



Annual Report 2002

MOVING FORWARD

Nylex (Malaysia) Berhad (9378-T)

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NEW BALANCE AND SUSTAINABLE GROWTH



Constantly redefining our strategic focus to sharpen our competitive edge and keep ahead in a rapidly changing business environment, we have initiated a new balance across our people, services and products to create sustainable growth.

CHAIRMAN'S STATEMENT

It has been an extremely challenging year for Nylex...we faced one of the toughest global market conditions in decades, characterised by economic uncertainties, weak demand and severe price pressures. Given the challenging business environment, we had to redefine our strategic focus in order to meet the challenges confronting us. We also undertook several major initiatives, including making changes in senior management, asset disposals and write-downs in order to refocus on businesses in which the Group can achieve and maintain market leadership.

With a stronger management, we believe the Group is on firmer footing in its quest to achieve excellence and deliver optimum value to shareholders.

In retrospect

For the year under review, the consolidated revenue of the Group was RM365.9 million, compared to RM385.8 million for the previous 12 months and the Group recorded a consolidated loss before tax of RM53.3 million compared to a loss before tax of RM70.8 million in the previous 12 months. After adjusting for exceptional items, the loss before tax for the year was RM8.3 million compared to a profit before tax of RM25.3 million in the previous 12 months. The consolidated loss per share (after tax and minority interest) was 27.8 sen compared to 31.6 sen in the previous 12 months whilst net tangible asset per share was 69.4 sen compared to 84.1 sen last year.

Given the weak market conditions and severe pricing pressures, the Polymer Division did well to achieve sales of RM98.3 million, albeit lower than the RM109.9 million achieved in the previous 12 months. The lower sales were mainly due to weak demand across most major industrial sectors including the construction and infrastructure sectors. Profit before tax was also lower at RM11.4 million compared to RM14.3 million in the previous 12 months.

The Engineering Division contributed the bulk of the Group's revenue at RM242.5 million compared to RM238.6 million for the previous 12 months. Tamco Corporate Holdings Sdn Berhad ("Tamco"), its Malaysian unit was the main contributor

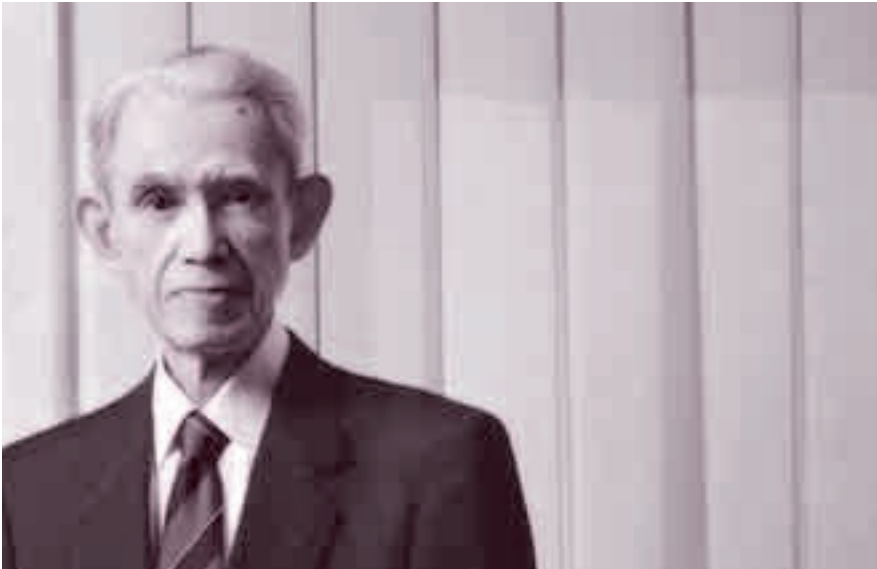
with sales of RM129.5 million compared to RM107.4 million in the previous 12 months. It contributed a profit before tax of RM20.5 million as compared to RM18.4 million in the previous 12 months.

However, the Engineering Division as a whole made an operating loss before tax of RM16.7 million for the year compared to a profit of RM18.2 million in the previous 12 months, mainly due to losses and one-time write-down of obsolete and non-recoverable assets of its overseas units in Australia, Indonesia and China.

Sales for the Building Products Division was lower at RM25.0 million as compared to RM37.3 million for the previous 12 months, mainly due to lower sales

"It has been an extremely challenging year...
we had to redefine our strategic focus."

CHAIRMAN'S STATEMENT (CONTINUED)



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

contributed from Asia Pacific Insulation Corporation ("APIC") in the Philippines as a result of its disposal during the financial year. Consequently, it recorded a lower loss before tax and exceptional item of RM3.0 million compared to RM7.1 million in the previous 12 months, due to lower contribution of losses from APIC.

Renewal

During the year, the Nylex Board embarked on a strategy to focus on its core businesses, leading to a total reassessment of the Group's business and financial position. Following the assessment, the Board decided to dispose the Group's entire investment in APIC. APIC was loss-making and required

additional capital investment with no assurance of future profitability. Although this resulted in a one-off loss on disposal of RM45.0 million, the disposal was necessary to ensure that we eliminate recurring losses from APIC and only focus our efforts and shareholders' capital to businesses that yield the highest return.

As part of the assessment process, the Board appointed a professional accounting firm to undertake an independent review of the Group's operations. Arising from this review, a decision was made to write-down the value of certain assets by RM33.3 million to ensure that future profits will not be adversely distorted by the write-down of under performing assets. The write-downs involved mainly

certain assets of the Engineering Division's overseas units which were obsolete and non-recoverable.

Following the review, several changes in management and processes were implemented including integrating the overseas units of the Engineering Division to derive cost synergies in sales and marketing, procurement, research and development and financial management. We also invested RM2.8 million in a new ERP system for the Engineering Division, which will enable it to further leverage its global presence through better cohesion among the various units, thereby enhancing the cost synergies mentioned above. Some of the changes have already produced results, for instance, total net

borrowings of the Group were reduced by 25% as a result of more efficient use of working capital and cash flow management.

Empowering Excellence

In preparation for the coming challenges, the Board of Directors had also undergone several changes, including the departure of Mr Heah Kok Soon and Mr Hung Hin Cheong as directors. To augment and strengthen the Board, Dato' Johari Razak was appointed as Executive Vice-Chairman, Dato' Siew Ka Wei as Group Managing Director and Toh Yiu Joe as Executive Director. I would also like to mention that Alan Chua Ah Lak, who, in addition to retaining his post as Chief Executive of our Polymer Division, has been appointed to lead Tamco. Alan's track record convinced us that he had the imagination, leadership and capability to handle these major responsibilities. I would also like to welcome Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir, who joined the Board as an Independent Non-Executive Director on August 29, 2002.

In striving to revitalise and refocus itself, the Group also made several personnel changes among senior management and at the operating level. Mr Eric Chan, the General Manager of the Engineered Polymer division was appointed as General Manager of Tamco's overseas units. Mr Lee Vin Wah, the Assistant General Manager of Tamco, was promot-

ed to General Manager of Sales for the Tamco Group and Jonathan Bong was appointed as Chief Financial Officer of Nylex (Malaysia) Berhad.

Our ongoing leadership training programmes and 'mentoring' of promising second-line executives by senior management will enhance the talent and capabilities of our staff in their present positions and also meet future succession needs. The overall result of these changes has been the consolidation of a stronger and empowered leadership to achieve excellence in all aspects of our business.

Redefining Our Focus

Following our strategy to redefine our focus on our core businesses, we announced in September 2002, a corporate reorganisation strategy that would result in two major changes; the proposed demerger of the Engineering Division under Tamco as an independent switchgear and power technologies specialist with an annual turnover in excess of RM250 million and the acquisition of the industrial chemical units from our ultimate parent company, Ancom Berhad.

The demerged Tamco, with its growth potential and significant scale in terms of operations will seek a listing on an appropriate stock exchange, thus allowing it to directly access the capital markets. We do not foresee any disruption to its operations as Tamco

is already run as a stand-alone unit with its own management team. Nylex, focused on its core polymer business, will be further strengthened by the acquisition of Ancom's industrial chemical units, which are engaged in manufacturing, trading and distribution of bulk and speciality chemicals and solvents, creating an enlarged group with an annual turnover in excess of RM300 million. The new Nylex will have capabilities in both manufacturing and distribution, with an expanded product range and enlarged customer base. The acquisition will also deepen and broaden management expertise. Both the demerger and listing of Tamco, and the acquisition of the industrial chemical units are inter-conditional and subject to approvals from shareholders and the relevant authorities. Further details of these transactions are mentioned in Note 26 to the Financial Statements.

The New Nylex and Tamco

A necessary ingredient of this process of change is the rebranding of our businesses. A brand consultancy firm was commissioned to work with management to rediscover their brand attributes and revitalise the brand identities of both Nylex and Tamco. The essential elements include becoming more focused as individual, distinct businesses, seeking to build upon the strengths of our products and working to realise the full creative potential of our management teams in order to deliver maximum value to our shareholders.



Our people are our greatest asset; the vital ingredient that enhances our ability as a provider of customised solutions to our customers.

Leveraging Key Strengths

Despite the difficult market conditions, we remained unfazed, maintaining our market leadership by leveraging on our strength as a provider of customised solutions in order to deliver reliable, high quality and cost competitive value-added products to our customers.

Constantly innovating, we have successfully developed and marketed new products this year including a more environmentally friendly cadmium-free audio cladding (by the Polymer Division) and a 33 KV gas-insulated switchgear for the China market (by the Engineering Division). In addition to reinforcing our commanding market position in Malaysia,

we have become more export-oriented, broadening our horizons into new markets which include Qatar, Saudi Arabia, China, Turkey, Australia and Maldives.

The Way Ahead

Looking forward, although the prospects of our key businesses have shown signs of modest recovery in certain sectors, we remain cautious given the prevailing uncertainties in the global market place. Nevertheless, we are confident that the changes we are making will place the Nylex Group in a stronger position to grasp new opportunities for growth, enhancing their present leadership position and producing greater returns to shareholders.

Finally, on behalf of the Board and management of the Group, I sincerely wish to thank our employees for their loyalty, dedication and cooperation over the last year. I also wish to thank our shareholders, customers, suppliers, business partners, advisors, regulatory authorities and bankers for their unwavering support and continued relationship with the Nylex Group.

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

Chairman

1 October 2002

CORPORATE INFORMATION

Directors

Y.A.B.M. Raja Tun Mohar
bin Raja Badiozaman
(Non-Executive Chairman)

Y. Bhg. Dato' Ahmad Johari
bin Tun Abdul Razak
(Executive Vice-Chairman)

Y. Bhg. Dato' Siew Ka Wei
(Group Managing Director)

Y.M. Tengku Yusoff bin Tengku Mahmud
(Independent Non-Executive Director)

Y.A.M. Tunku Muhriz
Ibni Almarhom Tuanku Munawir
(Independent Non-Executive Director)

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

Hsieh Fu Hua
(Non-Independent Non-Executive Director)

Toh Yiu Joe
(Executive Director)

Chua Ah Lak
(Executive Director)

Chieng Ing Huong
(Independent Non-Executive Director)

Audit Committee

Y. Bhg. Dato' Mohd Ismail bin Che Rus
(Chairman)
Y. Bhg. Dato' Siew Ka Wei
Chieng Ing Huong

Nomination & Remuneration Committee

Chieng Ing Huong (Chairman)
Y. Bhg. Dato' Mohd Ismail bin Che Rus
Hsieh Fu Hua

Company Secretary

Choo Se Eng, MICPA 2077

Registered Office

Nylex (Malaysia) Berhad
Persiaran Selangor, Seksyen 15
Shah Alam Industrial Estate
40200 Shah Alam, Selangor Darul Ehsan
Tel: (603) 5519 1706
Fax: (603) 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: (603) 7725 4888/7725 8046
Fax: (603) 7722 2311

Investors' and Shareholders' concerns on Company to be directed to:

Y. Bhg. Dato' Mohd Ismail bin Che Rus
c/o Nylex (Malaysia) Berhad
Persiaran Selangor, Seksyen 15
Shah Alam Industrial Estate
40200 Shah Alam, Selangor Darul Ehsan
Email: corp@nylex.com

Auditors

Ernst & Young
Chartered Accountants

Stock Exchange Listing

Main Board of the Kuala Lumpur Stock
Exchange

Principal Bankers

Malayan Banking Berhad
HSBC Bank Malaysia Berhad

Solicitors

Shearn Delamore & Co
Lee Hishamuddin

Domicile

Malaysia

LIST OF PRINCIPAL OFFICES

Nylex (Malaysia) Berhad

Persiaran Selangor, Seksyen 15
Shah Alam Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel: (603) 5519 1706
Fax: (603) 5510 0088
www.nylex.com
Dato' Siew Ka Wei
(Group Managing Director)
Low Hong Keng
(General Manager, Polymer Division)

Tamco Corporate Holdings Sdn Berhad

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46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: (603) 7956 2799
Fax: (603) 7955 6009
www.tamco.com.my
Alan Chua (Managing Director)

Malaysian Roofing Industries Sdn Bhd

Lot 12, Nilai Industrial Estate
71800 Nilai
Negeri Sembilan Darul Khusus
Malaysia
Tel: (606) 799 1877
Fax: (606) 799 1827
www.mrigrp.com
Guoh Siang Lim (Acting General Manager)

Tamco Electrical & Electronics (M) Sdn Bhd

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Bandar Sri Damansara
52200 Kuala Lumpur
Malaysia
Tel: (603) 6276 8732
Fax: (603) 6272 1137
Chong Yen Hong (General Manager)

Tamco (Singapore) Pte Ltd Tamco Electrical & Electronics (S) Pte Ltd

77 Tech Park Crescent
Tuas Tech Park
Singapore 638069
Tel: (65) 6862 3777
Fax: (65) 6862 8628
www.tamco.com.sg
Chua Teow Meng (General Manager)

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482 Jaffe Road, Causeway Bay
Hong Kong
Tel: (852) 2833 6966
Fax: (852) 2838 0724
www.tamco.com.hk
Raymond Leung (General Manager)

Tamco Shanghai Switchgear Company Limited

379, Jianchuan Road
Tangwan Town
Minhang District
Shanghai China 201109
Tel: (8621) 64500 568
Fax: (8621) 64500 968
www.tamco_sh.com
Weng Dan Ran (General Manager)

PT Kontrol Ragam Indonesia

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Cikarang Bekasi
17330 Indonesia
Tel: (6221) 897 0540
Fax: (6221) 897 0533
Peter Goh (President Director)

PT Indomalay Ekatana Roofing Industries

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Kodya Tangerang
15134 Indonesia
Tel: (6221) 591 9451
Fax: (6221) 591 9450
Lawrence P. Luzar (President Director)

Universal Motor Kontrol Pty Ltd

31 Kitchen Road
Dandenong 3175
Victoria, Melbourne
Australia
Tel: (613) 9706 7188
Fax: (613) 9706 9112
www.umk.com.au
Eric Chan (General Manager)



EMPOWERING EXCELLENCE

Shaping individuals into leaders, moving from a conventional and rigid structure, enabling them to take responsibility for driving the business forward towards a network that is entrepreneurial and dynamic in its approach – from followers to empowered leaders to achieve excellence.



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Board of Directors



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1. Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman Aged 80, Malaysian, Non-Executive Chairman, appointed on 17 May 2000. Gained Bachelor of Arts Degree (with Honours) in Economics from Cambridge University, Britain and Diploma in Agricultural Economics from Oxford University, Britain. Joined Malaysian Civil Service (1938), serving in various capacities before appointment as Secretary General of the Finance Ministry in January 1971. Special Economic

Advisor to the Prime Minister from January 1972 until retirement in 1988. Was formerly Chairman of the Foreign Investment Committee, Petronas, Malaysian Airlines Systems Berhad, The Tourism Development Corporation, Bank Islam Malaysia Berhad and Pengurusan Danaharta Nasional Berhad. Currently Non-Executive Chairman of Ancom Berhad, a director of YTL Power International Berhad, Johan Holdings Berhad, Socfin Company Berhad and

Socship Company Berhad. Attended three out of six Board meetings held. Not related to any director or major shareholder of Nylex. Does not hold any shares in Nylex and its subsidiaries and has no conflict of interest thereof. No convictions for offences within past 10 years other than traffic offences, if any.

2. Y. Bhg. Dato' Ahmad Johari bin Abdul Razak Aged 48, Malaysian, Executive Vice-Chairman, appointed on

29 January 2002; previously appointed Non-Independent Non-Executive Director, 12 October 1999. Holds Law Degree from University of Kent, UK. Called to the Bar of England and Wales in 1976. Admitted as an advocate and solicitor of the High Court of Malaya (1977), and practised as an advocate and solicitor with Messrs. Shearn Delamore & Co. (1979 to 1994). He is the Group Managing Director of Ancom Berhad since 1994, Chairman of Daiman Development Berhad and Courts Mammoth Berhad and a director of Hong Leong Industries Berhad. Holds 150,000 shares or 0.07% directly in the Company. Attended all six Board meetings held. Not related to any director or major shareholder of Nylex, has no conflict of interest thereof. No convictions for offences within past 10 years other than traffic offences, if any.

3. Y. Bhg. Dato' Siew Ka Wei Aged 47, Malaysian, appointed Group Managing Director on 29 January 2002; previously appointed Non-Independent Non-Executive Director, 12 October 1999. Gained Bachelor of Science (Hons) degree in Chemical Engineering and Master of Science degree in Operational Research from Imperial College, London, UK. Vast local and international working experience, well-versed in the field of petrochemicals, having been in the business for more than 20 years. Past Chairman of the Young Presidents Organisation ("YPO") - Malaysian Charter and is currently a director of the International Board of Directors of YPO, an international grouping of over 8,500 CEOs of major companies over the world. Currently Deputy Group Managing Director of Ancom Berhad, and a director of Eastern & Oriental Berhad and Kamunting Corporation Berhad. An Audit

Committee member of Nylex. Deemed a substantial shareholder of Nylex through his interest in Ancom as disclosed in the Directors' Shareholdings in the Annual Report. Attended all six Board meetings held. Son of Dato' Siew Nim Chee, a deemed substantial shareholder of Nylex. Has no conflict of interest thereof. No convictions for offences within past 10 years other than traffic offences, if any.

4. Y.M. Tengku Yusoff bin Tengku

Mahmud Aged 44, Malaysian, appointed as Independent Non-Executive Director on 25 July 2001. Holds Bachelor of Science degree in Business Studies from University of Toledo, USA and MBA from New Hampshire College, USA. A senior lecturer in Faculty of Business Administration at MARA University of Technology, Terengganu Branch, where he is now Deputy Provost of Student Affairs. Attended four of the six Board meetings held. Holds no other directorships in public companies, shares in Nylex or its subsidiaries and has no family relationship with any of Nylex's director or major shareholder, nor has he any conflict of interest with Nylex. No convictions for offences within past 10 years other than traffic offences, if any.

