



POLYMER

Operating Units:

Nylex (Malaysia) Berhad

Nycon Manufacturing Sdn Bhd

Wallcovering supplied to the Palace of Justice in Putrajaya.



Polymer Division

During the year under review, the Polymer Division retained its position as the largest Malaysian manufacturer of high quality PVC films, sheets and coated fabrics, geosynthetic and rotomoulded products.

In spite of the difficult market conditions and geopolitical uncertainties, the Polymer Division beat the odds to turn in stronger sales for the year.

The Division registered a 19.4% surge in revenue from RM98.3 million last year to RM117.5 million this year. This commendable result was partly attributed to the successful penetration of films and coated fabrics (FCF) into regions such as Indonesia, the Middle East and other new markets. The increased FCF exports were due to significant enhancements in our distribution network coupled with the ability to satisfy customer needs in our product development. Another major factor contributing to increased revenue this year was the improved sales of engineered polymer (EP) products, largely due to a buoyant domestic infrastructure sector. Noteworthy projects were those in land reclamation, such as the Port of Tanjung Pelepas and Tanjung Bin Power Plant.

The Polymer Division reported a profit before tax of RM11.3 million for the financial year, a slight increase over 2002's profit before tax of RM11.2 million. The profit would have been higher at RM15.4 million if not for the operating loss before tax of RM3.1 million incurred by Zonson Sports (Malaysia) Sdn Bhd (ZSM) – a subsidiary engaged in the manufacture and marketing of quality golf bags, and a RM1.0 million adjustment made for the impairment of assets in ZSM in accordance with Malaysian Accounting Standards Board standard (MASB) 23 – Impairment of Assets. A decision to cease operations in ZSM was taken during the year, in light of the weak prospects going forward due to intense price competition within the industry.

During the year under review, the Polymer Division retained its position as the largest Malaysian manufacturer of high quality polyvinyl chloride ("PVC") films, sheets and coated fabrics; geosynthetic; and rotomoulded products. The Division achieved several milestones during the year, which were as follows:

1 Sony's Green Partner Award

Since 2000, Nylex has been a partner of Sony's Green Environment Plan. In line with Sony's objective to be environmentally friendly, our audio laminates for Sony speaker boxes are meticulously manufactured and inspected to ensure that they are Cadmium-free. In June 2003, we were accorded the prestigious "Green Partner" status by Sony. We have also taken the initiative to develop non-PVC laminates in preparation for Sony's worldwide implementation by early 2004.

2 Petronas University, Perak

Nylex won the tender to supply Specialty PVC leathercloth for chairs in the laboratories and lecture halls of the new Petronas University, located in Perak. Our product was superior to our competitors' due to its many qualities meeting stringent fire-retardant and abrasion-resistant standards of the USA and UK.

3 Putrajaya, Kuala Lumpur

Following our success in Parcels C & D and Wisma Putra projects in Putrajaya last year, we were awarded the job of installing our special effect vinyl wallcovering for the Palace of Justice building, which is considered the most prestigious project in Putrajaya.

4 Developing Unique Products

After investing almost two years of R&D, we succeeded in developing a special effect stationery sheeting that has unique aesthetics and qualities that meet cold-crack properties suitable for temperate climates. As a result, we won a large contract from a renowned US diary producer.

5 Internet Marketing-for Promotion (IM-Pro)

Nylex is one of the few companies in Malaysia to capitalise on this new software for direct e-marketing to target customers. It is highly effective compared to conventional direct mailing and advertisements.

6 New Investment and Upgrading of Plant and Facilities

Nylex invested in a modern European surface finishing machine (which is normally used in the genuine leather industry), to produce special aesthetic effects such as tip and valley printing for furniture upholstery products. This again reinforces our market leadership position in product innovation. We have also installed three new Megawick lines and a new extruder, which will triple the production capacity of our drainage products to 150 million metres a year, enabling us to be the largest producer of prefabricated verticle drains ("PVD") in the world. With this new installed capacity, we are well-positioned to undertake mega projects in Malaysia and within the region.

7 Continuous Improvement through 'Kaizen'

With the implementation of 'kaizen' work methodology, which essentially means continuous improvement, we have seen a significant improvement in our operating efficiency and overall productivity. By continually seeking opportunities to reduce costs to preserve margins, we have managed to reduce our inventory holding costs and shorten production lead time by 30% since its implementation.

8 Commitment to Quality

Our pursuit of continuous improvement in our work processes has consistently been an integral part of our work ethics. The carefully crafted Nylex Quality Principles drive our commitment to supply safe and high quality products. We have successfully upgraded from ISO 9001:1994 Quality Management System to ISO 9001:2000.

In essence, the Polymer Division managed to record a number of major achievements this year despite unfavourable circumstances. The Iraq war and outbreak of Severe Acute Respiratory Syndrome (SARS) dampened an already weak market environment, and spurred the shift in demand away from high-end furniture products towards low and mid-priced ones. Cheap imports from Thailand, Indonesia and Vietnam posed serious price competition and volatile raw material prices such as PVC suspension resins and plasticizers placed pressure on our profit margins.

With enhanced efficiency and quality control, as well as the reduction of waste and scrap following the implementation of 'kaizen', we managed to overcome these difficulties to better our performance for the year.

Looking into the future, we are cautiously optimistic. The expected recovery in the global economy while gradual, should bring brighter prospects for the export markets. The Malaysian government's continued investment in infrastructural development will provide opportunities for sales of our PVD products.

Our long-term strategy for the growth of our business continues to be the increase of exports. We aim to intensify penetration of FCF exports in our existing 30 markets, and expand into new markets. We will also continue to develop products to meet the ever-changing needs of our customers. Our market niche in PVD has been reinforced with the increase in additional capacity while we will further add value and consolidate our rotomoulding business through customisation of products, including intermediate bulk containers (IBC), playground equipment, stackable pallet bins, road barriers and marina floats.

While it has been another challenging year, we have demonstrated that we are able to triumph in adversity by constantly delivering valued-added, quality products tailored to our customers' needs. We are committed to continuously improve our capabilities, and remain 'partner of choice' to our customers.



Knitting our own backers is a key contributor to our high quality PVC leathercloth.



Reliance on Nylex for the supply of PVD earned Techniques Geosystems a world record for the fastest installation of PVD (Ground improvement works for Tanjung Bin Power Plant project).



Our quest for constant innovation enables us to offer our customers a variety of quality PVC leathercloth designs.



ENGINEERING