

# Annual Report 2001



**NYLEX (MALAYSIA) BERHAD** (9378-T)



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## NOTICE of annual general meeting

**NOTICE IS HEREBY GIVEN THAT** the 31st Annual General Meeting of the Company will be held at Kristal Ballroom, Petaling Jaya Hilton Hotel, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 6 November 2001 at 12.00 noon for the following purposes:

### A. ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements, Report of the Directors and Report of the Auditors thereon for the period ended 31 May 2001;
2. To re-elect Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman, a Director who retires under Section 129(2) of the Companies Act, 1965, to hold office until the next Annual General Meeting;
3. To re-elect Mr. Heah Kok Soon, a Director who retires pursuant to paragraph 7.28 of the Kuala Lumpur Stock Exchange Listing Requirements;
4. To re-elect Mr. Hung Hin Cheong, a Director who retires under Article 100 of the Company's Articles of Association;
5. To re-elect the following Directors who retire under Article 86 of the Company's Articles of Association:
  - (i) Mr. Chieng Ing Huong
  - (ii) Y.M. Tengku Yusoff bin Tengku Mahmud
6. To approve Directors' fees amounting to RM107,358 for the period ended 31 May 2001;
7. To re-appoint Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration;

### B. SPECIAL BUSINESS

8. As Special Business, to consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

"That pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to allot and issue shares in the Company from time to time to such persons and upon such terms and conditions for such purposes as the Directors in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange."

### C. OTHER ORDINARY BUSINESS

9. To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board,

**CHOO SE ENG**  
COMPANY SECRETARY

Shah Alam  
15 October 2001

RESOLUTION 1

RESOLUTION 2

RESOLUTION 3

RESOLUTION 4

RESOLUTION 5.1

RESOLUTION 5.2

RESOLUTION 6

RESOLUTION 7

RESOLUTION 8

RESOLUTION 9

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. A proxy need not be a member of the Company.
2. The Proxy Form in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
3. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he thinks fit.
4. If no name is inserted in the space for the name of your proxy on the Proxy Form, the Chairman of the Meeting will act as your proxy.
5. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at Persiaran Selangor, Shah Alam Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan not less than forty-eight hours before the time appointed for holding the meeting.
6. Resolution 8  
The Ordinary Resolution proposed under Agenda 8, if passed, will give the Directors the authority to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.
7. For information on Directors seeking re-election, please refer to pages 5 to 7 of the Annual Report.

## CORPORATE information

### DIRECTORS

Y.A.B.M. Raja Tun Mohar  
bin Raja Badiozaman  
CHAIRMAN

Heah Kok Soon  
GROUP MANAGING DIRECTOR

Y.M. Tengku Yusoff  
bin Tengku Mahmud

Y.Bhg. Dato' Mohd Ismail  
bin Che Rus

Y.Bhg. Dato' Ahmad Johari  
bin Abdul Razak

Siew Ka Wei

Hsieh Fu Hua

Toh Yiu Joe

Hung Hin Cheong

Chua Ah Lak

Chieng Ing Huong

### COMPANY SECRETARY

Choo Se Eng

### REGISTERED OFFICE

Nylex (Malaysia) Berhad  
Persiaran Selangor  
Shah Alam Industrial Estate  
40200 Shah Alam  
Selangor Darul Ehsan  
Tel : (03) 5519 1706  
Fax : (03) 5510 0088

### REGISTRAR

PFA Registration Services Sdn Bhd  
1301 Level 13, Uptown 1  
No. 1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel : (03) 7725 4888/7725 8046  
Fax : (03) 7722 2311

### AUDITORS

Ernst & Young  
CHARTERED ACCOUNTANTS

### STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange

### PRINCIPAL BANKERS

Malayan Banking Berhad  
HSBC Bank Malaysia Berhad

### SOLICITOR

Skrine

### DOMICILE

Malaysia

## PROFILE of board of directors

### **Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman**

Aged 79, Malaysian, Non-Executive Chairman. Appointed as the Chairman on 17 May 2000. Obtained a Bachelor of Arts Degree (with Honours) in Economics from Cambridge University and a Diploma in Agricultural Economics from Oxford University, England. Joined the Malaysian Civil Service in 1938 and has since served in various capacities before being appointed as the Secretary General of the Finance Ministry in January 1971 and later Special Economic Advisor to the Prime Minister in December 1971 until retirement in 1988. Was the Chairman of Petroliaam Nasional Berhad, Malaysian Airlines System Berhad, Tourist Development Corporation and Bank Islam Malaysia Berhad (now known as BIMB Holdings Berhad) and Pengurusan Danaharta Nasional Berhad. Is currently the Chairman of Ancom Berhad and a director of Johan Holdings Berhad and YTL Power International Berhad. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

