NYLEX (MALAYSIA) BERHAD (9378-T)

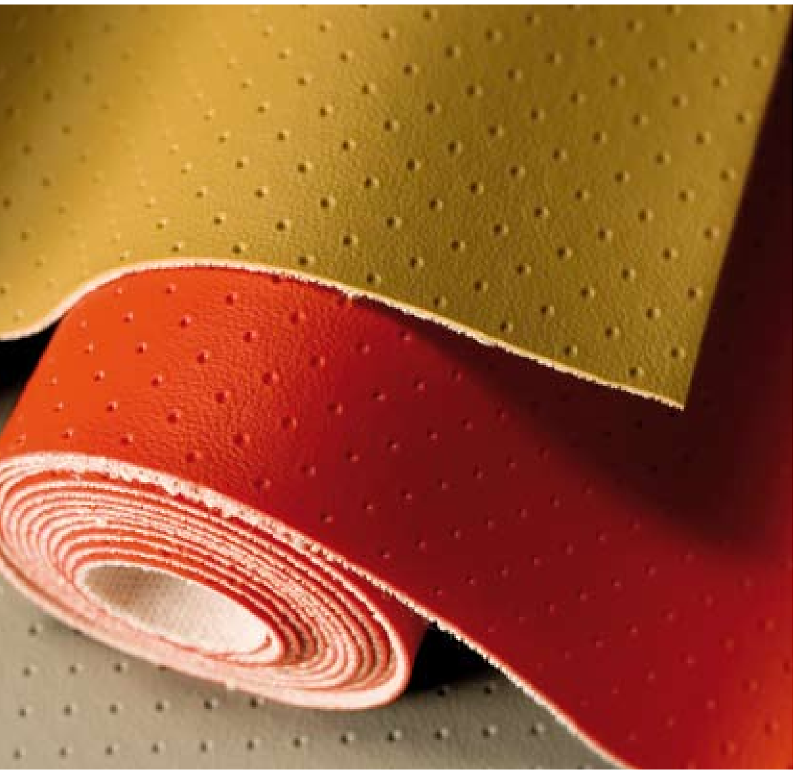
Incorporated in Malaysia

ANNUAL REPORT 2006

TOGETHER WE CAN MAKE A DIFFERENCE



Contents



Corporate Information

BOARD OF DIRECTORS
Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP
(Non-Independent Non-Executive Chairman)

Dato' Johari Razak
(Non-Independent Non-Executive Deputy Chairman)

Dato' Siew Ka Wei
(Group Managing Director)

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

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

Lim Hock Chye
(Independent Non-Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

AUDIT COMMITTEE
Dato' Mohd Ismail bin Che Rus *(Chairman)*
Dato' Siew Ka Wei
Lim Hock Chye
Edmond Cheah Swee Leng

REMUNERATION & NOMINATION COMMITTEE
Lim Hock Chye *(Chairman)*
Dato' Mohd Ismail bin Che Rus
Teo Ek Tor
Edmond Cheah Swee Leng

COMPANY SECRETARIES
Choo Se Eng
Stephen Geh Sim Whye

REGISTERED OFFICE
Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7805 1817
Fax : (603) 7804 1316

PRINCIPAL PLACE OF BUSINESS
Persiaran Selangor, Section 15
Shah Alam Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5519 1706
Fax : (603) 5510 8291

REGISTRARS
PFA Registration Services Sdn Bhd
1301 Level 13, Uptown 1
No 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7725 4888 / 7725 8046
Fax : (603) 7722 2311

AUDITORS
Ernst & Young
Chartered Accountants

STOCK EXCHANGE LISTING
Main Board of Bursa Malaysia Securities Berhad
- Industrial Products Sector

PRINCIPAL BANKERS
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad

SOLICITORS
Shearn Delamore & Co

DOMICILE
Malaysia

Corporate Structure as at 31 May 2006

ANCOM BERHAD

- 50.1% Rhodemark Development Sdn Bhd
  - 28.3% NYLEX (MALAYSIA) BERHAD
- 41.8% NYLEX (MALAYSIA) BERHAD

