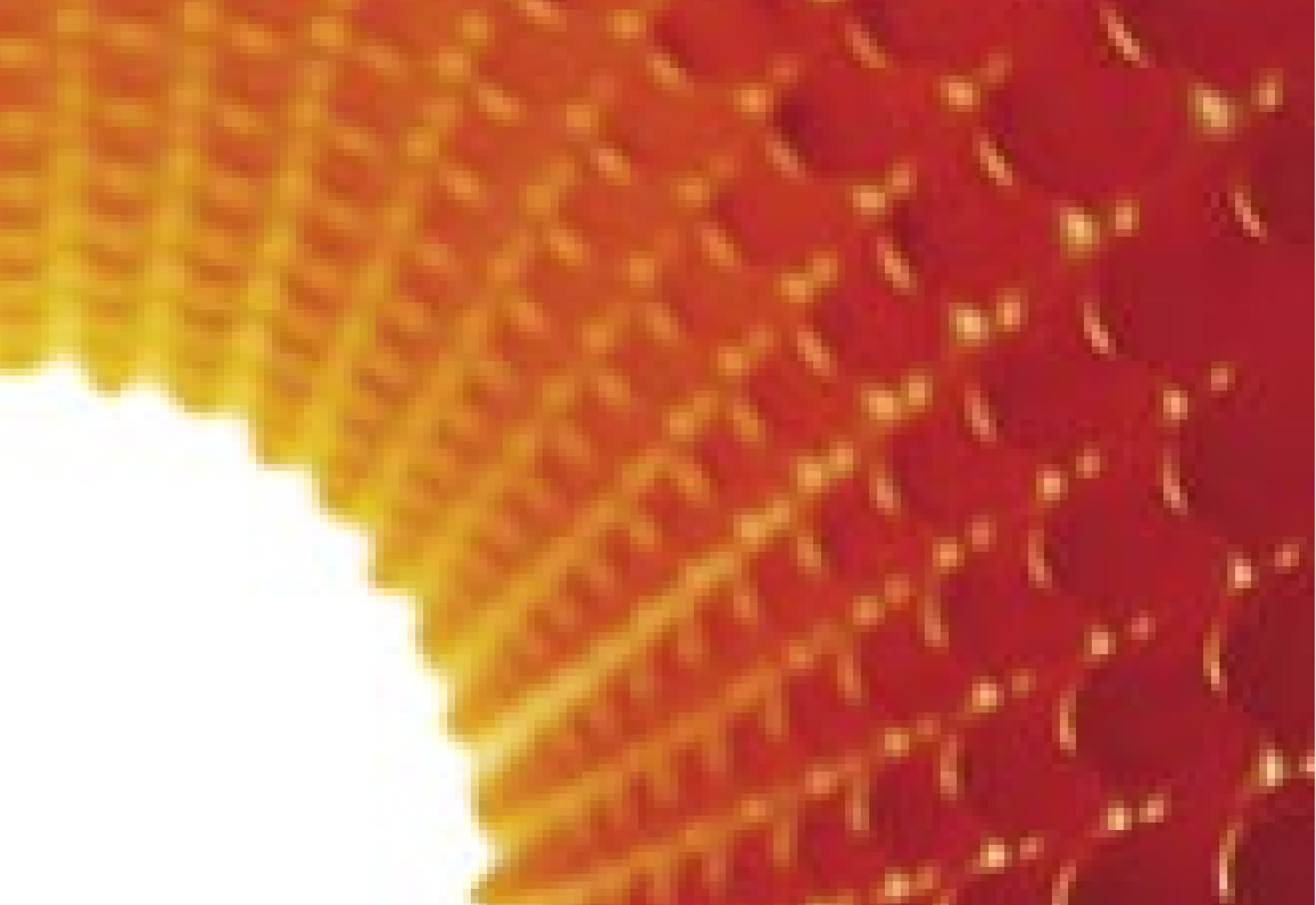
New Horizons

Nylex (Malaysia) Berhad (9378-T)

Annual Report 2004



Inspired

The acquisition of industrial chemical businesses will create an enlarged chemical group with an annual turnover of RM500 million, with capabilities in both manufacturing and distribution. Nylex will gain new inspiration with an extended product range and customer base. Cost savings through significant synergies and economies of scale can be expected, arising from the integration of both units' supply chain management and marketing capabilities.

Chairman's Statement

Looking forward, we are confident that the successful completion of our reorganisation scheme and other proactive changes undertaken will position us better for future growth and improved returns to shareholders.

On an Upward Trend

For the year under review, the consolidated revenue of the Group was RM395.2 million, up 2.3% from RM386.4 million in the previous year. The Group's current year's profit before tax was RM2.0 million, a decline of RM24.1 million compared to RM26.1 million recorded in the previous financial year. However, included in the Group's current year's profit before tax of RM2.0 million was a charge of RM24.4 million being a one-off provision for estimated loss arising from the capital distribution of the Tamco Group, which was successfully listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 6 July 2004. As a result of the above provision, the Group suffered a loss per share of 2.2 sen this financial year compared to the previous year's earnings of 7.5 sen.

Had it not been for the the above provision, the results of the Group for the current year would have been a profit before tax of RM26.5 million and an earnings per share of 8.7 sen representing an increase of RM0.4 million or 1.4% respectively compared to prior year. As a result, net tangible asset per share rose to 80.7 sen, up from 74.3 sen last year.

The Polymer Division managed to maintain their total revenue, achieving RM117.2 million as compared to RM117.5 million in the previous year. The Division reported a profit before tax of RM11.9 million for the financial year, a slight increase over 2003's profit before tax of RM11.3 million.

Revenue from the Engineering Division represented the largest portion of the Group's revenue, with sales reaching RM261.8 million, an increase from RM255.2 million for the previous year. Our manufacturing unit in Malaysia, Tamco Corporate Holdings Berhad, remained the core revenue contributor with external sales of RM145.3 million this year, largely due to the strength of its exports. As a whole, the Engineering Division made a profit before tax of RM21.0 million in the year, a huge improvement from the profit of RM14.6 million a year ago.

Sales for the Building Products Division this year was RM16.3 million. This represented an increase in sales from RM13.7 million in the previous year. The Division recorded an operating loss before tax of RM0.8 million, a slight decline from the RM1.4 million in profits recorded in the previous year.

New Horizons

On 6 July 2004, the Group successfully completed the corporate reorganisation scheme which resulted in the de-merger and spin-off of the Tamco Group as an independent strategic business unit from Nylex, and the acquisition of the Industrial Chemical Division from our ultimate holding company, Ancom Berhad.

The de-merger and listing of the Tamco Group would allow it to independently chart its own growth strategy in developing specialist capabilities in the switchgear and power technology industries with an annual turnover in excess of RM250 million.

With the completion of the de-merger, Nylex will be able to focus its resources on its core polymer business, which will be strengthened by the acquisition of Ancom's Industrial Chemical Division. The operations of this division are engaged in the manufacture, trading and distribution of bulk and specialty chemicals and solvents. The acquisition of this Division will create an enlarged chemical group with an annual turnover of RM500 million, with capabilities in both manufacturing and distribution. With an extended product range and customer base, significant synergies and economies of scale can be expected, arising from the integration of supply chain management and marketing activities.

Further details of these transactions are mentioned in Note 31 to the financial statements.

In conjunction with the de-merger and listing proposals, the debt profile of the Group was streamlined and restructured through the successful issuance of a RM80.0 million long-term fixed rate Bai' Bithaman Ajil Serial Bond by Tamco Corporate Holdings Berhad. The bonds were rated A1 by Rating Agency Malaysia Berhad and were fully placed out to Alliance Merchant Bank Berhad and Citibank Berhad. Part of the bond proceeds was used to refinance the short-term borrowings of the Nylex Group. As a result, the Group managed to reduce its dependence on short-term borrowings from 93.7% of total debt (based on the Group's total bank borrowings as at 31 May 2003) to approximately 55.0% as at 31 May 2004.

Empowering Our People

We remain committed to empowering our people and developing entrepreneurial, result-oriented leaders as part of our ongoing leadership training programme and secondline executive mentoring programme. Our objective is to groom a core group of leaders who are passionately committed to the Group. To compete in today's fast-paced changing business environment, our leaders and managers must be equipped with the essential knowledge, skills and tools required to quickly respond and react.

Prospects For The Future

In the forthcoming financial year, high oil prices are expected to continue to affect prospects for the Polymer Division but this is expected to be offset by higher sales by the Industrial Chemical Division. On the global front, overall business sentiment may remain guarded in the light of continued threats to global peace. Notwithstanding these challenges, management has taken steps to reinforce its market leadership position and diversify into new markets.

On 27 January 2004, the Polymer Division made its first overseas investment and entered into a joint venture agreement with PT Catur Sehati to set up PT Nylex Indonesia, with the objective of manufacturing and marketing PVC leathercloth to capture market opportunities in Indonesia. The plant is expected to be ready by late 2004 and should contribute positively to the earnings of the Division by next financial year. This investment will further enhance Nylex's position as a significant regional player.

In Gratitude
In a year which saw a weak global business sentiment following the Iraq war and Severe Acute Respiratory Syndrome (SARS), we are proud to have maintained our market leadership by providing customised solutions and value-added products and services to our customers.

Looking forward, we are confident that the successful completion of our reorganisation scheme and other proactive changes undertaken will position us better for future growth and improved returns to shareholders.

Our success would not be possible without the loyalty and faith of our board, management and employees in the future of Nylex. On behalf of the board and management of the Group, I offer my heartfelt thanks to our employees, as well as our shareholders, customers and business partners for their dedication and unwavering support.

Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP
Chairman

18 October 2004

Directors
Datuk Haji Mohamed Al Amin Bin Haji Abdul Majid, JP
(Independent Non-Executive Chairman)

Dato' Johari Razak
(Executive Vice-Chairman)

Dato' Siew Ka Wei
(Group Managing Director)

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

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

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

Teo Ek Tor
(Non-Independent Non-Executive Director)

Toh Yiu Joe
(Executive Director)

Chua Ah Lak
(Executive Director)

Chieng Ing Huong
(Independent Non-Executive Director)

Audit Committee
Dato' Mohd Ismail bin Che Rus (Chairman)
Dato' Siew Ka Wei
Chieng Ing Huong

Nomination & Remuneration Committee
Chieng Ing Huong (Chairman)
Dato' Mohd Ismail bin Che Rus
Teo Ek Tor

Company Secretary
Choo Se Eng

Registered Office
602, 6th Floor, Block A
Phileo Damansara 1
No. 9, Jalan 16/11
46350 Petaling Jaya, Selangor Darul Ehsan
Tel: (603) 7660 0008
Fax: (603) 7660 1151

Principal Place of Business
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

Auditors
Ernst & Young
Chartered Accountants

Stock Exchange Listing
Main Board of the Bursa Malaysia Securities Berhad

Principal Bankers
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad

Solicitors
Shearn Delamore & Co

Domicile
Malaysia

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 Berhad
Lot 2A, Jalan 13/2
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: (603) 7956 2799; Fax: (603) 7955 6009
www.tamco.com.my
Chua Ah Lak (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 Systems (Malaysia) Sdn Bhd
No. 35, Persiaran Industri
Bandar Sri Damansara
52200 Kuala Lumpur, Malaysia
Tel: (603) 6276 8732; Fax: (603) 6272 1137
www.tamco-systems.com
Chong Yen Hong (General Manager)

Tamco Systems (Singapore) Pte Ltd
No. 5, Penjuru Close, 3rd floor
Singapore 608600
Tel: (65) 6862 3777; Fax: (65) 6862 8628
www.tamco-systems.com
Ng Kok Meng (Chief Executive Officer)

Tamco Systems (Hong Kong) Limited
Unit 2, 33rd floor, Cable TV Tower
9 Hoi Shing Road, Tsuen Wan
New Territories, Hong Kong
Tel: (852) 2833 6966; Fax: (852) 2838 0724
www.tamco-systems.com
Ng Kok Meng (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
Kane Zhu (General Manager)

PT Kontrol Ragam Indonesia
Jln. Raya Pasar Serang
No. 15, Kandang Roda
Cikarang Bekasi, 17330 Indonesia
Tel: (6221) 897 0540; Fax: (6221) 897 0533
Peter Goh (President Director)

PT Indomalay Ekatana Roofing Industries
Jln. Jend. Gatot Subroto Km 5.2
Kel. Jatiuwung RT 002/05 Kec
Jatiuwung, Kodya Tengerang
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
William Choong (Acting General Manager)

Perusahaan Kimia Gemilang Sdn Bhd
302, Block A, Phileo Damansara 1
No. 9, Jalan 16/11
Off Jalan Damansara, 43650 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7660 0033; Fax: (603) 7660 0133
Kok Kim Loong
(Director/General Manager)

Fermpro Sdn Bhd
Lot 2, Kawasan Perindustrian Chuping
02450 Chuping, Perlis
Tel: (604) 938 2892; Fax: (604) 938 2890
Y.M. Raja Nor Mazli Raja Mohar
(Director/General Manager)

Kumpulan Kesuma Sdn Bhd
Wedon Sdn Bhd
No. 6, Lorong SS13/6A
Subang Jaya Industrial Estate
47500 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 5633 6229; Fax: (603) 5634 9915
Lim Liang Tan (Managing Director)

Corporate Structure Before Reorganisation Scheme

Nylex (Malaysia) Berhad

- Nycon Manufacturing Sdn Bhd 100%
- Zonson Sports (M) Sdn Bhd 80%
- Logislease Sdn Bhd 100%
- PT Nylex Indonesia 65%

- Tamco Corporate Holdings Berhad 100%
- Suistulin Sdn Bhd 50%
- Tamco Systems (Malaysia) Sdn Bhd 100%
  - Hikmat Ikhlas Sdn Bhd 49%
- Tamco (Malaysia) Sdn Bhd 100%
- Tamco Industries Sdn Bhd 100%
- Sinaran Takhta-Tamco Sdn Bhd 30%
- TEE Power & Engineering Sdn Bhd 100%
- Tamco Shanghai Switchgear Company Ltd 100%
  - Etah Shanghai Electrical Co Ltd 20%
- Tamco Chongqing Switchgear Company Ltd 49%
- Tamco Gulf Enterprises Sdn Bhd 100%
- Tamco Systems (Singapore) Pte Ltd 100%
  - Tamco Electrical & Electronics (S) Pte Ltd 100%
  - Tamco Systems (Hong Kong) Ltd 99.9%
    - Tamco Static Systems (Far East) Ltd 100%
- Universal Motor Kontrol Pty Ltd 100%
  - Universal Motor Kontrol Hong Kong Ltd 100%
  - Kontrol Sales Pty Ltd 100%
- PT Kontrol Ragam Indonesia 100%
- Tamco Electrical Industries Australia Pty Ltd 100%

- Malaysian Roofing Industries Sdn Bhd 70%
  - PT Indomalay Ekatana Roofing Industries 70%

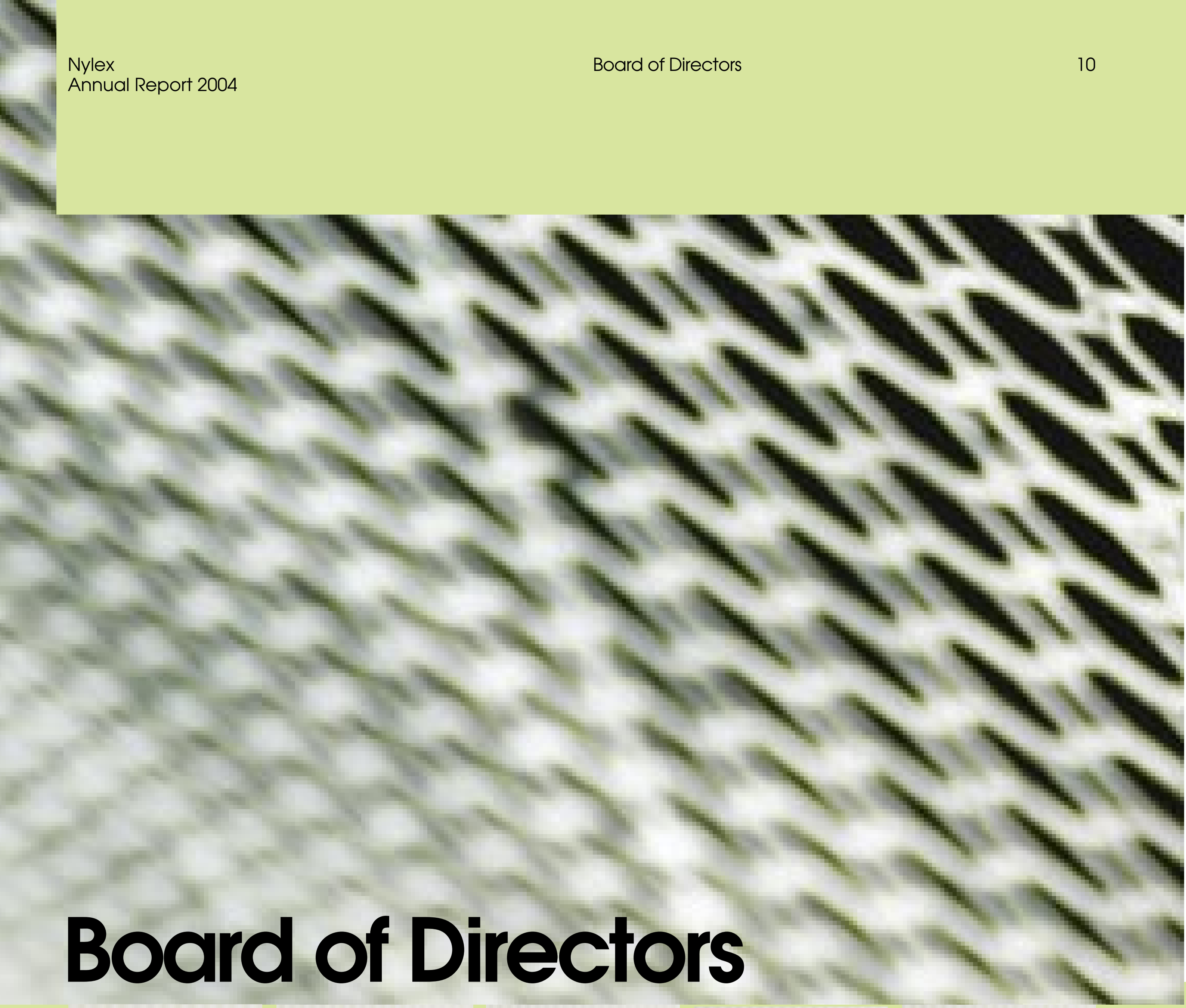
Legend:
- Polymer Division
- Engineering Division
- Industrial Chemical Division
- Building Products Division

Nylex (Malaysia) Berhad

- Nycon Manufacturing Sdn Bhd — 100%
- Zonson Sports (M) Sdn Bhd — 80%
- Logislease Sdn Bhd — 100%
- PT Nylex Indonesia — 65%

- Perusahaan Kimia Gemilang Sdn Bhd — 100%
  - Dynamic Chemical Trading Pte Ltd — 100%
  - Ancom Kimia Sdn Bhd — 30%
- Fermpro Sdn Bhd — 100%
- Kumpulan Kesuma Sdn Bhd — 100%
- Wedon Sdn Bhd — 100%

- Malaysian Roofing Industries Sdn Bhd — 70%
  - PT Indomalay Ekatana Roofing Industries — 70%



Board of Directors

1 Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP
Aged 49, Malaysian, Independent Non-Executive Chairman, appointed on 30 July 2003. He gained his Bachelor of Science Degree (Hons) in Civil Engineering from University of Aston, United Kingdom. He joined Perak State Development Corporation as a project engineer (1979) and was appointed Executive Director of its subsidiary, Maju Bangun Sdn Bhd (1981). He was formerly Chairman of the Asean Chemical Industries Club (1999 to 2001). Currently he is Chairman of Chemical Industries Council of Malaysia and a corporate member of the Institute of Engineers Malaysia. He is the Executive Chairman of Country View Berhad and a director of Ancom Berhad and MCIS Zurich Insurance Berhad. He attended all the Board meetings held during the financial year ended 31 May 2004. He is not related to any director or major shareholder of Nylex. He does not hold any shares in Nylex and its subsidiaries and has no conflict of interest thereof. He has no convictions for offences within the last 10 years other than traffic offences, if any.