### **Heah Kok Soon**

Heah Kok Soon, aged 52, Malaysian, is the Group Managing Director of Nylex. He graduated from the University of Malaya in 1971 with a Bachelor of Economics (Honours) degree, and was awarded the Divisional Book Prize for Applied Economics. He attended and completed the Program for Management Development (PMD) at Harvard Business School in Massachusetts in 1980. He is also a Member of the Association of Corporate Treasurers, United Kingdom. Mr. Heah joined Esso Malaysia Berhad as a Financial Analyst in 1971 and after 2 years there, joined UMW Group where he stayed on for a period of 21 years. At UMW, a major diversified industrial and trading company listed on the KLSE Main Board, he started out as a Financial Operations Manager, became its Director, Group Finance in 1982 and eventually its Executive Director in 1988. He left the UMW Group to join Nylex as its Group Managing Director on 18 July 1994. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

### **Y.M. Tengku Yusoff bin Tengku Mahmud**

Y.M. Tengku Yusoff Bin Tengku Mahmud, aged 43, Malaysian, was appointed to the Board as Independent and Non-Executive Director on 25 July 2001. He graduated from the University of Toledo with a degree in Bachelor of Science in Business Services. He later obtained his MBA from New Hampshire College, USA. He was a Senior Lecturer in the Faculty of Business Administration at the MARA University of Technology, Terengganu Branch. Presently, Y.M. Tengku Yusoff is the Deputy Provost of Student Affairs at the MARA University of Technology, Terengganu Branch. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

### **Y.Bhg. Dato' Mohd Ismail bin Che Rus**

Aged 56, Malaysian, Independent and Non-Executive Director. Appointed on 12 October 1999. Chairman of the Audit Committee. He started his career with the Royal Malaysian Police as an Inspector in 1962. Was promoted on numerous occasions before being appointed the Chief Police Officer for three states in Malaysia including the Metropolitan Police of Kuala Lumpur. Was holding the rank of Commissioner of Police with his appointment as Director of Criminal Investigation Department prior to retirement. Currently a director and Chairman of the Audit Committee of Ancom Berhad. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

## PROFILE OF BOARD OF DIRECTORS

**Y. Bhg. Dato' Ahmad Johari bin Abdul Razak** Aged 47, Malaysian, Non-Independent Non-Executive Director. Appointed on 12 October 1999. Obtained a law degree from the University of Kent, United Kingdom in 1975 and was called to the Bar of England and Wales in 1976. Admitted as an Advocate and Solicitor of the High Court of Malaya in 1977 and practised as an Advocate and Solicitor with Messrs. Shearn Delamore & Co. from 1979 to 1994. Currently sits on the Board of Daiman Development Berhad and Hong Leong Industries Berhad. Is the Chairman of Courts Mammoth Berhad and the Group Managing Director of Ancom Berhad. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

**Siew Ka Wei** Aged 46, Malaysian, Non-Independent Non-Executive Director. Appointed on 12 October 1999. Holds a Bachelor of Science (Hons) degree in Chemical Engineering and subsequently a Master of Science degree in Operational Research from Imperial College, London in 1978. Has local and international working experience and is well-versed in the field of petrochemicals. Currently is the Deputy Group Managing Director of Ancom Berhad and a director of Eastern & Oriental Berhad. Not related to any director of Nylex and is a deemed substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

**Hsieh Fu Hua** Aged 51, Singaporean, Non-Independent Non-Executive Director. Appointed on 12 October 1999. Graduated with an honours degree in Business Administration from the University of Singapore. He is the Managing Partner of PrimePartners Asset Management and former Group Managing Director of the BNP Prime Peregrine Group (a joint venture founded by PrimePartners), has over 27 years of experience in merchant banking in Asia. Prior to forming PrimePartners in 1994, Mr. Hsieh was Chief Executive of Morgan Grenfell Asia Holdings Pte. Ltd., the regional holding company which directed the group's Asian investment banking, stockbroking and fund management activities. He has served on the boards of several companies and country funds and is a non-executive director of CapitaLand, The East Asiatic Company Ltd A/S and a member of the Governing Council of the Singapore Institute of Management. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

**Toh Yiu Joe** Aged 44, Australian, Non-Independent Non-Executive Director. Appointed on 12 October 1999. Graduated from the University of Western Australia and is a Member of the Institute of Chartered Accountants in Australia. He was in the Corporate Finance Division of Morgan Grenfell (Asia) Ltd, where he advised clients in fund raising activities and privatised projects in Singapore and Malaysia. He was Assistant Director at Prudential Asia, the Asian investment and merchant banking arm of the Prudential Insurance Company of America, and then Managing Director of Kestrel Capital Partners (Malaysia) Sdn Bhd. He is currently a Partner in PrimePartners and Managing Director of PrimePartners Asset Management Pte Ltd. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.



