

The Board would like to extend its appreciation to all the management and staff of the Group for their loyalty, dedication and contribution to the Group...

Lembaga Pengarah ingin menyampaikan setinggi-tinggi penghargaan kepada semua pengurusan dan kakitangan Kumpulan atas kesetiaan, dedikasi dan sumbangan mereka kepada Kumpulan...

Dato' Johari Razak
Executive Chairman /
Pengerusi Eksekutif

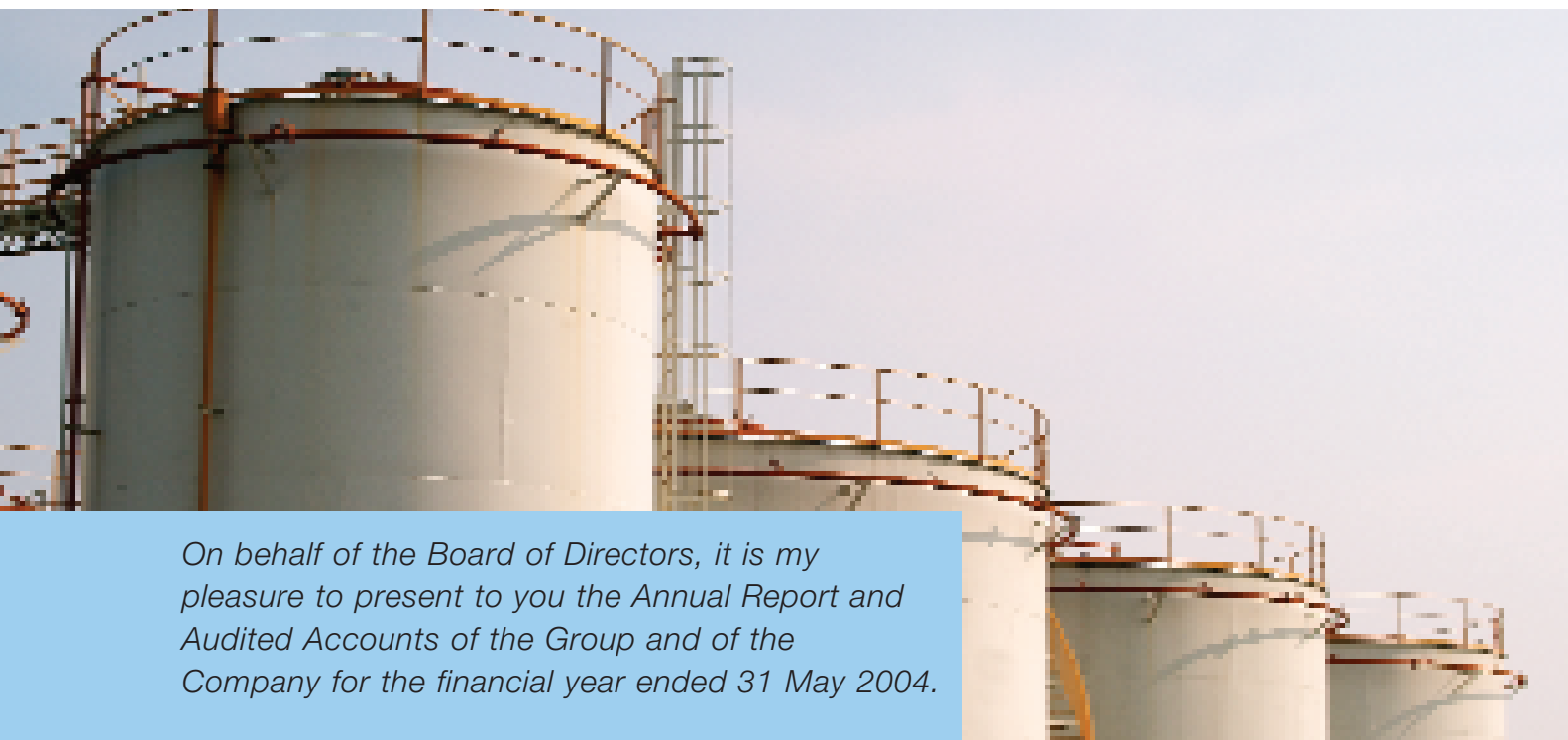
EXECUTIVE CHAIRMAN'S STATEMENT



KENYATAAN
PENGGERUSI
EKSEKUTIF



EXECUTIVE CHAIRMAN'S STATEMENT (cont'd)



On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 May 2004.