2 Dato' Johari Razak
Aged 50, Malaysian, Executive Vice-Chairman, appointed on 29 January 2002; previously appointed Non-Independent Non-Executive Director on 12 October 1999. He gained his Bachelor of Laws (Hons) from University of Kent, United Kingdom. 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 from 1979 and was a partner of the firm from 1991 to 1994. He was the Group Managing Director of Ancom Berhad since 1994. On 30 July 2003, he was redesignated as the Executive Chairman of Ancom Berhad. He is also the Chairman of Courts Mammoth Berhad and Daiman Development Berhad and a director of Daiman Golf Berhad and Hong Leong Industries Berhad. He holds 75,000 shares representing 0.04% directly in the Company. He has attended all the Board meetings held during the financial year ended 31 May 2004. He is not related to any director or major shareholder of Nylex and has no conflict of interest thereof. He has no convictions for offences within the last 10 years other than traffic offences, if any.

3 Dato' Siew Ka Wei
Aged 49, Malaysian, appointed Group Managing Director on 29 January 2002; previously appointed as Non-Independent Non-Executive Director on 12 October 1999. He gained his Bachelor of Science Degree (Hons) in Chemical Engineering and Master of Science degree in Operational Research from Imperial College, London, United Kingdom. He has vast local and international working experience and is well-versed in the field of petrochemicals. Currently, he is the Group Managing Director of Ancom Berhad and Deputy Chairman of Tamco Corporate Holdings Berhad. He is an Audit Committee member of Nylex and a substantial shareholder of Nylex through his interest in Ancom as disclosed in the Directors' Shareholdings in the Annual Report. He attended all Board meetings held during the financial year ended 31 May 2004 and has no conflict of interest thereof. He has no convictions for offences within the last 10 years other than traffic offences, if any.

4 Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir
Aged 56, Malaysian, appointed as Independent Non-Executive Director on 29 August 2002. He gained his LLB (Hons) from University of Wales, Aberystwyth, United Kingdom. He started his working career in an international bank in Malaysia and became a director and shareholder of a company licensed as brokers in interbank foreign exchange and currency deposits market (1973–1986). He was the Chairman and shareholder of a Malaysian joint venture with a worldwide advertising agency (1981–1992), was Chairman and director of a joint venture company involved in manufacturing of building products (1995–1998) and was the Director and shareholder of a company engaged in electrical engineering and construction (1995 to present). He has attended three of the total Board meetings held during the financial year ended 31 May 2004. He 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. He has no convictions for offences within the last 10 years other than traffic offences, if any.

5 Y.M. Tengku Yusoff bin Tengku Mahmud
Aged 46, Malaysian, appointed as Independent Non-Executive Director on 25 July 2001. He holds a Bachelor of Science in Business Studies from University of Toledo, USA and an MBA from University of New Hampshire, USA. He is a senior lecturer in the Faculty of Business Administration at MARA University of Technology, Terengganu Branch, where he is now Deputy Director of Student Affairs. Attended all Board meetings held during the financial year ended 31 May 2004. He 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. He has no convictions for offences within the last 10 years other than traffic offences, if any.

6 Dato' Mohd Ismail bin Che Rus

Aged 61, Malaysian, appointed as Independent Non-Executive Director on 12 October 1999. He studied Training Management at Royal Institute of Public Administration, London, United Kingdom and, as a postgraduate, Senior Management at the University of Manchester, United Kingdom. He started his career with Royal Malaysian Police as Inspector (1962). He was promoted to numerous positions before his appointment as the Chief Police Officer for three states in Malaysia, including the Metropolitan Police of Kuala Lumpur. Held the rank of Commissioner of Police with the appointment as the Director of Criminal Investigation Department prior to his retirement. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. Currently, he is a director of Ancom Berhad, Kop Mantap Berhad and Selangor Dredging Berhad. He has attended all Board meetings held during the financial year ended 31 May 2004. He is 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. He has no convictions for offences within the last 10 years other than traffic offences, if any.

7 Toh Yiu Joe

Aged 47, Australian, appointed as Executive Director on 9 August 2002. He was previously appointed Non-Independent Non-Executive Director on 12 October 1999. Graduated from University of Western Australia and is a member of the Institute of Chartered Accountants in Australia. He has extensive experience in private equity investments and corporate finance, having worked in Morgan Grenfell (Asia) Ltd and PrimePartners Asset Management Pte Ltd. Currently, he is a Partner and Director of PrimePartners Asset Management Pte Ltd. Attended all the Board meetings held during the financial year ended 31 May 2004. He is a director of Tamco Corporate Holdings Berhad and does not own 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. He has no convictions for offences within the last 10 years other than traffic offences, if any.

8 Chua Ah Lak

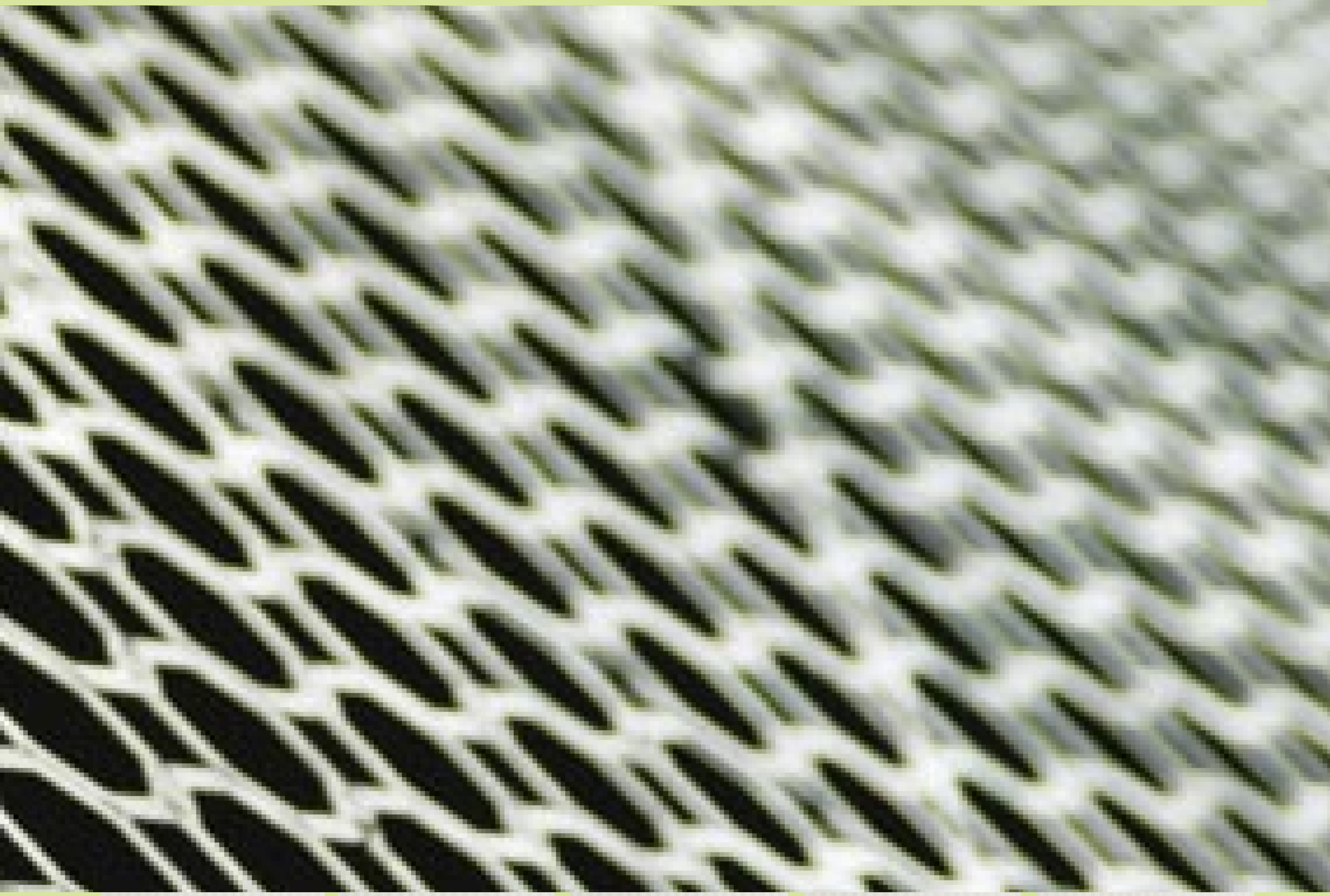
Aged 56, Malaysian, appointed as Executive Director on 8 March 1994. He holds a degree in Chemical Engineering (Hons) from Adelaide University, Australia and MBA from University of Malaya, Malaysia. Joined Nylex as a Production Cadet upon graduation in 1972, and in 1994 was promoted to Chief Executive of the Polymer Division. Currently, he is the Managing Director of Tamco Corporate Holdings Berhad. Attended all Board meetings held during the financial year ended 31 May 2004. He holds 60,000 shares representing 0.03% directly in the Company. He 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. He has no convictions for offences within the last 10 years other than traffic offences, if any.

9 Teo Ek Tor

Aged 51, Singaporean, appointed as Non-Independent Non-Executive Director on 21 February 2003. He holds a degree in Business Administration (Hons) from University of Western Ontario. He has over 20 years of experience in investment banking in Asia. He was until 1999 the Regional Managing Director of BNP Prime Peregrine Group responsible for South East Asia. Also, he has contributed to and been instrumental in building up of 2 major regional investment banking groups, Morgan Grenfell Asia (1980 to 1993) and BNP Prime Peregrine (1994 to 1999). Currently, he is the Managing Partner of PrimePartners Asset Management Pte Ltd. He attended all Board meetings held during the financial year ended 31 May 2004. He is a member of the Nomination and Remuneration Committee. He holds no other directorships in Malaysian public companies, does not own 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. He has no convictions for offences within the last 10 years other than traffic offences, if any.

10 Chieng Ing Huong

Aged 47, Malaysian, appointed as Independent Non-Executive Director on 20 June 2001. He, a Chartered Accountant by profession, is a member of the Institute of Chartered Accountants in Australia and the Malaysian Institute of Accountants. He has had extensive senior management working experience both in Malaysia and Australia. He is the founder, a director and substantial shareholder of Nationwide Express Courier Services Berhad. Since March 1999, he is the Senior Vice-President, Business Development of Hwang-DBS Securities Berhad which is involved in stockbroking, corporate finance and equity research. Aside from being the Managing Director of his private group of companies, he is also the Chairman of Selangor Dredging Berhad and a director of Ancom Berhad, QL Resources Berhad, Esthetics International Group Berhad (formerly known as Esthetics International Berhad) and Asia Poly Holdings Berhad. Indirectly holds 14,000 shares representing 0.01% in Nylex through his spouse. He has attended all the Board meetings held during the financial year ended 31 May 2004. He is a member of the Audit Committee and Chairman of the Nomination and Remuneration Committee. He has no family relationship with any Nylex director or major shareholder, nor has he any conflict of interest with Nylex. He has no convictions for offences within the last 10 years other than traffic offences, if any.




6
7
8
9
10

The Senior Management play a critical role in ensuring the Group's success. Together with the Board, they plan, oversee and monitor the day-to-day running of the Group's activities, with a firm focus on implementing the strategies laid out to achieve the overall plan of the Group.

The exercise to re-shape our Senior Management resulted in a strong and resilient leadership team, ready to meet the challenges of a rapidly-changing business environment and high customer expectations.

Besides implementing the Group's corporate strategies, the Senior Management holds the responsibility of ensuring that the Group has an effective system of corporate governance.

Each of the Senior Management individuals bring to the team a sound experience base and core of knowledge in their field. Together, they form a synergistic and dynamic team, working towards a shared vision of developing the Group as a competitive and formidable market leader.

Senior Management

To compete in today's fast-paced changing business environment, our leaders and managers must be equipped with the essential knowledge, skills and tools required to quickly respond and react.

1 Lee Vin Wah
General Manager of Sales
Engineering Division

2 Jonathan Bong
Chief Financial Officer

3 Alex Tan
Senior Manager, Exports
Polymer Division

4 Eric Chan
General Manager of International Operations
Engineering Division

5 Ng Kok Meng
Chief Executive Officer
Tamco Systems Division

6 Guoh Siang Lim
Acting General Manager
Malaysian Roofing Industries Sdn Bhd

7 Low Hong Keng
General Manager
Polymer Division

For the financial year under review, the Polymer Division achieved a turnover of RM117.2 million compared to RM117.5 million last year. This was achieved under difficult market conditions, which were attributable to factors such as the Iraq conflict, Severe Acute Respiratory Syndrome ("SARS") and high raw material prices.

The Division's sales were uplifted by our continued increase in exports of films and coated fabrics ("FCF") into Indonesia, and other new markets; and improvements in our distribution network and the ability to better satisfy customer requirements in our product development process. Another significant factor was the delivery of engineered polymer ("EP") products to large land reclamation projects at Tanjung Pelepas and Tanjung Bin, and other road infrastructure projects.

However, the weak market sentiments following the aftermath of the Iraq war and SARS during the early part of the financial year had a negative impact on sales in certain market segments, particularly the furniture and automotive sectors.

On the cost side, margins were severely squeezed by high and volatile oil prices which had a direct knock-on effect on the prices of our key raw materials such as polyvinyl chloride ("PVC") suspension resins and plasticizers. The prices of certain key raw materials increased as much as 50% thereby placing great pressure on the Division's margins. At the same time, imports from Thailand, Indonesia and Vietnam created greater price competition.

Despite the difficult conditions, the Polymer Division reported a profit before tax of RM11.9 million for the financial year, a slight increase over prior year's profit before tax of RM11.3 million.

Despite the challenging market environment, the Polymer Division successfully retained its position as the largest Malaysian manufacturer of high quality PVC films, sheets and coated fabrics, geosynthetic and rotomoulded products. Not one to rest on its laurels, the Polymer Division has undertaken several initiatives to maintain its market position and competitiveness.

Polymer

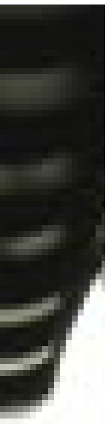
1. First Overseas Investment in Indonesia
In a bid to capture greater market share in a fast expanding market, the Polymer Division made its first overseas investment in Indonesia. It had on 27 January 2004 entered into a Joint Venture Agreement with PT Catur Sehati to set up PT Nylex Indonesia, with the objective of manufacturing and marketing PVC leathercloth to capture market opportunities in Indonesia. The plant is expected to be ready by late 2004 and should contribute positively to the earnings of the Division by next financial year. This investment will further enhance Nylex's position as a significant regional player.

2. Harnessing the Power of Information Technology
Recognising the power of information and how it can help optimise the utilisation of resources and aiding management in achieving operational excellence, the company has invested RM1.5 million in a new Enterprise Resource Planning ("ERP") solution procured from Oracle. This will enable the organisation to keep pace with the increasing speed and volume of business transactions in the global market place.

3. Continuous Improvement through 'Kaizen'
With the implementation of 'kaizen' work methodology, we have seen a drastic improvement in our operating efficiency and overall productivity. We successfully reduced inventory holding and shortened overall production lead time.

4. Product Innovation
We successfully developed some new products using fabric and European technology adapted from the leather industry. During the year, new hires were made to enhance our research and development (R&D) capabilities to spur growth of our upmarket value-added products.

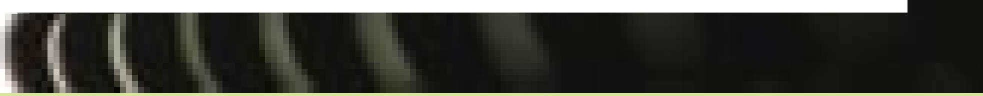
In summary, the Polymer Division performed commendably despite unfavourable circumstances.



Although the global economy is generally expected to improve, we remain cautious about prospects in the forthcoming year in the light of persistently high oil and chemical prices. On the domestic front, the stable political landscape should augur well for continued investments in infrastructural development, providing further opportunities for sales of EP products.

Our long-term strategy for the growth of our business remains focused on increasing exports. In addition to our new plant in Indonesia, we will continue efforts to intensify penetration of FCF exports in our existing 30 markets, and expand into new markets like Turkey and the African continent. We will also continue to innovate and develop products to stay abreast with the market changes. Our market niche in Prefabricated Vertical Drains has been reinforced with the increase in additional capacity while we will further add value and consolidate our rotomoulding business through customisation of products.

We remain committed to continuously improve our capabilities to deliver valued-added, quality products tailored to our customers' needs and be 'partner of choice' to our customers.



The Engineering Division enjoyed a successful year despite a sluggish regional economy following the Iraq war and the outbreak of SARS.

The Division saw a growth in total sales from RM255.2 million last year to RM261.8 million this year, marking an increase of 2.6%. Tamco Corporate Holdings Berhad ("Tamco") remained the main revenue contributor, generating RM145.3 million in external sales (compared to RM136.8 million in the previous year) and a profit before tax of RM20.4 million (compared to RM16.7 million in the previous year). The creditable showing was due mainly to stronger penetration in the Middle East and other export markets.

The Engineering Division made a swift and complete turnaround to record an impressive profit before tax of RM21.0 million for the year, compared to a profit before tax of RM14.6 million in the previous year.

Some of the key strategic initiatives undertaken by the Engineering Division were:

1. Reaffirming Focus on Exports
Tamco continued to capitalise on its reputation as a high quality and reliable supplier to increase penetration in export markets. By constantly offering customised solutions to meet customer needs, it has carved for itself a niche in this highly competitive market having delivered significant orders to customers from Dubai and Libya during the year.

2. Continuous Improvement through 'Kaizen'
Tamco continued to embrace the 'kaizen' work methodology to reduce costs and preserve margins amidst huge increases in copper and steel prices. In line with these efforts, Tamco focused on sourcing for more cost-competitive components from China.

Engineering

3. Proactive Financial Management

Tamco successfully tapped the debt capital markets by launching a RM80.0 million Nominal Value fixed rate Bai' Bithaman Ajil Serial Bond, rated A1 by Rating Agency Malaysia Berhad. The proceeds of the bond were partly used to repay inter-company loans provided by Nylex, its immediate parent company. The remaining funds were utilised to refinance short-term borrowings.