## PROFILE OF BOARD OF DIRECTORS

### **Hung Hin Cheong**

Hung Hin Cheong, aged 55, Malaysian, is the Chief Executive of Nylex's Engineering Division. He graduated from the University of Leeds, England in 1969 with a Science degree (First Class Honours) in Electrical and Electronic Engineering. He then took up a Graduate Apprenticeship with A Reyrolle & Company (now part of the Rolls Royce Group), a major switchgear manufacturer in United Kingdom. He is a Chartered Engineer and a Member of the Institution of Electrical Engineers (UK) and Member of the Institution of Engineers Malaysia. In 1971, he returned to Malaysia and after a short spell with an engineering company in Kuala Lumpur, joined GEC Malaysia (then, a subsidiary of GEC-UK) and stayed for 14 years. In 1986, he took up the position of General Manager of Tamco Cutler-Hammer (now known as Tamco Corporate Holdings) Sdn Berhad. In 1994, he was promoted to his current position of Chief Executive, Tamco Corporate Holdings, and also appointed to the Board of Nylex on 8 March 1994. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

### **Chua Ah Lak**

Chua Ah Lak, aged 53, Malaysian, is the Chief Executive of Nylex's Polymer Division. He graduated from the Adelaide University, South Australia in 1972 with an honours degree in Chemical Engineering and obtained an MBA from the University of Malaya. He joined Nylex as a Production Cadet upon graduation in 1972 and has worked in several positions ranging from Production Manager, Manufacturing Manager and Marketing Manager before being promoted to Business Manager in 1985. In 1988, he was promoted to the position of General Manager in charge of Nylex's operations in Shah Alam. As the Polymer Division expanded to include Nycon Manufacturing Sdn Bhd (manufacturer of containers) and Zonson Sports (Malaysia) Sdn Bhd (manufacturer of golf bags), he was promoted to the position of Chief Executive of the Polymer Division in 1994. On 8 March 1994, he was appointed to the Board of Nylex. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

### **Chieng Ing Huang**

Aged 44, Malaysian, Independent Non-Executive Director. Appointed on 20 June 2001. Graduated from the University of New South Wales, Australia with a Bachelor of Commerce Degree in Accounting, Finance & Information Systems. Qualified as a Chartered Accountant and is a Member of the Institute of Chartered Accountants in Australia and a Public Accountant registered with the Malaysian Institute of Accountants. Was the Managing Director of Equity & Property Investment Corporation Limited, Australia, a director of Hillgrove Gold NL, Australia and an executive director of OSK Holdings Berhad. Was the founder and currently is a director and a substantial shareholder of Nationwide Express Courier Services Berhad, the Senior Vice President, Business Development of Hwang DBS Securities Berhad, the Chairman of Selangor Dredging Berhad and a director in Ancom Berhad. Not related to any director and/or substantial shareholder of Nylex. Does not have any conflict of interest with Nylex.

## NOTES

1. None of the Directors has been convicted of any offence in the last ten years, other than traffic offences, if any.
2. The attendance of the Directors at Board of Directors' Meetings is covered in the Statement of Corporate Governance.

# AUDIT COMMITTEE

## report

### OBJECTIVES

The objective of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("Group"). The Audit Committee will endeavour to adopt various practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to the Company's shareholders thereby strengthening the confidence of the public in the Group's reported results.

### COMPOSITION

The Audit Committee during the financial period comprised the following members:

1. Y. Bhg. Dato' Mohd Ismail bin Che Rus  
CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR
2. Mr. Siew Ka Wei  
MEMBER, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
3. Y.A.M. Tengku Farah Qurashiyah binti  
Al-Marhum Sultan Mahmud  
MEMBER, INDEPENDENT NON-EXECUTIVE DIRECTOR  
(Passed away on 25 February 2001)

On 20 June 2001, Mr. Chieng Ing Huong, an Independent Non-Executive Director, was appointed an additional member of the Audit Committee. Mr. Chieng is a member of the Malaysian Institute of Accountants.

### TERMS OF REFERENCE

On 25 July 2001, the Board resolved to adopt the following new Terms of Reference for the Audit Committee to be in line with the KLSE Listing Requirements.

### COMPOSITION

The Audit Committee shall be appointed by the Board of Directors from amongst its members and shall comprise at least three Directors. The majority of the members of the Audit Committee shall be Independent Non-Executive Directors.