5. Y.A.M. Tunku Muhriz Ibni Almarhom

Tuanku Munawir Aged 54, Malaysian, appointed as Independent and Non-Executive Director on 29 August 2002. Gained LLB (Hons), Law Degree from University of Wales, Aberystwyth, UK. Started his working career as management trainee and later as an officer of an international bank in Malaysia. Became a Director and shareholder of a company licensed as brokers in interbank foreign exchange and currency deposits market (1973-1986). Chairman and shareholder

of a Malaysian joint venture with a world-wide advertising agency (1981-1992). Chairman and director of a joint venture company involved in manufacturing of building products (1995-1998). Director and shareholder of a company engaged in electrical engineering and construction (1995 to present). By virtue of his recent appointment, he is not required to attend any Board meetings during the financial year. Holds no other directorships in public companies, shares in Nylex or its subsidiaries and has no family relationship with any Nylex director or major shareholder, nor has he any conflict of interest with Nylex. No convictions for offences within past 10 years other than traffic offences, if any.

6. Y. Bhg. Dato' Mohd Ismail bin Che

Rus Aged 59, Malaysian, appointed as Independent and Non-Executive Director on 12 October 1999. Studied Training Management at Royal Institute of Public Administration, London, UK and, as a postgraduate, Senior Management at the University of Manchester, UK. Started his career with Royal Malaysian Police as Inspector (1962). Promoted to numerous positions before appointment as Chief Police Officer for three states in Malaysia, and the Metropolitan Police of Kuala Lumpur. Held rank of Commissioner of Police with the appointment as the Director of Criminal Investigation Department prior to retirement. The Chairman of Audit Committee and a member of the Nomination and Remuneration Committee. Currently a director of Ancom Berhad, Kop Mantap Berhad and Selangor Dredging Berhad. Attended five out of six Board meetings held. Not related to any director or major shareholder of Nylex, holds no shares in Nylex or its subsidiaries and has no conflict

of interest thereof. No convictions for offences within past 10 years other than traffic offences, if any.

7. Mr Hsieh Fu Hua Aged 52, Singaporean, appointed as Non-Independent Non-Executive Director on 12 October 1999. Holds degree in Business Administration (with Honours) from University of Singapore. Has over 28 years of experience in merchant banking in Southeast Asia. Headed the Singapore branch of Lloyds Bank International, and was Chief Executive of Morgan Grenfell Asia Holdings Pte Ltd. Currently, Managing Partner of PrimePartners Asset Management Group, Non-Executive Director of CapitalLand Ltd, The East Asiatic Co Ltd A/S, a member of the Governing Council of the Singapore Institute of Management, and the Temasek Polytechnic Board of Governors. Attended all six Board meetings held. A member of the Nomination and Remuneration Committee. Holds no other directorships in public companies, shares in Nylex or its subsidiaries and has no family relationship with any Nylex director or major shareholder, nor has he any conflict of interest with Nylex. No convictions for offences within past 10 years other than traffic offences, if any.

8. Mr Toh Yiu Joe Aged 45, Australian, appointed as Executive Director on 9 August 2002. Having previously been appointed Non-Independent Non-Executive Director on 12 October 1999. Graduated from University of Western Australia and a member of Institute of Chartered Accountants, Australia. Has extensive experience in private equity investment and corporate finance, having worked in Morgan Grenfell (Asia) Ltd and

PrimePartners Asset Management Pte Ltd, amongst others. Currently, Partner and Director of PrimePartners Asset Management Pte Ltd. Attended all six Board meetings held. Holds no other directorships in public companies, shares in Nylex or its subsidiaries and has no family relationship with any Nylex director or major shareholder, nor has he any conflict of interest with Nylex. No convictions for offences within past 10 years other than traffic offences, if any.

9. Mr Chua Ah Lak Aged 54, Malaysian, appointed as Executive Director on 8 March 1994. Holds Honours degree in Chemical Engineering from Adelaide University, Australia and MBA from University of Malaya, Malaysia. Joined Nylex as a Production Cadet upon graduation in 1972. Worked in several positions including Production Manager, Manufacturing Manager and Marketing Manager, before being promoted to Business Manager in 1985. Promoted to the position of General Manager in charge of Nylex's operation in Shah Alam in 1988. Was promoted to Chief Executive of the Polymer Division in 1994. Attended all six Board meetings held. Has 38,000 shares or 0.02% directly in the Company. Holds no other directorships and has no family relationship with any Nylex director or major shareholder, nor has he any conflict of interest with Nylex. No convictions for offences within past 10 years other than traffic offences, if any.

10. Mr Chieng Ing Huong Aged 45, Malaysian, appointed as Independent Non-Executive Director on 20 June 2001. Gained Bachelor of Commerce Degree in Accounting, Finance & Information Systems from University of New South Wales, Australia. A Chartered Accountant

and a member of the Institute of Chartered Accountants in Australia, he is a Chartered Accountant registered with the Malaysian Institute of Accountants. Was Managing Director of Equity & Property Investment Corporation Limited, Australia, a director of Hillgrove Gold NL, Australia and an executive director of OSK Holdings Berhad. Founder and currently a director and substantial shareholder of Nationwide Express Courier Services Berhad, Senior Vice-President, Business Development of Hwang-DBS Securities Berhad, Chairman of Selangor Dredging Berhad and a director of Ancom Berhad and QL Resources Berhad. Indirectly holds 28,000 shares or 0.01% in Nylex through his spouse. Attended five of the six Board meetings held. Member of the Audit Committee and Chairman of the Nomination and Remuneration Committee. Has no family relationship with any Nylex director or major shareholder, nor has he any conflict of interest with Nylex. No convictions for offences within past 10 years other than traffic offences, if any.

Senior Management

The hands-on team that made our business into market leaders, will continue to leverage our proven capabilities and attitude of competitiveness to reach new goals, maintaining and perpetuating our position of preferred brand status.

Together with the Board, they are responsible for mapping the strategy of the Group; they play the key role in turning a strategy into effective corporate planning and from day to day, they oversee the Group's performance. They are our senior management team.

Theirs is the responsibility for implementing the Group's overall strategy, for targeting investment to ensure their realisation, for determining and

monitoring key performance indicators.

They assist the Board in ensuring that the Group has a well-functioning system of corporate governance and that it maintains the course on which it is set through the maintenance of performance discipline and through well-judged corrective intervention.

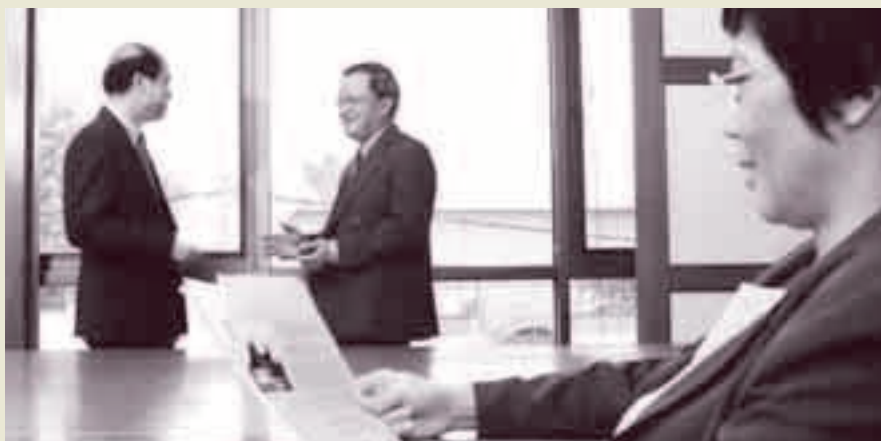
As individuals, they are experienced, vigorous and dedicated, but they never

forget that they are a team that must be greater than the sum of its parts.

As the Group streamlines and renews itself, they are working together to bring into play its latent synergies and act as dynamic drivers of the process of transformation. With a shared vision of the potential that can be released through the Group's restructuring, they are guiding it towards the creation of two highly focused, efficient and competitive market leaders.



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1. **Eric Chan**, General Manager of International Operations, Engineering Division
2. **Lee Vin Wah**, General Manager of Sales, Engineering Division
3. **Chua Teow Meng**, General Manager, TEE Division
4. **Kam Lee Ching**, General Manager, Tamco Corporate Holdings Sdn Berhad
5. **Choo Se Eng**, Company Secretary
6. **Low Hong Keng**, General Manager, Polymer Division
7. **Guoh Siang Lim**, Acting General Manager, Malaysian Roofing Industries
8. **Jonathan Bong**, Chief Financial Officer



As partner of choice we look to be number one by offering flexibility, innovation and expertise. We build long term relationships based on trust and professionalism, pioneering development of customised products which anticipate market demands.

PARTNER OF
CHOICE

UNITS:

Nylex (Malaysia) Berhad

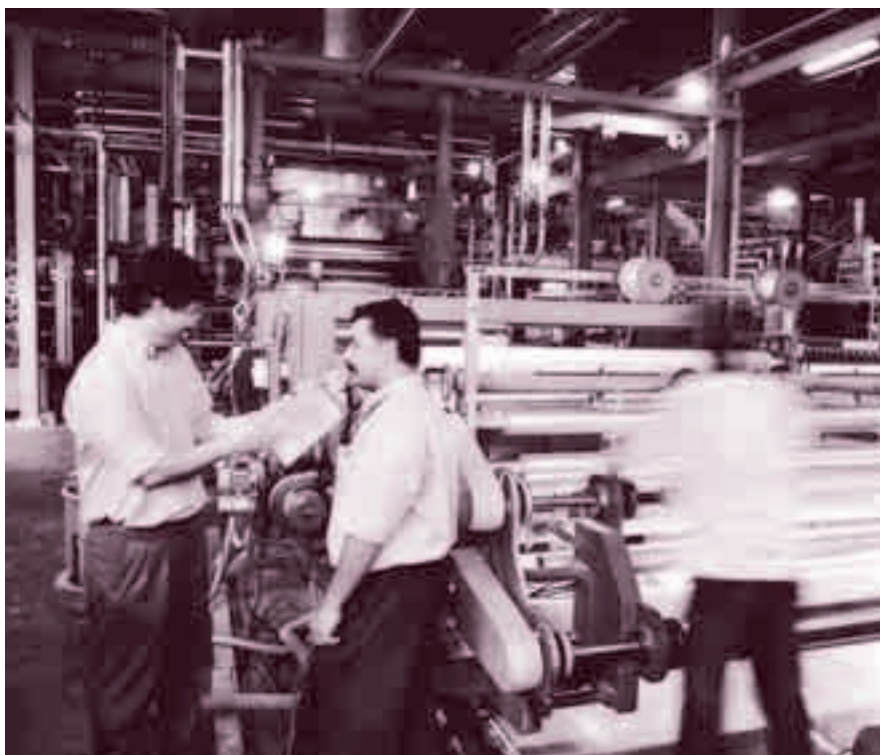
Nycon Manufacturing Sdn Bhd

Zonson Sports (Malaysia) Sdn Bhd

Polymer Division

At Nylex, we are committed to enhancing both customer satisfaction and shareholder value:

- As partner of choice, we provide flexibility, innovation and expertise in our high quality products and value-added solutions.
- Our win-win approach anticipates market demands and with *Kaizen*, we never rest in our pursuit of excellence.
- We adopt an entrepreneurial attitude, challenging our empowered people to attain new levels of success.



Our committed managers are actively involved in coaching and raising the level of skills and leadership of our workforce.

The Polymer Division once again succeeded in retaining its market leadership position as the largest Malaysian manufacturer of high quality PVC films, sheets and coated fabrics, geosynthetic and rotomoulded products.

This was accomplished under difficult market conditions with many major economies in recession. The domestic market was likewise affected, experiencing a low GDP growth of 0.4 per cent in 2001 and remaining sluggish throughout early 2002. This was further exacerbated by the reverberations of the events of September 11, 2001 in the US, causing huge uncertainties in the overall international economy, which affected demand for our products. As a result, we experienced severe downward pressure on

prices due to fierce competition from domestic as well as foreign competitors.

In addition, the volatile prices of some of our main raw materials, such as PVC suspension resins and plasticizers, affected margins. Production efficiency was also affected by the mandatory repatriation of a significant proportion of our experienced foreign workers.

Under these extreme conditions, the Polymer Division did well to achieve sales of RM98.3 million, albeit 10.6% lower than the RM109.9 million achieved in the previous 12 months. Weak demand across most major industrial sectors was the main cause for the decline in sales of films and coated fabrics. Sales of engineered polymer products also declined,



"Westlife" one of our latest range, is a rugged, leather look-alike for the furniture upholstery market.



Implementing *Kaizen* to further improve our work process.

undermined by the weak construction and infrastructure sectors.

Despite the decline in sales, lower selling prices and volatile raw material prices, the Polymer division still managed to record a profit before tax of RM11.4 million, 20% lower than the RM14.3 million recorded in the previous 12 months.

In striving to maintain profitability under such severe market conditions, management embarked on several strategic initiatives, which included the following:

- *Implementation of Kaizen work methodology, which essentially means continuous improvement.* With the assistance of a consultant firm, we are constantly reviewing

our work processes to further improve operating efficiency.

- *Through active research and development, we innovate; creating new and higher quality products to meet customers' needs and stay ahead of the competition.* Several new products were successfully launched this year to complement our already extensive product range. Among those that received a strong response was the "Westlife" range, a PU-finished, rugged leather hide textured PVC leather cloth specially developed for the high end furniture upholstery market. This year, we started producing 'cadmium-free' speaker box laminates in the interest of customers who prefer a more environmentally friendly product.

We will also be mass producing PVC-free speaker box laminates by the first quarter of 2003.

- *Continued investment and upgrading of our plant and facilities.* This year, we invested in a new shuttle machine for the engineered polymer operations, which will triple the capacity of our rotational moulding business and allow us to broaden the range of our products. We can now produce high quality rotational-moulded products with a capacity of up to 5,000 gallons.
- *Reaffirming our commitment to developing our people through continuing investment in leadership and training programmes.* A mentoring programme has been introduced to complement



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1. Our innovative Turfpro™ grass-paving system is specially designed to support and distribute the weight of vehicle loads without damaging turf surfaces.
2. Offering the highest possible volume to space ratio, our IBCs are a cost effective and space efficient solution for the storage and transportation of liquid substances.
3. Development of 'cadmium-free' audio cladding is just another example of our continued awareness and commitment towards protecting the environment.

the succession planning scheme and develop our future leaders.

In the long term, increasing exports will be vital for the growth of our business. Our strategy for films and coated fabrics will be to intensify penetration in our existing 30 markets, expand into new markets and continue to develop products to meet the ever-changing needs of our customers. Our focus in rotational moulding remains on value-adding through customisation of products which includes intermediate bulk containers (IBC), playground equipment, stackable pallet bins for industrial use, road barriers and marina floats. With some caution, we can say that the outlook for the coming year looks brighter. Demand for audio cladding has grown significantly with the

recovery in global consumer electronics, while the Malaysian government's planned spending on infrastructure development should provide increased opportunities for sales of our engineered polymer products. However, any disruption in global peace could easily threaten the slightest recovery in business sentiment.

In conclusion, whilst it has been one of our toughest and challenging years, we remain staunch in our determination to deliver valued-added, quality products to our customers, and committed to continuously improve our capabilities, making us the 'partner of choice' to our expanding customer base.

UNITS:

| |
|--|
| Tamco Corporate Holdings Sdn Berhad |
| Tamco Shanghai Switchgear Company Limited (China) |
| Universal Motor Kontrol Pty Limited (Australia) |
| PT Kontrol Ragam Indonesia |
| Kontrol Sales Pty Limited (Australia) |
| Universal Motor Kontrol Hong Kong Limited |
| Tamco (Singapore) Pte Ltd |
| Tamco Electrical & Electronics (Malaysia) Sdn Bhd |
| Tamco Electrical & Electronics (Singapore) Pte Ltd |
| Tamco Electrical & Electronics (Hong Kong) Limited |

Engineering Division

Looking ahead to the exciting possibilities of its future as an independent switchgear and power technologies specialist, TAMCO will build upon its strengths:

- In the rapidly changing technology environment of today, our workforce provides lateral thinking and pragmatic delivery, making us a customised solutions provider.
- In the face of growing competition and rapid change, we are responsive - meeting our customers' specifications, keeping up with industry trends and leveraging the best practices of our global competitors.
- We use our intelligence to make a difference. We leverage our global network and partners to design, customise and build products that provide peace of mind.
- Recognised across markets, industries and borders, we are an experienced and competitive regional leader.



Employing the latest technologies and processes to achieve superior product quality.

The Engineering Division achieved commendable results despite a weakened international market and lowered levels of growth in most of the regional economies this year.

The global economic slowdown was prevalent in most Asian economies, with negative GDP growth rates recorded in Singapore and Hong Kong. Malaysia was less affected and managed a modest 0.4% growth. Elsewhere, markets were fraught with uncertainty following the September 11, 2001 events in the US.

As a result, demand slowed to a trickle, forcing the industry into price competition in order to preserve market share. Total sales for the Engineering Division was RM242.5 million compared to RM238.6

million for the previous 12 months, an increase of 1.6%.

Tamco Corporate Holdings Sdn Berhad ("Tamco") was the main revenue contributor, having succeeded in increasing sales to RM129.5 million (compared to RM107.4 million achieved in the previous 12 months) and contributing a profit before tax of RM20.5 million (compared to RM18.4 million in the previous 12 months).

However, the division made an overall operating loss before tax of RM16.7 million for the year compared to a profit before tax of RM18.2 million in the previous 12 months. This was mainly attributable to losses and one-time write-down of assets of the overseas manufac-

turing units in Australia, Indonesia and China. Although the trading division suffered falls in margins, it managed a creditable RM2.1 million profit before tax on the back of RM59.6 million in sales. The trading division's sales and profit before tax for the previous 12 months was RM72.7 million and RM4.0 million respectively.

Following an independent strategic review of Tamco units, senior management took bold steps and instituted several key strategies which included the following:

- *Rationalisation of operations overseas.* The review of the business led to a one-time write-down of the carrying cost of certain assets to their net realisable values. Key management

and personnel changes were instituted to strengthen management and lead the companies back to profitability.

- *Refocusing on Exports.* Tamco realised early on the importance of the export market to ensure sustainable revenue growth and initiated efforts to expand overseas years ago. These efforts are beginning to bear fruit with huge successes especially in the Middle East. Its reputation as a high quality and reliable supplier has led to Tamco achieving pre-qualification as an approved vendor with a number of international construction contractors.
- *Commitment to Innovate.* A hallmark of Tamco's competitive advantage has been its willingness to constantly exploit the niche market in offering customised solutions to meet the needs of its customers.