4. Increased Product Offerings

Tamco continued to build on its versatility by developing new products to meet customer needs. During the year, its Tamco Systems Division successfully launched its own brand of uninterruptible power supply ("UPS") system branded under the name "Tamco Power". The other new products launched this year were a modular-based medium voltage switchgear customised to a major utility in Australia's specifications, a 24kV medium voltage switchgear designed for the Indonesian utility sector and a lower cost low-voltage switchgear/motor control centre for the China market. The bond issue has boosted Tamco's financial position, allowing it to expand its present range of product offerings through the acquisition of new technologies.

5. Upgrading and Expansion of Existing Capabilities

Tamco is in the final stages of upgrading its IT system to a new and enhanced ERP system which will facilitate the streamlining of processes and help eliminate system inefficiencies. When fully implemented by end 2004, it will allow Tamco to optimise its global presence, benchmarking against world-class operators. It will also enable Tamco to capitalise on synergies derived from cross-selling and cost reductions through the integration of supply chain management.

The prospects for the forthcoming financial year are anticipated to be modestly upbeat. The expected flotation of new tenders and government-funded infrastructure projects should improve the domestic situation. The increasing reliance of businesses on information communication technology (ICT) is inevitable, translating into a rising demand for quality and reliable technology applications and products. On a cautionary note, the construction industry is expected to remain weak, both at home and in other regional markets in Asia.

The outlook for the China unit remains bright as Tamco continues its efforts to lower production costs in Tamco Shanghai and expand its market share. In Australia, the domestic markets continue to be the main focus having now customised a medium voltage product for a major utility in Australia. In Indonesia, the business of PT Kontrol Ragam Indonesia ("KRI") was sluggish during the election year, which saw a significant slow down in business activity. Nevertheless, the long-term outlook for Indonesia remains optimistic and has prompted Tamco to acquire the balance of the 30% interest in KRI making it now a direct 100% subsidiary of Tamco.

The prospects of the trading units of Tamco Electrical and Electronics (TEE) remains weak in the short-term with downward pressure on prices and margins expected to continue given the pressure on prices and margins in the construction sector especially in Hong Kong, the availability of parallel imports and market acceptance of lower priced products from China. To remain competitive and profitable, the management has proactively redefined its strategies by forging a new identity for the Division, renaming it Tamco Systems, a provider of 'Total Systems, Total Solutions' for its customers and reorganising its business units to better deliver its value proposition. It successfully launched its own brand of UPS solutions branded under the "Tamco Power" trademark and has started to pursue export markets in ASEAN and China.

Overall, the Tamco Group believes that its continued success largely depends on its ability to respond quickly to the vast uncertainties and changes in the marketplace to stay ahead of the competition. We will meet this challenge by continuing to build on our competitive strengths and improve our value proposition and services to our customers.

Being a challenging year for the construction industry, exacerbated by the after effects of the Iraq war and SARS, the Building Products Division recorded a loss before tax of RM0.8 million compared to a profit of RM1.4 million in the previous year.

Sales for the Division increased marginally from RM13.7 million last year to RM16.3 million this year largely driven by an increase in domestic sales.

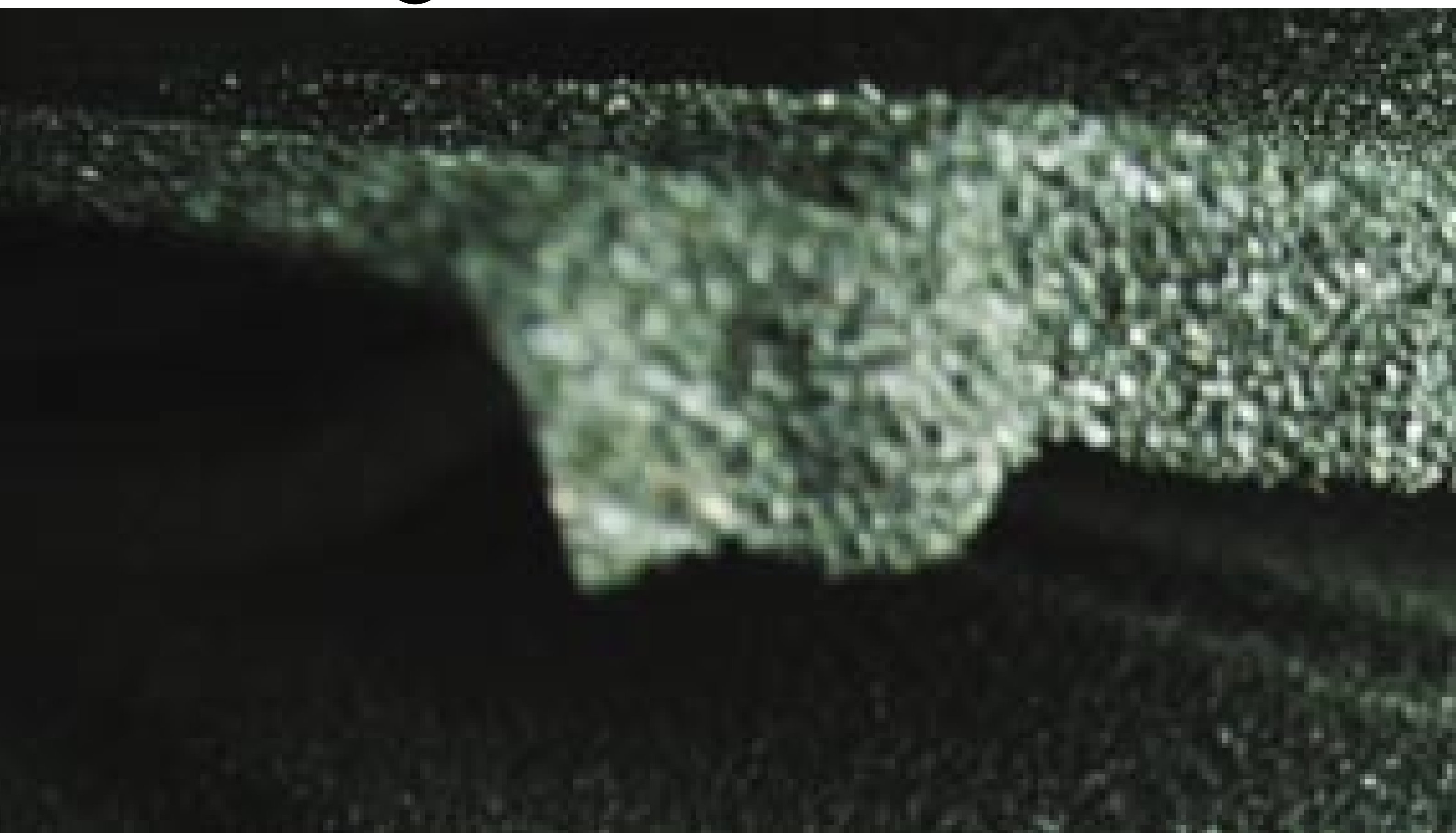
Various initiatives from the previous year continued to be implemented with encouraging results.

1. Penetration Into New Export Markets
Efforts were made to extend into regional markets in order to diversify the Division's customer base, resulting in exports comprising 30% of sales. While sales in Taiwan and South Korea remained lukewarm due to continued supply overhang in the property sector and stiff competition from local suppliers respectively, efforts to penetrate new export markets met with success when Malaysian Roofing Industries ("MRI") secured projects in China and the Middle East.

2. Increasing Product Range and Awareness
To keep pace with customer needs and capture a larger share in the lower cost segment of the market, several new products were launched in Indonesia during the year, including a new industrial long run profile, dual tone profiles and step tiles. MRI participated in several trade exhibitions in China and the Middle East to promote awareness of its products and reinforce its brand name as a manufacturer of high quality roofing solutions. With several projects and tenders in the pipeline, MRI is likely to see an increase in sales in the coming year.

In the coming year, the domestic market is expected to remain buoyant due to MRI's new focus on the residential market. The Indonesian market is showing signs of a recovery and is upbeat following the general election and should contribute to both top and bottom line of the Division. We will continue to focus on the export market and will aggressively pursue exports to China, Japan and the Middle East. New product offerings such as new tile profiles and coatings will further complement our sales strategies.

Building Products



	2004	2003	2002	2001*	1999
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales	**395,201**	386,351	365,873	579,395	530,247
Profit/(loss) from operations	**33,287**	34,634	(1,042)	43,056	26,638
Profit/(loss) before tax	**2,036**	26,124	(53,274)	(65,837)	17,400
(Loss)/profit after tax	**(5,894)**	16,060	(62,943)	(74,689)	24,358
Effective percentage rate of tax	**389.5%**	38.5%	–18.1%	–13.4%	– 40.0%
Net (loss)/earnings for Nylex Malaysia shareholders	**(4,861)**	16,756	(62,341)	(75,169)	26,021
Assets Employed					
Fixed assets	**117,722**	126,768	134,131	158,436	231,657
Investments	**8,647**	8,136	7,313	7,011	4,755
Other non-current assets	**9,796**	36,453	38,975	64,520	142,713
Current assets	**362,674**	266,628	275,089	313,170	343,004
Total assets	**498,839**	437,985	455,508	543,137	722,129
Financed by					
Share capital	**224,488**	224,488	224,488	224,488	224,488
Reserves	**1,831**	6,233	9,590	2,647	13,955
Retained profits	**(35,471)**	(27,377)	(39,284)	26,290	197,162
Nylex Malaysia shareholders' interest	**190,848**	203,344	194,794	253,425	435,605
Minority shareholders' interest	**2,392**	2,476	3,191	3,457	5,278
Total shareholders funds and minority interests	**193,240**	205,820	197,985	256,882	440,883
Non-current liabilities	**94,132**	21,802	28,453	13,539	14,849
Current liabilities	**211,467**	210,363	229,070	272,716	266,397
Total funds employed	**498,839**	437,985	455,508	543,137	722,129
Shareholders' interest					
(Loss)/earnings per share – sen	**(2.2)**	7.5	(27.8)	(33.5)	11.6
Dividend per share – sen	**–**	5.0	2.0	42.6	10.6
Net tangible assets per share – sen	**80.7**	74.3	69.4	84.1	133.9
Employees at year end	**1,294**	1,292	1,364	1,654	2,031
Depreciation & amortisation	**18,816**	17,187	19,769	32,548	35,823
Interest	**7,218**	6,615	7,464	12,706	9,263

* 17 months

Following the acquisition of Perusahaan Kimia Gemilang Sdn Bhd, Fermpro Sdn Bhd, Kumpulan Kesuma Sdn Bhd and Wedon Sdn Bhd from Ancom Berhad, the Nylex Group has emerged as a dominant player in the plastics, polymers and chemical industry with an annual turnover of RM500 million.

The newly-acquired chemical companies together with Nylex's current businesses will provide the new Nylex Group with extensive capabilities in both manufacturing and distribution.

The chemical companies are involved in the manufacturing and trading of industrial chemicals, adhesives and sealants. The chemical products which include methanol and ethanol are widely used in most industries including the manufacture of food flavours, pharmaceuticals, solvents for rubber gloves, lacquers, toiletries and products used in the electronics industry, whilst the industrial sealants and adhesives are sold to companies in the automotive, building and construction, air-conditioners and furniture industries. In addition to its dominant position in Malaysia, the chemical companies have expanded their market reach to China, ASEAN and the Middle East.

The enlarged Nylex Group will be able to derive cost savings through significant synergies from the integration of both units' supply chain management and marketing capabilities.

The following Proforma Income Statement has been prepared for illustrative purposes only, on a basis consistent with the accounting policies normally adopted by Nylex. It is based on the audited consolidated income statement of Nylex (Malaysia) Berhad for the financial year ending 31 May 2004, excluding the audited results of the Tamco Group and including the audited results of the four chemical companies as if the four chemical companies had been part of the Nylex Group since 1 June 2003.

Industrial Chemical

	Group
	RM'000
Revenue	587,470
Cost of sales	(528,449)
Gross profit	59,021
Other operating income	10,366
Selling and distribution expenses	(19,309)
Administrative expenses	(21,562)
Other operating expenses	(1,137)
Profit from operations	27,379
Finance cost (net)	(3,175)
Profit before taxation	24,204
Taxation	(5,844)
Profit after taxation	18,360
Minority interests	–
Profit for the year	18,360
Adjusted earnings per share – sen	10.4

Statement of Corporate Governance

The Board is committed to maintaining a high standard of corporate governance and upholding its fundamental duty to safeguard the Group's assets, to enhance shareholders' value and the financial performance of the Group. As such, the Board recognises the importance of practising good corporate governance and of continued effort to improve on its corporate governance practices and structure. The Board fully supports the recommendations of the Code of Corporate Governance issued by the Finance Committee on Corporate Governance ("Code") and the Group has adhered to the principles contained therein throughout the financial year ended 31 May 2004 to the extent described in this Statement of Corporate Governance.

Board of Directors

Composition

The Board comprises ten (10) Directors, four (4) of whom are Executive Directors, five (5) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The substantial majority of Non-Executive Directors on the Board, who are not involved in the day to day running of the Group's business operation, has enhanced the Board's objectivity in discharging its responsibility effectively.

A brief profile of each Director is presented on pages 11 and 12 of this Annual Report. The profile demonstrates the depth and experience of the Board which consists of Directors with experience in legal, accounting, economics, corporate finance, marketing and business practices. In the opinion of the Board, the Board possesses the necessary skills, experience and knowledge to successfully direct and supervise the Group's affairs.

Meetings and Supply of Information

The Board meets at least once every quarter to approve the interim results announcement, the annual audited accounts and all major corporate proposals. Due notice is given for all scheduled Board meetings and additional meetings are convened on other occasions to consider urgent and important matters.

During the financial year, a total of four (4) Board meetings were held as follows:

No.	Date	Total Board Members	Attendance By Board Members		Percentage of Attendance		
			Independent	Non-Independent	Independent	Non-Independent	Overall
1	29/7/2003	9	4	5	100%	100%	100%
2	29/10/2003	10	4	5	80%	100%	90%
3	28/1/2004	10	5	5	100%	100%	100%
4	28/4/2004	10	5	5	100%	100%	100%

The attendance by each of the Directors can be found on pages 11 and 12 of this Annual Report.

Prior to each Board meeting, the Directors are provided with the relevant reports to facilitate a comprehensive understanding of the issues to be deliberated upon. In addition, the Group Managing Director or the Executive Directors will explain to the Board the rationale of the matters to be discussed and the implications thereof on the Company and the Group. The Directors are free to discuss the merits of the matters in an open and unrestrictive manner during the Board Meetings.

Ad hoc reports are also provided to the Directors to ensure that they are apprised of the key matters on a timely basis. Besides having direct access to the advice and services of the Company Secretary, the Directors are also entitled to seek external professional advise, if they so wish, at the Company's expense in furtherance of their duties.

Duties and Responsibilities

The roles of the Chairman, the Group Managing Director and the Executive Directors are distinct and separate to ensure a balance of power and authority. The Chairman is responsible for the orderly conduct of the Board while the Group Managing Director and the Executive Directors are responsible for the day to day running and management of the business operation and implementation of the Board's decisions and policies. The Group Managing Director is subject to the control of the Board of Directors.

The Non-Executive Directors and the Independent Non-Executive Directors fulfil an independent, pivotal role in corporate account-ability. They play an important role in ensuring that no minority group of Directors or an individual Director dominates the Board's discussion. They provide unbiased and independent assessments and views, advice and judgment in the decision-making process by the Board. The decisions of the Board are decided by a simple majority of votes of the Directors present at the Board Meetings.

None of the Non-Executive Directors and the Independent Non-Executive Directors are involved in the day to day running and management of the Group's business operations. They are actively involved in various Board Committees of the Company, which are the Audit Committee and the Remuneration & Nomination Committee.

Directors' Training

All Directors have completed the Mandatory Accreditation Programme as prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The Board believes that the Directors should receive continuous training from time to time, particularly in view of the changing laws, regulations and business environment in which the Group operates. As an integral part of the continuous education programme for the Directors, the management will update the Directors with information on the Group's business while the Company Secretary will provide the Directors with the relevant guidelines on statutory and regulatory requirements.

Further, the Directors are encouraged to attend the Continuing Education Programme prescribed by the Listing Requirements and other forums, seminars and programmes to increase their knowledge in laws/regulations and business practices from time to time.

Re-election

In accordance with the Company's Articles of Association, a newly appointed Director is subject to retirement and is entitled for re-election at the first annual general meeting after his/her appointment. All Directors, except the Directors who have attained the age of 70, retire on a rotational basis once every three (3) 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 where the notice period for termination is more than one (1) year.

For re-election of Directors at the annual general meeting, the notice of annual general meeting will state the name of the Directors seeking to be re-elected with a brief description of their:

– 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 Directors is voted individually.

Remuneration and Nomination Committee

In accordance with the best practices of the Code, the Company had established a Remuneration and Nomination Committee ("R&N Committee") on 24 September 2001. The Board has decided to combine the functions of the Remuneration Committee and Nomination Committee into one R&N Committee. Its members are:

Chieng Ing Huong (Chairman)
Dato' Mohd Ismail bin Che Rus
Teo Ek Tor

During the year, the R&N Committee held one (1) meeting only.

The R&N Committee is responsible for identifying, recruiting and making recommendations to the Board on all new Board and Board Committee appointments and the re-election of retiring Directors. It will review the required mix of skills and experiences of the Directors of the Board as a whole.

The R&N Committee has been established to facilitate the discharge of the Board's stewardship responsibility over Directors' remuneration. In this respect, the R&N Committee will establish procedures and processes for an effective annual assessment of the effectiveness of the Board as a whole and of the contribution of each individual Director and Board Committee member and to determine their remunerations. It will be responsible for recommending to the Board the remuneration framework for the Non-Executive Directors as well as the remuneration package of Executive Directors. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors.

It is the Group's overall practice that the Executive Directors are to be rewarded after taking into account their individual performance as well as market comparisons and competitive pressures in the industry. For Non-Executive Directors, the level of remuneration reflects the amount paid by other comparable organisations. The Company reimburses reasonable out-of-pocket expenses incurred by the Directors in the course of their duties as Directors of the Company. Directors' fees are subject to the shareholders' approval at the annual general meeting.

Directors' Remuneration
The breakdown of the remuneration received and receivable by the Directors from the Company and its subsidiaries during the financial year is disclosed in note 8 to the financial statements on page 61 of this Annual Report.

Shareholders
Investors' Relations and Shareholders' Communication
The Board recognises the importance of accountability to its shareholders, stakeholders and investors through proper, timely and adequate dissemination of information on the Group's performance and other development via an appropriate channel of communication. The annual reports, the interim results announcements and other announcements, the circulars to shareholders and press releases are the primary modes of communication to report the Group's business, results and other major developments to its shareholders, stakeholders and investors. In addition, the Company has also established a website *www.nylex.com* where shareholders, stakeholders and investors can have access to the Company's news and information.