At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or a person approved under Section 15.10(1)(c)(ii) of the KLSE Listing Requirements. No Alternate Director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee shall be elected from amongst the members and he shall be an Independent Director. If a member of the Audit Committee resigns or for any reason ceases to be a member which results in the number of members being less than the required number of three, the Board shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of members. All members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board or until they cease to be a Director of the Company.

The Company Secretary shall be the Secretary of the Audit Committee.

### FUNCTIONS

The Audit Committee shall discharge the following functions:

1. Review the following and report same to the Board of Directors of the Company:
  - i. with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the authorities;
  - ii. with the external auditors, their evaluation of the quality, effectiveness and the integrity of the Group's systems of internal control;
  - iii. with the external auditors, their audit report including management letters on internal control weaknesses and the management's response thereto;
  - iv. the assistance given by the employees of the Group to the external auditors;
  - v. the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - vi. the internal audit programme, processes, the results of the internal audit programme, processes and investigation undertaken and whether or not appropriate action has been taken on the recommendations of the internal audit function;

## AUDIT COMMITTEE REPORT

- vii. the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (a) changes in major accounting policy and/or implementation of such changes;
    - (b) significant and unusual events;
    - (c) compliance with accounting standards and other legal requirements, and the going concern assumption; and
    - (d) the accuracy and adequacy of the information disclosed;
  - viii. any related party transactions and conflict of interest situations that may arise within the Group and with any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - ix. any letter of resignation from the external auditors of the Group;
  - x. whether there is a reason (supported by grounds) to believe that the Group's external auditors are not suitable for reappointment;
  - xi. nomination of external auditors and the fixing of their terms of appointment and remuneration; and
  - xii. any other matters as directed by the Board of Directors from time to time.
2. In discharging the above functions, the Audit Committee shall at the cost of the Company:
- i. have the authority to investigate any matter within its terms of reference;
  - ii. have the resources which are required to perform its duties;
  - iii. have full and unrestricted access to any information pertaining to the Group;
  - iv. have direct communication channels with the external auditors and persons carrying out the internal audit function;
  - v. be able to obtain independent professional and other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
  - vi. be able to convene meetings with the external auditors excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.

### MEETING

The Audit Committee shall meet four times a year although additional meetings may be called at any time upon the request of any member of the Audit Committee, the external auditors or the internal auditors and at the Chairman's discretion. The quorum for each meeting shall be two members, all of whom must be Independent Directors. The agenda shall be sent to all members of the Audit Committee and any other persons who may be required to attend the meeting at least seven days prior to the meeting unless such requirement is waived by the members in the meeting.

Decisions of the Audit Committee shall be by majority of vote. In the case of equality of vote, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the members attending the meeting, shall have a second and casting vote. The Audit Committee may invite other Directors and employees of the Company and its subsidiaries to attend any meeting as it deems fit.

### MINUTES

Minutes of each meeting, signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat without any further proof of the fact stated thereof. The minutes shall be kept by the Secretary. Copies of the minutes shall be distributed to all members of the Audit Committee and the Board of Directors for information.

### SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD

The Audit Committee held six meetings during the financial period with the Secretary in attendance. The Group Managing Director was also present by invitation at all the meetings, and at two of the meetings, the external auditors were present.

## AUDIT COMMITTEE REPORT

Y.Bhg. Dato' Mohd Ismail bin Che Rus and Mr. Siew Ka Wei were present at all the meetings whilst Y.A.M. Tengku Farah Qurashiyah binti Al-Marhum Sultan Mahmud was present at two meetings.

During the financial period, the Audit Committee reviewed the audited financial statements of the Company and of the Group for the financial year ended 31 December 1999 with the external auditors to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and applicable standards approved by the Malaysian Accounting Standards Board. The Audit Committee also discussed the internal control weaknesses report from the external auditors and was satisfied that corrective actions have been undertaken by the management to overcome the weaknesses noted in the internal control of the Group. The Audit Committee was satisfied that there were no major breakdowns in the internal control of the Group during the financial year. The auditors' remuneration for the financial year ended 31 December 1999 was also approved by the Audit Committee.

The statutory audit plan and scope of audit for the financial period ended 31 May 2001 was presented by the external auditors to the Audit Committee for approval prior to the commencement of the audit.

The Audit Committee also discussed and reviewed the Group's quarterly results announcements with the Group Managing Director and the Company Secretary.

After each Audit Committee meeting, the Chairman reported to the Board on the proceeding conducted thereof and conveyed the Audit Committee's recommendations for the audited financial statements and the quarterly results announcements as the case may be to be adopted and approved by the Board for release to the KLSE.

