130	15,829	2,273	(7,764)	4,186
Assets Employed					
Fixed assets	297,569	272,124	309,720	281,036	312,087
Investments	38,580	30,937	60,056	59,282	61,197
Other non-current assets	57,358	66,022	80,096	70,992	67,168
Current assets	604,589	568,086	495,858	443,182	465,646
Total assets	998,096	937,169	945,730	854,492	906,098
Financed by:					
Share capital	201,857	201,857	120,507	120,503	120,476
Reserves	90,514	65,853	133,856	136,406	145,766
Less : Treasury Shares, at cost	(6,762)	(1,473)	(4,142)	(4,142)	(2,455)
Ancom shareholders' interest	285,609	266,237	250,221	252,767	263,787
Minority shareholders' interest	135,893	148,797	141,984	134,003	154,981
Total shareholders' funds and minority interests	421,502	415,034	392,205	386,770	418,768
Non-current liabilities	160,206	128,251	80,548	65,825	73,437
Current liabilities	416,388	393,884	472,977	401,899	413,893
Total funds employed	998,096	937,169	945,730	854,494	906,098
Shareholders' interest					
Earnings/(loss) per share – sen	0.06	8.06	1.53	(6.57)	3.49
Gross dividend per share – sen	5	13	4	4	4
Net tangible assets per share – RM	1.21	1.05	1.56	1.54	1.65
No. of employees at year end	2,124	2,006	2,072	1,959	2,206
Depreciation & amortization	30,882	30,097	29,716	32,331	30,981
Interest expense	12,976	16,168	17,666	16,139	17,970

N/A - Not applicable

# Board of Directors



## 1. DATO' JOHARI RAZAK

*Executive Chairman*

Aged 50, Dato' Johari holds a Bachelor of Law 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 Messrs. Shearn Delamore & Co from 1979 and was a partner of the firm from 1991 to 1994.

Dato' Johari joined the Board on 27 November 1992. He was appointed the Group Managing Director on 2 July 1994 and was subsequently re-designated the Executive Chairman on 30 July 2003. He is currently a member of the Audit Committee.

Dato' Johari is currently the Chairman of Courts Mammoth Berhad and Daiman Development Berhad, Vice Chairman of Nylex (Malaysia) Berhad and a Director of Hong Leong Industries Berhad, Daiman Golf Berhad and Deutsche Bank (Malaysia) Berhad.

## 2. DATO' SIEW KA WEI

*Group Managing Director*

Aged 49, 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.

Dato' Siew was appointed to the Board on 23 October 1985. He became the Deputy Group Managing Director/Chief Operating Officer on 17 October 1995 and later the Group Managing Director/Chief Operating Officer on 30 July 2003.

Dato' Siew has local and international working experience and is well-versed in the field of petrochemicals having been in the business for more than 20 years. He was the Chairman of the Malaysian Charter of the Young Presidents Organisation ("YPO"), an international grouping of more than 8,500 chief executive officers of major companies over the world, and was a director of the International Board of Directors of YPO.

Dato' Siew is currently the Group Managing Director of Nylex (Malaysia) Berhad and the Deputy Chairman of Tamco Corporate Holdings Berhad.





## Board of Directors *(continued)*

### **3. TAN SRI DATO' DR LIN SEE YAN**

*Independent Non-Executive Director*

Aged 66, Tan Sri Dato' Dr. Lin is an independent strategic and financial consultant. Qualified as a Chartered Statistician, he graduated from the University of Malaya in Singapore and received three degrees including a PhD in economics, from Harvard University.

Tan Sri Dato' Dr. Lin was appointed to the Board on 30 October 2000 and is currently the Chairman of the Remuneration and Nomination Committee.

Tan Sri Dato' Dr. Lin has a long and distinguished history of service to the Government of Malaysia and the private sector in various posts. He was the Deputy Governor of Bank Negara Malaysia for 14 years since 1980, was Chairman/President and Chief Executive Officer of the Pacific Bank Group from 1994 to 1997. He is currently a Member of the National Economic Action Council (NEAC) Working Group; the Pro-Chancellor of Universiti Sains Malaysia; Trustee of the Malaysia University for Science & Technology and Monash University (Sunway Campus) Malaysia; Chairman of the Harvard Graduate School Alumni Council at Harvard University in Cambridge (USA) as well as the Regional Director for Asia, Harvard Alumni Association in addition to being Member, Visiting Committee on Asian Studies at the University and President, Harvard Club of Malaysia. Tan Sri Dato' Dr. Lin is an Eisenhower Fellow and also the Professor of Economics (Adjunct) at Universiti Utara Malaysia.