In addition, shareholders, stakeholders and investors who wish to convey their concerns or queries on the Company and the Group may contact the Senior Independent Non-Executive Director, Dato' Mohd Ismail Bin Che Rus by post at 602, 6th Floor, Block A, Phileo Damansara 1, No. 9 Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia, fax at 603-7660 1151 or e-mail at corp@nylex.com.

Annual General Meeting ("AGM")
The AGM serves as a principal forum for dialogue between the Directors and the shareholders. The notice of AGM and related reports are sent to the shareholders within the period prescribed by the Company's Articles of Association. The Notice of AGM will also be advertised in an English newspaper. Any items of special business included in the Notice of AGM will be accompanied by a full explanation of the effects of the proposed business.

On other general meetings, a circular to shareholders together with a notice of meeting will be dispatched to the shareholders within the period prescribed by the Company's Articles of Association. The notice of meeting will also be advertised in an English newspaper.

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

At the AGM and other general meetings, the shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities, prospects as well as to communicate their expectations and concerns to the Directors.

Accounts and Audit
Financial Reporting
The Board aims to present to the shareholders, stakeholders and the investors a balanced, clear and easy to understand statement of the Group's financial position and prospects in the annual reports and the interim result announcements. The annual reports and the interim results announcements are prepared in accordance with the requirements of the Companies Act, 1965, the Listing Requirements and the standards approved by the Malaysian Accounting Standards Board.

In addition, the Company has adopted the appropriate accounting policies that have been consistently applied in the preparation of its accounting records to present a true and fair view of its financial performances.

Internal Control
The Board has an overall responsibility for maintaining a sound and effective system of internal control to safeguard the shareholders' investments and the Group's assets. The Group has in place a system of internal control designed to meet the Group's needs to manage and mitigate the risks to which the Group is exposed. Shareholders must be cognisant that the system of internal control, by nature, can only provide reasonable but not absolute assurance against loss.

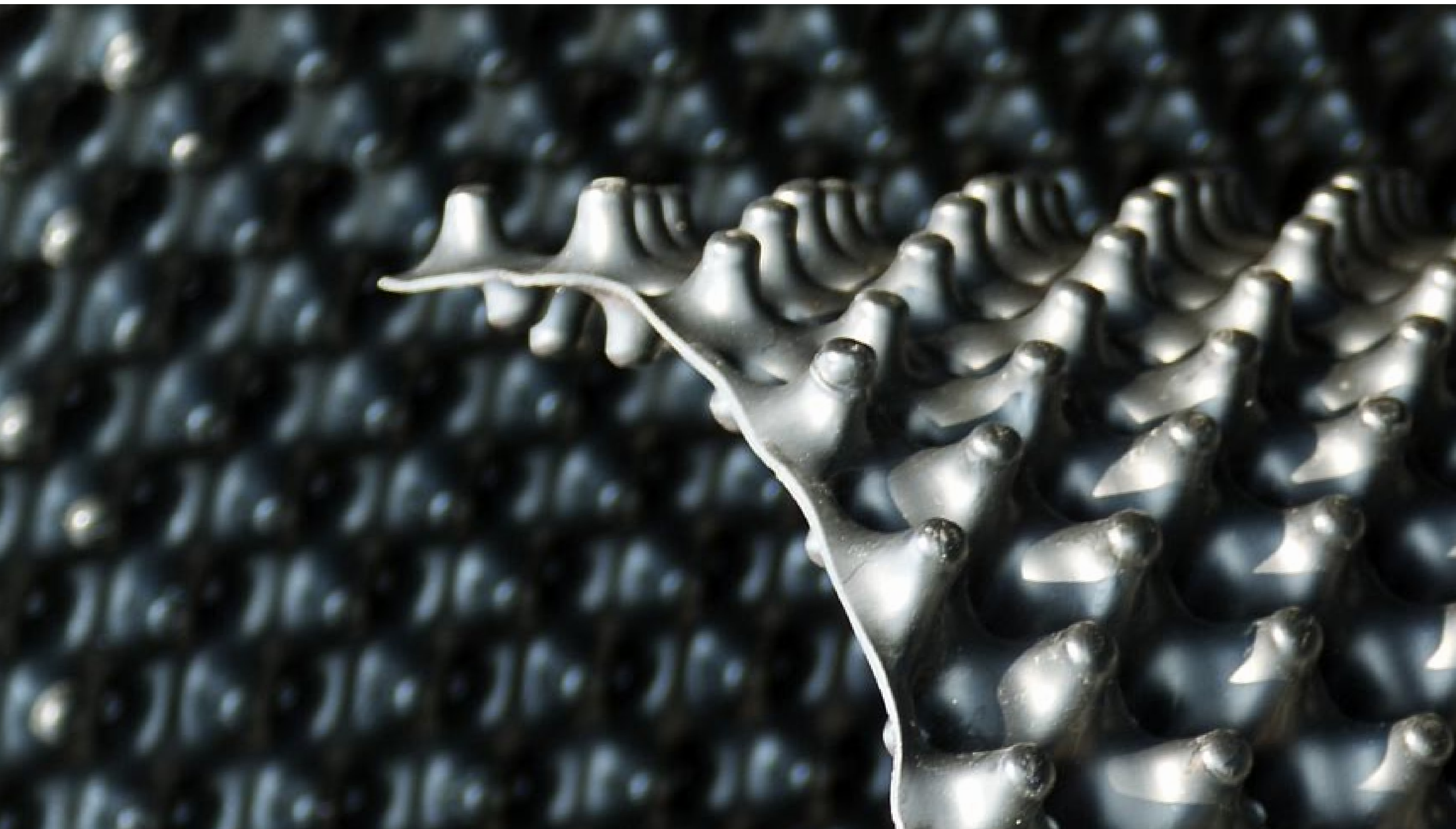
The Board, through the Audit Committee, will continually review the adequacy and integrity of the Group's internal control including systems for compliance with the appropriate laws, regulations, directives and guidelines.

To assist the Audit Committee in discharging its duties in relation to internal control, the Company has outsourced its internal audit functions to Deloitte Enterprise Risk Services Sdn Bhd. The internal auditors report to the Audit Committee who shall determine their remuneration.

The report of the Audit Committee is separately set out in pages 31 to 33 of this Annual Report while the scope and results of the internal control review by the Audit Committee are detailed in the Statement of Internal Control on page 29 of this Annual Report.

Relationship with Auditors
The Group has established a good working relationship with its external auditors through the Audit Committee. The Audit Committee recommends the appointment of the external auditors and approves their remuneration. The appointment of the external auditors is subject to the approval of the shareholders at the annual general meetings. The external auditors report to the Audit Committee on all matters relating to the financial audit of the Group. They are invited to attend the Audit Committee Meetings where necessary.

Statement on Internal Control



Introduction

Pursuant to paragraph 15.27(b) of the Bursa Malaysia 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") for the financial year ended 31 May 2004, 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 adopted by Bursa Malaysia.

The Board's Responsibilities

The Board acknowledges its responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the assets of the Group, and for reviewing the adequacy and integrity of the system. The system of internal control covers not only financial controls but operational and compliance controls. However, the Board recognises that reviewing of the Group's systems of internal control is a concerted and continuous process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the Group's system of internal control can only provide reasonable but not absolute assurance against material misstatement, fraud or losses. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The system of internal control is to enable the Group to achieve its corporate objectives within an acceptable risk profile and costs and cannot be expected to eliminate all risks.

Key Elements of the Group's System 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 authority levels

The Group has a well defined organisational 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 for major tenders, capital expenditure projects, acquisitions and disposals of businesses and other significant transactions that require Board approval.

Investment decisions are delegated to the Executive Management in accordance with authority limits. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions.

Control procedures

The Board recognises the importance of ensuring consistent operations throughout the Group. The Group Policies Manual ("GPM") that sets out the policies, procedures and practice is currently being revised to reflect the current operations and structure of the Group and is to be adopted by all subsidiaries within the Group.

The GPM sets out the policies and procedures for day-to-day operations and acts as guidance to employees on the necessary tasks to be taken in a given set of circumstances. The GPM 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.

Strategic business planning and budgeting plan process

The Group undertakes a comprehensive business planning and budgeting process each year to establish plans and targets against which performance is monitored on an on-going 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 meeting.

Reporting and review

The Group adopts a monthly management reporting mechanism in monitoring and reviewing the financial results and forecasts for all its subsidiaries, including monitoring and reporting thereon, of performance against operating plans and annual budgets.

Monthly business meetings among the Group's senior management are held to discuss operating and financial issues and to formulate action plans to address any areas of concern.

The quarterly financial reporting of the Group will only be announced after the financial results have been reviewed by the Audit Committee and approved by the Board.

Internal audit

The Group's internal audit function is presently out-sourced to an independent professional firm. Regular internal audits are carried out to review the adequacy and integrity of the internal control system of the Group based on the audit plan that has been reviewed and approved by the Audit Committee.

The internal audit team advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The reports are submitted to the Audit Committee, which reviews the findings and the status of the implementation of corrective action to address the internal control weaknesses noted with management at its quarterly meetings.

In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

Conclusion

The Board has reviewed the effectiveness, adequacy and integrity of the system of internal control in operation for the financial year ended 31 May 2004. The Board is of the view that there are no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 May 2004.

As the development of a sound system of internal control is an on-going process, the Board and the Management maintain an on-going commitment and continue to take appropriate measures to strengthen the internal control environment of the Group to safeguard shareholders' investments and the Group's assets.

Report of Audit Committee

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 endeavor 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 comprised of:

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

As in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Audit Committee must consist of not fewer than three (3) members and the majority of the Audit Committee members are independent Directors. The Chairman of the Audit Committee, Dato' Mohd Ismail Bin Che Rus, is an Independent Director and one of the members of the Audit Committee, Mr Chieng Ing Huong is a member of the Malaysian Institute of Accountants ("MIA").

No alternate directors are appointed as members of the Audit Committee.

Terms of Reference

Composition

The Audit Committee shall be appointed by the Board of Directors from amongst its members and shall comprise of 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 MIA or a person approved under Section 15.10(1)(c)(ii) of the Listing Requirements. No Alternate Director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee shall be elected from amongst the members and he shall be an Independent Director. If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members 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 a Director of the Company.

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

Functions

The Audit Committee shall discharge the following functions:

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

Minutes

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

Meetings And Attendance

The Audit Committee held five (5) meetings during the financial year. Out of the five (5) meetings held, two (2) were attended with the Group External Auditors, whilst the Internal Auditors attended all the five (5) meetings.

The details of attendance of the Committee members held during the financial year are as follows:

a Details of attendance by individual Committee member:

Name of Audit Committee Member	Total Meetings Attended	Percentage of Attendance
Dato' Mohd Ismail Bin Che Rus Chairman, Independent Non-Executive Director	5	100%
Dato' Siew Ka Wei Member, Group Managing Director	5	100%
Chieng Ing Huong Member, Independent Non-Executive Director	5	100%

b Number of Meetings

No.	Date	Total Committee Members	Attendance By Committee Members		Percentage of Attendance		
			Independent	Non-Independent	Independent	Non-Independent	Overall
1	29/7/2003	3	2	1	100%	100%	100%
2	4/9/2003	3	2	1	100%	100%	100%
3	28/10/2003	3	2	1	100%	100%	100%
4	28/1/2004	3	2	1	100%	100%	100%
5	28/4/2004	3	2	1	100%	100%	100%

Internal Audit Function

The Group has appointed Deloitte Enterprise Risk Services Sdn Bhd on 25 July 2001 as the Group's Internal Auditors. The Internal Auditors report to the Audit Committee and indirectly assist the Board of Directors in monitoring and managing risks and internal controls.

The Group Internal Audit adopts risk-based approach in the planning and conduct of internal audits. In addition to its assistance in evaluating and reporting on the Group's principle business risks, the internal auditors also assist the Audit Committee in ensuring the risk management mechanisms are pro-actively embedded within the Group's existing framework.

Amongst the responsibilities of the Internal Auditors are:

1 To assist in reviewing the adequacy, integrity and effectiveness of the Group's internal control system for the Board to make an accurate Statement of Internal Control in the annual reports;

2 To support the Audit Committee in identifying and evaluating the existing internal control system and consequently to determine the future requirements for internal control system and co-develop a prioritised action plan;

3 To perform a risk assessment of the Group to identify the business processes within the Group that internal audit should focus on;

4 To allocate audit resources to areas within the Group that provide the management and the Audit Committee with efficient and effective level of audit coverage.

During the year the Audit Committee approved the internal audit planning memorandum. The scope of internal audit covers the risk assessment and audit planning of all units and operations, including the subsidiaries.

Summary Of Activities

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

Financial Results

– The quarterly interim results announcements to ensure adherence to regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgment and to make recommendations to the Board of Directors to adopt the quarterly interim results announcements.

– The annual audited financial statements with the external auditors prior to submission for the approval of the Board of Directors. The review was, inter-alia, to ensure compliance with provisions of the Companies Act, 1965, the Listing Requirements, the approved accounting standards of the Malaysian Accounting Standard Board ("MASB") and other legal and regulatory requirements.

Internal & External Audits

– The external audit plans taking into cognizant the emerging financial reporting issues pursuant to the introduction of new MASB standards and additional statutory/regulatory disclosure requirements;

– Significant financial matters coming to the attention of the external auditors in their course of work and the satisfactory resolutions of the same;

– The internal audit plan based on the results of the risk-based assessment of the Group's system of internal control, based with the internal audit;

– Significant internal control issues highlighted by the internal auditors and the management's responses in relation thereto and measures taken to ratify and strengthen the existing risk management processes, and

– The external and internal auditors' fees and to make recommendation for their reappointment to the Board of Directors.

Directors' Responsibilities Statement on Financial Statement

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare financial statements for each financial year which 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 financial year and of the profit and loss of the Company and of the Group for the financial year.

Pursuant to paragraph 15.27(a) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Directors are required to issue a statement explaining their responsibility in the preparation of the annual financial statements.

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 financial year ended 31 May 2004, 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.

The information set out below is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad.

Disclosure on the Remuneration of Directors for the Financial Year ended 31 May 2004

The disclosure on the Remuneration of the Directors for the financial year ended 31 May 2004 is set out in Note 8 of the financial statements.

Utilisation of Proceeds

The Company has not raised any funds from any of its corporate exercise during the financial year.

Share Buybacks

The Company has not purchased any of its own shares during the financial year.

Options, Warrants or Convertible Securities

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

American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme

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

Imposition of Sanctions/Penalties

Other than as disclosed in Note 28 to the financial statements, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.

Non-Audit Fees

An amount of RM65,000 has been paid to the external auditors for the financial year ended 31 May 2004 in respect of other services rendered.

Profit Estimate, Forecast or Projection

There were no variance between the results for the financial year ended 31 May 2004 and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast and projections for the financial year.

Profit Guarantees

During the financial year, there were no profit guarantees given by the Company and its subsidiary companies.

Related Party Transactions

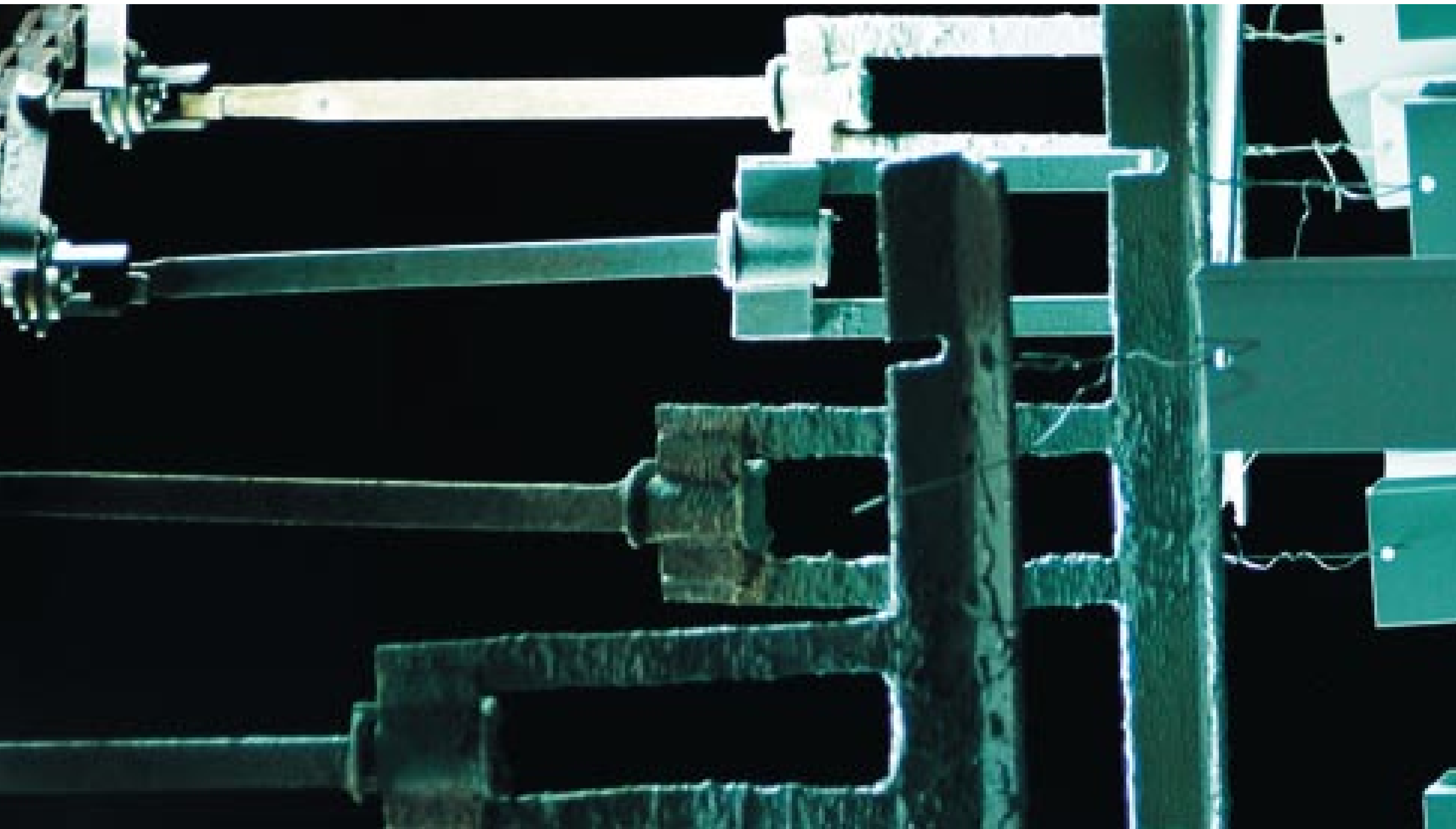
The disclosure on the Significant Related Party Transactions for the financial year ended 31 May 2004 is set out in Note 29 to the financial statements.

Material Contracts

There was no material contract (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries which involves directors and major shareholders, either still subsisting at the end of the financial year ended 31 May 2004 or entered into since the end of the previous financial year.

Revaluation of Landed Properties

The Company does not have a revaluation policy on its landed properties. Revaluation will be carried out when deemed appropriate by the Directors.



Directors' Report

The Directors of Nylex (Malaysia) Berhad have the pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2004.