## INTERNAL AUDIT FUNCTIONS

During the financial period under review, the Group did not undertake any specific internal audit function. The Audit Committee has relied on the reviews of the quarterly financial performance and discussions with the management and executive directors in discharging its functions. In one of the Audit Committee meetings, the Audit Committee discussed with the Auditors the management letter which highlighted issues noted during the statutory audit for the financial year ended 31 December 1999. The Audit Committee was satisfied with the state of the Group's internal control.

In cognizance of the best practices recommended by the Code of Corporate Governance and the requirements of the KLSE Listing Requirements, the Board resolved to appoint Deloitte Touche Tohmatsu as the Group's Internal Auditors and such appointment was made on 25 July 2001.

Amongst the responsibilities of the Internal Auditors are:

1. To assist in reviewing the adequacy, integrity and effectiveness of the Group's internal control system for the Board to make an accurate Internal Control Statement in the annual reports;
2. To support the Audit Committee in identifying and evaluating the existing internal control system and consequently to determine the future requirements for internal control system and co-develop a prioritised action plan;
3. To perform a risk assessment of the Group to identify the business processes within the Group that internal audit should focus on;
4. To allocate audit resources to areas within the Group that provide the management and the Audit Committee with an efficient and effective level of audit coverage.

## STATEMENT of corporate governance

The Board is committed to ensuring that a high standard of corporate governance is practised throughout the Company and its subsidiaries ("Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholder value and the financial position of the Company and of the Group. The Board has always been mindful of its fiduciary duties entrusted on them by the Companies Act, 1965 as a principal guide in discharging its duties.

The Board will evaluate the status of the Group's corporate governance practices and procedures to adopt and implement the best practices as enshrined in the Code of Corporate Governance issued by the Finance Committee on Corporate Governance ("Code") wherever applicable in the best interest of shareholders of the Company.

Set out below is a description of how the Group has applied the principles set out in the Code during the financial period.

### BOARD OF DIRECTORS

#### BOARD COMPOSITION

The Board currently consists of 11 members, 3 of whom are Independent Non-Executive Directors. The composition of the Board reflects a balance of Executive and Non-Executive Directors possessing a mix of legal, technical, economics, accounting and business experiences that has been vital in steering the Group to its present form. The biodata of the Directors, as set out in pages 5 to 7 of the Annual Report, clearly reveal the skill, experience and depth of the Board of Directors insofar as they relate to strategies, performance and resources.

#### BOARD MEETINGS

The Board will normally meet quarterly, and on other occasions as and when required, to approve the quarterly and annual financial results and to review matters of importance. Notices are given for all meetings together with all the relevant board papers prior to the meetings for the Directors to study and evaluate the implications of the matters to be discussed. At the Board Meeting, the Group Managing Director will explain to the Board the rationale of the matters to be discussed and the implications thereof on the Company. The directors are free to discuss the merits of the matters in an open and unrestrictive manner.

All Directors have direct access to the advice and services of the Company Secretary in furtherance of their duties. They may take independent advice whenever they deem it appropriate to do so, at the Company's expense.

#### DUTIES AND RESPONSIBILITIES

There is clear segregation of responsibilities between the Chairman and the Group Managing Director to ensure a balance of control and authority. The Chairman is responsible for the orderly conduct of the Board while the Group Managing Director is responsible for the day-to-day running of the Group's businesses and implementation of the Board's decisions and policies. The Non-Executive Directors and the Independent Non-Executive Directors play a significant role in ensuring that no significant decisions and policies are controlled by an individual or a minority group of directors. All Board decisions are decided by a simple majority of votes of the Directors present at a Meeting. The presence of the Independent Directors is to safeguard the interests of the minority shareholders. The Group Managing Director is subject to the control of the Board of Directors.

## STATEMENT OF CORPORATE GOVERNANCE

The Board did not appoint any independent director to whom concerns relating to the affairs of the Group could be directed, as the Board practises an open approach where all such concerns can be directed to the Chairman or the Group Managing Director to take corrective action.