Tamco has also commenced:

- *Increased Product Offerings.* Tamco's strength within its niche market is being sustained and expanded through its constant efforts to bring out new products that meet the needs of our customers. This year, several new products were launched; these included the 33KV gas insulated switchgear for the China market and the successful type-testing of a new breaker for the Europe market. The trading units quest for new products met with success when they obtained the agency for Draka FR's cables and accessories.
- *Kaizen* - Tamco continues to embrace the concept of *Kaizen* or 'continuous improvement' to continually seek out

opportunities to reduce costs to preserve margins amidst falling prices.

- *Development of licensee/alliance partnerships.* Tamco developed licensee/alliance partnerships in promising areas where it lacked a presence before, such as Saudi Arabia, Italy and Taiwan.
- *Improvement of financial management.* With a new management in place, efforts were made to improve working capital management to strengthen the financial position of the Group in preparation for a rebound in orders and the eventual de-merger from Nylex.

Tamco has continued investment in plant and assets. As a technology provider, Tamco constantly has to seek ways to further improve its capabilities and strengths. During the year, it committed to upgrading its IT system with a new ERP system. When fully implemented, it will allow Tamco to leverage its global presence and capitalise on synergies to be derived from cross selling and cost reductions through integration of supply chain management. Tamco's investment in the new epoxy line for busduct has allowed Tamco to compete in the higher end segment of the market in Taiwan and Singapore.

Outlook

The industry should expect some improvements this year but will remain patchy with recovery in certain sectors only. On the domestic front, the situation is improving with the expected flotation of new tenders and resumption of several power projects. However, the construction industry is expected



1.



2.

1. With *Kaizen* we remain committed to improving our production efficiency.

2. Our continued investment in training has brought about a competent and loyal workforce.



We will continue to diversify our market base to ensure optimum utilization of factory capacity.

to remain weak with oversupply of commercial and residential space. We also expect the construction industry to be weak in other regional markets in Asia. However, the Hong Kong government's plan to embark on a massive HK\$600 billion infrastructure development plan should pave the way for potential orders for both the trading and manufacturing divisions.

Tamco's continued focus on exports has begun to pay off; it has secured orders in excess of RM100 million within the first quarter of the coming financial year. Exports for the next financial year will likely constitute over 40% of total sales for Tamco.

The outlook remains bright for China. However, efforts to lower production

costs in Tamco Shanghai are vital to it expanding its market share. In Australia, we will increase our focus on domestic markets while leveraging the lower cost base of our 70% owned subsidiary, PT Kontrol Ragam Indonesia ("KRI") to achieve greater cost efficiencies. We are targeting the mining and oil and gas sectors as growth markets.

For the trading units of TEE, given the oversupply of property and weak construction activity, the situation remains bleak and downward pressure on prices and margins can be expected to continue. In Hong Kong, continued deflationary pressure coupled with cost and asset price adjustments have led to an influx of cheap substitutes from China. Therefore, the TEE division needs to

quickly expand its product range and agencies to increase offerings to customers. This year, it will be moving into a higher value-added segment by customising solutions rather than just making product sales.

Eventually, when Tamco becomes an independent group, with a readily recognised "Tamco" brand name, a strong customer base and sustainable revenue stream from exports and a wider product range, it will have a great opportunity to tap capital markets to further fuel product development and business expansion.

UNITS:

Malaysian Roofing Industries Sdn Bhd ("MRI")

PT Indomalay Ekatana Roofing Industries (Indonesia) ("IRI")

Asia Pacific Insulation Corporation (Philippines) ("APIC")

Building Products Division

Moving forward, the Bulding Products Division will focus on enhancing shareholder value by leveraging its key strengths:

- Committed to providing cost-effective, high-quality roofing solutions to constantly exceed our customers' expectations.
- Through innovation, continue to increase our range of product offerings.
- Adding value through end-to-end installation and responsive after sales service to stay ahead of our competition.
- Recognised over the years as a provider of durable and versatile roofing system to protect against all weather conditions.



Our well-trained workforce is vital in preserving our commitment to deliver products of the highest quality.



Our inter-locking light-weight tiles offer high durability and versatility.

The continued slowdown in the construction industry coupled with contraction in GDP growth of Malaysia and most of Asia made 2001 another difficult year for the Building Products Division and affected sales. Steel tariffs also affected margins at IRI, our Indonesian unit. Compared to the previous 12 months, sales for MRI and IRI fell from RM15.4 million to RM13.2 million. Correspondingly, profit before tax was lower at RM0.5 million compared to RM1.3 million in the previous 12 months.

To remedy the situation, management took several initiatives, which included focusing on exports to diversify the customer base, increasing the range of products offered and the rationalisation of non-core loss-making businesses.

A greater emphasis was placed on sales and marketing to gain greater visibility and this year, MRI successfully tendered and completed several key projects, including the re-roofing of the Petronas Training Center at Bangi.

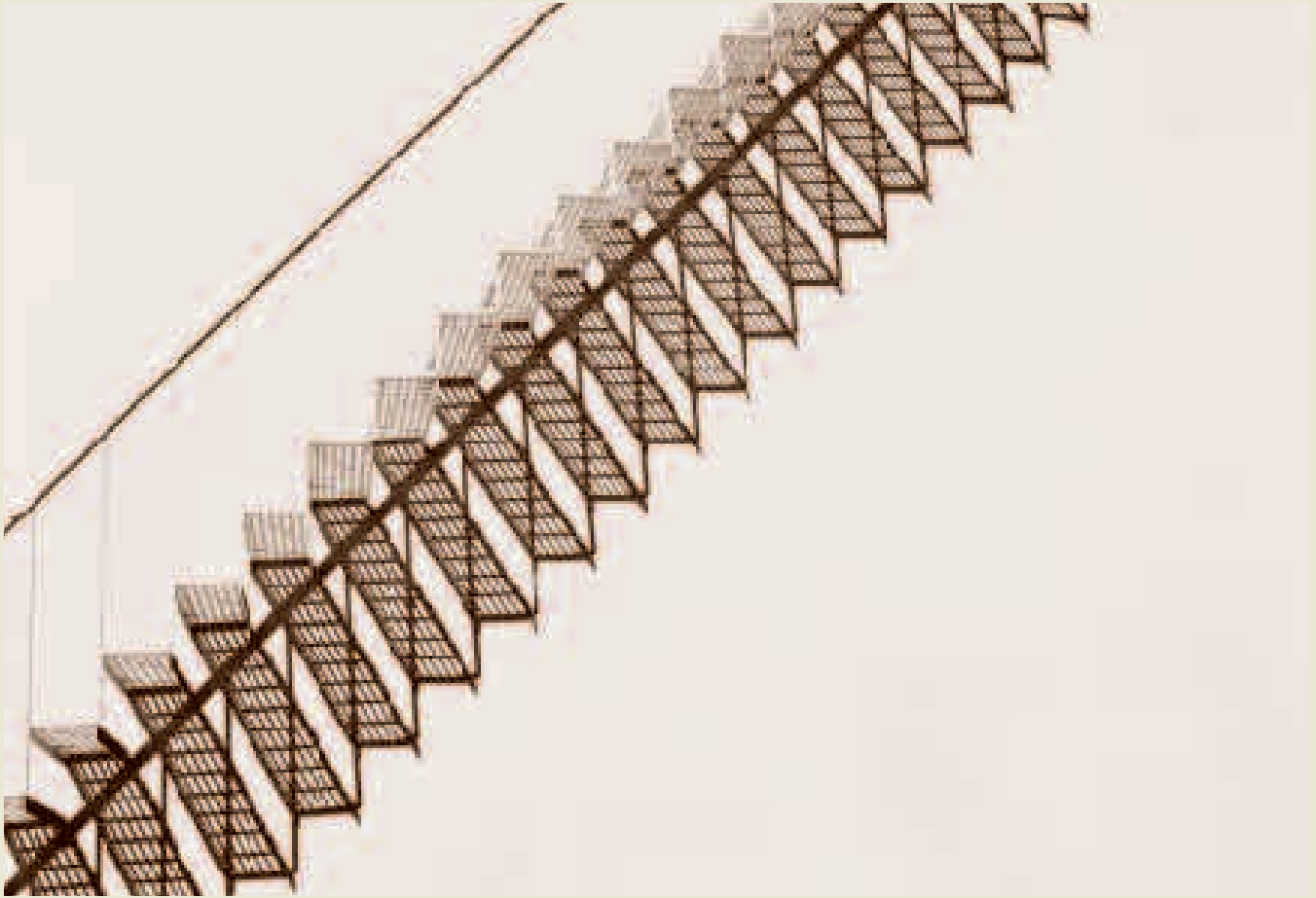
The continued focus on exports to diversify its customer base has met with success. Exports in the 1st quarter of financial year ending May 2003 with new projects in China, Maldives, Lebanon, Bahrain and Turkey comprise over 50% of MRI's sales.

The introduction of industrial and architectural paints and coatings to complement our range of product offerings also met with some success. Since May 2002, paints and coatings comprise about 5% of total sales.

As mentioned earlier, during the year, management successfully completed the divestiture of APIC, its glasswool insulation business in the Philippines. This was in line with the Group's strategy to focus on its core businesses and divest non-core loss-making units. Following the divestment, the Group's total net borrowings declined by RM11.8 million. However, the sale resulted in a one-time loss of RM45 million, which was recognised in the books as an exceptional item.

The divestment of APIC also largely accounted for the decline in total sales for the Building Products Division to RM25.0 million as compared to RM37.3 million for the previous 12 months. Consequently, the division suffered a lower loss before tax of RM3.0 million compared to RM7.1 million in the previous 12 months, largely due to lower contribution of losses from APIC of RM3.7 million (RM8.4 million in the previous 12 months).

In the coming year, the recovery in GDP growth will be dampened by continued oversupply of commercial and industrial property and any recovery in sales is expected to be modest. We are more optimistic about the export market and will aggressively pursue exports to China, Japan and the Middle East. Over in Indonesia, the recovery of the economy and the stabilisation of the Rupiah should improve sales for the coming year. These efforts will be further complemented with new tile profiles and coatings to further expand our product offerings.



As we look to move forward with *Kaizen*, sometimes against unfavourable market conditions, our assertive financial strategy is based on a clear determination to provide sustainable growth and improved dividends to shareholders

SUSTAINABLE GROWTH

FIVE-YEAR HIGHLIGHTS

| | 2002 RM'000 | 2001 RM'000 | 1999 RM'000 | 1998 RM'000 | 1997 RM'000 |
|---|-----------------|----------------|----------------|----------------|----------------|
| Sales | 365,873 | 579,395 | 530,247 | 543,510 | 590,935 |
| Profit / (loss) from operations | (1,042) | 43,056 | 26,638 | 47,603 | 84,383 |
| Profit / (loss) before tax | (53,274) | (65,837) | 17,400 | 30,375 | 69,887 |
| Profit / (loss) after tax | (62,943) | (74,689) | 24,358 | 21,523 | 50,148 |
| Effective percentage rate of tax | -18.1% | -13.4% | -40.0% | 29.1% | 28.2% |
| Net Earnings / (loss) for Nylex Malaysia shareholders | (62,341) | (75,169) | 26,021 | 20,232 | 46,368 |
| Assets Employed | | | | | |
| Fixed Assets | 134,131 | 158,436 | 231,657 | 254,640 | 249,675 |
| Investments | 7,313 | 7,011 | 4,755 | 3,580 | 3,816 |
| Other non-current assets | 38,975 | 64,520 | 142,713 | 133,033 | 135,884 |
| Current assets | 275,089 | 313,170 | 343,004 | 358,635 | 405,455 |
| Total assets | 455,508 | 543,137 | 722,129 | 749,888 | 794,830 |
| Financed by | | | | | |
| Share capital | 224,488 | 224,488 | 224,488 | 224,488 | 224,488 |
| Reserves | 9,590 | 2,647 | 13,955 | 16,116 | 19,145 |
| Retained Profits | (39,284) | 26,290 | 197,162 | 189,731 | 183,400 |
| Nylex Malaysia shareholders' interest | 194,794 | 253,425 | 435,605 | 430,335 | 427,033 |
| Minority shareholders' interest | 3,191 | 3,457 | 5,278 | 10,630 | 13,442 |
| Total shareholders funds and minority interests | 197,985 | 256,882 | 440,883 | 440,965 | 440,475 |
| Non-current liabilities | 28,453 | 13,539 | 14,849 | 18,169 | 19,364 |
| Current liabilities | 229,070 | 272,716 | 266,397 | 290,754 | 334,991 |
| Total funds employed | 455,508 | 543,137 | 722,129 | 749,888 | 794,830 |
| Shareholders' interest | | | | | |
| Earnings / (loss) per share - sen | (27.8) | (33.5) | 12.0 | 9.0 | 20.7 |
| Dividend per share - sen | 2.0 | 42.6 | 10.6 | 8.6 | 15.3 |
| Net tangible assets per share - sen | 69.4 | 84.1 | 133.9 | 133.1 | 130.1 |
| Employees at year end | 1,364 | 1,654 | 2,031 | 2,035 | 2,308 |
| Depreciation & amortisation | 19,769 | 32,548 | 35,823 | 33,498 | 31,098 |
| Interest | 7,464 | 12,706 | 9,263 | 17,228 | 14,496 |

CORPORATE STRUCTURE



Objectives

The objectives 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 certain practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to the Company's shareholders thereby to strengthen the confidence of the public in the Group's reported results.

Composition

The members of the Audit Committee during the financial year were as follows:

1. Y. Bhg. Dato' Mohd Ismail bin Che Rus (Chairman, Independent Non-Executive Director)
2. Y. Bhg. Dato' Siew Ka Wei (Member, Non-Independent Executive Director)
3. Mr. Chieng Ing Huong (Member, Independent Non-Executive Director, member of the Malaysian Institute of Accountants)

Terms of Reference

COMPOSITION

The Audit Committee shall be appointed by the Board of Directors from amongst its members and shall comprise at least three (3) 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 shall be an Independent Director. If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members being less than the required number of three (3), the Board shall within three (3) 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 Directors 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 the 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 relevant 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 letter on internal control weaknesses and the management's response thereof;
- iv. the assistance given by the employees of the Company to the external auditors;
- v. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- vi. the internal audit program, processes, the results of the internal audit program, processes and investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- vii. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (a) changes in or implementation of major accounting policy 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 Company;
- x. whether there is a reason (supported by grounds) to believe that the Company's external auditors are not suitable for reappointment;
- xi. nomination of external auditors and to fix 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 meeting with the external auditors excluding the attendance of the executive member of the Audit Committee, whenever deemed necessary.

MEETING

The Audit Committee shall meet four (4) times a year although additional meetings may be called at any time upon the request of any members of the Audit Committee, the external auditors or the internal auditors or at the Chairman's discretion. The quorum for each meeting shall be two (2) members, all of whom must be Independent Directors. 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 (7) days prior to the meeting unless such requirement is waived by the members in the meeting.

Decision of the Audit Committee shall be by a majority of votes. 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.

Meetings And Attendance

The Audit Committee held six (6) meetings during the financial year, which were attended by all the members together with the senior management except for one meeting, which was attended by two (2) Independent Non-Executive Directors with the Internal Auditors. Out of the six (6) meetings held, three (3) were attended with the External Auditors, whilst the Internal Auditors attended three (3) of the six (6) meetings. The attendance of the Committee members is set out below:

| Audit Committee Member | Total Meeting Attendance | Percentage of Total Meeting Attended |
|---------------------------------------|--------------------------|--------------------------------------|
| Y. Bhg. Dato' Mohd Ismail bin Che Rus | 6/6 | 100 |
| Y. Bhg. Dato' Siew Ka Wei | 5/6 | 83 |
| Chieng Ing Huong | 6/6 | 100 |

Internal Audit Function

On 25th July 2001, Messrs Deloitte Touche Tohmatsu were appointed as the Group's Internal Auditors reporting to the Audit Committee and indirectly assisting the Board of Directors in monitoring and managing risks and internal control.

Among 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 Statement of Internal Control in the annual report;
2. To support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritised action plan to further enhance the internal control system;
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 resources to areas within the Group in order to provide management and the Audit Committee with efficient and effective level of internal audit coverage.

During the year, the Audit Committee approved the internal audit planning memorandum. The scope of internal audit covered risk assessment and audit planning for all units within the Group.

The Group's Internal Auditors adopts a risk-based approach in the planning and conduct of its audits. In addition to rendering assistance in evaluating and reporting on the Group's principle business risks, the Internal Auditors also assisted management in recommending certain risk management mechanisms to enhance the existing framework.

Summary of Activities

During the financial year, the Audit Committee carried out the following review:

- The quarterly and year end financial statements to ensure adherence to regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgment and where required, made appropriate recommendations to the Board of Directors.
- The external auditors' audit plan and scope for the Company and the Group, the audit report, significant issues raised and management responses in relation thereto.
- The external and internal auditors' fees and to recommend their reappointments to the Board of Directors.
- Significant risk areas, internal control and financial matters raised by the external and internal auditors during their course of work.
- Emerging financial reporting issues pursuant to the introduction of new accounting standards and additional statutory or regulatory disclosure requirements.
- Measures adopted by management to strengthen the existing risk assessment framework and business processes as recommended by the Internal Auditors.

STATEMENT OF CORPORATE GOVERNANCE

The Board is committed to ensure 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 vigilant of its fiduciary duties entrusted upon them as a principle guide in discharging its duties.

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

Set out below is a description on how the Group has applied the principles laid down in the Code during the financial year.

Board of Directors

COMPOSITION & BALANCE

The Board currently consists of ten (10) members, four (4) of whom are Executive Directors, and six (6) are Non-Executive Directors (of which four (4) are Independent Non-Executive Directors). The composition of the Board reflects a balance of Executive and Non-Executive Directors with a mix of legal, technical, accounting, economics, business and other experiences that have been vital in steering the Group to its present level. In the Board's opinion, the Directors possess the skills, experiences and depth to consider and decide issues in terms of business strategies, financial and operational performance resources and standard of conduct.

MEETINGS

The Board will normally meet quarterly to approve the quarterly and annual financial results and other matters of importance, and on other occasions as and when the need arises. Due notices are given for all Board Meetings, together with the relevant board papers for the Directors to study and evaluate the implications of the matters to be discussed. At the Board Meetings, the Group Managing Director and the Executive Directors will explain to the Board the rationale of the matters to be discussed and the implications on the Company and the Group. 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 deemed appropriate at the Company's expenses.