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 subsidiaries comprise the following:

a) 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;

b) Manufacture and marketing of roofing products; and

c) Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

Results

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

	Group	Company
	RM'000	RM'000
Profit from operations	33,287	11,155
Finance costs	(7,218)	(2,501)
Estimated loss on capital distribution	(24,447)	(7,616)
Share of results of associates	414	–
Profit before taxation	2,036	1,038
Taxation	(7,930)	(1,301)
Loss after taxation	(5,894)	(263)
Minority interests	1,033	–
Loss for the year	(4,861)	(263)

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

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 estimated loss on capital distribution as disclosed in Note 5 to the financial statements.

Issue of shares and debentures

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

Dividends

During the financial year, the Company paid a final dividend of 2.0 sen per share less tax amounting to RM3,232,623, in respect of the financial year ended 31 May 2003, on 22 December 2003.

Directors' Report

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:

Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP (*Chairman)*
Dato' Johari Razak (*Executive Vice-Chairman)*
Dato' Siew Ka Wei (*Group Managing Director*)
Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir
Y.M. Tengku Yusoff bin Tengku Mahmud
Dato' Mohd Ismail bin Che Rus
Teo Ek Tor
Toh Yiu Joe
Chua Ah Lak
Chieng Ing Huong

In accordance with Article 109 of the Company's Articles of Association, Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir, Y.M. Tengku Yusoff bin Tengku Mahmud and Chieng Ing Huong retire by rotation and being eligible, offer themselves for re-election.

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 1.6.2003	Acquired	Sold	Balance at 31.5.2004
Ordinary Shares of RM1.00 each in the Company				
Registered in the name of Directors				
Chua Ah Lak	100,000	–	–	100,000
Dato' Johari Razak	150,000	–	–	150,000
Deemed interest				
Dato' Siew Ka Wei	116,587,972	–	–	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
Dato' Siew Ka Wei	53,753,722	–	–	53,753,722

	No. of shares/options			
	Balance at 1.6.2003	Acquired/ granted	Sold/ exercised/ lapsed	Balance at 31.5.2004
Ordinary Shares of RM1.00 each in Ultimate Holding Company, Ancom Berhad				
Registered in the name of Directors				
Dato' Johari Razak	499,126	249,562 *	–	748,688
Dato' Siew Ka Wei	3,780,000	9,052,300 **	–	12,832,300
Deemed interest				
Dato' Siew Ka Wei	7,885,119	4,943,009	(46,000)	12,782,128
Options over Ordinary Shares in Ultimate Holding Company, Ancom Berhad				
Registered in the name of Directors				
Dato' Johari Razak	150,000	–	(150,000)	–
Dato' Siew Ka Wei	120,000	–	(120,000)	–

* Bonus issue by Ancom Berhad of 1 share for every 2 shares held.
** Bonus issue by Ancom Berhad of 1 share for every 2 shares held; share options exercised and purchased in the open market.

By virtue of his interest in the shares of the ultimate holding company, Ancom Berhad, 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 at the end of the financial year.

Directors' Report

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 income statements and balance sheets 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 satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; 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 had 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 the 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 would 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 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 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 and ultimate holding companies of the Company are Rhodemark Development Sdn. Bhd. and Ancom Berhad respectively, both of which are incorporated in Malaysia.

Significant events during the year and subsequent to balance sheet date
Significant events during the year and subsequent to the balance sheet date are disclosed in Note 31 to the financial statements.

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.

Dato' Siew Ka Wei
Group Managing Director

Chua Ah Lak
Director

Petaling Jaya, Selangor Darul Ehsan, Malaysia
28 September 2004

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

We, 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 accompanying financial statements set out on pages 45 to 87 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Dato' Siew Ka Wei
Group Managing Director

Chua Ah Lak
Director

Petaling Jaya, Selangor Darul Ehsan, Malaysia
28 September 2004

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 accompanying financial statements set out on pages 45 to 87 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 at Petaling Jaya on 28 September 2004

Jonathan Mark Bong Chee Hoong

Before me,

G. Vijayan @ Baskaran, PPN (No. B014)
Pesuruhjaya Sumpah
Malaysia

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

We have audited the accompanying financial statements as set out on pages 45 to 87. 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 2004 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 32 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
No. 1918/09/06 (J)
Partner

Kuala Lumpur, Malaysia
28 September 2004

Income Statements
For the year ended 31 May 2004

		Group		Company	
		2004	2003	**2004**	2003
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	3	**395,201**	386,351	**110,368**	109,340
Cost of sales	3	**(309,359)**	(301,133)	**(88,428)**	(86,219)
Gross profit		**85,842**	85,218	**21,940**	23,121
Other operating income		**13,803**	10,874	**4,548**	9,254
Selling and distribution expenses		**(32,273)**	(29,060)	**(7,118)**	(6,349)
Administrative expenses		**(23,128)**	(22,597)	**(7,717)**	(6,843)
Other operating expenses		**(10,957)**	(9,801)	**(498)**	(640)
Profit from operations		**33,287**	34,634	**11,155**	18,543
Finance cost (net)	4	**(7,218)**	(6,615)	**(2,501)**	(1,440)
Estimated loss on capital distribution	5	**(24,447)**	–	**(7,616)**	–
Impairment of investment		**–**	–	**–**	(2,864)
Impairment of goodwill on consolidation		**–**	(903)	**–**	–
Impairment of assets in a subsidiary		**–**	(1,007)	**–**	–
Share of results of associates		**414**	15	**–**	–
Profit before taxation	6	**2,036**	26,124	**1,038**	14,239
Taxation	9	**(7,930)**	(10,064)	**(1,301)**	(4,618)
(Loss)/profit after taxation		**(5,894)**	16,060	**(263)**	9,621
Minority interests		**1,033**	696	**–**	–
(Loss)/profit for the year		**(4,861)**	16,756	**(263)**	9,621
(Loss)/earnings per share (sen)	10	**(2.2)**	7.5		
Net dividend per share (sen)	11	**–**	3.6		

The accompanying notes form an integral part of the financial statements.

Balance Sheets
As at 31 May 2004

		Group		Company	
		2004	2003	**2004**	2003
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Non-current assets					
Property, plant and equipment	12	**117,722**	126,768	**51,406**	54,126
Investments	13	**8,647**	8,136	**123,019**	46,790
Intangible assets	14	**1,873**	7,654	**311**	388
Goodwill arising on consolidation	15	**2,859**	21,791	**–**	–
Deferred tax assets	23	**5,064**	7,008	**–**	–
Current assets					
Inventories	16	**110,959**	85,811	**16,929**	16,135
Receivables	17	**197,722**	151,715	**30,886**	34,038
Tax recoverable		**3,800**	1,964	**2,785**	786
Amount owing by group companies	18	**897**	3	**1,959**	130,479
Short-term deposits with licensed banks		**22,227**	7,203	**–**	–
Cash and bank balances		**27,069**	19,932	**10,278**	8,480
Total current assets		**362,674**	266,628	**62,837**	189,918
Current liabilities					
Payables	19	**111,014**	92,282	**19,197**	25,270
Amount owing to group companies	18	**749**	256	**4,444**	238
Short-term borrowings	20	**98,537**	113,926	**24,428**	62,677
Dividends payable		**–**	3,233	**–**	3,233
Provision for taxation		**1,167**	666	**–**	–
Total current liabilities		**211,467**	210,363	**48,069**	91,418
Net current assets		**151,207**	56,265	**14,768**	98,500
		287,372	227,622	**189,504**	199,804
Financed by					
Share capital	21	**224,488**	224,488	**224,488**	224,488
Reserves	22	**1,831**	6,233	**6,173**	6,173
Accumulated losses		**(35,471)**	(27,377)	**(50,172)**	(46,676)
Shareholders' funds		**190,848**	203,344	**180,489**	183,985
Minority interests		**2,392**	2,476	**–**	–
Deferred tax liabilities	23	**9,287**	8,831	**5,198**	4,720
Long-term borrowings	20	**80,991**	9,255	**225**	7,948
Provision for retirement benefits	25	**3,854**	3,716	**3,592**	3,151
		287,372	227,622	**189,504**	199,804

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity – Group
For the year ended 31 May 2004

	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 June 2002		224,488	6,173	3,417	(39,284)	194,794
Currency translation differences		–	–	(3,357)	–	(3,357)
Net profit for the year		–	–	–	16,756	16,756
Dividends	11	–	–	–	(4,849)	(4,849)
Balance as at 31 May 2003		224,488	6,173	60	(27,377)	203,344
Currency translation differences		–	–	(4,402)	–	(4,402)
Net loss for the year		–	–	–	(4,861)	(4,861)
Dividends	11	–	–	–	(3,233)	(3,233)
Balance as at 31 May 2004		**224,488**	**6,173**	**(4,342)**	**(35,471)**	**190,848**

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity – Company
For the year ended 31 May 2004

	Note	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 June 2002		224,488	6,173	(51,448)	179,213
Net profit for the year		–	–	9,621	9,621
Dividends	11	–	–	(4,849)	(4,849)
Balance as at 31 May 2003		224,488	6,173	(46,676)	183,985
Net loss for the year		–	–	(263)	(263)
Dividends	11	–	–	(3,233)	(3,233)
Balance as at 31 May 2004		**224,488**	**6,173**	**(50,172)**	**180,489**

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement – Group
For the year ended 31 May 2004

	2004	2003
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	**2,036**	26,124
Adjustments for:		
Depreciation of property, plant and equipment	**12,826**	13,058
Interest expense	**7,574**	6,915
Amortisation of:		
Goodwill arising on consolidation	**2,674**	1,337
Development expenditure	**3,239**	2,792
Rights	**77**	–
Estimated loss on capital distribution	**24,447**	–
Write-back of investment in associates	**(97)**	–
Impairment of goodwill on consolidation	**–**	903
Impairment of assets in a subsidiary	**–**	1,007
Inventories written-down	**1,065**	1,885
(Write-back of)/provision for doubtful debts	**(564)**	3,184
Bad debts written-off	**–**	8
Unrealised loss/(gain) on foreign exchange	**1,085**	(3,674)
Provision for retirement benefits	**843**	789
Dividend income	**(4,444)**	(6,667)
Interest income	**(356)**	(300)
(Gain)/loss on disposal of property, plant and equipment (net)	**(1,225)**	172
Share of results of associates	**(414)**	(15)
Operating profit before working capital changes	**48,766**	47,518
Working capital changes		
Receivables	**(45,687)**	(6,820)
Inventories	**(26,091)**	7,870
Group companies	**(2,402)**	(2,011)
Payables	**18,779**	(14,088)
Cash (used in)/generated from operations	**(6,635)**	32,469
Income taxes paid	**(6,497)**	(11,221)
Retirement benefits paid	**(730)**	(1,022)
Net cash (used in)/generated from operating activities	**(13,862)**	20,226

Cash Flow Statement – Group *(continued)*
For the year ended 31 May 2004

	2004	2003
	RM'000	RM'000
Net cash (used in)/generated from operating activities	**(13,862)**	20,226
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**10,272**	417
Purchase of property, plant and equipment	**(11,930)**	(3,443)
Additions to development expenditure	**(4,214)**	(1,826)
Acquisition of interest in associates	**–**	(905)
Acquisition of interest in subsidiary	**(190)**	–
Interest received	**356**	300
Dividend received from:		
– an associate	**–**	99
– unquoted shares	**4,444**	6,667
Net cash (used in)/generated from investing activities	**(1,262)**	1,309
Cash flows from financing activities		
Dividends paid to shareholders of the Company	**(6,466)**	(1,616)
Repayment of hire-purchase creditors	**(960)**	(357)
Drawdown of term loan and advances	**188,355**	101,295
Repayment of term loan and advances	**(128,860)**	(125,924)
Interest paid	**(7,574)**	(6,915)
Net cash generated from/(used in) financing activities	**44,495**	(33,517)
Net increase/(decrease) in cash and cash equivalents	**29,371**	(11,982)
Effects of exchange rate changes	**(4,413)**	872
Cash and cash equivalents at beginning of year	**17,521**	29,504
Effects of exchange rate changes	**830**	(873)
	18,351	28,631
Cash and cash equivalents at end of year (Note 26)	**43,309**	17,521

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement – Company
For the year ended 31 May 2004

	2004	2003
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	**1,038**	14,239
Adjustments for:		
Depreciation of property, plant and equipment	**6,857**	6,781
Interest expense	**2,588**	4,048
Estimated loss on capital distribution	**7,616**	–
(Write-back of)/provision for obsolete inventories	**(1,183)**	41
Write-back of doubtful debts	**–**	(163)
Provision for retirement benefits	**649**	463
Dividend income	**(4,444)**	(8,967)
Interest income	**(87)**	(2,608)
Loss/(gain) on disposal of property, plant and equipment (net)	**27**	(50)
Amortisation of rights	**77**	–
Impairment of investment	**–**	2,864
Operating profit before working capital changes	**13,138**	16,648
Working capital changes		
Receivables	**3,151**	(11,784)
Inventories	**389**	(158)
Group companies	**48,882**	10,902
Payables	**(6,073)**	4,625
Cash generated from operations	**59,487**	20,233
Income taxes paid	**(2,822)**	(6,521)
Retirement benefits paid	**(208)**	(416)
Net cash generated from operating activities	**56,457**	13,296

Cash Flow Statement – Company *(continued)*
For the year ended 31 May 2004

	2004	2003
	RM'000	RM'000
Net cash generated from operating activities	**56,457**	13,296
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**122**	60
Purchase of property, plant and equipment	**(4,286)**	(3,074)
Interest received	**87**	2,608
Dividend received	**4,444**	6,667
Net cash generated from investing activities	**367**	6,261
Cash flows from financing activities		
Dividends paid to shareholders of the Company	**(6,466)**	(1,616)
Repayment of hire-purchase creditors	**(98)**	(74)
Drawdown of term loan and advances	**24,330**	23,239
Repayment of term loan and advances	**(70,204)**	(34,600)
Interest paid	**(2,588)**	(4,048)
Net cash used in financing activities	**(55,026)**	(17,099)
Net increase in cash and cash equivalents	**1,798**	2,458
Cash and cash equivalents at beginning of year	**8,480**	6,022
Cash and cash equivalents at end of year (Note 26)	**10,278**	8,480

Notes to the Financial Statements
31 May 2004

1 Corporate information

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 subsidiaries are indicated in Note 32.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities"). The registered office of the Company is located at No. 602, 6th Floor, Block A, Phileo Damansara 1, No. 9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan while the principal place of business is located at Persiaran Selangor, Seksyen 15, Shah Alam Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 1,294 (2003: 1,292) and 404 (2003: 420) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 September 2004.

2 Significant accounting policies

a) Basis of preparation

Unless otherwise indicated in the significant accounting policies, the financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards issued in Malaysia.

During the financial year ended 31 May 2004, the Group and the Company adopted the following Malaysian Accounting Standards Board ("MASB") standards for the first time:

MASB 25 - `Income Tax'
MASB 27 - `Borrowing Costs'
MASB 28 - `Discontinuing Operations'
MASB 29 - `Employee Benefits'

The adoption of MASB 25, MASB 27 and MASB 28 has not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives.

The adoption of MASB 29 resulted in the Group and the Company recognising accruals for obligations, in respect of short-term employee benefits, in the form of accumulating compensated absences. Prior to the adoption of MASB 29, the obligations were not accrued for. The accumulative accruals made amounted to approximately RM844,442 and RM224,220 for the Group and the Company respectively and as the effect taken as a whole is not significant, it has been recognised entirely in the current financial year results without a prior year adjustment.

b) Basis of consolidation

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

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

Notes to the Financial Statements
31 May 2004

2 Significant accounting policies *(continued)*

b) Basis of consolidation *(continued)*

Intragroup transactions, balances and the resulting unrealised profits are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

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

c) Associates

An associate 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.

Investment in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the latest audited and/or management financial statements of the associate. Under the equity method of accounting, the Group's share of post-acquisition profits less losses of associates is included in the consolidated income statement while dividend received is reflected as a reduction of the investment in the consolidated balance sheet. The Group's interest in the associates is stated at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves in the associates.

The Group's share of results and reserves in the associates acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

d) Property, plant & equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n). Cost consists of purchase, commissioning, installation costs and in respect of construction of plant and machinery, interest expense incurred prior to commencement of production.

Certain leasehold land and buildings were stated on the basis of their previous revaluation in 1985 (subject to continuity in depreciation and the requirement to write assets down to their recoverable amounts) as allowed by the transitional provisions 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 and fittings	7.5 – 20.0
Office equipment	15.0 – 33.3
Motor vehicles	15.0 – 20.0

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

e) Investments in subsidiaries and associates

Investments in unquoted subsidiaries, which are eliminated on consolidation, and investment in unquoted associates are stated at cost less impairment losses in the Company's financial statements. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Notes to the Financial Statements
31 May 2004

2 Significant accounting policies *(continued)*

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. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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) Provision for liabilities

Provision for liabilities is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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 on a systematic basis over the period of time not exceeding five years in which the benefits are expected to be derived commencing in the period in which the related sales are first made.

i) Employee benefits

i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

iii) Defined benefit plans

The Company and certain subsidiaries 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.

j) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Notes to the Financial Statements
31 May 2004

2 Significant accounting policies *(continued)*

j) Taxation *(continued)*

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

k) Foreign currencies

i) Foreign currency transactions

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the period with respect to the income statement. All resulting translation differences are included in the translation reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal average rates and closing rates were as follows:

	Average rate		**Closing rate**	
	2004	2003	**2004**	2003
RM1.00 =				
Foreign currency				
Australian Dollar	**0.3761**	0.4590	**0.3705**	0.4053
Chinese Renminbi	**2.1854**	2.1862	**2.1854**	2.1854
Hong Kong Dollar	**2.0600**	2.0612	**2.0600**	2.0600
Indonesia Rupiah (1,000 units)	**2.3010**	2.3865	**2.5080**	2.2040
Singapore Dollar	**0.4551**	0.4648	**0.4491**	0.4564

l) Revenue

Revenue represents gross 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

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short-term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

n) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Notes to the Financial Statements
31 May 2004

2 Significant accounting policies *(continued)*

n) Impairment of assets *(continued)*

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

o) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

i) Finance leases

Assets acquired by way of hire-purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liabilities are included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

p) Financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i) Other non-current investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

ii) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. Debts considered to be uncollectible are written off while provisions are made for debts considered to be doubtful of collection.

iii) Trade payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Notes to the Financial Statements
31 May 2004

2 Significant accounting policies *(continued)*

p) Financial instruments *(continued)*

iv) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

v) Equity instruments

Ordinary shares are classified as equity. Dividend on ordinary shares are recognised in equity in the period in which they are declared.

vi) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts:

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

3) Revenue and cost of sales

Revenue represents the gross invoiced value of sales, less returns and discounts while cost of sales represents the cost of products sold.

4) Finance cost (net)

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Interest expense				
Short-term borrowings	**7,427**	6,777	**1,636**	4,048
Advances from subsidiaries	**–**	–	**952**	–
Others	**147**	138	**–**	–
Interest income				
Short-term deposits	**(319)**	(290)	**(15)**	–
Advances to subsidiaries	**–**	–	**(35)**	(2,608)
Others	**(37)**	(10)	**(37)**	–
	7,218	6,615	**2,501**	1,440

Notes to the Financial Statements
31 May 2004

5 Discontinuing operations

In July 2004, the Group completed the Reorganisation Scheme. Further details on the Scheme are disclosed in Note 31 to the financial statements.