### BOARD ATTENDANCE

During the financial period, a total of six Board Meetings were held. The attendance at the Board Meetings was as follows:

	NUMBER OF MEETINGS ATTENDED
<b>EXECUTIVE DIRECTORS</b>	
Heah Kok Soon GROUP MANAGING DIRECTOR	6
Hung Hin Cheong	6
Chua Ah Lak	6
<b>NON-EXECUTIVE DIRECTORS</b>	
Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman CHAIRMAN	4
Y.M. Tengku Yusoff bin Tengku Mahmud *(appointed on 25 July 2001)	N/A
Y.Bhg. Dato' Mohd Ismail bin Che Rus *	4
Y.Bhg. Dato' Ahmad Johari bin Abdul Razak	5
Siew Ka Wei	5
Hsieh Fu Hua	3
Toh Yiu Joe	5
Chieng Ing Huong * (appointed on 20 June 2001)	N/A
Y.A.M. Tengku Farah Qurashiyah binti Al-Marhum Sultan Mahmud * (Passed away on 25 February 2001)	2

\* Independent Non-Executive Directors

### AUDIT COMMITTEE

The Audit Committee has revised its terms of reference to be in line with the KLSE Listing Requirements. The report of the Audit Committee is set out separately in the Annual Report.

### REMUNERATION OF DIRECTORS

The remuneration of the Executive Directors is determined based on market rates commensurate with the experience, knowledge and professional skill of Executive Directors. The overriding principle in setting the remuneration packages for the Executive Directors is to ensure the Company attracts and retains the right calibre personnel needed to run the respective business units successfully. The component parts of the remuneration are structured so as to link rewards to corporate and individual performances in the case of Executive Directors. For Non-Executive Directors, the level of remuneration reflects the amount paid by other comparable organisations adjusted for the experience and levels of responsibility undertaken by the Non-Executive Directors concerned in the Company. In addition, the Company reimburses reasonable out-of-pocket expenses incurred by the Directors in the course of their duties as Directors of the Company.

## STATEMENT OF CORPORATE GOVERNANCE

The breakdown of the remuneration of the Directors for the 17-month financial period (January 2000 to May 2001) is as follows:

		EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	TOTAL
(a) Total remuneration:				
Fees	RM	–	107,358	107,358
Salaries	RM	1,703,400	–	1,703,400
Benefits-in-kind	RM	53,637	–	53,637
Other emoluments	RM	237,308	–	237,308
Incentive bonus	RM	85,000	–	85,000
Total		2,079,345	107,358	2,186,703
(b) Number of Directors whose remuneration falls into the following bands (for the 17-month financial period):				
Less than RM50,000		–	9	9
RM550,000 to RM600,000		1	–	1
RM650,000 to RM700,000		1	–	1
RM800,000 to RM850,000		1	–	1
Total		3	9	12

### NOMINATION OF DIRECTORS

All Directors are presently involved in identifying, assessing, and appointing new directors to the Board. In accordance with the Company's Articles of Association, all newly-appointed Directors are subject to retirement and are entitled for re-election at the first annual general meeting after their appointment. All the Directors, except Directors who have attained the age of 70, retire on a rotational basis once every three years and are entitled to offer themselves for re-election at the Company's annual general meeting. None of the Executive Directors has a service contract for which the notice period for termination is more than one year.

In the case of re-election or election of Directors at the annual general meeting, the notice of annual general meeting will state the name of the Directors seeking re-election or election with a brief description of his:

- Age
- Status (whether independent or non-independent)
- Relevant experience/qualifications
- List of directorships in other listed companies
- Date of appointment to the Board and Board Committee
- Details of his shareholding in the Company and its subsidiaries
- Details of his attendance at Board or Board Committee meetings

The motion to re-elect or elect Directors is voted on individually.

## STATEMENT OF CORPORATE GOVERNANCE

### REMUNERATION AND NOMINATION COMMITTEE

In accordance with the best practice recommended by the Code, the Board will be establishing a Remuneration and Nomination Committee in due course.

The Remuneration and Nomination Committee will re-assess all the elements of remuneration and recommend to the Board a framework of executive remuneration and its cost, and the remuneration package and the terms of employment of each Executive Director. It will be the ultimate responsibility of the entire Board to approve the remuneration of these Directors. The determination of the remuneration of the Non-Executive Directors will be a matter for the Board as a whole to consider. Directors will not participate in making decisions on their own remuneration packages.

The Remuneration and Nomination Committee will be responsible for making recommendations to the Board on all new Board and Board Committee appointments. The Committee will review the required mix of skills and experience of the Directors of the Board, in determining the appropriate Board balance and size of Non-Executive Directors. It will establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and the contribution of each individual Director and Board Committee member.

### SHAREHOLDER COMMUNICATION AND INVESTOR RELATIONSHIP POLICY

The Board believes in clear communication with its shareholders. The annual reports and the quarterly announcements are the primary modes of communication employed to report on the Group's business, activities and financial performance to all its shareholders. Notices of the annual general meeting and the financial statements and other related documents are sent out to the shareholders at least 21 days before the date of the meeting. The notice of annual general meeting is also advertised in a leading English newspaper at least 21 days before the date of the meeting. Each item of special business included in the notice of meeting will be accompanied by a full explanation of the effect of a proposed resolution to enable shareholders to make an informed judgment.