NYLEX (MALAYSIA) BERHAD

- **100%** Nycon Manufacturing Sdn Bhd
- **100%** Nylex Polymer Marketing Sdn Bhd *(formerly known as Zonson Sports (Malaysia) Sdn Bhd)*
- **65%** PT Nylex Indonesia
- **100%** Perusahaan Kimia Gemilang Sdn Bhd
  - **90%** Dynamic Chemical Trading Pte Ltd
  - **30%** Ancom Kimia Sdn Bhd
- **100%** Fermpro Sdn Bhd
- **100%** Kumpulan Kesuma Sdn Bhd
- **100%** Wedon Sdn Bhd
- **100%** Nylex Specialty Chemicals Sdn Bhd
- **51%** Speciality Phosphates (Malaysia) Sdn Bhd
- **70%** Malaysian Roofing Industries Sdn Bhd
  - **70%** PT Indomalay Ekatana Roofing Industries

Polymer Division
Industrial Chemical Division
Building Products Division

List of Principal Offices

NYLEX (MALAYSIA) BERHAD /
NYCON MANUFACTURING SDN BHD /
NYLEX POLYMER MARKETING SDN BHD
(formerly known as Zonson Sports (Malaysia) Sdn Bhd)
Persiaran Selangor, Section 15
Shah Alam Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (603) 5519 1706
Fax : (603) 5510 8291 / 5510 0088
www.nylex.com
Dato' Siew Ka Wei
(Group Managing Director)
Eric Chan Hean Chin
(Divisional Head - Polymer)

PT NYLEX INDONESIA
Desa Sumengko Km31 Kecamatan
Wringinanom, Kabupaten Gresik
East Java
61176 Indonesia
Tel : (6221) 898 2625
Fax : (6221) 898 2623
Amirthalingam Kanagasabai
(President Director)

PERUSAHAAN KIMIA GEMILANG SDN BHD
302, Block A
Pusat Dagangan Phileo Damansara 1
No. 9, Jalan 16/11 Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia
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
Malaysia
Tel : (604) 938 2892
Fax : (604) 938 2890
Tan Wee Lian
(Deputy Managing Director)

KUMPULAN KESUMA SDN BHD /
WEDON SDN BHD
No. 6, Lorong SS13/6A
Subang Jaya Industrial Estate
47500 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 5633 6229
Fax : (603) 5634 9915
Lim Liang Tan
(Managing Director)

NYLEX SPECIALTY CHEMICALS SDN BHD /
SPECIALITY PHOSPHATES (MALAYSIA) SDN BHD
Lot 593 & 624, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3168 8282
Fax : (603) 3168 6098
Dr. Chong Chien Fatt
(Managing 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)

Five-Year Highlights

	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
Sales	**670,300**	625,497	395,201	386,351	365,873
Profit/(loss) before tax	**26,233**	19,525	2,036	26,124	(53,274)
Profit/(loss) after tax	**18,113**	13,639	(5,894)	16,060	(62,943)
Effective percentage rate of tax	**31.0%**	30.1%	389.5%	38.5%	-18.1%
Net earnings/(loss) for shareholders	**18,232**	13,456	(4,861)	16,756	(62,341)
Assets employed					
Fixed assets	**79,917**	86,544	117,722	126,768	134,131
Investments	**4,352**	4,627	8,647	8,136	7,313
Other non-current assets	**31,495**	32,882	9,796	36,453	38,975
Current assets	**234,988**	252,678	362,674	266,628	275,089
Total assets	**350,752**	376,731	498,839	437,985	455,508
Financed by					
Share capital	**176,671**	176,671	224,488	224,488	224,488
Reserves	**(1,821)**	(1,752)	1,831	6,233	9,590
Retained profits	**(11,034)**	(23,542)	(35,471)	(27,377)	(39,284)
Nylex Malaysia shareholders' interest	**163,816**	151,377	190,848	203,344	194,794
Minority shareholders' interest	**5,318**	6,625	2,392	2,476	3,191
Total shareholders' funds and minority interests	**169,134**	158,002	193,240	205,820	197,985
Non-current liabilities	**11,279**	27,116	94,132	21,802	28,453
Current liabilities	**170,339**	191,613	211,467	210,363	229,070
Total funds employed	**350,752**	376,731	498,839	437,985	455,508
Shareholders' interest					
Earnings/(loss) per share – sen	**10.3**	7.5	(2.2)	7.5	(27.8)
Dividend per share – sen	**4.5**	1.2	-	3.0	2.0
Net assets per share – sen	**92.7**	85.7	85.0	90.6	86.8
Employees at year end	**667**	672	1,294	1,292	1,364
Depreciation & amortisation	**11,849**	11,462	18,816	17,187	19,769
Interest	**3,040**	3,667	7,218	6,615	7,464