DUTIES AND RESPONSIBILITIES

There is clear segregation of responsibilities between the Chairman, the Executive Vice-Chairman and the Group Managing Director to ensure a balance of power and authority. The Chairman is responsible for the orderly conduct of the Board while the Executive Vice-Chairman, the Group Managing Director and the Executive Directors are responsible for the day to day running of the business and implementation of the Board's decisions and policies. The Non-Executive Directors and the Independent Non-Executive Directors fulfil a pivotal role in ensuring that no significant decision or policy is controlled by an individual or a minority group of directors. They provide unbiased and independent views, advice and judgment in the decision-making process by the Board. All Board's decisions are decided by a simple majority of votes of the Directors present in the Meeting.

The presence of the Independent Directors are to safeguard the interest of the minority shareholders whom the Independent Non-Executive Directors represent. None of the Independent Non-Executive Directors participated in the daily operations and management of the Group. The Executive Vice-Chairman and Group Managing Director are subject to the control of the Board of Directors.

During the year, the Board did not appoint any Independent Director to whom concerns relating to the affairs of the Group will be directed to as the Board practised "open" policy where all such concerns can be directed to the Chairman or the Executive Vice-Chairman/Group Managing Director to take necessary corrective action.

On 20 September 2002, Y. Bhg. Dato' Mohd Ismail bin Che Rus was elected by the Board to be the Senior Independent Non-Executive Director to whom concerns on the Company/Group may be directed or conveyed to.

DIRECTORS' TRAINING

All Directors of the Company have attended the Mandatory Accrediation Programmes prescribed by the Kuala Lumpur Stock Exchange except for Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir who joined the Board recently. As an integral part of the orientation and education programme for the new Directors, management will brief the new Directors on the business aspects of the Group while the Company Secretary will provide the relevant guidelines on the statutory and regulatory requirements for the reference of the new Directors. The Company Secretary will also provide updates of the relevant guidelines to the Directors when appropriate.

All Directors will receive further training to stay abreast with the latest development in laws and regulations where appropriate, from time to time.

RE-ELECTION

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 the 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. For Directors who have attained the age of 70, they will retire at every annual general meeting and subject to Section 129(6) of the Companies Act, 1965, are entitled to offer themselves for re-election. None of the Executive Directors has a service contract which the notice period for termination is more than one year.

In the case of re-election of Directors at the general meeting, the notice of general meeting will state the name of the Directors seeking to be re-elected with a brief description of his/her:

- Age and nationality
- Status (whether independent or non-independent)
- Relevant experiences/qualifications/occupations
- Directorships in other listed companies
- Shareholding in the Company and its subsidiaries
- Family relationship with any directors and/or substantial shareholders of the Company
- Any conflict of interest with the Company
- Any convictions for offences within the past 10 years other than traffic offences

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

APPOINTMENT TO THE BOARD

In accordance with the best practice of the Code, the Company has established a Nomination & Remuneration Committee on 24 September 2001, comprising Y. Bhg. Dato' Mohd Ismail bin Che Rus, Mr Hsieh Fu Hua and Mr Chieng Ing Huong, all Independent Non-Executive Directors. The Board has decided to combine the functions of the Nomination Committee and Remuneration Committee into one Nomination and Remuneration Committee.

On 20 September 2002, Mr Chieng Ing Huong, was elected Chairman of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on the appointment of all new members of the Board and the Board Committee. The Committee would review the required mix of skills, experience and the effectiveness 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 Directors and Board Committee members.

REMUNERATION

The Nomination and Remuneration Committee will seek professional advice in recommending to the Board a framework of executive remuneration comprising the remuneration package and 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 is a matter for the Board as a whole. Directors will refrain from any decision on their own remuneration packages.

During the year, the remuneration of the Executive Directors was determined based on market rates commensurate with the experience, knowledge and professional skill of the Executive Directors. The overriding principle in setting the remuneration packages for the Executive Directors is to ensure that the Company attracts and retains the appropriate Directors needed to run the Group successfully. The component parts of the remuneration were structured so as to link rewards to corporate and individual performance 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 responsibilities undertaken by the Non-Executive Directors concerned in the Company. In addition, the Company reimbursed reasonable out-of-pocket expenses incurred by the Directors in the course of their duties as Directors of the Company.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

The breakdown of the remuneration of the Directors, received and receivable from the Company and its subsidiaries during the financial year are as follows:

| | Executive Directors RM | Non-Executive Directors RM | Total RM |
|---|----------------------------------|--------------------------------------|---------------------|
| (a) Total remuneration: | | | |
| Fees | 32,930.10 | 149,556.45 | 182,486.55 |
| Salaries | 845,763.07 | - | 845,763.07 |
| Benefits-in-kind | 36,994.00 | - | 36,994.00 |
| Other emoluments | 2,020,780.22 | 281,200.00 | 2,301,980.22 |
| | | | |
| Total | 2,936,467.39 | 430,756.45 | 3,367,223.84 |
| | | | |
| | No. of Executive Directors | No. of Non-Executive Directors | Total |
| (b) Number of Directors whose remuneration falls into the following bands: | | | |
| Less than RM50,000 | - | 2 | 2 |
| RM50,000 to RM100,000 | - | 2 | 2 |
| RM100,001 to RM150,000 | 1 | 2 | 3 |
| RM150,001 to RM200,000 | 1 | - | 1 |
| RM200,001 to RM650,000 | - | - | - |
| RM650,001 to RM700,000 | 1 | - | 1 |
| RM750,001 to RM800,000 | 1 | - | 1 |
| RM800,001 to RM1,150,000 | - | - | - |
| RM1,150,001 to RM1,200,000 | 1 | - | 1 |
| | | | |
| Total | 5 | 6 | 11 |

Note : The tabulation of the above remuneration included the payments made to Mr Heah Kok Soon and Mr Hung Hin Cheong, two former executive directors, as disclosed in the Additional Compliance Information as set out in the Annual Report.

Shareholders Communication and Investors Relationship Policy

The Board acknowledges the importance of accountability to its shareholders through proper, adequate and timely dissemination of information on the Group's performance and major development through appropriate channels of communication. The annual reports, the quarterly announcements, circulars to shareholders and press releases are the primary modes of communication to report on the Group's business, financial performance and activities to its shareholders and the investing public.

ANNUAL GENERAL MEETING ("AGM")

The AGM is a platform for the Board and the shareholders to communicate on the Group's performance and any matters which may be of concern or interest to the shareholders. Notice of the annual general meeting accompanied by the financial statements and other related documents are sent out to the shareholders at least 21 days prior to the date of the annual general meeting. The notice of annual general meeting is also advertised in a leading English daily newspaper at least 21 days before the date of the meeting.

On other general meetings, a circular to shareholders approved by the Kuala Lumpur Stock Exchange together with a notice of meeting will be despatched to the shareholders at least 14 days or 21 days, as the case may be or as required by the Company's Articles of Association or the Companies Act, 1965, before the date of the general meeting. The notice of general meeting will also be advertised in a leading English daily newspaper at least 14 days or 21 days, as the case may be, before the date of the general meeting. Each item of special business included in the notice of meeting will be accompanied by a full explanation of the effect of the proposed resolution to enable shareholders to make an informed judgment.

To encourage shareholders to attend the Company's general meetings, it is the Company's practice to hold its general meetings at a place easily accessible and at a time convenient to the shareholders.

At each meeting, the Group Managing Director will present a review of the Group's performance and other relevant information to the shareholders. Shareholders are given opportunities to ask questions at the meeting. The Board will provide written answers to any questions that cannot be readily answered at the meeting.

Accounting Records, Audit and Internal Control

In presenting the annual financial statements and the quarterly results announcements to the shareholders, the Directors aimed to present a balanced and clear assessment of the Group's performance and prospects. The annual financial statements and the quarterly results 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 of their responsibilities for preparing the financial statements is set out separately in the Annual Report.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

The Board acknowledges its responsibilities to maintain a sound and effective system of internal control to safeguard shareholders' investments and the Group's assets. The Group has in place a system of internal control which has been designed to meet the Group's particular needs 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 reasonable but not absolute assurance against loss.

The Board will continuously review the adequacy and the integrity of the Group's internal control including systems for compliance with relevant laws, regulations, directives and guidelines.

INTERNAL CONTROL

The Statement of Internal Control is set out separately in the Annual Report.

AUDIT COMMITTEE

The roles of the Audit Committee are set out in the Audit Committee Report.

DIRECTORS' RESPONSIBILITIES STATEMENT ON FINANCIAL STATEMENTS

The Companies Act, 1965 requires the Directors to prepare financial statements for each financial year. The financial statements shall give a true and fair view of the state of affairs of the Company and of the Group as at the end of the year and of the profit and loss of the Company and of the Group for the year.

The Directors are responsible to ensure that the Company and the Group keep proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement in the financial statements, the financial position and the profit and loss of the Company and the Group. The Directors are also responsible to ensure that the financial statements comply with the Companies Act, 1965 and the relevant accounting standards.

In preparing the financial statements for the year ended 31 May 2002, the Directors have:

- adopted the appropriate accounting policies, which are consistently applied;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures which will be disclosed and explained in the financial statements; and
- prepared the financial statements on the assumption that the Company and the Group will operate as a going concern.

The Directors have provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered to be appropriate for the purpose of enabling them to give their audit report on the financial statements.

STATEMENT ON INTERNAL CONTROL

Introduction

Pursuant to paragraph 15.27(b) of the Kuala Lumpur Stock Exchange (“KLSE”) Listing Requirements, the Board of Directors (“the Board”) of Nylex (Malaysia) Berhad (“the Company”) is pleased to provide the following statement on the state of internal control of the Company and its subsidiaries (“the Group”), which has been prepared in accordance with the “Statement on Internal Control: Guidance for Directors of Public Listed Companies” issued by the Institute of Internal Auditors Malaysia and as adopted by the KLSE.

For the purposes of this statement, the Group refers to the Company and its subsidiaries, excluding the associated companies.

Responsibilities for Internal Control

The Board acknowledges its responsibility for maintaining an effective and sound system of internal control, and for reviewing its adequacy and integrity throughout the Group in order to safeguard the Group’s assets and shareholders’ investments. The Group recognises that the review of the effectiveness of system of internal control is a continuous process designed to manage rather than to eliminate the risk of failure to achieve the Group’s business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement, fraud or losses. The rationale for a system of internal control is to enable the Group to achieve its corporate objectives within an acceptable risk profile and cost and cannot be expected to eliminate all risks.

Key elements of Internal Control

Key elements of internal control that the Board has established in reviewing the adequacy and integrity of the system of internal control are as follows:

- ORGANISATION STRUCTURE AND RESPONSIBILITY LEVELS

The Group is currently undergoing restructuring with changes to the overall management structure. Notwithstanding that, the Group has placed competent and responsible personnel to oversee the Group’s operating functions. The Group has defined the management structure with clear lines of accountability and documented delegation of authority that sets out the decisions that need to be taken and the appropriate authority levels of management including matters that require Board approval.

- CONTROL PROCEDURES

The Board recognises the importance of ensuring consistent operations throughout the Group. The Operating Procedures Manual (“OPM”) that sets out the policies, procedures and practices are currently being revised to reflect the current operations and structure of the Group and are to be adopted by all companies within the Group. The OPM sets out the policies and procedures for the day-to-day operations as well as acts as guidance to employees on the necessary tasks to be carried out in a given set of circumstances. The OPM will allow tasks to be performed with minimal supervision, as well as specify the relevant authority limits to be complied with by each level of management within the Group.

- RISK MANAGEMENT

The Group’s operations involve the management of a wide range of risks. The Board is responsible for identifying business risks and in ensuring the implementation of appropriate systems to manage these risks. In doing so, the Board reviews the adequacy and integrity of the Group’s internal control system and management information system, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

The Group undertakes a comprehensive business planning and budgeting process each year to establish plans and targets against which performance is monitored on an ongoing basis. During the business planning process, the Group's business objectives, strengths, weaknesses, opportunities, threats and key business risks are identified and action plans are formulated thereon. The business objectives and action plans are reviewed regularly in monthly management meetings throughout the year. In addition, the Group commits utmost importance on safeguarding the Group's assets through assessment of insurance policies annually.

- **AUDIT COMMITTEE**

The Audit Committee was established with a view to assist and to provide the Board added focus in discharging its duties. The key processes undertaken by the Audit Committee in carrying out its review include operations reviews, review external and internal audit reports and regular updating of internal control system. With the establishment of an internal audit function, the Audit Committee will be better positioned to gauge the effectiveness and adequacy of the system of internal control.

- **REPORTING AND REVIEW**

There is a monthly management reporting mechanism to monitor and review the financial results and forecasts for the Group, against the operating plans and annual budgets. Monthly business meetings among senior management are held to discuss operating and financial issues.

The Company's financial system records business transactions to produce monthly management accounts that allow management to focus on key areas of concern. The quarterly financial results of the Group will only be announced after being reviewed by the Audit Committee and approved by the Board.

- **INTERNAL AUDIT**

An independent professional services firm was appointed to carry out the review on the internal control system of the Group.

Regular internal audits are carried out to review the adequacy and integrity of the internal control system based on the audit plan that had been reviewed and approved by the Audit Committee. The internal auditors advise executive and operational management on areas for improvement and follow-up reviews are conducted to determine the extent to which its recommendations have been implemented.

The Audit Committee also ensures there is continuous effort by management to address and resolve areas with control weaknesses. These, together with the External Auditors' reports provide reasonable assurance that control procedures are in place, and being followed.

Conclusion

The Board is satisfied that, during the financial year under review, there is a continuous process in identifying, evaluating and managing significant risks faced by the Group. The Board is of the opinion that the existing system of internal control is adequate to achieve the above objectives.

The Board recognises the importance of operating a system of internal control that supports the business objectives of the Group. As the Group operates in a dynamic business environment, and continues to grow and evolve, the Board will continuously assess the adequacy of the Group's system of internal control and will take steps to enhance the system, as and when necessary.

Pursuant to Paragraph 9.25(1) of the Kuala Lumpur Stock Exchange Listing Requirements

Disclosure on the Remuneration of Directors for the Year ended 31 May 2002

The disclosure on the Remuneration of the Directors for the year ended 31 May 2002 is set out in the Statement of Corporate Governance.

Contract with Directors/Former Directors

MUTUAL SEPARATION AGREEMENTS

On 18 January 2002, the Company entered into two separate Mutual Separation Agreements with Mr Heah Kok Soon ("HKS"), the former Group Managing Director and Mr Hung Hin Cheong ("HHC"), the former Executive Director and Chief Executive of Tamco Corporate Holdings Sdn Berhad ("TCH"), a wholly owned subsidiary of the Company.

The Mutual Separation Agreement with HKS provided that HKS resign as Group Managing Director of Nylex (Malaysia) Berhad ("Nylex") and its subsidiaries in which he is a director. HKS was paid an agreed sum amounting to RM584,955, calculated based on 12 months of his last drawn monthly salary and benefits. In addition, a Jaguar S-Type motor vehicle was sold to him at RM203,000 representing 70% of its current value.

The Mutual Separation Agreement with HHC provided that HHC resign as Executive Director of Nylex, Chief Executive of TCH and the subsidiaries of Nylex in which he is a director. HHC was paid an agreed sum amounting to RM452,277, calculated based on 12 months of his last drawn monthly salary and benefits. In addition, a BMW728i motor vehicle was sold to him at RM135,707 representing 70% of its current value.

Utilisation of Proceeds

The Company did not raise proceeds from any corporate exercise during the financial year.

Repurchase of Shares

During the financial year, there were no repurchase of shares by the Company.

Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year.

American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies during the financial year.

Non-Audit Fees

There were no non-audit fees paid to the external auditors for the financial year ended 31 May 2002.

Profit Estimate, Forecast or Projection

There were variances of not more than 10% between the results for the financial year ended 31 May 2002 and the unaudited results previously announced. The Company did not announce any profit estimates, forecasts and projections for the financial year.

Profit Guarantee

The Company did not provide any profit guarantee in respect of the financial year ended 31 May 2002.

Related Party Transactions

On 22 March 2002, the Company purchased a motor vehicle from Malay Sino Technologies Sdn Bhd ("MST"), for a cash consideration of RM217,430.

On 30 May 2002, Tamco Corporate Holdings Sdn Berhad, a wholly-owned subsidiary of the Company awarded the work to implement the Oracle e-Business Suite Application to MST, for a contract sum of RM2.8 million.

Y. Bhg. Dato' Siew Ka Wei is deemed interested in the above transactions by virtue of his direct and indirect interest in Ancom Berhad ("Ancom") which owns 50.1% shares directly in MST.

He is also deemed interested in 48% of the shares in MST not owned by Ancom because he is the brother-in-law of the shareholder/director of MST and a brother to a director of MST.

Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman, Chairman of the Company is also the Chairman of Ancom and MST.

Material Contracts

Other than the following, there were no material contracts entered by Nylex (Malaysia) Berhad and its subsidiaries during the year:

On 31 January 2002, the Company entered into a Conditional Share Sale Agreement with Premium Funding Singapore Pte Ltd for the disposal of the Company's entire interest in Asia Pacific Insulation Corporation, a wholly-owned subsidiary of the Company for a cash consideration of RM1.00. The transaction was completed on 22 March 2002.

Revaluation of Landed Properties

The Company does not have a revaluation policy on its landed properties.

FINANCIAL STATEMENTS

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Directors' Report

The Directors of Nylex (Malaysia) Berhad are pleased to present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2002.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other plastic products, including geotextiles and prefabricated sub-soil drainage systems.

The principal activities of the subsidiary companies comprise the following:

- Design, manufacture, supply, installation, commissioning and maintenance of equipment and systems for power distribution and motor control centres, trading and contracting in electrical engineering products;
- Manufacture and marketing of roofing products;
- Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipments and disposal bins; and
- Manufacture and marketing of quality golf bags.

Other than the cessation of manufacturing and marketing of glasswool insulation products as a result of the disposal of Asia Pacific Insulation Corporation and its subsidiary companies, there have been no other significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the financial year are as follows:

| | Group RM'000 | Company RM'000 |
|--|-------------------------|---------------------------|
| (Loss) / profit from operations | (1,042) | 17,037 |
| Finance costs | (7,464) | (1,522) |
| (Loss) / operating profit before exceptional items | (8,506) | 15,515 |
| Exceptional items | (44,995) | (64,801) |
| Loss after exceptional items | (53,501) | (49,286) |
| Share of results of associated companies | 227 | – |
| Loss before taxation | (53,274) | (49,286) |
| Taxation | (9,669) | (4,301) |
| Loss after taxation | (62,943) | (53,587) |
| Minority interests | 602 | – |
| Loss for the year | (62,341) | (53,587) |

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than the exceptional items as mentioned in Note 4 to the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

There were no issues of new shares or debentures during the financial year.

DIVIDENDS

During the financial year, the Company paid an interim dividend of 2.0 sen per share less tax amounting to RM3,232,623.

SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO BALANCE SHEET DATE

Significant events during the year and subsequent to balance sheet date are disclosed in Note 26 to the financial statements.