At each annual general meeting, the Group Managing Director will be available to present a review of the Group's performance. Shareholders are given opportunities to ask questions at the annual general meeting where the Directors are present to discuss aspects of the Group's business activities and performance where necessary. The Board will provide a written answer to any question that cannot be readily answered at the meeting.

### ACCOUNTING RECORDS, AUDIT AND INTERNAL CONTROL

In presenting the annual financial statements and the quarterly result announcements to the shareholders, the Directors aim to present a balanced and easy-to-understand assessment of the Group's performance and prospects. The annual financial statements and the quarterly result announcements are prepared in accordance with the requirements of the Companies Act, 1965, the KLSE Listing Requirements, and the standards approved by the Malaysian Accounting Standards Board.

A statement by the Directors in respect of their responsibilities for preparing the financial statements is included in page 32 of the annual report.



## STATEMENT OF CORPORATE GOVERNANCE

The Board acknowledges their responsibilities for the Group's system of internal control which has been designed to meet the Group's particular needs and to manage and mitigate the risks to which the businesses of the Group are exposed. The Board recognises that the system of internal control, by nature, can only provide a reasonable but not absolute assurance against loss.

To assist the Board in ensuring the adequacy and integrity of the Group's internal control, the Board has appointed Messrs. Deloitte Touche Tohmatsu as the Group's Internal Auditors to review the Group's internal control for the financial year commencing 1 June 2001. The Internal Auditors will report to the Audit Committee. The Audit Committee will present its Statement on Internal Control in the next annual report.

# CHAIRMAN'S statement

On behalf of the Board of Directors, I have great pleasure in presenting the Annual Report of Nylex (Malaysia) Berhad for the financial period ended 31 May 2001.

## FINANCIAL RESULTS

On 22 November 2000, Nylex (Malaysia) Berhad announced the change of its accounting year-end from 31 December 2000 to 31 May 2001, so as to be co-terminous with the financial year-end of its ultimate holding company, Ancom Berhad. Accordingly, the results for the current financial period have been made up for 17 months from 1 January 2000 to 31 May 2001.

For this financial period, the Group registered sales of RM579.4 million (RM530.2 million for the financial year ended 31 December 1999). After taking into account finance costs of RM12.7 million (financial year 1999: RM9.3 million), the Group's profit before taxation and exceptional items amounted to RM30.4 million (financial year 1999: RM17.4 million).

An exceptional loss of RM96.1 million as a result of a provision made in the accounts for diminution in the carrying value of two subsidiary companies, was recorded by the Group during the financial period. The provision was made and reported in the Group's results for the first financial quarter ended 31 March 2001, in respect of:

i) Kuala Lumpur Glass Manufacturers Company Sdn Bhd ("KL Glass")

The Company had, on 27 December 1999, entered into a conditional sale and purchase agreement for the disposal of a wholly-owned subsidiary company, Kuala Lumpur Glass Manufacturers Company Sdn Bhd for a proposed cash consideration of RM60.0 million, the sale of which was completed on 19 May 2000, with no adjustment to the cash consideration. Based on the sale consideration of RM60.0 million, the disposal was expected to give rise to a loss of RM66.1 million, and accordingly a provision for diminution in carrying value for the subsidiary of RM66.1 million was made in the accounts for the first quarter ended 31 March 2001; and

ii) Asia Pacific Insulation Corporation, Inc.

Following the provision made for diminution in the carrying value of KL Glass, the Directors had further undertaken a review of the carrying value of the other subsidiary companies within the Group as at 31 March 2001. Arising from the review, an additional provision was made in respect of Asia Pacific Insulation Corporation, amounting to RM30.0 million, which the Directors considered to be prudent and fair.

## COMMENTARY

The Polymer Division registered sales of RM156.9 million for the 17-month period under review (financial year 1999: RM107.1 million) with a profit before interest and taxation of RM21.0 million. For the greater part of this period, the domestic market saw a marked improvement in demand over the corresponding period, which the Division has taken advantage of, enabling it to further entrench itself as the leader in the industry. The Division was also able to steadily increase its level of sales to the export markets amid the slowdown that has become increasingly evident in the region.