Tamco Corporate Holdings Berhad ("Tamco"), a wholly-owned subsidiary, was listed on the MESDAQ Market of Bursa Securities on 6 July 2004. Following the Capital Reduction and Share Consolidation exercises, the Company distributed its entire investment in Tamco to the shareholders by applying the credit arising from the Capital Reduction. Accordingly, a provision for the estimated loss on the Capital Distribution has been made in the current financial year.

The revenue, results and cash flows of the Tamco Group included in the consolidated financial statements were as follows:

	2004	2003
	RM'000	RM'000
Revenue	**261,755**	255,231
Operating expenses	**(237,137)**	(235,186)
Profit from operations	**24,618**	20,045
Finance costs	**(5,827)**	(5,168)
Profit before taxation	**18,791**	14,877
Taxation	**(5,927)**	(5,201)
Net profit for the year	**12,864**	9,676
Cash flows from operating activities	**(77,067)**	6,216
Cash flows from investing activities	**2,063**	(2,511)
Cash flows from financing activities	**96,990**	(16,995)
Total cash flows	**21,986**	(13,290)

The net assets of the Tamco Group included in the consolidated financial statements were as follows:

	2004	2003
Property, plant and equipment	**58,814**	62,729
Investment in associates	**5,001**	4,491
Intangibles	**8,509**	7,533
Goodwill on consolidation	**14,505**	15,819
Net deferred tax assets	**1,213**	2,494
Inventories	**86,745**	63,035
Receivables	**160,069**	114,584
Amount owing by group companies	**1,209**	608
Short-term deposits and cash and bank balances	**35,824**	17,255
Payables	**(84,752)**	(61,577)
Amount owing to group companies	**(1,142)**	(133,554)
Long and short-term borrowings	**(154,545)**	(51,328)
Provision for taxation	**(93)**	(210)
Dividend payable	**–**	(1,656)
Retirement benefit obligations	**(772)**	(718)
Net assets distributed	**130,585**	39,505
Attributable unamortised goodwill	**2,110**	
Transfer from translation reserves	**3,996**	
	136,691	
Total deemed distribution proceeds	**(112,244)**	
Estimated loss on capital distribution to the Group	**24,447**	
Deemed distribution proceeds settled by:		
Distribution of Tamco shares	**112,244**	

Notes to the Financial Statements
31 May 2004

5 Discontinuing operations *(continued)*

The effect of the capital distribution of the entire investment in Tamco will have the following effect on the financial results of the Company:

	2004 RM'000
Total deemed distribution proceeds	**112,244**
Less: Cost of investment in Tamco	**(119,860)**
Estimated loss on capital distribution to the Company	**(7,616)**

6 Profit before taxation

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
This was arrived at after charging:				
Amortisation of intangibles (Note 14)	**3,316**	2,792	**77**	–
Amortisation of goodwill (Note 15)	**2,674**	1,337	**–**	–
Auditors' remuneration				
– Current	**453**	503	**72**	72
– Over provision in prior years	**(28)**	–	**–**	–
Bad debts written off	**–**	8	**26**	–
Depreciation of property, plant and equipment (Note 12)	**12,826**	13,058	**6,857**	6,781
Hire of equipment	**24**	28	**–**	–
Inventories written down/(write-back)	**1,065**	1,885	**(1,183)**	41
(Gain)/loss on disposal of property, plant and equipment (net)	**(1,225)**	172	**27**	(50)
(Write-back of)/provision for doubtful debts	**(564)**	3,184	**–**	(163)
Rent of premises	**2,589**	2,407	**155**	–
Staff costs (Note 7)	**49,056**	48,463	**14,621**	14,614
Estimated loss on capital distribution	**24,447**	–	**7,616**	–
And crediting:				
Gross dividend income from				
– unquoted shares	**4,444**	6,667	**4,444**	6,667
– subsidiaries	**–**	–	**–**	2,300
Realised gain on foreign exchange	**5,419**	534	**–**	57
Unrealised (loss)/gain on foreign exchange	**(1,085)**	3,674	**–**	–

7 Staff costs

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Wages and salaries	**42,438**	42,192	**12,608**	12,619
EPF and Social Security costs	**4,790**	4,948	**1,108**	1,480
Short-term accumulating compensated absences	**615**	121	**224**	–
Provision for retirement benefits (Note 25)	**843**	789	**649**	463
Other staff related expenses	**370**	413	**32**	52
	49,056	48,463	**14,621**	14,614

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM2,110,000 (2003: RM2,030,000) and RM1,279,000 (2003: RM1,279,000) respectively as further disclosed in Note 8.

Notes to the Financial Statements
31 May 2004

8. Directors' remuneration

a) Total remuneration

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Executive Directors				
Salaries	**1,473**	1,441	**1,094**	1,062
Other emoluments	**637**	589	**185**	217
	2,110	2,030	**1,279**	1,279
Benefit-in-kind	**77**	61	**77**	61
	2,187	2,091	**1,356**	1,340
Non-Executive Directors				
Fees	**240**	166	**240**	166
Other emoluments	**14**	83	**14**	83
	254	249	**254**	249
Total	**2,441**	2,340	**1,610**	1,589

b) Number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	No. of Directors	
	2004	2003
Executive Directors		
Less than RM250,000	**1**	1
RM250,001 to RM500,000	**1**	2
RM500,001 to RM750,000	**1**	–
RM750,001 to RM1,000,000	**1**	1
	4	4
Non-Executive Directors		
Less than RM50,000	**7**	6
RM50,001 to RM100,000	**–**	1
	7	7

Notes to the Financial Statements
31 May 2004

9 Taxation

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Income tax:				
– Malaysian	**(5,583)**	(9,118)	**(1,690)**	(4,003)
– Foreign	**(94)**	(197)	**–**	–
	(5,677)	(9,315)	**(1,690)**	(4,003)
Over provision in prior years:				
– Malaysian	**391**	170	**867**	8
– Foreign	**66**	–	**–**	–
	(5,220)	(9,145)	**(823)**	(3,995)
Deferred tax:				
Relating to origination and reversal of temporary differences	**(2,755)**	(1,137)	**(384)**	(1,332)
Relating to reduction in income tax rate	**11**	–	**–**	–
Over/(under) provision in prior years	**34**	218	**(94)**	709
	(2,710)	(919)	**(478)**	(623)
	(7,930)	(10,064)	**(1,301)**	(4,618)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the prevailing rate of the respective jurisdictions. During the financial year, the income tax rate applicable to the subsidiary in Singapore was reduced from 22% to 20%.

A reconciliation of the income tax expense applicable to profit before taxation at the statutory income tax rate against the income tax expenses at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**2,036**	26,124	**1,038**	14,239
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	**(570)**	(7,315)	**(291)**	(3,987)
Effect of different tax rates in other countries	**(193)**	58	**–**	–
Effect of opening deferred tax arising from reduction in foreign income tax rate	**11**	–	**–**	–
Effect of tax savings in small and medium scale companies	**46**	–	**–**	–
Income not subject to tax	**1,541**	467	**–**	–
Expenses not deductible for tax purposes				
– Estimated loss on capital distribution	**(6,845)**	–	**(2,132)**	–
– Others	**(1,893)**	(2,049)	**(209)**	(1,756)
Utilisation of previously unrecognised tax losses				
and unabsorbed capital allowances	**804**	218	**–**	–
Utilisation of current year's reinvestment allowances	**1,141**	334	**558**	408
Deferred tax assets recognised	**–**	(585)	**–**	–
Deferred tax assets not recognised	**(2,463)**	(1,580)	**–**	–
Over/(under) provision of deferred tax in prior years	**34**	218	**(94)**	709
Over provision of tax expense in prior years	**457**	170	**867**	8
Tax expense for the year	**(7,930)**	(10,064)	**(1,301)**	(4,618)

Notes to the Financial Statements
31 May 2004

9 Taxation *(continued)*

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 RM1,992,000 (2003: RM1,227,000) has been taken into account in the current year's tax computation. As at 31 May 2004, the Company has claimed tax incentives totalling RM7,849,000 (2003: RM6,166,000) which, if agreed with the Inland Revenue Board, will enable the Company to distribute tax-exempt dividends of up to the same amount.

10 (Loss)/earnings per ordinary share

(Loss)/earnings per ordinary share is calculated by dividing the net loss of RM4,861,000 (2003: net profit of RM16,756,000) by the number of ordinary shares in issue during the financial year of 224,487,720 shares.

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted loss per share has not been presented.

11 Dividends

	Group/Company	
	2004	2003
	RM'000	RM'000
1st interim paid - Nil (2003: 1.0 sen per share less tax)	**–**	1,616
2nd interim paid - Nil (2003: 2.0 sen per share less tax)	**–**	3,233
Final of 2.0 sen per share less tax in respect of financial year ended 31 May 2003		
paid in the current financial year	**3,233**	–
	3,233	4,849

Notes to the Financial Statements
31 May 2004

12 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 RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group										
At 1 June 2003										
Cost	6,981	17,439	20,148	20,712	146,018	4,903	13,156	7,273	2,704	**239,334**
Valuation	–	9,830	–	5,020	–	–	–	–	–	**14,850**
	6,981	27,269	20,148	25,732	146,018	4,903	13,156	7,273	2,704	**254,184**
Additions	–	147	–	359	5,946	2,217	554	1,086	2,013	**12,322**
Disposals	(2,450)	–	(8,896)	–	(1,000)	(650)	(139)	(916)	–	**(14,051)**
Reclassification	–	–	–	41	262	142	352	–	(797)	**–**
Exchange fluctuation	73	–	484	–	(70)	79	75	16	–	**657**
At 31 May 2004	**4,604**	**27,416**	**11,736**	**26,132**	**151,156**	**6,691**	**13,998**	**7,459**	**3,920**	**253,112**
Accumulated depreciation										
At 1 June 2003	–	5,244	4,684	8,543	90,125	3,685	11,098	4,037	–	**127,416**
Charge for the year	–	417	295	647	9,471	290	857	849	–	**12,826**
Disposals	–	–	(2,708)	–	(780)	(648)	(137)	(750)	–	**(5,023)**
Exchange fluctuation	–	–	94	–	(91)	77	83	8	–	**171**
At 31 May 2004	**–**	**5,661**	**2,365**	**9,190**	**98,725**	**3,404**	**11,901**	**4,144**	**–**	**135,390**
Net book value										
At 31 May 2004	**4,604**	**21,755**	**9,371**	**16,942**	**52,431**	**3,287**	**2,097**	**3,315**	**3,920**	**117,722**
At 31 May 2003	6,981	22,025	15,464	17,189	55,893	1,218	2,058	3,236	2,704	126,768
Depreciation charge for year 2003	–	417	408	634	9,533	341	971	754	–	13,058

Notes to the Financial Statements
31 May 2004

12 Property, plant and equipment *(continued)*

	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Company								
At 1 June 2003								
Cost	–	9,370	92,088	668	1,795	2,856	242	**107,019**
Valuation	9,830	5,020	–	–	–	–	–	**14,850**
	9,830	14,390	92,088	668	1,795	2,856	242	**121,869**
Additions	–	300	3,560	14	96	316	–	**4,286**
Disposals	–	–	(285)	–	(32)	(125)	–	**(442)**
Reclassification	–	41	137	–	27	–	(205)	**–**
At 31 May 2004	**9,830**	**14,731**	**95,500**	**682**	**1,886**	**3,047**	**37**	**125,713**
Accumulated depreciation								
At 1 June 2003	2,025	4,132	58,328	614	1,420	1,224	–	**67,743**
Charge for the year	116	365	5,848	16	168	344	–	**6,857**
Disposals	–	–	(183)	–	(32)	(78)	–	**(293)**
At 31 May 2004	**2,141**	**4,497**	**63,993**	**630**	**1,556**	**1,490**	**–**	**74,307**
Net book value								
At 31 May 2004	**7,689**	**10,234**	**31,507**	**52**	**330**	**1,557**	**37**	**51,406**
At 31 May 2003	7,805	10,258	33,760	54	375	1,632	242	54,126
Depreciation charge for year 2003	117	357	5,773	21	187	326	–	6,781

a) 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 in respect of International Accounting Standard No.16 (Revised), Property, Plant & Equipment adopted by MASB.

The net book value of assets stated at 1985 valuation had they been stated at cost would have been approximately RM862,052 (2003: RM914,523) in respect of both the Group and Company.

b) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM12,322,000 (2003: RM6,272,000) and RM4,286,000 (2003: RM3,569,000) respectively of which RM392,000 (2003: RM2,829,000) and Nil (2003: RM495,000) were acquired by means of finance lease arrangements.

Net book values of property, plant and equipment held under hire-purchase and finance lease arrangements are as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Motor vehicles	**1,095**	877	**458**	517
Capital work-in-progress	**2,239**	2,239	**–**	–
	3,334	3,116	**458**	517

Notes to the Financial Statements
31 May 2004

13 Investments

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Investment in unquoted subsidiaries				
– At cost	**–**	–	**133,419**	49,574
– Accumulated impairment losses	**–**	–	**(10,480)**	(2,864)
	–	–	**122,939**	46,710
Investment in unquoted associates				
– At cost	**4,455**	4,485	**–**	–
– Share of post-acquisition results	**612**	71	**–**	–
	5,067	4,556	**–**	–
Investment in unquoted company	**3,580**	3,580	**80**	80
	8,647	8,136	**123,019**	46,790

Details of the subsidiaries and associates are disclosed in Note 32 and 33 respectively.

The Group's investment in associates is as follows:

	Group	
	2004	2003
	RM'000	RM'000
Share of net tangible assets	**5,067**	4,556

14 Intangible assets

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Research and development expenditure				
Balance at beginning of year	**7,266**	7,866	**–**	–
Exchange fluctuation	**268**	366	**–**	–
Additions during the year	**4,214**	1,826	**–**	–
Amount written off arising from capital distribution	**(6,947)**	–	**–**	–
Amount amortised	**(3,239)**	(2,792)	**–**	–
Balance at end of year	**1,562**	7,266	**–**	–
Rights				
Balance at beginning of year	**388**	–	**388**	-
Additions during the year	**–**	388	**–**	388
Amount amortised	**(77)**	–	**(77)**	–
Balance at end of year	**311**	388	**311**	388
Total	**1,873**	7,654	**311**	388

Notes to the Financial Statements
31 May 2004

15 Goodwill arising on consolidation

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Balance at beginning of year	**21,791**	24,031	**–**	–
Additions during the year	**1,242**	–	**–**	–
Goodwill written off arising from capital distribution	**(17,500)**	(903)	**–**	–
Amount amortised	**(2,674)**	(1,337)	**–**	–
Balance at end of year	**2,859**	21,791	**–**	–

16 Inventories

Finished goods	**19,506**	22,488	**7,103**	8,351
Work-in-progress	**35,109**	21,995	**2,035**	2,726
Raw materials and consumable stores	**56,637**	42,784	**8,513**	6,963
Inventory-in-transit	**4,133**	1,941	**–**	–
	115,385	89,208	**17,651**	18,040
Provision for obsolete inventories	**(4,426)**	(3,397)	**(722)**	(1,905)
	110,959	85,811	**16,929**	16,135

Included in the above are the following inventories carried at net realisable value:

	Group	
	2004	2003
	RM'000	RM'000
Finished goods	**204**	204

17 Receivables

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**185,388**	147,650	**23,227**	30,072
Provision for doubtful debts	**(7,985)**	(8,354)	**(280)**	(280)
	177,403	139,296	**22,947**	29,792
Other receivables	**14,682**	6,858	**7,285**	4,036
Deposits	**3,867**	2,137	**50**	66
Prepayments	**1,770**	3,424	**604**	144
	20,319	12,419	**7,939**	4,246
	197,722	151,715	**30,886**	34,038

The Group's normal trade credit term ranges from 30–120 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Notes to the Financial Statements
31 May 2004

18 Amount owing by/to group companies

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Amount owing by group companies				
Related companies	**897**	1	**–**	–
Subsidiaries	**–**	–	**1,959**	130,477
Ultimate holding company	**–**	2	**–**	2
	897	3	**1,959**	130,479
Amount owing to group companies				
Related companies	**692**	238	**443**	238
Subsidiaries	**–**	–	**3,944**	–
Ultimate holding company	**57**	18	**57**	–
	749	256	**4,444**	238

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.

The account balances with the holding company, subsidiaries and other related companies arose mainly from intercompany advances which bear interest at rates ranging from 3.5% to 6.0% (2003: 5.3% to 5.7%) per annum, interest-free advances by/to other related companies, expenses paid on behalf and other intercompany charges which are negotiated on a basis determined within the Group.

19 Payables

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**84,440**	65,864	**15,871**	20,624
Other payables	**20,731**	20,034	**922**	1,724
Accruals	**5,843**	6,384	**2,404**	2,922
	111,014	92,282	**19,197**	25,270

The normal trade credit terms granted to the Group range from 30 to 90 days.

Notes to the Financial Statements
31 May 2004

20 Borrowings

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Short-term borrowings				
Unsecured:				
Bank overdrafts (Note 26)	**5,987**	9,614	**–**	–
Short-term loan and advances	**91,636**	103,470	**24,330**	62,579
Hire-purchase creditors (Note 24)	**914**	842	**98**	98
	98,537	113,926	**24,428**	62,677
Long-term borrowings				
Unsecured:				
Term loan	**–**	7,625	**–**	7,625
Bonds*	**80,000**	–	**–**	–
Hire-purchase creditors (Note 24)	**991**	1,630	**225**	323
	80,991	9,255	**225**	7,948
Total borrowings	**179,528**	123,181	**24,653**	70,625

Maturity of borrowings (excluding hire-purchase and finance lease):

Within one year	**97,623**	113,084	**24,330**	62,579
More than 1 year and less than 2 years	**–**	7,625	**–**	7,625
More than 2 years and less than 5 years	**80,000**	–	**–**	–
	177,623	120,709	**24,330**	70,204

The borrowings are unsecured and bear interest at rates ranging from 1.0% to 7.5% (2003: 1.0% to 7.9%) per annum.

* Bai' Bithaman Ajil Serial Bonds ("BBA Serial Bonds").

On 28 August 2003, Tamco issued RM80,000,000 of BBA Serial Bonds which are constituted by a Trust Deed dated 15 August 2003. The BBA Serial Bonds are negotiable non-interest bearing primary bonds together with secondary bonds when the face value of which represents the semi-annual profit payment on the BBA Serial Bonds. The BBA Serial Bonds are issued in 2 series with tenure of 3 years and 5 years from the date of issue and are redeemable at 100% of their face value upon maturity.

The secondary bonds are redeemable semi-annually, the first redemption commencing 6 months after the issue date of the BBA Serial Bonds.

Tamco sold all its rights, benefits and title under a Asset Purchase Agreement at the Purchase price of RM80,000,000 and immediately entered into an Asset Sale Agreement to repurchase these assets for RM100,580,000 being the aggregate of the Purchase Price and the Profit for the BBA Serial Bonds. The profit rate ranges from 5.3% to 5.80% per annum.

Tamco's BBA Serial Bonds are secured by way of a negative pledge over all the present and future fixed and floating assets of Tamco.