RESULTS PERFORMANCE

The Group achieved a higher turnover and consolidated profit before tax of RM978.7 million (2003: RM935.6 million) and RM37.9 million (2003: RM27.2 million) respectively as compared with the previous financial year. After accounting for taxation and minority interests, the profit attributable to shareholders was RM15.8 million (2003: RM2.8 million). Consolidated net earnings per share was 8.06 sen (2003: 1.24 sen) and the consolidated net tangible assets per share was RM1.05 as at the end of the financial year (2003: RM1.56).

For the financial year under review, the Board recommends the payment of a final dividend of 3% less income tax (2003: 4 sen less income tax), subject to the approval of the shareholders at the Company's forthcoming annual general meeting.

If approved, the total dividend paid and payable by the Company in respect of the current financial year will be 13 sen made up of tax exempt interim dividends of 10 sen (2003: NIL), which was paid in March 2004, and the final dividend of 3 sen less income tax (2003: 4 sen less income tax).

REVIEW OF OPERATIONS

The Industrial and Agricultural Chemicals division remained the main contributor to the Group's turnover in the financial year under review. It recorded an improved

turnover of RM506.1 million (2003: RM459.6 million) due to the higher prices of the chemical products during the financial year. Its profit before tax could have been higher than RM7.8 million (2003: RM7.7 million) if not for the losses suffered by a subsidiary company in Hong Kong.

The Logistics & Warehousing division had a much improved performance in the current financial year – its turnover was higher at RM43.9 million as compared with the previous financial year (2003: RM29.3 million). The improved economic conditions in Singapore and the increase in demand for the division's warehousing, transportation and the related services by the division's existing customers as well as new customers, many of whom are major chemical companies in Singapore and Malaysia, has resulted in a higher turnover in the current financial year. Resulting therefrom, the division recorded a higher profit before tax of RM4.9 million (2003: loss before tax of RM0.9 million).

The Information Technology division improved its performance with a higher turnover of RM3.4 million (2003: RM0.9 million) and a smaller loss before tax of RM0.7 million (2003: loss before tax of RM8.3 million). The division has secured several maintenance contracts during the current financial year.

The Oil & Gas Engineering Services division recorded a lower turnover of RM23.7 million (2003: RM35.6 million) due to exclusion of the turnover of Material Performance Engineering Sdn Bhd ("MPE") which was sold in



EXECUTIVE CHAIRMAN'S STATEMENT (cont'd)



Dato' Johari Razak
Executive Chairman/ Pengerusi Eksekutif

December 2003. The losses attributable to the sale of MPE and the provision for impairment loss made on one of the Group's subsidiaries resulted in the division recording a higher loss before tax of RM10.6 million (2003: loss before tax of RM3.4 million). The losses were further attributable to production hiccups in the division's threading operation and the lack of book orders in the fabrication unit.

The Polymer division recorded the same level of turnover in the current financial year at RM117.2 million (2003: RM117.5 million). Its profit before tax was lower at RM8.7 million (2003: RM11.0 million). Intense competition from local and overseas producers and increased prices of key commodity chemicals worldwide eroded the profit margins which resulted in the lower profits. In view of these developments, the division decided to set up a manufacturing joint venture in Surabaya, Indonesia with an Indonesian party at a cost of US\$2.647 million (equivalent to RM20 million). The joint venture company, named PT Nylex Indonesia, in which Nylex (Malaysia) Berhad ("Nylex") holds a 65% equity interest, is to take advantage of the vast Indonesian market. It will strengthen Nylex's position as a significant regional producer of PVC leather cloth and other PVC related products.

The Engineering division attained a higher turnover at RM261.8 million (2003: RM255.2 million) and a higher profit before tax of RM18.7 million (2003: RM13.8 million). The improvement is primarily due to the greater sales of its products during the financial year. The division secured several sizeable contracts overseas in the financial year, beating other international competitors.

The Building Products division achieved a higher turnover of RM16.3 million (2003: RM13.7 million) due to increase in domestic project-based sales. However, the increase in

the price of steel had an adverse effect on the profit margins of the products. Consequently, the division recorded a loss before tax of RM0.7 million (2003: profit before tax of RM1.6 million) for the financial year.

SIGNIFICANT EVENTS

The Group completed the sale of its entire 70% equity interest in Wandeerfull Property and Development Sdn Bhd for RM4.79 million cash. The Group has now ceased to be involved in property development activities.

The Company sold all its 3,273,250 warrants and 47,479,552 stock units representing 20.4% equity in Eastern & Oriental Berhad for RM59.4 million cash. The proceeds from the disposals were used to repay the Company's borrowings and the payment of tax exempt interim dividends of 10% in March 2004.