Tan Sri Dato' Dr. Lin advises and sits on the boards of a number of publicly listed and private businesses in Malaysia, Singapore and Indonesia. He is currently a Director of Fraser & Neave Holdings Berhad, Genting Berhad, Resorts World Berhad, Wah Seong Corporation Berhad, JobStreet Corporation Berhad and KrisAssets Holdings Berhad.

### **4. DATO' SIEW NIM CHEE**

*Advisor / Executive Director*

Aged 80, Dato' Siew graduated with a Bachelor in Economics (Hons) degree from University of Malaya and a M.Sc. degree in Industrial and Labour Relations from Cornell University, New York, USA. He was appointed to the Board on 27 November 1992.

Dato' Siew began his career as a Lecturer in University of Malaya. He later became the Head of Economic Research and the Chief Economist of Bank Negara

Malaysia. He was the Treasurer with Exxon (M) Berhad; Managing Director of Magnum Corporation Berhad; Group Consultant to Genting Berhad and Kien Huat Realty Sdn Bhd; the Founder, Fellow and President of the Malaysian Economic Association ("MEA"); Executive Council Member of the MEA Foundation and President of the Cornell University Graduate Club of Malaysia. He is also the Deputy President of the Cornell University Graduate Club of Malaysia; member of the Cornell University Council and the Panel of Advisors, Cornell SEAP. He is a Paul Harris Fellow.

Dato' Siew currently sits on the board of Malaysia Smelting Corporation Berhad.

### **5. DATUK HJ MOHAMED AL AMIN BIN HJ ABDUL MAJID, JP**

*Non-Independent Non-Executive Director*

Aged 50, Datuk Al Amin graduated 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.

He was appointed to the Board on 16 June 1997.

Datuk Al Amin began his career as a project engineer with the Perak State Development Corporation in 1979. He was made the Executive Director of its subsidiary, Maju Bangun Sdn Bhd two years later. In 1982, he set up his own business and is currently a director of several private companies which are involved in the range of businesses such as construction, investment, distributorship, general trading and project management. Datuk Al Amin is currently the Chairman of the Chemical Industries Council of Malaysia ("CICM") and a Corporate Member of Institute of Engineers Malaysia ("MIEM").

Datuk Al Amin is currently the Executive Chairman of Country View Berhad and Chairman of Nylex (Malaysia) Berhad.

## Board of Directors *(continued)*



### **6. DATO' MOHD ISMAIL BIN CHE RUS**

*Independent Non-Executive Director*

Aged 62, Dato' Mohd Ismail was appointed to the Board on 29 October 1999. He is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Dato' Mohd Ismail attended the Training Management course at Royal Institute of Public Administration, London, United Kingdom and also the Post Graduate Senior Management course at the University of Manchester, United Kingdom.

Dato' Mohd Ismail started his career with the Royal Malaysian Police as an Inspector in 1962 and was promoted to numerous positions before his appointment as Chief Police Officer for three states in Malaysia and the Metropolitan Police of Kuala Lumpur. He was holding the rank of Commissioner of Police with the appointment as the Director of Criminal Investigation Department prior to retirement. He is currently an executive council member of the Malaysia Crime Prevention Foundation.

Dato' Mohd Ismail is currently a Director of Nylex (Malaysia) Berhad and Selangor Dredging Berhad.

### **7. EDMOND CHEAH SWEE LENG**

*Independent Non-Executive Director*

Aged 51, Mr. Cheah holds a Bachelor of Art (Hons) degree in accounting from the University of North London, United Kingdom. He is a Certified Financial Planner, a member of the Institute of Chartered Accountants of England and Wales and the Malaysian Institute of Accountants.

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

Mr. Cheah's professional experience has been in the fields of audit, merchant banking, corporate and financial advisory, portfolio and investment management, unit trust management and financial planning. He was previously 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. Currently, he is a member of the Board of Governors and the Immediate Past President of the Financial Planning Association of Malaysia (FPAM); a Council Member and Chairman of the Secretariat of the Federation of Malaysia Unit Trust

Managers (FMUTM); a Task Force Member on Islamic Finance for the Labuan Offshore Financial Services Authority (LOFSA); a Member of the Securities Market Consultative Panel for Bursa Malaysia Securities Berhad and the Treasurer of the Society for the Prevention of Cruelty to Animals (SPCA).

Currently, Mr. Cheah is the Chairman of Adventa Berhad and a Director of Nylex (Malaysia) Berhad.

(Not in picture)

### **CHAN THYE SENG**

*Non-Independent Non-Executive Director*

Aged 48, Mr. Chan graduated with a Bachelor of Law (Hons) degree from University College Cardiff, United Kingdom. He practiced as an Advocate and Solicitor for more than 13 years after being called to the Bar at Middle Temple, United Kingdom in 1980 and the Malaysian Bar in 1982.