Notes to the Financial Statements
31 May 2004

21 Share capital

	Group/Company	
	2004	2003
	RM'000	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

22 Reserves

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable				
Share premium	**6,173**	6,173	**6,173**	6,173
Translation reserves	**(4,342)**	60	**–**	–
	1,831	6,233	**6,173**	6,173

23 Deferred tax

Balance at beginning of year	**1,823**	1,553	**4,720**	4,097
Effect on opening deferred tax arising				
from reduction in foreign income tax rate	**(11)**	–	**–**	–
Recognised in income statement (Note 9)	**2,721**	919	**478**	623
Exchange fluctuation	**(310)**	(649)	**–**	–
Balance at end of year	**4,223**	1,823	**5,198**	4,720
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(5,064)**	(7,008)	**–**	–
Deferred tax liabilities	**9,287**	8,831	**5,198**	4,720
	4,223	1,823	**5,198**	4,720

Notes to the Financial Statements
31 May 2004

23 Deferred tax *(continued)*

The components and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Receivables RM'000	Others RM'000	Total RM'000
As at 1 June 2003	10,949	1,174	326	12,449
Effect on opening deferred tax arising from reduction in foreign income tax rate	(5)	–	(6)	(11)
Recognised in the income statement	(190)	254	(41)	23
Exchange differences	6	–	5	11
As at 31 May 2004	**10,760**	**1,428**	**284**	**12,472**
As at 1 June 2002	9,276	1,277	333	10,886
Recognised in the income statement	1,670	(103)	(16)	1,551
Exchange differences	3	–	9	12
As at 31 May 2003	10,949	1,174	326	12,449

Deferred tax assets of the Group

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
As at 1 June 2003	(1,101)	(1,760)	(7,765)	(10,626)
Recognised in the income statement	(72)	(178)	2,948	2,698
Exchange differences	(45)	(11)	(265)	(321)
As at 31 May 2004	**(1,218)**	**(1,949)**	**(5,082)**	**(8,249)**
As at 1 June 2002	(1,172)	(1,374)	(6,787)	(9,333)
Recognised in the income statement	129	(369)	(392)	(632)
Exchange differences	(58)	(17)	(586)	(661)
As at 31 May 2003	(1,101)	(1,760)	(7,765)	(10,626)

Notes to the Financial Statements
31 May 2004

23 Deferred tax *(continued)*

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000	Total RM'000
At 1 June 2003	7,255	7,255
Recognised in income statement	(150)	(150)
At 31 May 2004	**7,105**	**7,105**
At 1 June 2002	7,638	7,638
Recognised in income statement	(383)	(383)
At 31 May 2003	7,255	7,255

Deferred tax assets of the Company

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2003	(883)	(533)	(1,119)	(2,535)
Recognised in income statement	(123)	331	420	628
At 31 May 2004	**(1,006)**	**(202)**	**(699)**	**(1,907)**
At 1 June 2002	(869)	(593)	(2,079)	(3,541)
Recognised in income statement	(14)	60	960	1,006
At 31 May 2003	(883)	(533)	(1,119)	(2,535)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2004	2003
	RM'000	RM'000
Unused tax losses	**69,002**	50,293

The unused tax losses are subject to the agreement of the tax authorities of the respective subsidiaries. Deferred tax assets have not been recognised in view of the history of losses in the subsidiaries.

Notes to the Financial Statements
31 May 2004

24 Hire-purchase and finance lease payables

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Minimum lease payments				
Not later than one year	**1,033**	986	**118**	118
Later than one year and not later than two years	**634**	986	**68**	118
Later than two years and not later than five years	**380**	713	**191**	195
Later than five years	**168**	90	**26**	90
	2,215	2,775	**403**	521
Future finance charges	**(310)**	(303)	**(80)**	(100)
Present value of finance lease liabilities	**1,905**	2,472	**323**	421
Present value of finance lease liabilities				
Not later than one year	**914**	842	**98**	98
Later than one year and not later than two years	**558**	900	**54**	98
Later than two years and not later than five years	**300**	659	**150**	154
Later than five years	**133**	71	**21**	71
	1,905	2,472	**323**	421
Analysed as				
Due within 12 months (Note 20)	**914**	842	**98**	98
Due after 12 months (Note 20)	**991**	1,630	**225**	323
	1,905	2,472	**323**	421

The hire-purchase and lease liabilities bore interest at the balance sheet date of between 4.87% to 9.76% (2003: 6.87% to 9.76%) per annum.

25 Provision for retirement benefits

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Balance as at beginning of year	**3,716**	3,881	**3,151**	3,104
Benefits paid	**(730)**	(1,022)	**(208)**	(416)
Expense recognised in the income statements (Note 7)	**843**	789	**649**	463
Exchange fluctuation	**25**	68	**–**	–
Balance as at end of year	**3,854**	3,716	**3,592**	3,151

Notes to the Financial Statements
31 May 2004

26 Cash and cash equivalents

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

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances	**27,069**	19,932	**10,278**	8,480
Short-term deposits with licensed banks	**22,227**	7,203	**–**	–
	49,296	27,135	**10,278**	8,480
Bank overdrafts (Note 20)	**(5,987)**	(9,614)	**–**	–
Cash and cash equivalents	**43,309**	17,521	**10,278**	8,480

The average interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2004	2003	**2004**	2003
	%	%	**%**	%
Short-term deposits with licensed banks	**1.86**	1.96	**–**	–

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2004	2003	**2004**	2003
	Days	Days	**Days**	Days
Short-term deposits with licensed banks	**30**	30	**–**	–

27 Commitments

a) Capital commitments

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'00
Approved and contracted	**21,566**	1,196	**62**	34
Approved and not contracted	**769**	3,230	**741**	785
	22,335	4,426	**803**	819

b) **Lease commitments, in respect of property, plant and equipment of the subsidiaries are as follows:**

Less than 12 months	**1,145**	1,501	**–**	–
Between 1 year to 5 years	**822**	472	**–**	–
	1,967	1,973	**–**	–

Notes to the Financial Statements
31 May 2004

28 Contingent liabilities

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Unsecured:				
Bills discounted with banks	**1,516**	1,384	**1,516**	1,384

The Company is potentially liable for a sales tax claim of approximately RM6,052,000 by the Director General of Customs Malaysia. The management of the Company is of the opinion that the claim has no merit and accordingly, an appeal was submitted to the Ministry of Finance ("MOF"). Pending the decision of the MOF, no provision has been made in the financial statements.

29 Significant related party transactions

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Sales to related company/subsidiary:				
– ChemResources China (Agencies) Ltd	**826**	–	**–**	–
– Zonson Sports (Malaysia) Sdn Bhd	**–**	–	**–**	12
Purchases from related companies:				
– Perusahaan Kimia Gemilang Sdn Bhd	**759**	502	**759**	–
– MSTi Corporation Sdn Bhd	**127**	653	**–**	–
Interest (expense to)/income from subsidiaries:				
– Tamco	**–**	–	**(952)**	2,538
– Malaysian Roofing Industries Sdn Bhd	**–**	–	**35**	65
Technical fees paid to subsidiary:				
– Tamco Systems (Hong Kong) Ltd	**–**	–	**348**	282
Gross dividend from subsidiary:				
– Tamco	**–**	–	**–**	2,300
Registrar fees paid to a company related to certain directors of the company:				
– PFA Registration Services Sdn Bhd	**130**	–	**130**	–

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

30 Financial instruments

The daily operations of the Group require the use of financial instruments. Financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, contractual right to exchange financial instruments from other enterprises under conditions that are potentially favourable or an equity instrument of another enterprise, whilst financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to other enterprises or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The use of financial instruments exposes the Group to financial risks which are categorised as interest rate, foreign exchange, liquidity and credit risks.

Notes to the Financial Statements
31 May 2004

30 Financial instruments *(continued)*

i) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

ii) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt. The investments in financial assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and interest rates of financial assets and liabiities are disclosed in their respective notes.

iii) Foreign exchange risk

The Group operates internationally and is exposed to various currencies, mainly Australian Dollar, Singapore Dollar, Hong Kong Dollar, Chinese Renminbi, Indonesian Rupiah and United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

At 31 May 2004

	Functional currency of group companies					
	Ringgit Malaysia	**Indonesian Rupiah**	**Australian Dollar**	**Chinese Renminbi**	**Singapore Dollar**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade receivables						
United States Dollar	1,638	1,880	169	–	188	3,875
Singapore Dollar	281	–	–	–	–	281
Euro	23	–	–	–	–	23
Hong Kong Dollar	–	–	15,946	–	–	15,946
UAE Dirham	1,665	–	–	–	–	1,665
Brunei Dollar	17	–	–	–	–	17
Qatar Rial	1,048	–	–	–	–	1,048
	4,672	**1,880**	**16,115**	**–**	**188**	**22,855**
Cash and bank balances						
United States Dollar	**–**	**54**	**–**	**–**	**13**	**67**
Bank borrowings						
United States Dollar	**5,129**	**3,220**	**–**	**10,037**	**–**	**18,386**

Notes to the Financial Statements
31 May 2004

30 Financial instruments *(continued)*

iii) Foreign exchange risk *(continued)*

At 31 May 2004 *(continued)*

	Functional currency of group companies					
	Ringgit Malaysia	Indonesian Rupiah	Australian Dollar	Singapore Dollar	Hong Kong Dollar	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables						
Ringgit Malaysia	–	3,380	–	2	–	3,382
United States Dollar	9,465	107	–	321	332	10,225
Singapore Dollar	507	26	–	–	85	618
Australian Dollar	88	–	–	–	–	88
Japanese Yen	167	–	–	–	3	170
Pound Sterling	–	–	–	58	1	59
Italian Lira	1	–	–	–	–	1
UAE Dirham	34	–	42	–	–	76
Hong Kong Dollar	2	–	292	–	–	294
Euro	187	15	–	524	–	726
	10,451	**3,528**	**334**	**905**	**421**	**15,639**

At 31 May 2003

Trade receivables						
United States Dollar	25,858	958	417	–	–	27,233
Singapore Dollar	5,021	–	–	–	–	5,021
Australian Dollar	1,756	–	–	–	–	1,756
Japanese Yen	429	–	–	–	–	429
Pound Sterling	1,208	–	–	–	–	1,208
Hong Kong Dollar	–	–	8,717	–	–	8,717
UAE Dirham	1,013	–	–	–	–	1,013
Brunei Dollar	56	–	–	–	–	56
Qatar Rial	1,435	–	–	–	–	1,435
	36,776	958	9,134	–	–	46,868

Notes to the Financial Statements
31 May 2004

30 Financial instruments *(continued)*

iii) Foreign exchange risk *(continued)*

At 31 May 2003 *(continued)*

	Functional currency of group companies						
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	Australian Dollar RM'000	Chinese Renminbi RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	Total RM'000
Cash and bank balances							
United States Dollar	13	961	333	833	379	549	3,068
Taiwan Dollar	1	–	–	–	–	–	1
UAE Dirham	1	–	–	–	–	–	1
Sri Lanka Rupee	1	–	–	–	–	–	1
Pound Sterling	–	–	–	–	495	2	497
Malaysian Ringgit	–	–	–	–	–	1	1
Chinese Renminbi	–	–	–	–	–	1	1
Euro	1	–	–	–	–	1	2
	17	961	333	833	874	554	3,572
Bank borrowings							
United States Dollar	–	2,273	–	10,796	–	–	13,069
Trade payables							
United States Dollar	10,369	102	52	1,008	280	1,191	13,002
Singapore Dollar	297	18	–	–	–	–	315
Australian Dollar	124	–	–	–	–	–	124
Japanese Yen	463	–	–	–	–	458	921
Pound Sterling	1,231	–	–	–	195	–	1,426
Italian Lira	1	–	–	–	–	–	1
UAE Dirham	4	–	96	–	–	–	100
Hong Kong Dollar	2	13	681	13	–	–	709
Euro	659	–	–	–	221	–	880
	13,150	133	829	1,021	696	1,649	17,478

Notes to the Financial Statements
31 May 2004

30 Financial instruments *(continued)*

iii) Foreign exchange risk *(continued)*

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Maturity less than 1 year RM'000	Notional amount RM'000
At 31 May 2004			
Forward contract used to hedge trade receivables	United States Dollar	43,559	43,559
	Euro	4,952	4,952
	Singapore Dollar	313	313
		48,824	**48,824**
Forward contract used to hedge trade payables	Pound Sterling	9,838	9,838
	Euro	1,929	1,929
	Singapore Dollar	32	32
	United States Dollar	968	968
	Japanese Yen	1,303	1,303
		14,070	**14,070**
Forward contract used to hedge future sales	United States Dollar	**13,845**	**13,845**
Forward contract used to hedge future purchases	Pound Sterling	5,990	5,990
	Japanese Yen	312	312
		6,302	**6,302**
At 31 May 2003			
Forward contract used to hedge trade receivables	United States Dollar	12,831	12,831
	Euro	5,021	5,021
	Hong Kong Dollar	7,617	7,617
		25,469	25,469
Forward contract used to hedge trade payables	Pound Sterling	777	777
	Euro	85	85
	Singapore Dollar	60	60
	United States Dollar	243	243
	Japanese Yen	840	840
		2,005	2,005
Forward contract used to hedge future sales	Euro	8,544	8,544
Forward contract used to hedge future purchases	Pound Sterling	1,428	1,428

iv) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

Notes to the Financial Statements
31 May 2004

30 Financial instruments *(continued)*

v) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

vi) Fair values

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company except for amount owing by/to group companies where it is not practical to estimate the fair values due principally to a lack of fixed repayment terms.

There are no fair values for financial instruments not recognised in the balance sheets as at 31 May 2004 that are required to be disclosed.

31 Significant events during the year and subsequent to balance sheet date

1) Tamco restructuring scheme

Following approval from the relevant authorities, Tamco undertook a restructuring exercise involving the following:

i) *Capital restructuring*

On 25 August 2003, Tamco completed its capital restructuring exercise which involved the following:

a) the issuance of 20,000,000 new ordinary shares of RM1.00 each to Nylex (Malaysia) Berhad ("Nylex") at an issue price of RM1.00 each to raise proceeds of RM20,000,000 for the redemption of 20,000,000 11.5% cumulative redeemable preference shares of RM1.00 each; and

b) the capitalisation of amounts due by Tamco to Nylex of RM83,843,860 into 83,843,860 ordinary shares of RM1.00 each.

Following the completion of (a) and (b) above, Tamco's issued and paid-up ordinary share capital was increased from RM8,400,000 comprising 8,400,000 ordinary shares of RM1.00 each to RM112,243,860 ordinary shares of RM1.00 each.

Subsequently, on 12 January 2004, Tamco sub-divided its ordinary shares of RM1.00 each into two (2) ordinary shares of RM0.50 each. After the sub-division, the issued and paid-up ordinary capital became RM112,243,860 comprising 224,487,720 ordinary shares of RM0.50 each.

ii) *Bonds issue*

On 28 August 2003, Tamco successfully issued RM80.0 million nominal value Bai' Bithaman Ajil Serial Bonds and the proceeds were utilised as follows:

	RM' million
a) Settlement of amount due by Tamco to Nylex	55.4
b) Working capital	24.6
	80.0

iii) *Bumiputera placement*

In conjunction with the listing of Tamco on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), Tamco on 29 June 2004 placed out 35,000,000 new ordinary shares of RM0.50 each, at par for cash, representing approximately 13.5% of the enlarged issued and paid-up share capital of Tamco to Bumiputera investors and directors of Tamco to increase Tamco's Bumiputera equity content.

iv) *Listing of Tamco*

On 6 July 2004, the entire enlarged issued and paid-up share capital of Tamco comprising 259,487,720 ordinary shares of RM0.50 each was officially listed and quoted on the MESDAQ Market of Bursa Securities.

Notes to the Financial Statements
31 May 2004

31 Significant events during the year and subsequent to balance sheet date *(continued)*

2) Nylex capital reconstruction

On 29 June 2004, 224,487,720 ordinary shares of RM0.50 each in Tamco were distributed to the Shareholders of Nylex, the then holding company pursuant to the Capital Reconstruction Scheme involving the following:

i) Capital reduction

The Capital Reduction entails the cancellation of fifty (50) sen from each existing ordinary shares of RM1.00 each in Nylex ("Nylex Shares") held by the Shareholers of Nylex whose names appeared in the Record of Depositors as at the close of business at 5.00 pm on 23 June 2004, pursuant to section 64 of the Companies Act, 1965. Subsequent to the Capital Reduction, the issued and paid-up share capital of Nylex became RM112,243,860 comprising 224,487,720 ordinary shares of RM0.50 each from RM224,487,720 comprising 224,487,720 ordinary shares of RM1.00 each, resulting in a capital reserve of RM112,243,860 which was utilised for the Capital Distribution.

ii) Share consolidation

Immediately after the Capital Reduction, the resultant 224,487,720 ordinary shares of RM0.50 each were consolidated into 112,243,860 new ordinary shares of RM1.00 each on the basis of two (2) ordinary shares of RM0.50 each in Nylex into one (1) ordinary share of RM1.00 each in Nylex.

iii) Capital distribution

The Capital Distribution entails the distribution of 224,487,720 ordinary shares of RM0.50 each in Tamco, representing the entire equity interest then held by Nylex to the Shareholders of Nylex, whose names appeared in the Record of Depositors as at the close of business at 5.00 p.m on 23 June 2004, on the basis of one (1) Tamco Shares for every one (1) Nylex Shares held as at the book closure of the same date.

3) Acquisition of four (4) Chemical companies from Ancom Berhad ("Acquisitions")

The 64,427,000 new ordinary shares of RM1.00 each issued pursuant to the Acquisitions at an issue price of RM1.00 per share have been listed on the Bursa Securities on 14 July 2004.

4) Tamco additional placement

This involved the additional issuance and placement of up to 40,000,000 new ordinary shares of RM0.50 each in Tamco at an issue price which shall not be at more than 5% discount from the weighted average market price of Tamco's Shares for the five (5) market days prior to the placement to strategic investor(s) (which may be individuals or corporations) that are able to contribute to the growth of Tamco Group, to be identified closer to the time of placement, but which shall not be at any time prior to the placement be related parties to Tamco. As of the date of this financial statement, this exercise has yet to be implemented.

Notes to the Financial Statements
31 May 2004

32 Subsidiaries
Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective % ownership in 2004 %	2003 %	Principal activities
Direct subsidiaries				
Tamco Corporate Holdings Berhad	Malaysia	**100**	100	Design, manufacture, supply, installation, commissioning and maintenance of switchgear and equipment and systems for power distribution and motor control.
Nycon Manufacturing Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins.
Malaysian Roofing Industries Sdn Bhd	Malaysia	**70**	70	Manufacture and marketing of metal roofing tiles.
Zonson Sports (Malaysia) Sdn Bhd	Malaysia	**80**	80	Dormant.
Logislease Sdn Bhd	Malaysia	**100**	100	In application to the Companies Commission of Malaysia ("CCM") to strike-off from the register of CCM.
Indirect subsidiaries				
* Tamco Systems (Singapore) Pte Ltd (formerly known as Tamco (Singapore) Pte Ltd)	Singapore	**100**	100	Trading and contracting in electrical engineering products.
Tamco Systems (Malaysia) Sdn Bhd (formerly known as 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	Dormant.
* Tamco Systems (Hong Kong) Ltd (formerly known as Tamco Electrical & Electronics (HK) Limited)	Hong Kong	**100**	100	Trading and contracting in electrical engineering products.
Tamco (Malaysia) Sdn Berhad	Malaysia	**100**	100	In application to the CCM to strike-off from the register of CCM.
Tamco Industries Sdn Berhad	Malaysia	**100**	100	Dormant.
TEE Power & Engineering Sdn Bhd	Malaysia	**100**	100	Dormant.