Board of Directors

1) DATUK HAJI MOHAMED AL AMIN BIN HAJI ABDUL MAJID, JP
2) DATO' JOHARI RAZAK
3) DATO' SIEW KA WEI
4) DATO' MOHD ISMAIL BIN CHE RUS
5) TEO EK TOR
6) LIM HOCK CHYE
7) EDMOND CHEAH SWEE LENG

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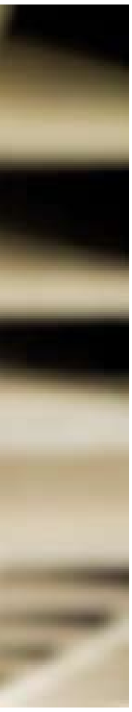
Board of Directors *(cont'd)*



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DATUK HAJI MOHAMED AL AMIN BIN HAJI ABDUL MAJID, JP

(Non-Independent Non-Executive Chairman)

Datuk Al Amin, aged 51, joined the Board on 30 July 2003. He graduated with a Diploma in Technology from Oxford College of Further Education and holds a Bachelor of Science degree in Civil Engineering from the University of Aston, Birmingham, United Kingdom.

Datuk Al Amin began his career as a project engineer with the Perak State Development Corporation in 1979. Two years later, he was appointed as the Executive Director of its subsidiary, Maju Bangun Sdn Bhd. In 1982, he set up his own business and is currently a director of several private companies which are involved in a range of businesses such as construction, investment, distributorship, general trading and project management. He is currently the Chairman of the Chemical Industries Council of Malaysia (CICM) and a Corporate Member of Institute of Engineers Malaysia (MIEM).

Datuk Al Amin is currently the Executive Chairman of Country View Berhad and a director of Ancom Berhad, Gabungan Pemborong Bumiputra Perak Berhad and MCIS Zurich Insurance Berhad.

DATO' JOHARI RAZAK

(Non-Independent Non-Executive Deputy Chairman)

Dato' Johari, aged 52, joined the Board on 12 October 1999 and was later appointed Executive Vice Chairman on 29 January 2002. He was re-designated as Non-Executive Deputy Chairman on 6 December 2004.

Dato' Johari graduated with a Bachelor of Law degree from the University of Kent, United Kingdom. He was called to the Bar of England and Wales at Lincoln's Inn in 1976 and was admitted as an advocate and solicitor of the High Court of Malaya in 1977. He practiced law with Messrs. Shearn Delamore & Co from 1979 and was a partner of the firm from 1991 to 1994.

Dato' Johari is currently the Executive Chairman of Ancom Berhad, Chairman of Courts Mammoth Berhad and Daiman Development Berhad and a director of Hong Leong Industries Berhad, Daiman Golf Berhad and Deutsche Bank (Malaysia) Berhad.

DATO' SIEW KA WEI

(Group Managing Director)

Dato' Siew, aged 51, joined the Board on 12 October 1999. He became the Group Managing Director on 29 January 2002 and is a member of the Audit Committee.

Dato' Siew graduated with a Bachelor of Science (Hons) degree in Chemical Engineering and a Master of Science degree in Operational Research from the Imperial College of Science, Technology and Medicine, London, United Kingdom. He has local and international working experience in the field of petrochemicals for more than 20 years. He was also the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 8,500 chief officers of major companies all over the world, and was a director of the International Board of Director of YPO.

Dato' Siew is currently the Group Managing Director of Ancom Berhad and Deputy Chairman of Tamco Corporate Holdings Berhad.