Mr. Chan was appointed to the Board on 19 October 1999.

He is currently a Director and the Chief Executive Officer of Pacific & Orient Berhad and its subsidiaries.

*Note :*

1. All the Directors are Malaysian.
2. There are no family relationship between the Directors and/or major shareholders of the Company save for Dato' Siew Nim Chee and Dato' Siew Ka Wei, who are father and son.
3. Save for Dato' Siew Nim Chee, Dato' Siew Ka Wei and Chan Thye Seng who have interest in certain related party transactions as disclosed on page 110 of this Annual Report, none of the Directors has any financial interest in any business arrangement involving the Group.
4. The securities holdings and attendance of the Directors are appended on pages 32 to 33 -Directors' Report and page 18 -Statement on Corporate Governance of this Annual Report.
5. None of the Directors has been convicted for any offences, other than traffic offences, if any, during the financial year.

# Executive Chairman's Statement



On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 May 2005.

## SIGNIFICANT EVENTS

With the principal aim of creating distinct business groupings to eliminate operational conflict and duplication and thereby increasing profitability in the long run, the Group completed the following corporate exercises during the financial year:

- i). the capital reconstruction by Nylex (Malaysia) Berhad ("Nylex"), a subsidiary, which involved a capital reduction and the demerger of Tamco Corporate Holdings Berhad ("Tamco") and its subsidiaries from the Nylex group and the subsequent listing of Tamco on the MESDAQ Market of the Bursa Malaysia Securities Berhad and the disposal of the Group's Industrial Chemical business to Nylex; and
- ii). the disposal of the Group's Logistic and Transportation business to a subsidiary, Synergy Trans-Link Sdn Bhd ("STL").

The Group also made two major acquisitions – firstly, the acquisition of Nylex Specialty Chemicals Sdn Bhd and Speciality Phosphates (Malaysia) Sdn Bhd by Nylex and secondly, the acquisition of Decom Ltd by Tamco.

## RESULTS PERFORMANCE

The Group achieved a higher turnover of RM1,101.6 million (2004: RM978.7 million) but a much lower profit before tax ("PBT") of RM0.6 million (2004: RM37.9 million) in the financial year under review. After accounting for taxation and minority interests, the profit attributable to shareholders was RM0.1 million (2004: RM15.8 million). Consolidated net earnings per share was 0.06 sen (2004: 8.06 sen) and the consolidated net tangible assets per share was RM1.21 as at the end of the financial year (2004: RM1.05).

For the financial year under review, the Board recommends the payment of a final dividend of approximately 5 sen, less income tax, amounting to RM7,253,000 by way of distribution of one (1) treasury share for every twenty (20) existing ordinary shares of RM1 each in the Company held at a date to be announced (2004: cash dividend of 3% less income tax), subject to the approval of the shareholders at the Company's forthcoming annual general meeting.



## Executive Chairman's Statement *(continued)*



### REVIEW OF OPERATIONS

The corporate exercises above have contributed positively to the performance of the Industrial and Agricultural Chemicals division which recorded a higher turnover of RM590.3 million (2004 : RM506.1 million) and a higher PBT at RM24.5 million (2004 : RM7.8 million). Included in the PBT is the net profit of RM8.0 million arising from the disposal of a piece of land in the Kuala Lumpur town centre.

I am pleased to mention that the division continued to secure new agencies and markets for its chemical products. It has expanded its market reach throughout ASEAN, China, the Indian subcontinent, Eastern Europe and South America.

The Logistics & Transportation division had a challenging year. There was a shortage of diesel and also increased diesel prices. Service to a major customer was halted for a while due to the fire on the latter's warehouse. However, the division still managed to record a higher turnover at RM45.0 million (2004 : RM43.9 million) and a higher PBT at RM5.5 million (2004 : RM4.9 million).

The Information Technology division continued to perform disappointingly with a turnover of RM3.1 million (2004: RM3.4 million) and a higher loss before tax ("LBT") of RM2.4

million (2004: LBT RM0.7 million). There was a lack of major contracts secured by the division in the face of stiff competition and reduction in IT spending by the customers.

The Oil & Gas Engineering Services division recorded a lower turnover of RM22.1 million (2004 : RM23.7 million) and a much lower LBT of RM2.8 million (2004 : LBT RM10.6 million).

The Polymer division recorded a higher turnover of RM118.6 million (2004 : RM117.5 million) but suffered a LBT of RM0.9 million (2004 : PBT RM8.7 million). Sales of film and coated fabric ("FCF") products remain the main contributor for sales in the division. Demand from the export markets in the Middle East, Indonesia and China and from the domestic market especially from the automotive sector remained strong in the financial year. However, sales of engineered polymers ("EP") products were affected due to the lack of infrastructure projects which affected the construction industry. The LBT was due to competitive pricing pressures and high prices of key plastic raw materials which severely affected the profit margins of the division. Included in the LBT was an expense of RM5.4 million incurred by Nylex in the capital reconstruction mentioned above.