DIRECTORS

The Directors who served on the Board of the Company since the date of the last report and at the date of this report are:

Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman (*Chairman*)

Y. Bhg. Dato' Ahmad Johari bin Abdul Razak (*Executive Vice-Chairman*)

Y. Bhg. Dato' Siew Ka Wei (*Group Managing Director*)

Y.M. Tengku Yusoff bin Tengku Mahmud

Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir (*Appointed on 29 August 2002*)

Y. Bhg. Dato' Mohd Ismail bin Che Rus

Hsieh Fu Hua

Toh Yiu Joe

Chua Ah Lak

Chieng Ing Huong

Heah Kok Soon (*Resigned on 18 January 2002*)

Hung Hin Cheong (*Resigned on 18 January 2002*)

Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir who was appointed to the Board after the last Annual General Meeting, retires under Article 93 of the Company's Articles of Association and, being eligible, offers himself for re-election.

In accordance with Article 109 of the Company's Articles of Association, Y. Bhg. Dato' Ahmad Johari bin Abdul Razak, Y. Bhg. Dato' Mohd Ismail bin Che Rus and Hsieh Fu Hua retire by rotation and, being eligible, offer themselves for re-election.

Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman retires in accordance with Section 129(2) of the Companies Act, 1965. The Board recommends that Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman be re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the conclusion of the next Annual General Meeting.

Directors' Report

DIRECTORS' INTERESTS

The interests in shares and share options of the Company and of related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

| | No. of Shares | | |
|--|------------------------|----------|-------------------------|
| | Balance at 1.6.2001 | Acquired | Sold |
| | | | Balance at 31.5.2002 |

Ordinary Shares of RM1.00 each in the Company

Registered in the name of directors

| | | | | |
|--|--------|---------|---|---------|
| Chua Ah Lak | 38,000 | – | – | 38,000 |
| Y. Bhg. Dato' Ahmad Johari bin Abdul Razak | – | 150,000 | – | 150,000 |

Deemed interest

| | | | | |
|---------------------------|-------------|---|---------|-------------|
| Y. Bhg. Dato' Siew Ka Wei | 116,588,972 | – | (1,000) | 116,587,972 |
| Chieng Ing Huong | 28,000 | – | – | 28,000 |

Ordinary Shares of RM1.00 each in Holding Company, Rhodemark Development Sdn Bhd

Deemed interest

| | | | | |
|---------------------------|------------|---|---|------------|
| Chua Ah Lak | 10,300,114 | – | – | 10,300,114 |
| Y. Bhg. Dato' Siew Ka Wei | 53,753,722 | – | – | 53,753,722 |

| | No. of Shares/Options | | |
|--|------------------------|----------------------|-------------------------|
| | Balance at 1.6.2001 | Acquired/ Granted | Sold/ Lapsed |
| | | | Balance at 31.5.2002 |

Ordinary Shares of RM1.00 each in Ultimate Holding Company, Ancom Berhad

Registered in the name of directors

| | | | | |
|---|-----------|---|-----------|-----------|
| Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman | 20,971 | – | – | 20,971 |
| Y. Bhg. Dato' Ahmad Johari bin Abdul Razak | 499,126 | – | – | 499,126 |
| Y. Bhg. Dato' Siew Ka Wei | 4,721,000 | – | (600,000) | 4,121,000 |

Deemed interest

| | | | | |
|---|------------|---|-----------|------------|
| Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman | 348,947 | – | – | 348,947 |
| Y. Bhg. Dato' Siew Ka Wei | 12,096,427 | – | (700,000) | 11,396,427 |

Options over Ordinary Shares in Ultimate Holding Company, Ancom Berhad

Registered in the name of directors

| | | | | |
|--|---------|---|---|---------|
| Y. Bhg. Dato' Ahmad Johari bin Abdul Razak | 150,000 | – | – | 150,000 |
| Y. Bhg. Dato' Siew Ka Wei | 120,000 | – | – | 120,000 |

Directors' Report

DIRECTORS' INTERESTS (continued)

By virtue of his interest in the shares of the ultimate holding company, Ancom Berhad, Y. Bhg. Dato' Siew Ka Wei is also deemed to have an interest in the shares of all the other subsidiaries of Ancom Berhad to the extent Ancom Berhad has an interest.

The other Directors do not have any interest in the shares and/or share options of the Company and of related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those pursuant to the employees' share option scheme of the ultimate holding company.

OTHER STATUTORY INFORMATION

- a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:
 - i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and provision for doubtful debts was adequate; and
 - ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.
- e) At the date of this report, there does not exist:
 - i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- f) In the opinion of the Directors:
 - i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
 - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report

HOLDING COMPANIES

The holding company is Rhodemark Development Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Ancom Berhad, a company incorporated in Malaysia.

AUDITORS

The auditors, Messrs Ernst & Young, have expressed their willingness to continue in office.

Signed for and on behalf of the Board in accordance with a resolution of the Directors,

Y. Bhg. Dato' Siew Ka Wei

Chua Ah Lak

Shah Alam, Selangor Darul Ehsan, Malaysia

25 September 2002

Statement by Directors Pursuant to Section 169 (15) of the Companies Act, 1965

We, Y. BHG. DATO' SIEW KA WEI and CHUA AH LAK being two of the Directors of NYLEX (MALAYSIA) BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 57 to 84 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

- i) the financial position of the Group and of the Company as at 31 May 2002 and of the results of the business of the Group and of the Company for the year then ended; and
- ii) the cash flows of the Group and of the Company for the year ended 31 May 2002.

On behalf of the Board,

Y. Bhg. Dato' Siew Ka Wei

Chua Ah Lak

Shah Alam, Selangor Darul Ehsan, Malaysia
25 September 2002

Statutory Declaration Pursuant to Section 169 (16) of the Companies Act, 1965

I, JONATHAN MARK BONG CHEE HOONG, being the Officer primarily responsible for the financial management of NYLEX (MALAYSIA) BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 57 to 84 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed JONATHAN MARK BONG CHEE HOONG
on 25 September 2002

Jonathan Mark Bong Chee Hoong

Before me,

G. Vijayan @ Baskaran, PPN (No. B 014)
Pesuruhjaya Sumpah
Malaysia

Report of the Auditors to the Members of Nylex (Malaysia) Berhad

We have audited the financial statements set out on pages 57 to 84. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - i) the financial position of the Group and of the Company as at 31 May 2002 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 27 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young

AF: 0039

Chartered Accountants

Choong Mei Ling

1918/09/04 (J)

Partner

Kuala Lumpur, Malaysia

25 September 2002

Income Statements for the year ended 31 May 2002

| | Note | Group | | Company | |
|--|------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Operating revenue | 2(l) | 365,873 | 579,395 | 86,996 | 134,130 |
| Cost of sales | | (298,753) | (445,416) | (68,312) | (102,237) |
| Gross profit | | 67,120 | 133,979 | 18,684 | 31,893 |
| Other operating income | | – | 1,431 | 11,384 | 61,725 |
| Selling and distribution expenses | | (34,629) | (47,746) | (5,643) | (9,402) |
| Administrative expenses | | (23,870) | (29,967) | (6,097) | (6,603) |
| Other operating expenses | | (9,663) | (14,641) | (1,291) | (840) |
| (Loss) / profit from operations | | (1,042) | 43,056 | 17,037 | 76,773 |
| Finance cost | 3 | (7,464) | (12,706) | (1,522) | (2,100) |
| Operating (loss) / profit before exceptional items | | (8,506) | 30,350 | 15,515 | 74,673 |
| Exceptional items | 4 | (44,995) | (96,137) | (64,801) | (71,756) |
| (Loss) / profit after exceptional items | | (53,501) | (65,787) | (49,286) | 2,917 |
| Share of results of associated companies | | 227 | (50) | – | – |
| (Loss) / profit before taxation | 6 | (53,274) | (65,837) | (49,286) | 2,917 |
| Taxation | 7 | (9,669) | (8,852) | (4,301) | (10,726) |
| Loss after taxation | | (62,943) | (74,689) | (53,587) | (7,809) |
| Minority interests | | 602 | (480) | – | – |
| Loss for the year | | (62,341) | (75,169) | (53,587) | (7,809) |
| Basic loss per share (sen) | | (27.8) | (33.5) | | |
| Net dividend per share (sen) | | 1.4 | 42.6 | | |

The annexed notes form an integral part of these financial statements.

Balance Sheets as at 31 May 2002

| | | Group | | Company | |
|---|------|-----------------|----------------|-----------------|----------------|
| | Note | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Assets Employed | | | | | |
| Property, plant and equipment | 10 | 134,131 | 158,436 | 57,380 | 61,924 |
| Investments | 11 | 7,313 | 7,011 | 49,654 | 98,763 |
| Development expenditure | 12 | 7,866 | 6,622 | – | – |
| Goodwill arising on consolidation | 13 | 24,031 | 47,520 | – | – |
| Future income tax benefit | 14 | 7,078 | 10,378 | – | – |
| Current Assets | | | | | |
| Inventories | 15 | 93,617 | 118,613 | 16,017 | 17,435 |
| Debtors | 16 | 149,929 | 178,549 | 19,783 | 21,518 |
| Amount owing by group companies | 17 | 24 | 14 | 141,300 | 141,725 |
| Short-term deposits with licensed banks | | 12,256 | 6,780 | – | – |
| Cash and bank balances | | 19,263 | 9,214 | 6,498 | 28 |
| Total Current Assets | | 275,089 | 313,170 | 183,598 | 180,706 |
| Current Liabilities | | | | | |
| Creditors | 18 | 105,053 | 116,255 | 20,255 | 20,038 |
| Amount owing to group companies | 17 | 1,767 | 193 | 190 | 193 |
| Short-term borrowings | 19 | 119,246 | 155,252 | 66,100 | 76,003 |
| Provision for taxation | | 3,004 | 1,016 | 1,732 | – |
| Total Current Liabilities | | 229,070 | 272,716 | 88,277 | 96,234 |
| Net Current Assets | | 46,019 | 40,454 | 95,321 | 84,472 |
| | | 226,438 | 270,421 | 202,355 | 245,159 |
| Financed by | | | | | |
| Share capital | 20 | 224,488 | 224,488 | 224,488 | 224,488 |
| Reserves | 21 | 9,590 | 2,647 | 6,173 | 6,173 |
| (Accumulated losses) / Retained profit | | (39,284) | 26,290 | (51,448) | 5,372 |
| Shareholders' Funds | | 194,794 | 253,425 | 179,213 | 236,033 |
| Minority interests | | 3,191 | 3,457 | – | – |
| Deferred taxation | 22 | 8,631 | 9,798 | 4,097 | 6,004 |
| Long term borrowings | 19 | 15,941 | – | 15,941 | – |
| Provision for retirement benefits | | 3,881 | 3,741 | 3,104 | 3,122 |
| | | 226,438 | 270,421 | 202,355 | 245,159 |

The annexed notes form an integral part of these financial statements.

Statement of Changes in Equity – Group for the year ended 31 May 2002

| | | Share capital RM'000 | Non-distributable Share premium RM'000 | Translation reserve RM'000 | Distributable Retained profits RM'000 | Total RM'000 |
|----------------------------------|------|----------------------------|---|----------------------------------|--|-----------------|
| | Note | | | | | |
| Balance as at 1 January 2000 | | 224,488 | 6,173 | 7,782 | 197,162 | 435,605 |
| Currency translation differences | | – | – | (11,308) | – | (11,308) |
| Net loss for the period | | – | – | – | (75,169) | (75,169) |
| Dividends | 9 | – | – | – | (95,703) | (95,703) |
| Balance as at 31 May 2001 | | 224,488 | 6,173 | (3,526) | 26,290 | 253,425 |
| Currency translation differences | | – | – | 6,943 | – | 6,943 |
| Net loss for the year | | – | – | – | (62,341) | (62,341) |
| Dividends | 9 | – | – | – | (3,233) | (3,233) |
| Balance as at 31 May 2002 | | 224,488 | 6,173 | 3,417 | (39,284) | 194,794 |

The annexed notes form an integral part of these financial statements.

Statement of Changes in Equity – Company for the year ended 31 May 2002

| | | Share Capital RM'000 | Non- distributable Share Premium RM'000 | Distributable Retained Profits RM'000 | Total RM'000 |
|------------------------------|------|----------------------------|---|--|-----------------|
| | Note | | | | |
| Balance as at 1 January 2000 | | 224,488 | 6,173 | 108,884 | 339,545 |
| Net loss for the period | | – | – | (7,809) | (7,809) |
| Dividends | 9 | – | – | (95,703) | (95,703) |
| Balance as at 31 May 2001 | | 224,488 | 6,173 | 5,372 | 236,033 |
| Net loss for the year | | – | – | (53,587) | (53,587) |
| Dividends | 9 | – | – | (3,233) | (3,233) |
| Balance as at 31 May 2002 | | 224,488 | 6,173 | (51,448) | 179,213 |

The annexed notes form an integral part of these financial statements.

Cash Flow Statement – Group for the year ended 31 May 2002

| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
|--|---------------------------------------|---------------------------------------|
| Cash Flows From Operating Activities | | |
| Loss before taxation | (53,274) | (65,837) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 15,268 | 26,089 |
| Interest expense | 7,675 | 13,236 |
| Amortisation of: | | |
| Goodwill arising on consolidation | 1,819 | 3,073 |
| Development expenditure | 2,682 | 3,386 |
| Exceptional items | 44,995 | 96,137 |
| Provision for doubtful debts | 4,408 | 1,218 |
| Provision for retirement benefits | 938 | 1,647 |
| Dividend income | (9,160) | (7,569) |
| Interest income | (211) | (530) |
| Loss / (gain) on disposal of property, plant and equipment (net) | 179 | (334) |
| Translation adjustment | (4,580) | (3,247) |
| Share in net results of associated companies | (227) | 50 |
| Operating profit before working capital changes | 10,512 | 67,319 |
| Working Capital Changes | | |
| Debtors | 21,093 | (4,501) |
| Inventories | 25,554 | (31,432) |
| Group companies | (1,553) | 58 |
| Creditors | (8,316) | (5,809) |
| Cash generated from operations | 47,290 | 25,635 |
| Income taxes paid | (8,808) | (10,729) |
| Retirement benefits paid | (850) | (905) |
| Net Cash Generated From Operating Activities | 37,632 | 14,001 |

The annexed notes form an integral part of these financial statements.

Cash Flow Statement – Group for the year ended 31 May 2002 (continued)

| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
|---|---------------------------------------|---------------------------------------|
| Net Cash Generated From Operating Activities | 37,632 | 14,001 |
| Cash Flows From Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 1,097 | 1,328 |
| Purchase of property, plant and equipment | (8,756) | (26,292) |
| Additions to development expenditure | (3,746) | (2,091) |
| Acquisition of interest in associated company | (75) | (2,306) |
| Acquisition of additional interest in subsidiary | – | (1,595) |
| Net cash flows on disposal of subsidiary (Note A) | (95) | 57,054 |
| Interest received | 211 | 530 |
| Dividend received | 9,160 | 7,569 |
| Net Cash (Used In) / Generated From Investing Activities | (2,204) | 34,197 |
| Cash Flows From Financing Activities | | |
| Dividends paid to shareholders of the Company | (3,233) | (107,017) |
| Term loans and advances | 15,735 | 55,186 |
| Interest paid | (7,675) | (13,236) |
| Net Cash Generated From / (Used In) Financing Activities | 4,827 | (65,067) |
| Net Increase / (Decrease) In Cash and Cash Equivalents | 40,255 | (16,869) |
| Cash and Cash Equivalents at beginning of year | (9,996) | 6,685 |
| Effects of Exchange Rate Changes | (755) | 188 |
| | (10,751) | 6,873 |
| Cash and Cash Equivalents at end of year (Note 23) | 29,504 | (9,996) |

The annexed notes form an integral part of these financial statements.

Cash Flow Statement – Group for the year ended 31 May 2002 (continued)

1.6.2001
to
31.5.2002
RM'000

1.1.2000
to
31.5.2001
RM'000

Note A

Analysis of Effects of Disposal of Subsidiary

Fair value of assets disposed:

| | | |
|---|----------|----------|
| Property, plant and equipment | 16,832 | 64,369 |
| Investments | 203 | – |
| Inventories | 3,493 | 31,662 |
| Debtors | 6,578 | 21,466 |
| Cash and bank balances | 95 | 2,946 |
| Creditors | (5,197) | (14,182) |
| Provision for retirement benefits | – | (3,089) |
| Short term bank borrowings | (11,825) | (22,237) |
| Provision for taxation | 144 | (263) |
| Future income tax benefit / (Deferred taxation) | 3,210 | (1,537) |
| Net assets disposed | 13,533 | 79,135 |
| Realisation of translation loss | 9,792 | – |
| Goodwill | 21,670 | 77,002 |
| | 44,995 | 156,137 |
| Exceptional items (Note 4) | (44,995) | (96,137) |
| Sale proceeds | –* | 60,000 |
| Cash and cash equivalents | (95) | (2,946) |
| Net cash flows on disposal | (95) | 57,054 |

* Cash consideration of RM1.00

The annexed notes form an integral part of these financial statements.

Cash Flow Statement – Company for the year ended 31 May 2002

| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
|--|---------------------------------------|---------------------------------------|
| Cash Flows From Operating Activities | | |
| (Loss) / profit before taxation | (49,286) | 2,917 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 6,714 | 8,312 |
| Interest expense | 3,062 | 3,432 |
| Provision for doubtful debts | (245) | 377 |
| Provision for retirement benefits | 375 | 869 |
| Dividend income | (11,460) | (58,418) |
| Interest income | (1,540) | (1,332) |
| Loss / (gain) on disposal of property, plant and equipment (net) | 154 | (125) |
| Exceptional items (Note 4) | 64,801 | 71,756 |
| Operating profit before working capital changes | 12,575 | 27,788 |
| Working Capital Changes | | |
| Debtors | 1,980 | 530 |
| Inventories | 1,418 | 329 |
| Group Companies | (15,271) | (54,800) |
| Creditors | 217 | 2,759 |
| Cash generated from / (used in) operations | 919 | (23,394) |
| Income taxes paid | (4,476) | (8,301) |
| Retirement benefits paid | (393) | (236) |
| Net Cash Used In Operating Activities | (3,950) | (31,931) |

The annexed notes form an integral part of these financial statements.