DATO' MOHD ISMAIL BIN CHE RUS

(Independent Non-Executive Director)

Dato' Ismail, aged 63, joined the Board on 29 October 1999 and is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Dato' Ismail attended the Training Management course at Royal Institute of Public Administration, London, United Kingdom and also the Post Graduate Senior Management course at the University of Manchester, United Kingdom.

Dato' Ismail started his career with the Royal Malaysian Police as an Inspector in 1962 and was promoted to numerous positions before his appointment as Chief Police Officer for three states in Malaysia and the Metropolitan Police of Kuala Lumpur. Prior to his retirement, Dato' Ismail was holding the rank of Commissioner of Police with the appointment as the Director of Criminal Investigation Department.

Currently, Dato' Ismail is the Vice-President of Retired Senior Police Officers Association (RESPA) and a director of Ancom Berhad and Selangor Dredging Berhad.

TEO EK TOR

(Non-Independent Non-Executive Director)

Mr. Teo, aged 53, joined the Board on 21 February 2003 and is a member of the Remuneration and Nomination Committee.

Mr. Teo holds a degree in Business Administration (Hons) from University of Western Ontario, Canada. He has over 25 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. He has contributed to and been instrumental in building up 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 and a director of Tamco Corporate Holdings Berhad.

LIM HOCK CHYE
(Independent Non-Executive Director)

Mr. Lim, aged 51, joined the Board on 1 August 2005 as Independent Non-Executive Director and is currently the Chairman of the Remuneration and Nomination Committee.

He gained his LL.B (Hons) degree from University of London, United Kingdom and holds a Certificate in Legal Practice. He was one of the pioneer consultants with the Malaysian Minority Watchdog Group, an initiative set up by the Ministry of Finance in 2002 to protect the minority shareholders' interest and promote good corporate governance and practices.

Prior to that, he was a Deputy Editor with The Star Newspaper.

In addition, he was also a panel speaker for Rating Agency of Malaysia & Bursatra Malaysia (formerly known as Bursa Malaysia Trading Sdn Bhd) on Continuing Education Programme for public-listed company directors. He continues to lecture on promotion of good governance within Corporate Malaysia.

Currently, he is a director of Kumpulan Europlus Berhad, Silver Bird Group Berhad, Juan Kuang (M) Industrial Berhad and Tamco Corporate Holdings Berhad.

EDMOND CHEAH SWEE LENG
(Independent Non-Executive Director)

Mr. Cheah, aged 52, joined the Board on 26 August 2005 and is currently a member of the Audit Committee and the Remuneration and Nomination Committee.

Mr. Cheah is a Chartered Accountant by profession and is a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England & Wales. He is also a Certified Financial Planner.

Mr. Cheah's professional experience has been in the fields of audit, merchant banking, corporate and financial advisory, portfolio and investment management, unit trust management and financial planning. He was an Audit Manager with a professional accounting firm in London; the manager in charge of Portfolio Investment in a merchant bank in Malaysia and subsequently in charge of the corporate planning & investment division in a public listed company; the Executive Director/ Chief Executive Officer and member of the Investment Committee of Public Mutual Berhad, the largest private unit trust management company in Malaysia; a Council Member and Chairman of the Secretariat of the Federation of Malaysia Unit Trust Managers (FMUTM); a Task Force Member on Islamic Finance for the Labuan Offshore Financial Services Authority (LOFSA) and a Member of the Securities Market Consultative Panel for Bursa Malaysia Securities Berhad. He is currently a member of the Board of Governors and the Immediate Past President of the Financial Planning Association of Malaysia (FPAM); the Treasurer of the Society for the Prevention of Cruelty to Animals (SPCA) and an Investment Committee Member and director of MAAKL Mutual Berhad.

Mr. Cheah is currently the Chairman of Adventa Berhad and a director of Ancom Berhad.

Note:

1. *Except for Mr. Teo Ek Tor who is a Singaporean, all the directors are Malaysian.*

2. *There is no family relationship between the Directors and/or major shareholders of the Company.*

3. *Save for Dato' Siew Ka Wei who has interest in certain related party transactions as disclosed in page 67 of this Annual Report, none of the Directors has any financial interest in any business arrangement involving the Group.*

4. *The securities holdings and attendance of the Directors are appended in page 32 and page 16 of this Annual Report.*

5. *None of the Directors has been convicted of any offences, other than traffic offences, if any, during the financial year.*

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 May 2006 ("FY 2006").