Other significant events are as disclosed in Note 46 to the financial statements.

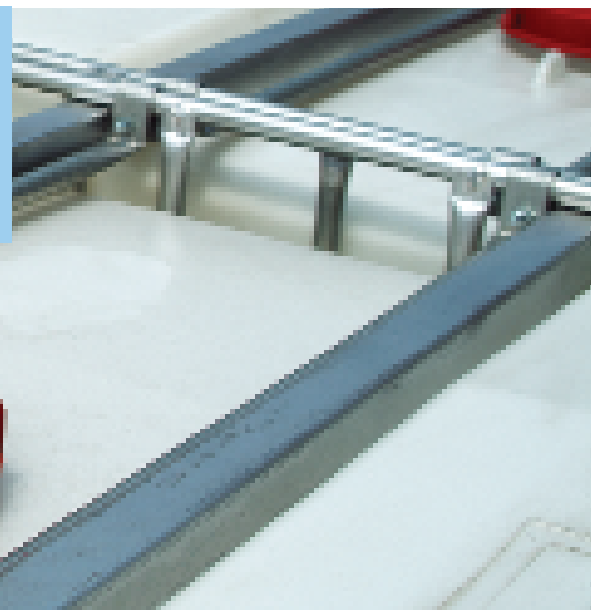
SUBSEQUENT SIGNIFICANT EVENTS

As you are aware, the capital reconstruction undertaken by Nylex, a 51.9% subsidiary of Rhodemark Development Sdn Bhd ("RDSB"), which in turn is a 50.1% owned subsidiary of the Company, involving a capital reduction and capital consolidation exercise as well as the capital distribution of its entire shareholding in Tamco Corporate Holdings Berhad ("Tamco") to the shareholders of Nylex, has been completed on 30 June 2004. Pursuant to the capital distribution, RDSB became a direct shareholder of Tamco. RDSB's shareholding in Tamco was subsequently reduced to 44.9% when Tamco completed a special bumiputra issue to increase its bumiputra shareholding in conjunction with Tamco's listing on the MESDAQ Market of Bursa Malaysia Securities Berhad on 6 July 2004.



EXECUTIVE CHAIRMAN'S STATEMENT (cont'd)

The completion of the re-organisation of the chemical business under Nylex augurs well for the Group's polymer and industrial chemicals business in the light of the encouraging growth in the economy



At the same time, the Company also completed the sale of its entire equity interest in Perusahaan Kimia Gemilang Sdn Bhd, Fermpro Sdn Bhd, Kumpulan Kesuma Sdn Bhd and Wedon Sdn Bhd (collectively "Chemical Companies"), thereby decreasing its effective interest in the Chemical Companies from 100% to 53% while increasing its effective interest in Nylex from 26.0% to 53% after the completion of the abovementioned sales.

The purpose of the exercise above was to consolidate the Group's chemicals businesses under Nylex and to enable Tamco to gain listing on the stock exchange on its own where it can raise its profile significantly and gain access to the capital market for its future funding requirements.

Other significant subsequent events are as disclosed in Note 47 to the financial statements.

PROSPECTS FOR NEXT YEAR

Bank Negara Malaysia had recently announced that the Malaysian economy grew 8% in the 2nd quarter of 2004 from 7.65% in the 1st quarter of the same year, powered by strong growth in the manufacturing sector (by 12.1%) and the services sector (by 7.4%) as compared with the 1st quarter. During the first 6 months of the year, Malaysia's Gross Domestic Products (GDP) grew 7.8% with export and domestic oriented industries registering a strong expansion of 18.3% and 8.0% respectively. Growth in private consumption in the second quarter increased by 11.4%, supported by higher disposable income, low inflation and interest rates as well as stable employment conditions. The agricultural sector continued to expand at a steady rate of 3.2%.

The completion of the re-organisation of the chemical business under Nylex augurs well for the Group's

polymer and industrial chemicals business in the light of the encouraging growth in the economy. The manufacturing of polymer products and the distribution of industrial chemicals are expected to benefit from the strong growth in domestic demand from the manufacturing sector. The Group's logistics and warehousing, agricultural chemicals and engineering businesses are expected to continue to grow in view of the improved economic performance in the country.

Nevertheless, the Directors would like to remain cautiously optimistic about the performance of the Group for the next financial year, in view of the possible adverse effect on the economy from the escalating oil prices recently.

APPRECIATION

The Board would like to extend its appreciation to all the 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 heartiest 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

18 October 2004

Petaling Jaya, Selangor Darul Ehsan