Cash Flow Statement – Company for the year ended 31 May 2002 (continued)

| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
|---|---------------------------------------|---------------------------------------|
| Net Cash Used In Operating Activities | (3,950) | (31,931) |
| Cash Flows From Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 330 | 277 |
| Purchase of property, plant and equipment | (2,653) | (16,208) |
| Acquisition of additional interest in subsidiary | – | (10,535) |
| Interest received | 1,540 | 1,332 |
| Dividend received | 11,460 | 58,418 |
| Proceeds from disposal of subsidiary | – | 60,000 |
| Net Cash Generated From Investing Activities | 10,677 | 93,284 |
| Cash Flows From Financing Activities | | |
| Dividends paid to shareholders of the Company | (3,233) | (107,017) |
| Short-term loans and advances | 17,198 | 51,453 |
| Interest paid | (3,062) | (3,432) |
| Net Cash Generated From / (Used In) Financing Activities | 10,903 | (58,996) |
| Net Increase in Cash and Cash Equivalents | 17,630 | 2,357 |
| Cash and Cash Equivalents at beginning of period | (11,608) | (13,965) |
| Cash and Cash Equivalents at end of period (Note 23) | 6,022 | (11,608) |

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements 31 May 2002

1. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other plastic products, including geotextiles and prefabricated sub-soil drainage systems.

The principal activities of the subsidiary companies are indicated in Note 27.

Other than the cessation of manufacturing and marketing of glasswool insulation products as a result of the disposal of Asia Pacific Insulation Corporation and its subsidiary companies, there have been no other significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board (MASB).

b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year.

The results of subsidiary companies acquired or disposed of during the year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal.

All significant intercompany balances and transactions are eliminated on consolidation.

Goodwill arising on consolidation represents the excess of the Company's cost of investment over the related fair values of net assets at the date of acquisition of subsidiary companies.

Goodwill arising on consolidation is systematically amortised over the period of time not exceeding twenty years during which the benefits are expected to arise.

Dividends from subsidiary companies are recognised in the income statements as and when declared or proposed. Dividends from other investee companies are recognised as and when declared.

c) Associated companies

An associated company is a company in which the Group or the Company holds as long-term investment not less than 20% of the equity voting rights and in which the Group or the Company is in a position to exercise significant influence in its management.

The consolidated financial statements include the Group's share in the results of associated companies made up to 31 May 2002.

d) Property, plant & equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Cost consists of purchase, commissioning, installation costs and in respect of construction of plant and machinery, interest expense incurred prior to commencement of production.

Notes to the Financial Statements 31 May 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant & equipment and depreciation (continued)

Certain leasehold land and buildings were stated on the basis of their previous revaluation (subject to continuity in depreciation and the requirement to write assets down to their recoverable amounts) as allowed by the transitional provision of the accounting standard on property, plant and equipment.

Land held under long lease is amortised evenly over the term of the lease of 60 to 84.5 years. Depreciation of all other assets is computed on the straight-line method based on the estimated useful lives of the various assets at the following annual rates:

| | % |
|--|-------------|
| Buildings and improvements | 2.5 – 10.0 |
| Plant and machinery | 7.5 – 33.3 |
| Furniture, fittings and office equipment | 10.0 – 33.3 |
| Motor vehicles | 15.0 – 20.0 |

Depreciation is not provided for freehold land and capital work-in-progress.

e) Investments

Investments in unquoted subsidiary companies, which are eliminated on consolidation, and investment in unquoted associated companies are stated at cost less dividends received out of pre-acquisition profits in the Company's financial statements. Provision for diminution in value is made when, in the opinion of the Directors, there is a permanent diminution in the value of the investments.

f) Inventories

Raw materials and consumable stores, work-in-progress, finished products and inventory-in-transit are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials determined using weighted average cost and an applicable portion of labour and manufacturing overheads for work-in-progress and finished goods. Profit earned on contracts is recognised in the income statement progressively, based on estimated cost to completion in cases where progress payments are received. On all contracts, full provision is made for any losses in the period in which they are first foreseen.

g) Debtors

Debts considered to be uncollectible are written off while provisions are made for debts considered to be doubtful of collection.

h) Research and development expenditure

Research and development expenditure are written off to the income statement as and when incurred except that development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the products being developed, is carried forward. Such expenditure is amortised over the period in which the benefits are expected to be derived commencing in the period in which the related sales are first made.

i) Retirement benefits

The Company and certain subsidiary companies are obligated under non-contributory retirement benefit schemes and collective bargaining agreements to pay retirement benefits to certain employees who retire or leave the companies' employ after fulfilling certain conditions. Provision for retirement benefits is computed based on the length of service and a proportion of the basic salary earnings of the employees in each particular year of service.

Notes to the Financial Statements 31 May 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Taxation

The tax effects of transactions are recognised, using the 'liability' method, in the period such transactions enter into the determination of net income regardless of when they are recognised for tax purposes.

Deferred income taxes are provided on timing differences between tax capital allowances and book depreciation of property, plant and equipment, and on certain provisions which are not currently deductible for tax purposes.

The net future tax benefit relating to unutilised tax losses, unabsorbed capital allowances, future tax savings from unutilised investment incentives claimed and other timing differences are recognised only when the Directors are certain of their realisation.

k) Foreign currency conversions

Foreign currency transactions are converted at rates of exchange in effect at the dates of the transactions or at forward foreign exchange contract rates. Receivables and payables denominated in foreign currencies are converted at rates of exchange ruling at balance sheet date except that contract settlement rates are used where forward foreign exchange contracts are held. Exchange gains and losses are recorded in the income statement for the financial period.

Unrealised exchange differences on period-end conversion of long-term foreign currency liabilities that, in substance, form part of the Group's net investment in foreign subsidiaries are deferred and included in the translation adjustment account.

Assets and liabilities of foreign subsidiary companies are translated at exchange rates ruling at balance sheet date and income statements are translated at average exchange rates for the financial year. Unrealised gains and losses on translation are taken directly to the translation adjustment account.

The principal average rates and closing rates were as follows:

| | Average Rate | | Closing Rate | |
|--------------------------------|----------------|---------|----------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| RM1.00 = | | | | |
| <i>Foreign currency</i> | | | | |
| Australian Dollar | 0.5149 | 0.5099 | 0.4722 | 0.5220 |
| Chinese Renminbi | 2.1963 | 2.1963 | 2.1962 | 2.1962 |
| Hong Kong Dollar | 2.0754 | 2.0776 | 2.0750 | 2.0777 |
| Indonesia Rupiah (1,000 units) | 2.6976 | 2.7473 | 2.3877 | 2.9714 |
| Philippines Peso | 14.0281 | 13.4543 | 14.1300 | 13.7768 |
| Singapore Dollar | 0.4798 | 0.4730 | 0.4755 | 0.4824 |

l) Operating revenue

Operating revenue represents invoiced value of sales, less returns and discounts, and services rendered to customers. All significant intercompany sales are eliminated on consolidation.

m) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

Notes to the Financial Statements 31 May 2002

3. FINANCE COST

| | Group | | Company | |
|------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Interest expense | | | | |
| – Short-term borrowings | 7,618 | 13,235 | 3,062 | 3,432 |
| – Others | 57 | 1 | – | – |
| Interest income | | | | |
| – Short-term deposits | (209) | (504) | – | (308) |
| – Advances to subsidiary companies | – | – | (1,540) | (1,000) |
| – Others | (2) | (26) | – | (24) |
| | 7,464 | 12,706 | 1,522 | 2,100 |

4. EXCEPTIONAL ITEMS

| | Group | | Company | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Provision for diminution in value of investment in subsidiaries | – | – | 64,801 | 71,756 |
| Write-down of goodwill arising on consolidation | 21,670 | 77,002 | – | – |
| Write-down of assets in subsidiary | 23,325 | 19,135 | – | – |
| | 44,995 | 96,137 | 64,801 | 71,756 |

5. EMPLOYEE INFORMATION

| | Group | | Company | |
|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Staff cost | 55,856 | 88,866 | 13,534 | 19,932 |
| | 2002 | 2001 | 2002 | 2001 |
| Number of employees at end of period | 1,364 | 1,654 | 406 | 387 |

Notes to the Financial Statements 31 May 2002

6. (LOSS)/PROFIT BEFORE TAXATION

| | Group | | Company | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| This was arrived at after charging: | | | | |
| Depreciation of property, plant and equipment (Note 10) | 15,268 | 26,089 | 6,714 | 8,312 |
| Remuneration of Directors of the Company: | | | | |
| – Fees | 182 | 107 | 182 | 107 |
| – Emoluments | 3,148 | 2,026 | 2,308 | 1,371 |
| – Benefits in kind | 37 | 54 | 26 | 43 |
| Amortisation of intangibles (Note 12) | 2,682 | 3,386 | – | – |
| Amortisation of goodwill (Note 13) | 1,819 | 3,073 | – | – |
| Auditors' remuneration | | | | |
| – Current | 585 | 741 | 89 | 104 |
| – (Over) / under provision in prior year | (18) | 35 | (20) | – |
| Provision for / (write back of) doubtful debts | 4,408 | 1,218 | (245) | 377 |
| Bad debts written off | 658 | 33 | – | – |
| Rent of premises | 2,600 | 5,010 | 103 | 73 |
| Hire of equipment | 50 | 79 | – | – |
| Provision for retirement benefits | 938 | 1,647 | 375 | 869 |
| And crediting: | | | | |
| Realised (loss) / gain on foreign exchange | (9,271) | 1,097 | – | (69) |
| Unrealised gain on foreign exchange | 2,548 | – | 78 | – |
| (Loss) / gain on disposal of property, plant and equipment (net) | (179) | 334 | (154) | 125 |
| Gross dividend income from subsidiary companies | – | – | 2,300 | 50,849 |
| Gross dividend income from unquoted shares | 9,160 | 7,569 | 9,160 | 7,569 |
| Administrative charges recoverable from subsidiary companies | – | – | – | 3,184 |

Notes to the Financial Statements 31 May 2002

7. TAXATION

| | Group | | Company | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Taxation based on results for the period | | | | |
| – Current | | | | |
| Malaysian | (9,198) | (10,505) | (6,208) | (8,497) |
| Foreign | (1,501) | (672) | – | – |
| – Deferred | 1,360 | (2,684) | 1,907 | (2,226) |
| – Deferred tax benefits | 548 | 3,273 | – | – |
| | (8,791) | (10,588) | (4,301) | (10,723) |
| Under provision in prior years | (878) | 1,736 | – | (3) |
| | (9,669) | (8,852) | (4,301) | (10,726) |

The effective tax rates of the Group and Company are disproportionate to the statutory tax rate mainly due to the write-down of goodwill on consolidation and provision for diminution in value of investment in subsidiaries which are not allowed to be claimed for taxation purposes and the absence of group relief for losses suffered by certain subsidiaries.

The Company is entitled to claim certain tax incentives under the Income Tax Act, 1967 and Promotion of Investment Act, 1986. Pending finalisation of these claims with the Inland Revenue Board, an amount of RM876,000 (RM8,833,000 in 2001) has been taken into account in the current period's tax computation. As at 31 May 2002, the Company has claimed tax incentives totalling RM7,789,000 (RM50,653,000 in 2001) which, if agreed with the Inland Revenue Board, will enable the Company to distribute tax-exempt dividends of up to the same amount.

8. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated by dividing the net loss of RM62,341,000 (2001 : net loss of RM75,169,000) by the number of ordinary shares in issue during the financial period of 224,487,720 shares.

9. DIVIDENDS

| | Group / Company | |
|--|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Interim paid – 2 sen per share less tax | 3,233 | – |
| Special interim paid – 35 sen per share tax exempt | – | 78,571 |
| 2nd interim paid – 3.6 sen per share less tax | – | 5,818 |
| 3rd interim paid – 7 sen per share less tax | – | 11,314 |
| | 3,233 | 95,703 |

Notes to the Financial Statements 31 May 2002

10. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Leasehold land RM'000 | Freehold buildings RM'000 | Leasehold buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings, and Office equipment RM'000 | Motor vehicles RM'000 | Capital work-in- progress RM'000 | Total 2002 RM'000 | Total 2001 RM'000 |
|-----------------------------|----------------------------|-----------------------------|---------------------------------|----------------------------------|----------------------------------|--|-----------------------------|---|-------------------------|-------------------------|
| Group | | | | | | | | | | |
| Net book value | | | | | | | | | | |
| at 1 June | 7,973 | 27,111 | 13,303 | 14,735 | 83,717 | 4,418 | 3,100 | 4,079 | 158,436 | 231,657 |
| Additions | – | – | 30 | 150 | 2,179 | 315 | 1,811 | 4,271 | 8,756 | 26,292 |
| Disposals | – | (23) | – | – | (38) | (21) | (1,113) | (81) | (1,276) | (994) |
| Reclassification | – | (4,271) | 2,726 | 4,289 | 1,775 | 1,193 | – | (5,712) | – | – |
| Depreciation | – | (416) | (458) | (719) | (11,049) | (1,689) | (937) | – | (15,268) | (26,089) |
| Exchange fluctuation | 34 | – | 352 | (27) | (85) | 23 | 21 | (3) | 315 | (8,131) |
| Subsidiary disposed | (1,136) | – | – | (994) | (14,057) | (604) | (41) | – | (16,832) | (64,299) |
| Net book value at 31 May | <u>6,871</u> | <u>22,401</u> | <u>15,953</u> | <u>17,434</u> | <u>62,442</u> | <u>3,635</u> | <u>2,841</u> | <u>2,554</u> | <u>134,131</u> | <u>158,436</u> |
| At 31 May 2002 | | | | | | | | | | |
| Cost | 6,871 | 17,393 | 19,417 | 20,324 | 144,078 | 17,293 | 7,087 | 2,554 | 235,017 | – |
| Valuation | – | 9,830 | – | 5,020 | – | – | – | – | 14,850 | – |
| Accumulated depreciation | – | (4,822) | (3,464) | (7,910) | (81,636) | (13,658) | (4,246) | – | (115,736) | – |
| Net book value | <u>6,871</u> | <u>22,401</u> | <u>15,953</u> | <u>17,434</u> | <u>62,442</u> | <u>3,635</u> | <u>2,841</u> | <u>2,554</u> | <u>134,131</u> | <u>–</u> |
| At 31 May 2001 | | | | | | | | | | |
| Cost | 7,973 | 24,062 | 16,238 | 15,862 | 172,667 | 17,435 | 7,825 | 4,079 | – | 266,141 |
| Valuation | – | 9,830 | – | 5,020 | – | – | – | – | – | 14,850 |
| Accumulated depreciation | – | (6,781) | (2,935) | (6,147) | (88,950) | (13,017) | (4,725) | – | – | (122,555) |
| Net book value | <u>7,973</u> | <u>27,111</u> | <u>13,303</u> | <u>14,735</u> | <u>83,717</u> | <u>4,418</u> | <u>3,100</u> | <u>4,079</u> | <u>–</u> | <u>158,436</u> |

Notes to the Financial Statements 31 May 2002

10. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Leasehold land RM'000 | Leasehold buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings, and office equipment RM'000 | Motor vehicles RM'000 | Capital work-in- progress RM'000 | Total 2002 RM'000 | Total 2001 RM'000 |
|--------------------------|-----------------------------|----------------------------------|----------------------------------|--|-----------------------------|---|-------------------------|-------------------------|
| Company | | | | | | | | |
| Net book value at 1 June | 8,039 | 10,598 | 41,215 | 573 | 1,426 | 73 | 61,924 | 54,180 |
| Additions | – | 150 | 1,532 | 120 | 505 | 346 | 2,653 | 16,208 |
| Disposals | – | – | (3) | (13) | (467) | – | (483) | (152) |
| Reclassification | – | – | 69 | 3 | – | (72) | – | – |
| Depreciation | (117) | (349) | (5,728) | (226) | (294) | – | (6,714) | (8,312) |
| Net book value at 31 May | <u>7,922</u> | <u>10,399</u> | <u>37,085</u> | <u>457</u> | <u>1,170</u> | <u>347</u> | <u>57,380</u> | <u>61,924</u> |
| At 31 May 2002 | | | | | | | | |
| Cost | – | 9,154 | 89,765 | 2,368 | 2,515 | 347 | 104,149 | – |
| Valuation | 9,830 | 5,020 | – | – | – | – | 14,850 | – |
| Accumulated depreciation | (1,908) | (3,775) | (52,680) | (1,911) | (1,345) | – | (61,619) | – |
| Net book value | <u>7,922</u> | <u>10,399</u> | <u>37,085</u> | <u>457</u> | <u>1,170</u> | <u>347</u> | <u>57,380</u> | <u>–</u> |
| At 31 May 2001 | | | | | | | | |
| Cost | – | 9,004 | 88,368 | 2,394 | 2,695 | 73 | – | 102,534 |
| Valuation | 9,830 | 5,020 | – | – | – | – | – | 14,850 |
| Accumulated depreciation | (1,791) | (3,426) | (47,153) | (1,821) | (1,269) | – | – | (55,460) |
| Net book value | <u>8,039</u> | <u>10,598</u> | <u>41,215</u> | <u>573</u> | <u>1,426</u> | <u>73</u> | <u>–</u> | <u>61,924</u> |

Leasehold land and buildings were revalued in 1985 based on the valuation reports of an independent firm of professional valuers. The valuation was arrived at on an open market value basis. These assets continue to be stated on the basis of their 1985 valuation as allowed by the transitional provisions adopted by MASB in respect of International Accounting Standard No.16 (Revised), Property, Plant & Equipment. The net book value of assets stated at 1985 valuation had they been stated at cost would have been approximately RM1,095,426 in respect of both the Group and Company.

In the previous financial period, freehold land and buildings of a subsidiary company with net book value of RM2,279,838 were pledged as security for bank facilities granted to that subsidiary company. There are no assets pledged as security in the current year.

Notes to the Financial Statements 31 May 2002

11. INVESTMENTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Investment in unquoted subsidiary companies | | | | |
| – At cost less dividend of RM976,969 received out of pre-acquisition profits | – | – | 49,574 | 128,683 |
| – Provision for diminution in value of investment | – | – | – | (30,000) |
| | – | – | 49,574 | 98,683 |
| Investment in unquoted associated companies | | | | |
| – At cost | 3,580 | 3,505 | – | – |
| – Share of post-acquisition results | 153 | (74) | – | – |
| | 3,733 | 3,431 | – | – |
| Investment in unquoted company | 3,580 | 3,580 | 80 | 80 |
| | 7,313 | 7,011 | 49,654 | 98,763 |

The Group's investment in associated companies is as follows:

| | Group | |
|------------------------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Share of net tangible assets | 3,733 | 3,431 |

During the year, the Group disposed of a wholly-owned subsidiary, Asia Pacific Insulation Corporation for a cash consideration of RM1. Prior to the disposal, the total goodwill written off and write down of assets amounted to RM45.0 million for the Group, whilst a provision of RM64.8 million was made for diminution in value of investment in subsidiary for the Company.