Notes to the Financial Statements
31 May 2004

32 Subsidiaries *(continued)*

	Name of company	Country of incorporation	Effective % ownership in 2004 %	2003 %	Principal activities
	Indirect subsidiaries *(continued)*				
**	PT Indomalay Ekatana Roofing Industries	Indonesia	**49**	49	Manufacture and marketing of metal roofing tiles.
*	Universal Motor Kontrol Pty Limited	Australia	**100**	100	Manufacture and marketing of low voltage switchgear and related products.
*	Kontrol Sales Pty Limited	Australia	**100**	100	Investment Holdings.
*	PT Kontrol Ragam Indonesia	Indonesia	**100**	80	Manufacture and tracking of control switchboard.
*	Universal Motor Kontrol Hong Kong Limited	Hong Kong	**100**	100	Sales and marketing of switchgear and related products.
**	Tamco Shanghai Switchgear Company Limited	China	**100**	100	Manufacture and marketing of switchgear and related products.
	Tamco Gulf Enterprises Sdn Berhad	Malaysia	**100**	100	In application to the CCM to strike-off from the register of CCM.
*	Tamco Static Systems (Far East) Limited	Hong Kong	**100**	100	Dormant.
*	Tamco Electrical Industries Australia Pty Ltd	Australia	**100**	100	Dormant.

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

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

Notes to the Financial Statements
31 May 2004

33 Associates

Details of associates are as follows:

Name of company	Country of incorporation	Effective % ownership in 2004 %	2003 %	Principal activities
Hikmat Ikhlas Sdn Bhd	Malaysia	**49**	49	Trading and contracting in electrical engineering products.
Suistulin Sdn Bhd	Malaysia	**50**	50	Dormant.
Tamco Chongqing Switchgear Company Limited	China	**49**	49	Manufacture and marketing of switchgear and related products.
Sinaran Takhta - Tamco Sdn Bhd	Malaysia	**30**	30	Dormant - was wound up by KL High Court on 05/11/03 and is currently in process of liquidation.
Etah Shanghai Electric Co. Ltd	China	**20**	20	Manufacture and sale of transformers and related products.

34 Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

a) **Business segments**

The Group comprises the following main business segments:

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.

Notes to the Financial Statements
31 May 2004

34 Segment information *(continued)*

a) **Business segments** *(continued)*

	Polymer	Engineering	Building products	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
2004					
Revenue					
External sales	117,192	261,755	16,254	–	395,201
Inter-segment sales	289	–	–	(289)	–
Total revenue	117,481	261,755	16,254	(289)	395,201
Results					
Segment results	12,035	25,140	(737)	–	36,438
Goodwill amortisation					(2,674)
Unallocated corporate income					(477)
Operating profit					33,287
Interest expense					(7,574)
Interest income					356
Estimated loss on capital distribution					(24,447)
Share of results of associates					414
Profit before taxation					2,036
Taxation					(7,930)
Loss after taxation					(5,894
Minority interests					1,033
Net loss for the year					(4,861)
Assets					
Segment assets	114,094	344,256	15,278	(5,314)	468,314
Investment in associates	–	5,067	–	–	5,067
Goodwill on consolidation					2,859
Unallocated corporate assets					13,735
Consolidated total assets					489,975
Liabilities					
Segment liabilities	30,792	241,092	4,062	(5,314)	270,632
Unallocated corporate liabilities					24,513
Consolidated total liabilities					295,145
Other information					
Capital expenditure	5,559	10,441	519	–	16,519
Unallocated corporate capital expenditure					17
Depreciation and amortisation	7,174	8,403	475	–	16,052
Unallocated corporate depreciation and amortisation					2,764
Non-cash expenses other than depreciation, amortisation and impairment losses	(638)	597	68	–	27
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					96

Notes to the Financial Statements
31 May 2004

34 Segment information *(continued)*

a) **Business segments** *(continued)*

	Polymer RM'000	Engineering RM'000	Building products RM'000	Eliminations RM'000	Consolidated RM'000
2003					
Revenue					
External sales	117,458	255,192	13,701	–	386,351
Inter-segment sales	143	39	–	(182)	–
Total revenue	117,601	255,231	13,701	(182)	386,351
Results					
Segment results	11,954	19,366	1,666	–	32,986
Goodwill amortisation					(1,337)
Unallocated corporate expenses					1,075
Operating loss					32,724
Interest expense					(6,915)
Interest income					300
Share of results of associates					15
Profit before taxation					26,124
Taxation					(10,064)
Profit after taxation					16,060
Minority interests					696
Net profit for the year					16,756
Assets					
Segment assets	181,608	263,935	15,552	(70,103)	390,992
Investment in associates	–	4,556	–	–	4,556
Goodwill on consolidation					21,791
Unallocated corporate assets					11,674
Consolidated total assets					429,013
Liabilities					
Segment liabilities	47,344	248,470	4,560	(136,248)	164,126
Unallocated corporate liabilities					58,542
Consolidated total liabilities					222,668
Other information					
Capital expenditure	3,895	4,150	236	–	8,281
Unallocated corporate capital expenditure					205
Depreciation and amortisation	7,020	8,124	602	–	15,746
Unallocated corporate depreciation and amortisation					104
Impairment of assets	1,007	–	–	–	1,007
Unallocated corporate impairment of goodwill					903
Non-cash expenses other than depreciation, amortisation and impairment losses	1,799	4,092	62	–	5,953
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					85

Notes to the Financial Statements
31 May 2004

34 Segment information *(continued)*

b) Geographical segments

	Total revenue from external customers (Based on location of customers		Segment assets (Based on location of assets)		Capital expenditure (Based on location of assets)	
	2004	2003	**2004**	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Malaysia	**158,879**	174,205	**344,332**	264,238	**13,217**	6,650
China	**52,081**	23,150	**69,985**	54,863	**1,115**	416
Australia	**6,529**	7,942	**18,846**	32,886	**93**	864
Indonesia	**27,096**	26,689	**11,933**	11,189	**493**	138
Hong Kong	**25,762**	55,183	**10,083**	11,766	**–**	97
Singapore	**20,711**	22,921	**13,135**	16,050	**1,601**	116
Middle East	**68,660**	37,766	**–**	–	**–**	–
Europe	**12,474**	20,850	**–**	–	**–**	–
Philippines	**3,446**	4,007	**–**	–	**–**	–
Others	**19,563**	13,638	**–**	–	**–**	–
Consolidated	**395,201**	386,351	**468,314**	390,992	**16,519**	8,281

List of Properties
31 May 2004

Location/Address	Title	Age of building (years)	Land area (sq. m.)	Built-up area (sq. m.)	Existing use	Date of acquisition/ revaluation	Tenure	Net book value as at 31.5.04 (RM'000)
a) Proprietor:								
Nylex (Malaysia) Berhad Persiaran Selangor, Section 15 Shah Alam Industrial Estate, 40200 Shah Alam Selangor Darul Ehsan	QT (R) 32	33	29,340	15,679	Office building and factory	26 Nov 1985	Leasehold, expiring 19 July 2070.	17,923
Malaysia	HS (D) 209	24	12,140		Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 10 February 2075.	
b) Proprietor: Tamco Corporate Holdings Berhad								
Lot 2A, Jalan 13/2 46200 Petaling Jaya Selangor Darul Ehsan Malaysia	HS (D) 7524	19–29	13,144	8,359	Office building, factory and warehouse.	28 March 1985	Leasehold, expiring on 20 July 2058.	9,568
Lot 24, Mukim Kapar Daerah Klang Selangor Darul Ehsan Malaysia	HM 30892	12	27,519	10,736	Factory and Office	30 Oct 1990	Freehold.	13,971
c) Proprietor: Malaysian Roofing Industries Sdn Bhd								
Lot 12 Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus, Malaysia	HS (D) 33792	20	21,721	1,254	Factory and office building.	31 Dec 1985	Leasehold, expiring on 18 June 2044.	2,331
d) Proprietor: Tamco Shanghai Switchgear Company Ltd								
You Ai Village Tangwan Town Minhang District Shanghai, China	1997–000180	11	12,498	1,816	Factory and office building.	31 Jan 1997	Leasehold, expiring on 2 October 2045.	8,109 (RMB17,721,609)
No. 379 Jianchuan Road Tangwan Town Minhang District Shanghai, China	1997–000181	11	20,935	9,024	Factory and building.	31 Jan 1997	Leasehold, expiring on 2 October 2045.	

The above buildings are in good condition.

Analysis of Shareholdings
As at 27 September 2004

Share capital

Authorised share capital	:	RM300,000,000
Issued and fully paid-up capital	:	RM176,670,860 comprising of 176,670,860 ordinary shares of RM1.00 each
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One vote per ordinary share

Distribution of shareholdings

Size of holdings	No. of holders	%	No. of shares	%
1 – 99	27	0.31	1,008	0.00
100 – 1,000	4,543	52.67	3,250,557	1.84
1,001 – 10,000	3,547	41.12	12,025,230	6.81
10,001 – 100,000	449	5.21	12,071,349	6.83
100,001 – 8,833,542 (*)	58	0.67	25,849,680	14.63
8,833,543 and above (**)	2	0.02	123,473,036	69.89
Total	8,626	100.00	176,670,860	100.00

* Less than 5% of issued shares
** 5% and above of issued shares

Directors' direct & indirect interest
As per the register of Directors' shareholdings

	Direct		Indirect	
Names of Directors	No. of shares	%	No. of shares	%
Dato' Johari Razak	75,000	0.04	–	–
Dato' Siew Ka Wei	–	–	123,492,686 (1)	69.90
Chua Ah Lak	60,000	0.03	–	–
Chieng Ing Huong (2)	–	–	14,000 (2)	0.01

Note:
1 Deemed interested by virtue of Section 6A of the Companies Act, 1965 through Rhodemark Development Sdn Bhd, a 50.1% owned subsidiary of Ancom Berhad and through his direct and indirect interest in Ancom Berhad.
2 Shares registered in the name of his spouse, Choi Yoke Lan.

Substantial shareholders
As per the register of substantial shareholders

		Direct		Indirect	
		No. of shares	%	No. of shares	%
1	Rhodemark Development Sdn Bhd	58,293,986 (1)	33.00	–	–
2	Ancom Berhad	65,198,700	36.90	58,293,986 (2)	33.00
3	Eminent East Limited	–	–	58,293,986 (2)	33.00
4	Dato' Siew Ka Wei	–	–	123,492,686 (3)	69.90
5	Asian Corporate Finance Fund, L.P.	–	–	58,293,986 (4)	33.00
6	Prime Enterprise II,L.P.	–	–	58,293,986 (4)	33.00
7	Employees Provident Fund Board	8,791,000	4.98	826,000 (5)	0.47

Note:
1 Rhodemark Development Sdn Bhd, a 50.1% owned subsidiary of Ancom Berhad pledged 58,293,236 Ordinary Shares of RM1.00 of Nylex (Malaysia) Berhad to Alliancegroup Nominees (Tempatan) Sdn Bhd.
2 Deemed interested by virtue of its direct interest in Rhodemark Development Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
3 Deemed interested by virtue of Section 6A of the Companies Act, 1965 through Rhodemark Development Sdn Bhd, a 50.1% owned subsidiary of Ancom Berhad and through his direct and indirect interest in Ancom Berhad.
4 Deemed interested by virtue of its direct interest in Eminent East Limited pursuant to Section 6A of the Companies Act, 1965.
5 Held through Alliance Capital Asset Management Sdn Bhd and MIDF Aberdeen Asset Management Sdn Bhd.

Analysis of Shareholdings *(continued)*
As at 27 September 2004

List of thirty largest shareholders
(Without aggregating securities from different securities accounts belonging to the same person)

	Name	**Shareholdings**	**%**
1	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ancom Berhad	65,179,800	36.89
2	Alliancegroup Nominees (Tempatan) Sdn Bhd Alliance Merchant Nominees (Tempatan) Sdn Bhd for Rhodemark Development Sdn. Bhd.	58,293,236	33.00
3	Employees Provident Fund Board	8,791,000	4.98
4	ECM Libra Securities Nominees (Asing) Sdn. Bhd. ECM Libra Securities Limited for Asia New Economy Fund	1,199,400	0.68
5	Lembaga Tabung Amanah Warisan Negeri Terengganu	1,008,500	0.57
6	DB (Malaysia) Nominee (Asing) Sdn Bhd UBS AG Singapore for Djelas Company S.A.	936,500	0.53
7	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok (MM1166)	690,000	0.39
8	Cartaban Nominees (Asing) Sdn Bhd Bank of Tokyo Mitsubishi Luxembourg S.A. for Osterreichische Volksbanken AG	638,000	0.36
9	Permodalan Nasional Berhad	592,000	0.34
10	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	586,000	0.33
11	Amanah Raya Nominees (Tempatan) Sdn Bhd Sekim Amanah Saham Nasional	538,000	0.30
12	Oh Kim Sun	516,900	0.29
13	John Hancock Life Insurance (Malaysia) Berhad	510,000	0.29
14	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	479,000	0.27
15	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheah See Han	458,900	0.26
16	Cartaban Nominees (Tempatan) Sdn Bhd Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404)	427,000	0.24
17	DB (Malaysia) Nominee (Asing) Sdn Bhd UBS Ag Singapore for Kenno Hayashi Ltd	405,050	0.23

Analysis of Shareholdings *(continued)*
As at 27 September 2004

List of thirty largest shareholders *(continued)*

Name	Shareholdings	%
18 Alliancegroup Nominees (Tempatan) Sdn Bhd	399,000	0.23
Alliance Capital Asset Management Sdn Bhd for Employees Provident Fund		
19 Jamshed Khan Mosharof Khan	380,000	0.22
20 Mayban Nominees (Tempatan) Sdn Bhd	366,150	0.21
Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)		
21 ECM Libra Securities Nominees (Asing) Sdn. Bhd.	353,500	0.20
ECM Libra Securities Limited for Djelas Co S.A.		
22 Lembaga Tabung Haji	353,500	0.20
23 HSBC Nominees (Asing) Sdn Bhd	350,000	0.20
DZ Bank Intl for Uni Em Fernost Treuhandkonto, Luxembourg		
24 Yeoh Kean Hua	345,000	0.20
25 RHB Capital Nominees (Tempatan) Sdn Bhd	341,500	0.19
Pledged Securities Account for Oh Kim Sun (CEB)		
26 Etavest Sdn Bhd	244,200	0.14
27 Yap Ah Fatt	240,000	0.14
28 Johan Enterprise Sdn. Bhd.	240,000	0.14
29 Cartaban Nominees (Tempatan) Sdn Bhd	222,500	0.13
Amanah SSCM Nominees (Tempatan) Sdn Bhd for Pertubuhan Keselamatan Sosial (JG475)		
30 Citicorp Nominees (Asing) Sdn Bhd	213,900	0.12
MLPFS For Chia Boon Chye		
Total	**145,298,536**	**82.24**

Notice of the 34th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 34th Annual General Meeting of the Company will be held on Tuesday, 30 November 2004 at 11.00 a.m. at the Ballroom 1, Lower Ground Level, Eastin Hotel, 13 Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan to transact the following business:

Agenda

A Ordinary business

1 To receive and adopt the Audited Financial Statements for the financial year ended 31 May 2004 and the reports of the Directors and Auditors thereon. Resolution 1

2 To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:

i) Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir Resolution 2
ii) Y.M. Tengku Yusoff Bin Tengku Mahmud Resolution 3
iii) Mr Chieng Ing Huong Resolution 4

3 To approve the payment of Directors' fees amounting to RM239,454.80 for the financial year ended 31 May 2004. Resolution 5

4 To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 May 2005 and to authorise the Directors to fix the Auditors' remuneration. Resolution 6

B Special business

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

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to allot and issue shares in the Company 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 Bursa Malaysia Securities Berhad 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." Resolution 7

C Other ordinary business

6 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 8

By Order of the Board

Choo Se Eng, MICPA 2077
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
8 November 2004

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 602, 6th Floor, Block A, Phileo Damansara 1, No. 9 Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

2 Explanatory notes to item 5 (resolution 7) of the agenda

The Ordinary Resolution proposed under Resolution 7, 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.

Notice of the 34th Annual General Meeting *(continued)*

Statement accompanying notice of the annual general meeting
Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements")

1 **Venue, date & time of the 34th annual general meeting**
The 34th Annual General Meeting will be held at the following venue, date and time:
Venue: Ballroom 1, Lower Ground Level, Eastin Hotel, 13 Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan
Day & Date: Tuesday, 30 November 2004
Time: 11.00 a.m.

2 **Directors who are seeking re-election or re-appointment at the 34th annual general meeting of the company**
The Directors who are standing for re-election at this Annual General Meeting pursuant to Article 109 of the Company's Articles of Association:
i) Y.A.M Tunku Muhriz Ibni Almarhom Tuanku Munawir
ii) Y.M. Tengku Yusoff bin Tengku Mahmud
iii) Mr Chieng Ing Huong

The details of the above Directors seeking re-election are set out in the Directors' Profile from pages 11 and 12 and the Directors' Shareholdings in the Company on page 89 of the Annual Report.

3 **Details of attendance of directors at board meetings held in the financial year ended 31 May 2004**
The details of the attendance of Directors at Board Meetings as required pursuant to Appendix 8A of the Listing Requirements can be found in the Directors' Profile and Statement of Corporate Governance on pages 11 and 25 of this Annual Report accordingly.

This page is intentionally left blank

NYLEX

Nylex (Malaysia) Berhad (9378-T)
(Incorporated in Malaysia under the Companies Act, 1965)

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 34th Annual General Meeting of the Company to be held at the Ballroom 1, Lower Ground Level, Eastin Hotel, 13 Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 30 November 2004 at 11.00 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 Financial Statements, Report of the Directors and Report of the Auditors thereon.		
	Re-election of the following Directors pursuant to Article 109:		
2	i) Y.A.M. Tunku Muhriz Ibni Almarhom Tuanku Munawir		
3	ii) Y.M. Tengku Yusoff bin Tengku Mahmud		
4	iii) Mr Chieng Ing Huong		
5	Approval of Directors' fees.		
6	Re-appointment of Messrs Ernst & Young as Auditors.		
7	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 ________________ 2004

No. of shares held	

____
Signature of Shareholder(s) or Common Seal

____
Telephone number (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 602, 6th Floor, Block A, Phileo Damansara 1, No. 9 Jalan 16/11, 46350 Petaling Jaya Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Please fold here first

Affix
postage
stamp

NYLEX (MALAYSIA) BERHAD (9378-T)
The Company Secretary
602, 6th Floor, Block A
Phileo Damansara 1, No. 9 Jalan 16/11
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Please fold here second

NYLEX