As reported in my last report, the division has set up a joint venture company in Indonesia called PT Nylex Indonesia



## Executive Chairman's Statement *(continued)*

("PTNI") as part of its capacity building plan. PTNI has commenced operation during the financial year to produce polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather. This plant will enable Nylex to stamp its position as a significant ASEAN regional manufacturer of valued added, quality PU synthetic leather, PVC leather cloth, film and sheetings.

After a commendable performance in the previous financial year, the Engineering division attained a higher turnover at RM305.6 million (2004: RM261.7 million) but suffered a LBT of RM9.5 million (2004 : PBT RM18.7 million). The loss was attributed to the unprecedented high prices for the raw materials, ie steel and copper, due to the strong world demand fuelled by a booming Chinese economy, and the high prices of the imported raw materials and components as a result of the weaker US Dollars exchange rates against the Euro and Yen. The loss was further attributed to the write off on the variation orders claims in respect of a completed project in Hong Kong undertaken by its Australian subsidiary and other provisions made in respect of doubtful debts and obsolete inventory.

The Building Products division, which disposed off its Malaysian operation assets during the financial year, contributed a same level of turnover at RM16.5 million (2004 : RM16.3 million). It suffered a LBT of RM0.5 million (2004: LBT RM0.7 million). Only the Group's subsidiary in Indonesia is now involved in the manufacturing of metal roof tiles.

### PROSPECTS FOR NEXT YEAR

In its report on the Malaysian Economy for the Second Quarter ("Q2") of 2005, Bank Negara Malaysia ("BNM") reported that the Malaysian economy expanded by 4.1% (Q1: 5.8%) driven mainly by private sector activity. The service sector remains the main impetus for growth, expanding by 5.4% (Q1: 6%) on the back of sustained consumer spending, high tourist arrivals and brisk trade activities. Value added in the manufacturing sector expanded by 3.2% (Q1: 5.7%) with output of chemical products expanded by 10.6% (Q1: 15.6%), driven by robust

expansion in the production of plastic products in response to the strong demand from the regional countries. Value added in the agricultural sector grew by 3.2 % (Q1: 6%) due mainly to the strong expansion in the palm oil production. Domestic demand remained firm, registering a growth of 5.6% (Q1: 5.9%) while inflation edged up to 3% (Q1: 2.4%) reflecting mainly cost adjustments arising from higher input prices.

BNM also reported that the prospect for the Malaysian economy in the second half year 2005 remains favourable. Global demand is expected to sustain in the second half of the year based on the favourable indicators emerging recently from the US, Japan and the Euro areas. The favourable external environment is therefore expected to support the expansion in domestic demand.

In July 2005, the Ringgit peg against the US Dollar was removed, and a managed float based on a basket of currencies was introduced, whereby the value of the Ringgit would be determined by economic fundamentals. Given that the Ringgit has strengthened since the beginning of 2005, much of the undervaluation derived from the US Dollar depreciation in 2004 has been reversed. The Ringgit is now therefore close to its fair value and had not shifted significantly following the adoption of the new regime. BNM will continue its policy to promote stability of the exchange rate.

However, given the uncertainties associated with both the inflation and economic outlook, particularly in relation to the impact of high oil prices which has hit an all time high of US\$71 per barrel in August 2005, the Board would remain cautiously optimistic about the performance of the Group for the next financial year.

### BOARD CHANGES

Mr Chieng Ing Huong resigned as a board member, a member of the Audit Committee and the Remuneration and Nomination Committee respectively in May 2005. The Board wishes to record its appreciation to Mr Chieng for his invaluable services to the Board and the Group.

## Executive Chairman's Statement *(continued)*



The Board wishes to welcome Mr. Edmond Cheah Swee Leng who joined the Board in August 2005. Mr. Cheah, a Chartered Accountant by training, has also been appointed to the Audit Committee and the Remuneration and Nomination Committee of the Company. The Board is confident that Mr. Cheah will be a valuable addition to the Board.

### **APPRECIATION**

The Board would like to express its appreciation to all management and staff of the Group for their loyalty, dedication and contribution to the Group during the current financial year. The Board hopes that they will continue with their untiring efforts to bring progress to the Group in future.

The Board also wishes to extend its appreciation to the shareholders, customers, suppliers, bankers, business associates and all regulatory authorities for their continued support and co-operation rendered during the current financial year.

### **DATO' JOHARI RAZAK**

Executive Chairman

15 September 2005

Petaling Jaya, Selangor Darul Ehsan