The effect of the disposal on the financial results of the Group during the year is shown below:

| | Group | |
|-----------------------------------|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Operating revenue | 9,964 | 35,799 |
| Cost of sales | (10,211) | (34,153) |
| Gross (loss)/profit | (247) | 1,646 |
| Other operating income | 312 | 96 |
| Selling and distribution expenses | (1,159) | (4,649) |
| Administrative expenses | (572) | (3,327) |
| Other operating expenses | (441) | (3,767) |
| Loss from operations | (2,107) | (10,001) |
| Finance cost | (1,562) | (4,175) |
| Loss before taxation | (3,669) | (14,176) |
| Taxation | (7) | (14) |
| Loss after taxation | (3,676) | (14,190) |

Notes to the Financial Statements 31 May 2002

12. DEVELOPMENT EXPENDITURE

| | Group | | Company | |
|--------------------------------|---------|---------|---------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance at beginning of period | 6,622 | 7,549 | – | – |
| Exchange fluctuation | 180 | 368 | – | – |
| Additions during the period | 3,746 | 2,091 | – | – |
| Amount amortised | (2,682) | (3,386) | – | – |
| Balance at end of period | 7,866 | 6,622 | – | – |

13. GOODWILL ARISING ON CONSOLIDATION

| | Group | | Company | |
|---|----------|----------|---------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance at beginning of period | 47,520 | 127,422 | – | – |
| Goodwill arising from additional investment in subsidiary | – | 173 | – | – |
| Write down of goodwill arising on consolidation | (21,670) | (77,002) | – | – |
| Amount amortised | (1,819) | (3,073) | – | – |
| Balance at end of period | 24,031 | 47,520 | – | – |

14. FUTURE INCOME TAX BENEFIT

| | Group | | Company | |
|--------------------------------|---------|---------|---------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance at beginning of period | 10,378 | 7,742 | – | – |
| Exchange fluctuation | 340 | (1,593) | – | – |
| Arising during the period | 548 | 3,273 | – | – |
| Disposal of a subsidiary | (3,210) | – | – | – |
| Over provision in prior years | (978) | 956 | – | – |
| | 7,078 | 10,378 | – | – |

The future income tax benefit is primarily in respect of unutilised losses of subsidiaries carried forward to offset future profits.

15. INVENTORIES

| | Group | | Company | |
|-------------------------------------|--------|---------|---------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finished goods | 17,593 | 22,663 | 5,673 | 6,515 |
| Work-in-progress | 31,246 | 34,057 | 3,465 | 3,363 |
| Raw materials and consumable stores | 43,280 | 59,025 | 6,879 | 7,557 |
| Inventory-in-transit | 1,498 | 2,868 | – | – |
| | 93,617 | 118,613 | 16,017 | 17,435 |

Notes to the Financial Statements 31 May 2002

16. DEBTORS

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Trade debtors | 140,129 | 156,019 | 19,416 | 20,798 |
| Provision for doubtful debts | (4,926) | (2,718) | (471) | (716) |
| | 135,203 | 153,301 | 18,945 | 20,082 |
| Other debtors | 9,500 | 22,025 | 404 | 775 |
| Deposits | 3,069 | 1,208 | 65 | 264 |
| Prepayments | 2,157 | 2,015 | 369 | 397 |
| | 14,726 | 25,248 | 838 | 1,436 |
| | 149,929 | 178,549 | 19,783 | 21,518 |

17. AMOUNT OWING BY/TO GROUP COMPANIES AND RELATED COMPANY TRANSACTIONS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Amount owing by group companies | | | | |
| Amount owing by related companies | 24 | 14 | – | – |
| Amount owing by subsidiary companies | – | – | 141,300 | 141,725 |
| | 24 | 14 | 141,300 | 141,725 |
| Amount owing to group companies | | | | |
| Amount owing to related companies | 1,760 | 193 | 183 | 193 |
| Amount owing to ultimate holding company | 7 | – | 7 | – |
| | 1,767 | 193 | 190 | 193 |

The Company is a subsidiary of Rhodemark Development Sdn Bhd, a company incorporated in Malaysia. The ultimate holding company is Ancom Berhad, a company incorporated in Malaysia.

Notes to the Financial Statements 31 May 2002

17. AMOUNT OWING BY/TO GROUP COMPANIES AND RELATED COMPANY TRANSACTIONS (continued)

The account balances with the holding company, subsidiary companies, associated companies and other related companies arose mainly from intercompany advances which bear interest at rates ranging from 5.3% to 5.7% (5.4% to 7.2% in 2001) per annum, interest-free advances by/to other related companies, expenses paid on behalf and the following trade and other intercompany charges which are negotiated on a basis determined within the Group:

| | Group | | Company | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 |
| Sales of goods to: | | | | |
| – Zonson Sports (Malaysia) Sdn Bhd | – | – | 390 | 857 |
| – TEE Power & Engineering Sdn Bhd | – | – | 147 | 110 |
| – Timber Preservatives Sdn Bhd | 11 | 27 | – | – |
| – Ancom Crop Care Sdn Bhd | 4 | 17 | – | – |
| Interest income / (expense): | | | | |
| – Tamco Electrical & Electronics (M) Sdn Bhd | – | – | (69) | (18) |
| – Tamco Corporate Holdings Sdn Berhad | – | – | 1,391 | 407 |
| – Malaysian Roofing Industries Sdn Bhd | – | – | 167 | 309 |
| – Asia Pacific Insulation Corporation | – | – | – | 148 |
| – Kuala Lumpur Glass Manufacturers Company Sdn Bhd | – | – | – | 62 |
| – Zonson Sports (Malaysia) Sdn Bhd | – | – | 51 | 92 |
| Central Charges to subsidiaries: | | | | |
| – Tamco Corporate Holdings Sdn Berhad | – | – | – | 1,185 |
| – Tamco Electrical & Electronics (M) Sdn Bhd | – | – | – | 372 |
| – Malaysian Roofing Industries Sdn Bhd | – | – | – | 341 |
| – Zonson Sports (Malaysia) Sdn Bhd | – | – | – | 125 |
| – Kuala Lumpur Glass Manufacturers Company Sdn Bhd | – | – | – | 269 |
| – Universal Motor Kontrol Pty Ltd | – | – | – | 865 |
| Purchase of goods from: | | | | |
| – Malay Sino Technologies Sdn Bhd | 1,793 | – | – | – |

18. CREDITORS

| | Group | | Company | |
|-----------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Trade creditors | 75,516 | 82,993 | 15,811 | 16,102 |
| Other creditors | 20,567 | 24,155 | 2,148 | 908 |
| Accruals | 8,970 | 9,107 | 2,296 | 3,028 |
| | 105,053 | 116,255 | 20,255 | 20,038 |

Notes to the Financial Statements 31 May 2002

19. BORROWINGS

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Secured | | | | |
| Short-term loans and advances | – | 8,817 | – | – |
| Unsecured | | | | |
| Bank overdrafts | 2,015 | 25,990 | 476 | 11,636 |
| Short-term loans and advances | 117,231 | 120,445 | 65,624 | 64,367 |
| | 119,246 | 155,252 | 66,100 | 76,003 |
| Repayable after 12 months: | | | | |
| Unsecured | | | | |
| Term loan | 15,941 | – | 15,941 | – |
| Total borrowings | 135,187 | 155,252 | 82,041 | 76,003 |

The borrowings are unsecured and bear interest at rates ranging from 1.25% to 7.4% (2001 : 4.90% to 18.29%) per annum. The short-term loans and advances of one subsidiary company in the previous financial period was secured by fixed charges over the property, plant and equipment of that subsidiary company.

20. SHARE CAPITAL

| | Group | |
|--|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Authorised: | | |
| 300,000,000 ordinary shares of RM1.00 each | 300,000 | 300,000 |
| Issued and fully paid: | | |
| 224,487,720 ordinary shares of RM1.00 each | 224,488 | 224,488 |

21. RESERVES

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Non-distributable: | | | | |
| – Share premium | 6,173 | 6,173 | 6,173 | 6,173 |
| – Translation adjustment account | 3,417 | (3,526) | – | – |
| | 9,590 | 2,647 | 6,173 | 6,173 |

Notes to the Financial Statements 31 May 2002

22. DEFERRED TAXATION

| | Group | | Company | |
|--------------------------------|----------------|---------|----------------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 June 2001 | 9,798 | 8,653 | 6,004 | 3,778 |
| Exchange fluctuation | 3 | (47) | – | – |
| Arising during the period | (1,360) | 2,684 | (1,907) | 2,226 |
| Disposal of a subsidiary | – | (1,537) | – | – |
| Under provision in prior years | (53) | – | – | – |
| Others | 243 | 45 | – | – |
| At 31 May 2002 | 8,631 | 9,798 | 4,097 | 6,004 |

The provision for deferred taxation is primarily in respect of depreciation timing differences.

Deferred tax liabilities amounting to RM572,000 (2001: RM572,000) which relate to the surplus on revaluation of certain leasehold land and buildings have not been accounted for as it is the intention of the Group to retain the properties for its own use on long term purposes.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

| | Group | | Company | |
|---|----------------|----------|--------------|----------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and bank balances | 19,263 | 9,214 | 6,498 | 28 |
| Short-term deposits with licensed banks | 12,256 | 6,780 | – | – |
| Bank overdrafts (Note 19) | (2,015) | (25,990) | (476) | (11,636) |
| | 29,504 | (9,996) | 6,022 | (11,608) |

24. CAPITAL COMMITMENTS

| | Group | | Company | |
|-----------------------------|--------------|--------|--------------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Approved and contracted | 1,523 | 1,872 | – | 162 |
| Approved and not contracted | 1,887 | 3,178 | 1,572 | – |
| | 3,410 | 5,050 | 1,572 | 162 |

25. CONTINGENT LIABILITIES

| | Group | | Company | |
|--|--------------|--------|--------------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unsecured: | | | | |
| Bills discounted with banks | 1,617 | 1,378 | 1,617 | 1,378 |
| Guarantees given to financial institutions for facilities granted to a subsidiary company | – | – | – | 1,452 |

Notes to the Financial Statements 31 May 2002

26. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO BALANCE SHEET DATE

- i) During the year, the Group disposed of a wholly-owned subsidiary company, Asia Pacific Insulation Corporation and its subsidiary companies for a cash consideration of RM1. Prior to the disposal, the total goodwill written off and write-down of assets amounted to RM45 million.
- ii) On 3 September 2002, the Company announced a proposed reorganisation involving the following:
 - 1. Proposed capital distribution which entails a capital reduction exercise whereby fifty sen from each of the existing ordinary shares of RM1.00 each of the entire issued and paid-up share capital of the Company comprising 224,487,720 ordinary shares of RM1.00 each are to be cancelled pursuant to Section 64 of the Companies Act 1965, resulting in a capital reserve of RM112,243,860 ("Proposed Capital Reduction").

The resultant credit arising therefrom of RM112,243,860 is to be applied to distribute the Company's entire investment in Tamco Corporate Holdings Sdn Berhad ("Tamco") of RM112,243,860 comprising 224,487,720 ordinary shares of RM0.50 each to entitled shareholders of the Company on the basis of one ordinary share of RM0.50 each in Tamco for every one ordinary share of RM0.50 each in the Company after the Proposed Capital Reduction on a date to be determined ("Proposed Capital Distribution"). The Proposed Capital Distribution will de-merge the Engineering Division from the Nylex Group.

Upon completion of the Proposed Capital Distribution, the share capital of the Company will be reduced to RM112,243,860 comprising 224,487,720 ordinary shares of RM0.50 each from 224,487,720 ordinary shares of RM1.00 each presently.

Presently, the authorised share capital for the ordinary shares of Tamco is RM20,000,000 divided into 20,000,000 ordinary shares of RM1.00 each, of which 8,400,000 ordinary shares of RM1.00 each are issued and fully paid-up. The present authorised preference share capital of Tamco is RM20,000,000 divided into RM20,000,000 11.5% cumulative redeemable preference shares, of which all have been issued. Prior to the Proposed Capital Distribution, the share capital of Tamco will be increased by an issue of 103,843,860 ordinary shares of RM1.00 each to redeem the preference shares and partial repayment of an amount due to Nylex. The enlarged share capital of Tamco comprising 112,243,860 ordinary shares of RM1.00 each will be split into 224,487,720 ordinary shares of RM0.50 each.

- 2. On 3 September 2002, the Company entered into a conditional sale and purchase agreement with Ancom Berhad ("Ancom") for the purchase of the entire issued and paid-up share capital of Perusahaan Kimia Gemilang Sdn Bhd, Fermpro Sdn Bhd, Kumpulan Kesuma Sdn Bhd and Wedon Sdn Bhd for a total purchase consideration of RM64,427,000 to be satisfied by the issuance of 128,854,000 ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 (at par) credited as fully paid-up after the Proposed Capital Distribution ("Proposed Acquisition").

The Proposed Capital Reduction, Proposed Capital Distribution and Proposed Acquisition shall be collectively referred to as "the Proposals".

The Proposals are inter-conditional upon each other and subject to approvals being obtained from the Shareholders of the Company and Ancom, Securities Commission, Kuala Lumpur Stock Exchange, Foreign Investment Committee, Ministry of International Trade and Industry, High Court of Malaya and other relevant authorities.

Notes to the Financial Statements 31 May 2002

27. SUBSIDIARY COMPANIES

Details of subsidiary companies are as follows:

| Name of Company | Country of incorporation | Effective % ownership in | | Principal activities |
|--|--------------------------|--------------------------|--------|---|
| | | 2002 % | 2001 % | |
| Direct Subsidiary Companies | | | | |
| Tamco Corporate Holdings Sdn Berhad | Malaysia | 100 | 100 | Design, manufacture, supply, installation, commissioning and maintenance of equipment and systems for power distribution. |
| Nycon Manufacturing Sdn Bhd | Malaysia | 100 | 100 | Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipments and disposal bins. |
| Malaysian Roofing Industries Sdn Bhd | Malaysia | 70 | 70 | Manufacture and marketing of metal roofing tiles, ceiling panels and wall coatings. |
| * Asia Pacific Insulation Corporation | Philippines | – | 100 | Manufacture and marketing of glasswool insulation products. |
| Zonson Sports (Malaysia) Sdn Bhd | Malaysia | 80 | 80 | Manufacture and marketing of quality golf bags. |
| Indirect Subsidiary Companies | | | | |
| * Tamco (Singapore) Pte Ltd | Singapore | 100 | 100 | Trading and contracting in electrical engineering products. |
| Tamco Electrical & Electronics (Malaysia) Sdn Bhd | Malaysia | 100 | 100 | Trading and contracting in electrical engineering products. |
| * Tamco Electrical & Electronics (Singapore) Pte Ltd | Singapore | 100 | 100 | Trading and contracting in electrical engineering products. |
| * Tamco Electrical & Electronics (Hong Kong) Limited | Hong Kong | 100 | 100 | Trading and contracting in electrical engineering products. |
| Tamco (Malaysia) Sdn Berhad | Malaysia | 100 | 100 | Dormant. |
| Tamco Industries Sdn Berhad | Malaysia | 100 | 100 | Dormant. |
| TEE Power & Engineering Sdn Bhd | Malaysia | 100 | 100 | Dormant. |

Notes to the Financial Statements 31 May 2002

27. SUBSIDIARY COMPANIES (continued)

| Name of Company | Country of incorporation | Effective % ownership in | | Principal activities |
|---|--------------------------|--------------------------|--------|--|
| | | 2002 % | 2001 % | |
| Indirect Subsidiary Companies (continued) | | | | |
| * Asia Pacific Insulation Development Corporation | Philippines | – | 100 | Property holding company. |
| * Asia Pacific Insulation Trading Corporation | Philippines | – | 100 | Trading in fibreglass and other related products. |
| ** PT Indomalay Ekatana Roofing Industries | Indonesia | 49 | 49 | Manufacture and marketing of metal roofing tiles. |
| * Universal Motor Kontrol Pty Limited | Australia | 100 | 100 | Design and manufacture of low voltage switchgear and electrical motor control centres. |
| * Kontrol Sales Pty Limited | Australia | 100 | 100 | Sales of low voltage switchgear, electrical motor control centres and other related equipment. |
| * PT Kontrol Ragam Indonesia | Indonesia | 80 | 80 | Design, manufacture and sales of low voltage switchgear and electrical motor control centres. |
| * Universal Motor Kontrol Hong Kong Limited | Hong Kong | 100 | 100 | Sales of low voltage switchgear, electrical motor control centres and other related equipment. |
| ** Tamco Shanghai Switchgear Company Limited | China | 100 | 100 | Manufacture and marketing of switchgear and related products. |
| Tamco Gulf Enterprises Sdn Berhad | Malaysia | 100 | 100 | Dormant. |
| * Tamco Static Systems (Far East) Limited | Hong Kong | 100 | 100 | Dormant. |

* The financial statements of these companies are audited by member firms of Ernst & Young Global.