For the period under review, the Engineering Division's operations were however adversely affected by the weakening economic conditions in the region. Overall demand has contracted considerably compared to the previous financial year. In spite of this, Tamco Corporate Holdings in Malaysia was able to achieve sales totalling RM192.3 million for the 17-month period (RM139.1 million for the financial year 1999). Its overseas unit in Melbourne experienced some deferrals of delivery to its Hong Kong project at the client's request, but the unit, together with its subsidiary in Jakarta, were still able to register sales amounting to RM43.0 million, an increase of 13.6% over 1999 sales. The Division's trading business similarly turned in a satisfactory performance with sales of RM103.1 million, against 1999 sales of RM88.0 million. The Shanghai operations encountered a decline in demand, resulting in lower sales of RM27.9 million

## CHAIRMAN'S STATEMENT

compared to RM43.4 million in 1999. However, with economic growth in China forecasted to sustain at a high 8% rate, the Shanghai operations, through having steadily built up a fairly sizeable order bank, is expected to show good improvement in its performance in 2002.

With the economic situation in Indonesia and the Philippines remaining uncertain, the outlook for the Building Products Division, with 2 of its units operating in these countries, continues to be depressed. Trading conditions have been difficult for the period under review. In spite of this, the roofing business at the Nilai plant in Malaysia has shown improvement with its focus on innovative products and marketing into export sectors, and together with its operations in Indonesia, Malaysian Roofing Industries has contributed RM1.8 million in operating profit to the Group. The glasswool insulation business in the Philippines however continued to incur a loss during this period, due to much-reduced demand volume experienced both domestically and abroad, exacerbated by a surplus in production capacity for insulation products region-wide.

### BALANCE SHEET

Working capital management has continued to be stringent. However, shareholders' funds as at the balance sheet date saw a reduction of RM182.2 million, to RM253.4 million (1999: RM435.6 million), mainly as a result of the exceptional loss of RM96.1 million mentioned above and the declaration of a special dividend of RM78.6 million during the financial period. Consequently, gearing as at the end of the financial period increased from 33.9% to 54.2%.

### CORPORATE DEVELOPMENT

#### (i) Divestment of Kuala Lumpur Glass Manufacturers Company Sdn Bhd

As mentioned in the previous Chairman's Statement, the Company had, on 27 December 1999, entered into a conditional sale and purchase agreement for the disposal of a wholly-owned subsidiary company, Kuala Lumpur Glass Manufacturers Company Sdn Bhd for a proposed cash consideration of RM60.0 million, which was subject to adjustment upon conclusion of a completion audit. The disposal was completed, in accordance with the sale and purchase agreement dated 27 December 1999, on 19 May 2000, with no adjustment to the aforementioned cash consideration.

#### (ii) Change of Accounting Year-End Date

On 22 November 2000, Nylex (Malaysia) Berhad announced the change of its financial year-end date from 31 December 2000 to 31 May 2001. The change is in accordance with Section 168(1) of the Companies Act, 1965 which requires the financial year of the Company to be co-terminous with the financial year of its ultimate holding company, Ancom Berhad.

### FUTURE PROSPECTS

The prospects for the next financial year will continue to depend on the ability of the Group's two core businesses, namely the Polymer and Engineering Divisions, to capitalise on their leading market positions in the respective industrial sectors they serve. In view of the difficult trading conditions and uncertain economic outlook for the region, the Directors are reviewing the various operations of the Group, in particular the operations of its overseas subsidiaries, and evaluating alternatives with the objective of taking actions to further improve the overall performance of the Group.

### DIVIDEND

The Board of Directors does not recommend the declaration of a final dividend for the financial period ended 31 May 2001.

During the financial period, the Company has paid interim dividends of 35.0 sen (tax exempt) per share and 10.6 sen per share less tax, resulting in a total gross dividend of 45.6 sen per share declared and paid for the financial period ended 31 May 2001 (1999: 10.6 sen per share, less tax).

### APPRECIATION

On behalf of the Board, I wish to thank our customers, suppliers, bankers and other business associates, and our shareholders for their continued support throughout the current financial period. I would also like to record my appreciation of the hard work, loyalty and dedication displayed by my fellow directors, management staff and employees during this period.

**Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman**

CHAIRMAN

1 October 2001

## QUALITY achievements

# 20001

- ▶ 1991 – Nylex (Malaysia) Berhad
- ▶ 1993 – Nycon Manufacturing Sdn Bhd
- ▶ 1995 – Universal Motor Kontrol Pty Limited
- ▶ 1996 – Tamco Corporate Holdings Sdn Berhad
- ▶ 1996 – PT Kontrol Ragam Indonesia
- ▶ 1997 – Tamco Shanghai Switchgear Company Limited

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- ▶ 1993 – Malaysian Roofing Industries Sdn Bhd
- ▶ 1994 – Tamco Corporate Holdings Sdn Berhad
- ▶ 1997 – Asia Pacific Insulation Corporation
- ▶ 1999 – Tamco (Singapore) Pte Ltd