** The financial statements of these companies are not audited by Ernst & Young.

Notes to the Financial Statements 31 May 2002

28. ASSOCIATED COMPANIES

Details of associated companies are as follows:

| Name of Company | Country of incorporation | Effective % ownership in | | Principal activities |
|--|--------------------------|--------------------------|--------|---|
| | | 2002 % | 2001 % | |
| Hikmat Ikhlas Sdn Bhd | Malaysia | 49 | 49 | Trading and contracting in electrical engineering products. |
| Suistulin Sdn Bhd | Malaysia | 50 | 30 | Trading and marketing of switchgear and related products. |
| Tamco Chongqing Switchgear Company Limited | China | 37.5 | 37.5 | Manufacturing and sale of switchgear and related products. |
| Sinaran Takhta - Tamco Sdn Bhd | Malaysia | 30 | 30 | Sales of switchgear and related products. |
| Etah Shanghai Electric Co. Ltd | China | 20 | 20 | Manufacture and sale of transformers and related products |

29. SEGMENT INFORMATION

Financial information by industry and geographical segments is as follows:

| | Sales | | Profit/(Loss) before taxation | | Total assets | |
|--------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|------------------|------------------|
| | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 1.6.2001 to 31.5.2002 RM'000 | 1.1.2000 to 31.5.2001 RM'000 | 31.5.2002 RM'000 | 31.5.2001 RM'000 |
| a) Industry segment | | | | | | |
| Polymer | 98,343 | 156,906 | 11,404 | 18,988 | 119,007 | 149,572 |
| Engineering | 242,525 | 336,225 | (16,652) | 20,684 | 320,046 | 333,647 |
| Building products | 25,005 | 56,782 | (48,026) | (39,308) | 16,455 | 59,918 |
| Packaging | — | 29,482 | — | (66,201) | — | — |
| | 365,873 | 579,395 | (53,274) | (65,837) | 455,508 | 543,137 |
| b) Geographical segment | | | | | | |
| Malaysia | 227,157 | 383,834 | 29,001 | (16,171) | 304,740 | 335,304 |
| Singapore | 22,062 | 34,691 | 728 | 839 | 19,472 | 20,407 |
| Philippines | 11,775 | 35,799 | (48,518) | (40,612) | — | 41,833 |
| China | 36,849 | 27,907 | (2,604) | (10,106) | 64,043 | 61,503 |
| Hong Kong | 24,126 | 45,225 | 700 | 2,483 | 13,863 | 18,889 |
| Indonesia | 15,113 | 18,772 | (3,833) | 326 | 15,594 | 15,294 |
| Australia | 28,791 | 33,167 | (28,748) | (2,596) | 37,796 | 49,907 |
| | 365,873 | 579,395 | (53,274) | (65,837) | 455,508 | 543,137 |

Notes to the Financial Statements 31 May 2002

29. SEGMENT INFORMATION (continued)

| | |
|-------------------|---|
| Polymer | – manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting, and other plastic products, including geotextiles and prefabricated sub-soil drainage systems, and rotomoulded plastic products. |
| Engineering | – design, manufacture, supply, installation, commissioning and maintenance of equipment and systems for power distribution and motor control centres; trading and contracting in electrical engineering products. |
| Building products | – manufacture and marketing of roofing products and glasswool insulation products. |
| Packaging | – manufacture and marketing of glass containers. |

30. COMPARATIVE FIGURES

The following comparative figures of the financial statements have been restated to conform with current year's presentation:

| | Group | |
|-------------------------------------|-------------------------------------|--------------------------|
| | As previously reported RM'000 | As restated RM'000 |
| Cash Flow Statement | | |
| Translation Adjustment | (3,059) | (3,247) |
| Effect of exchange rate differences | – | 188 |

List of Properties 31 May 2002

| Location / Address | Title | Age of Building (Years) | Land Area (sq. m.) | Built-up Area (sq. m.) | Existing Use | Tenure | Net Book Value as at 31.5.02 (RM'000) |
|--|-------------------------------|-------------------------|--------------------|------------------------|--|--|---------------------------------------|
| a) Proprietor: | | | | | | | |
| Nylex (Malaysia) Berhad | | | | | | | |
| Persiaran Selangor Section 15 Shah Alam Industrial Estate 40200 Shah Alam Selangor Darul Ehsan Malaysia | QT (R) 32 | 31 | 29,340 | 15,679 | Office building and factory. | Leasehold, expiring 19 July 2070. | 18,321 |
| | HS (D) 209 | 22 | 12,140 | | Warehouse, factory and vacant land. | Leasehold, expiring on 10 February 2075. | |
| b) Proprietor: | | | | | | | |
| Tamco Corporate Holdings Sdn Berhad | | | | | | | |
| Lot 2A, Jalan 13/2 46200 Petaling Jaya Selangor Darul Ehsan Malaysia | HS (D) 7524 | 17-27 | 13,144 | 8,359 | Office building, factory and warehouse. | Leasehold, expiring on 20 July 2058. | 9,956 |
| Lot 24, Mukim Kapar Daerah Klang Selangor Darul Ehsan Malaysia | HM 30892 | 10 | 27,519 | 10,736 | Factory and office. | Freehold. | 14,559 |
| c) Proprietor: | | | | | | | |
| Malaysian Roofing Industries Sdn Bhd | | | | | | | |
| Lot 12 Nilai Industrial Estate 71800 Nilai Negeri Sembilan Darul Khusus Malaysia | HS (D) 33792 | 18 | 21,721 | 1,254 | Factory and office building. | Leasehold, expiring on 18 June 2044. | 2,505 |
| d) Proprietor: | | | | | | | |
| Asia Pacific Insulation Development Corporation | | | | | | | |
| Barrio Real, Calamba Laguna, Philippines (Lot 1509 F-1) | TCT No. 293777 | 27 | 31,220 | 14,979 | Office building, factory and vacant lot. | Leasehold, expiring in December 2016. | #Nil |
| (Lot 1509 F-2) | TCT No. 293778 | 13 | 10,126 | 3,010 | Factory, warehouse and vacant lot. | Leasehold, expiring in December 2016. | #Nil |
| (Lot 1509 F-5 and C-2) | TCT No. 293780 / 293779 | | 413 | | Right of way. | Leasehold, expiring in December 2016. | #Nil |

List of Properties 31 May 2002

| Location / Address | Title | Age of Building (Years) | Land Area (sq. m.) | Built-up Area (sq. m.) | Existing Use | Tenure | Net Book Value as at 31.5.02 (RM'000) |
|--|-------------|-------------------------|--------------------|------------------------|------------------------------|--|---------------------------------------|
| e) Proprietor: Universal Motor Kontrol Pty Limited | | | | | | | |
| 31, Kitchen Road | V9922 / 509 | 8 | 4,000 | 4,655 | Factory and office building. | Freehold. | 4,329 |
| Dandenong 3175 | V9922 / 510 | 17 | 4,000 | | | | (A\$ 2,044,116) |
| Victoria, Melbourne Australia | | | | | | | |
| f) Proprietor: Tamco Shanghai Switchgear Company Ltd | | | | | | | |
| You Ai Village | 1997-000180 | 9 | 12,498 | 1,816 | Factory and office building. | Leasehold, expiring on 2 October 2045. | 8,296 |
| Tangwan Town | | | | | | | (RMB18,220,438) |
| Minhang District Shanghai, China | | | | | | | |
| No. 379 | 1997-000181 | 9 | 20,935 | 9,024 | Factory and office building. | Leasehold, expiring on 2 October 2045. | |
| Jianchuan Road | | | | | | | |
| Tangwan Town | | | | | | | |
| Minhang District Shanghai, China | | | | | | | |
| g) Proprietor: Zonson Sports (Malaysia) Sdn Bhd | | | | | | | |
| Lot 13260 | HS(D) 27690 | 13 | 11,951 | 3,575 | Factory and office building. | Freehold. | 3,930 |
| Jln Hj. Abd. Manan | | | | | | | |
| Mukim Kapar | | | | | | | |
| 42200 Klang | | | | | | | |
| Selangor Darul Ehsan Malaysia | | | | | | | |

The above buildings are in good conditions.

During the year, the Company disposed of its investment in Asia Pacific Insulation Development Corporation.

Analysis of Shareholdings as at 9 September 2002

(Pursuant to Paragraph 9.25 (2) of the KLSE Listing Requirements, the information set out below is made up to a date not earlier than 6 weeks from the date of Notice of the 32nd Annual General Meeting of Nylex)

Share Capital

| | |
|----------------------------------|----------------------------------|
| Authorised Share Capital | : RM300,000,000 |
| Issued and fully paid-up capital | : RM224,487,720 |
| Class of shares | : Ordinary shares of RM1.00 each |
| Voting Rights | : 1 Vote per Share |
| No. of holders | : 9,988 |

Distribution Schedule

| Category | No. of Holders | Total Holdings | % |
|--|----------------|--------------------|---------------|
| Less than 1,000 | 88 | 35,676 | 0.02 |
| 1,000 to 10,000 | 8,847 | 27,353,613 | 12.18 |
| 10,001 to 100,000 | 960 | 27,428,643 | 12.22 |
| 100,001 to less than 5% of issued shares | 91 | 35,501,316 | 15.81 |
| 5% and above of issued shares | 2 | 134,168,472 | 59.77 |
| Total | 9,988 | 224,487,720 | 100.00 |

Substantial Shareholders

As Per The Register Of Substantial Shareholders

| Name of Shareholders | Direct | | Indirect | |
|---|---------------|-------|---------------|-------|
| | No. of Shares | % | No. of Shares | % |
| 1. Rhodemark Development Sdn Bhd * | 116,587,972 | 51.94 | – | – |
| 2. Ancom Berhad** | – | – | 116,587,972 | 51.94 |
| 3. Eminent East Limited** | – | – | 116,587,972 | 51.94 |
| 4. Y.Bhg Dato' Siew Nim Chee ^ | – | – | 116,587,972 | 51.94 |
| 5. Y.Bhg Dato' Siew Ka Wei ^ | – | – | 116,587,972 | 51.94 |
| 6. Asian Corporate Finance Fund, L.P. # | – | – | 116,587,972 | 51.94 |
| 7. Prime Enterprise II, L.P. # | – | – | 116,587,972 | 51.94 |
| 8. Employees Provident Fund Board | 17,582,000 | 7.83 | 1,732,000 | 0.77 |

Note:

* Rhodemark Development Sdn Bhd pledged 116,586,472 Ordinary Shares of RM1.00 each of Nylex (Malaysia) Berhad to UOBM Nominees (Tempatan) Sdn Bhd

** Deemed interest by virtue of its direct interest in Rhodemark Development Sdn Bhd.

^ Deemed interest by virtue of his direct and indirect interest in Ancom Berhad.

Deemed interest by virtue of its direct interest in Eminent East Limited.

Analysis of Shareholdings as at 9 September 2002

Directors' Shareholdings

As Per The Register Of Directors' Shareholdings

| Name of Directors | Direct | | Indirect | |
|--|---------------|------|---------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman | – | – | – | – |
| Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir | – | – | – | – |
| Y.M. Tengku Yusoff bin Tengku Mahmud | – | – | – | – |
| Y. Bhg. Dato' Ahmad Johari bin Abdul Razak | 150,000 | 0.01 | – | – |
| Y. Bhg. Dato' Siew Ka Wei ^ | – | – | 116,587,972 | 51.94 |
| Y. Bhg. Dato' Mohd Ismail bin Che Rus | – | – | – | – |
| Hsieh Fu Hua | – | – | – | – |
| Toh Yiu Joe | – | – | – | – |
| Chua Ah Lak | 38,000 | 0.02 | – | – |
| Chieng Ing Huong @ | – | – | 28,000 | 0.01 |

Note:

^ Deemed interest by virtue of his direct and indirect interest in Ancom Berhad.

@ Shares registered in the name of his spouse.

Analysis of Shareholdings as at 9 September 2002

List of Thirty Largest Shareholders

As Per Record of Depositors

| Name | No. of Shares | % |
|--|--------------------|--------------|
| 1. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rhodemark Development Sdn Bhd | 116,586,472 | 51.94 |
| 2. Employees Provident Fund Board | 17,582,000 | 7.83 |
| 3. PAB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lembaga Tabung Amanah Warisan Negeri Terengganu | 2,000,000 | 0.89 |
| 4. Lembaga Kemajuan Tanah Persekutuan (FELDA) | 1,897,000 | 0.85 |
| 5. Bumiputra Commerce Nominees (Tempatan) Sdn Bhd Qualifier: Bumiputra Commerce Trustee Berhad for Pacific Dana Aman | 1,631,000 | 0.73 |
| 6. Hong Leong Finance Berhad Pledged Securities Account for Cheah Chee Kong | 1,600,000 | 0.71 |
| 7. Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Mayban Trustees Berhad for Public Ittikal Fund | 1,454,000 | 0.65 |
| 8. Cartaban Nominees (Asing) Sdn Bhd Qualifier: Bank of Tokyo Mitsubishi Luxembourg S.A. for Osterreich Ische Volksbanken AG | 1,276,000 | 0.57 |
| 9. Permodalan Nasional Behad | 1,184,000 | 0.53 |
| 10. Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Great Eastern Life Assurance (Malaysia) Berhad | 1,172,000 | 0.52 |
| 11. Amanah Raya Nominees (Tempatan) Sdn Bhd Qualifier: Sekim Amanah Saham Nasional | 1,076,000 | 0.48 |
| 12. John Hancock Life Insurance (Malaysia) Berhad | 1,020,000 | 0.45 |
| 13. Rothputra Nominees (Tempatan) Sdn Bhd Qualifier: Employees Provident Fund | 878,000 | 0.39 |
| 14. AMMB Nominees (Tempatan) Sdn Bhd Qualifier: MIDF Aberdeen Asset Management Sdn Bhd for Employees Provident Fund | 854,000 | 0.38 |
| 15. Tan Han Chuan | 773,000 | 0.34 |
| 16. Chong Teck Eng | 755,000 | 0.34 |
| 17. Chan Wan Moi | 732,000 | 0.33 |
| 18. Citicorp Nominees (Asing) Sdn Bhd Qualifier: MLPFS for Chia Boon Chye | 702,000 | 0.31 |
| 19. Universal Trustee (Malaysia) Berhad Qualifier: Mayban Unit Trust Fund | 635,000 | 0.28 |
| 20. HSBC Nominees (Asing) Sdn Bhd Qualifier: BNY Brussels for Merchant Investors Assurance Co. Ltd (Far East) | 550,000 | 0.25 |
| 21. HDM Nominees (Asing) Sdn Bhd Qualifier: Philip Securities Pte Ltd For Mohamed Bin Abdullah Alhabshee | 500,000 | 0.22 |
| 22. Johan Enterprise Sdn Bhd | 480,000 | 0.21 |
| 23. Lembaga Tabung Haji | 464,000 | 0.21 |
| 24. AMMB Nominees (Tempatan) Sdn Bhd Qualifier: MIDF Aberdeen Asset Management Sdn Bhd for Pertubuhan Keselamatan Sosial (7/838-9) | 445,000 | 0.20 |
| 25. Cartaban Nominees (Asing) Sdn Bhd Qualifier: SSBT Fund SW6A for California Public Employees Retirement System | 434,000 | 0.19 |
| 26. Yeoh Kean Hua | 420,000 | 0.19 |
| 27. Pertubuhan Keselamatan Sosial | 400,000 | 0.18 |
| 28. Jamshed Khan Mosharof Khan | 400,000 | 0.18 |
| 29. Woo Hoi Yuen | 360,000 | 0.16 |
| 30. Universal Trustee (Malaysia) Berhad Qualifier: Mayban Balanced Trust Fund | 323,000 | 0.14 |
| Total | 158,583,472 | 70.64 |

Notice of the 32nd Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 32nd Annual General Meeting of the Company will be held at Ballroom 1, LG Level, Eastin Hotel, 13 Jalan 16/11, Pusat Dagangan Seksyen 16, 46350 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 13 November 2002 at 10.00 a.m. to transact the following business:

Agenda

a. Ordinary Business

- | | |
|---|---------------------|
| 1. To receive and adopt the Audited Accounts, Report of the Directors and Report of the Auditors thereon for the year ended 31 May 2002; | Resolution 1 |
| 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; | Resolution 2 |
| 3. To re-elect the following Directors who retire under Article 109 of the Company's Articles of Association: | |
| i) Y. Bhg. Dato' Ahmad Johari bin Abdul Razak | Resolution 3 |
| ii) Y. Bhg. Dato' Mohd Ismail bin Che Rus | Resolution 4 |
| iii) Mr. Hsieh Fu Hua | Resolution 5 |
| 4. To re-elect Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir, a Director who retires under Article 93 of the Company's Articles of Association; | Resolution 6 |
| 5. To approve Directors' fees amounting to RM182,487 for the year ended 31 May 2002; | Resolution 7 |
| 6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration; | Resolution 8 |

b. Special Business

- | | |
|--|---------------------|
| 7. As Special Business, to consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution: | |
| <p>"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to allot and issues shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year 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 and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting."</p> | Resolution 9 |

c. Other Ordinary Business

- | | |
|---|----------------------|
| 8. 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. | Resolution 10 |
|---|----------------------|

By Order of the Board,

Choo Se Eng

Company Secretary

Shah Alam, Selangor Darul Ehsan
18 October 2002

Notice of the 32nd Annual General Meeting (continued)

Notes:

1. Proxy

- a. 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.
- b. 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.
- c. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- d. 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 (48) hours before the time set for holding the meeting.

2. Explanatory Notes to item 7 (Resolution 9) of the Agenda:

The Ordinary Resolution proposed under Resolution 9, 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.

STATEMENT ACCOMPANYING NOTICE OF THE ANNUAL GENERAL MEETING

1. Venue, Date & Time of the 32nd Annual General Meeting

The 32nd Annual General Meeting will be held at the following venue, date and time:

Venue: Ballroom 1, LG Level, Eastin Hotel,
13 Jalan 16/11, Pusat Dagangan Seksyen 16,
46350 Petaling Jaya, Selangor Darul Ehsan

Date : 13 November 2002

Time: 10.00 a.m.

2. Directors Standing For Re-election

Directors who are standing for re-election at this Annual General Meeting:

- a. Pursuant to Section 129(2) of the Companies Act, 1965:
Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman
- b. Pursuant to Article 109 of the Company's Articles of Association:
 - i) Y. Bhg. Dato' Ahmad Johari bin Abdul Razak
 - ii) Y. Bhg. Dato' Mohd Ismail bin Che Rus
 - iii) Mr. Hsieh Fu Hua
- c. Pursuant to Article 93 of the Company's Articles of Association:
Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir

3. Attendance of Directors at Board Meetings

The attendance record at Board Meetings and other details required as per Appendix 8A of the KLSE Listing Requirements of the abovenamed Directors can be found in the Profile of Board of Directors in this Annual Report.

Proxy Form

I/We, _____
(Full Name in Block Letters)

of _____
(Full Address)

a member/members of Nylex (Malaysia) Berhad, hereby appoint _____
(Full Name in Block Letters)

of _____
(Full Address)

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to vote on my/our behalf at the 32nd Annual General Meeting of the Company to be held at Ballroom 1, LG Level, Eastin Hotel, 13 Jalan 16/11, Pusat Danganan Seksyen 16, 46350 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 13 November 2002 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:

| Resolution | Description of Resolutions | For | Against |
|------------|---|-----|---------|
| 1 | Receive and adopt the Audited Accounts, Report of the Directors and Report of the Auditors thereon. | | |
| 2 | Re-election of Y.A.B.M. Raja Tun Mohar bin Raja Badiozaman as Director. | | |
| 3 | Re-election of the following Directors: i) Y.Bhg Dato' Ahmad Johari bin Abdul Razak ii) Y.Bhg Dato' Mohd Ismail bin Che Rus iii) Mr Hsieh Fu Hua | | |
| 4 | | | |
| 5 | | | |
| 6 | Re-election of Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir as Director. | | |
| 7 | Approval of Directors' fees. | | |
| 8 | Re-appointment of Messrs Ernst & Young as Auditors. | | |
| 9 | Issue of shares pursuant to Section 132D of the Companies Act, 1965. | | |

Please indicate with an " X " in the appropriate box against the resolution how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this _____ day of _____ 2002

Signature of Shareholder(s) or Common Seal

| | |
|--------------------|--|
| No. of shares held | |
|--------------------|--|

Tel. No: _____
(During office hours)

- Notes:**
- a. 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.
 - b. 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.
 - c. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
 - d. 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 (48) hours before the time set for holding the meeting.

Please fold here to seal

Affix
postage
stamp

The Company Secretary
NYLEX (MALAYSIA) BERHAD
Persiaran Selangor
Shah Alam Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan

Please fold here to seal

Please fold here to seal