FINANCIAL PERFORMANCE

For the financial year under review, the consolidated revenue of the Group was RM670.3 million, up 7.2% from RM625.5 million in the previous financial year ended 31 May 2005 ("FY 2005"). The Group recorded a consolidated profit before tax ("PBT") of RM26.2 million, compared to RM19.5 million that was achieved in FY 2005. After accounting for taxation and minority interests, the profit attributable to shareholders was RM18.2 million (FY 2005: RM13.5 million).

The basic earnings per share rose from 7.5 sen in FY 2005 to 10.3 sen for the current financial year. Net assets per share as at 31 May 2006 was 92.7 sen compared to 85.7 sen as at 31 May 2005.

REVIEW OF OPERATIONS

Polymer Division

For FY 2006, the Polymer Division recorded sales of RM128.0 million which exceeded last financial year's sales of RM118.7 million by 7.8%. The improved sales performance was mainly contributed by higher export sales in films and coated fabrics ("FCF") and sales from PT Nylex Indonesia, which more than offset a slight decline in FCF domestic sales.

Due to the successful pricing and raw material procurement strategies, the Division recorded a PBT of RM10.0 million in FY 2006, an improvement of 86.2% compared with RM5.4 million in FY 2005.

Chairman's Statement *(cont'd)*

Industrial Chemical Division

The Industrial Chemical Division remains the Group's largest contributor, with its sales reaching RM535.9 million for FY 2006, an increase of 13.3% compared to RM473.1 million recorded in FY 2005. The Division contributed a PBT of RM17.7 million, which exceeded RM12.5 million (before recognition of an amount of about RM8.5 million being gain on the disposal of property by a subsidiary) achieved in FY 2005 by 42.0%.

The improved performance of the Division in FY 2006 was largely attributed to the favourable market conditions and its ability to create and maintain strong and enduring business ties with its customers and suppliers.

Building Products Division

Following the cessation of production in Malaysian Roofing Industries Sdn Bhd on 16 March 2005, the Building Products Division's sales were solely dependent on the contribution from PT Indomalay Ekatana Roofing Industries, the manufacturing unit in Indonesia. Consequently, the Division's sales were lower at RM7.2 million for the current financial year as compared to RM16.5 million achieved in FY 2005.

The Division made a lower PBT of RM0.8 million compared to RM1.9 million recorded in FY 2005.

DIVIDENDS

The Board of Directors is proposing the payment of a final gross dividend of 4.0 sen per share (FY 2005: 4.5 sen) less 28% income tax, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

The total dividend per share for the current financial year, including the above recommended final dividend, if approved, would be 4.0% or 4.0 sen per share (FY 2005: 5.7% or 5.7 sen) less 28% income tax.

CORPORATE DEVELOPMENTS

As mentioned in my last report, the Group is continually seeking new acquisitions to strengthen our core businesses as a strategy for growth to enhance shareholders' value. Subsequent to FY 2006, the Group completed the following two acquisitions: -

1. 29.99% equity interest in Megachem Limited ("Megachem"), a public company incorporated in Singapore and listed on the Stock Exchange of Singapore Dealing and Automated Quotation ("SESDAQ"). It is a one-stop specialty chemicals solutions provider with a broad distribution network across Asia;

Chairman's Statement *(cont'd)*

2. 100% equity interest in CKG Chemicals Pte Limited ("CKG"), a private company incorporated in Singapore. CKG is principally involved in the trading and distribution of industrial chemicals and gasoline blending components.

The above strategic acquisitions will enable the Group to tap into new sources of product supply and broaden its existing customer base. In addition, the Group will benefit from business and operational synergies, especially economies of scale in purchases and improved efficiency in deliveries. These acquisitions will make the Group more competitive and are expected to contribute positively to the earnings growth of Nylex Group.

PROSPECTS FOR NEXT FINANCIAL YEAR

The growth momentum in Malaysia remains strong. Real Gross Domestic Product is projected to grow at 5.8% in 2006 (2005: 5.2%). The economic growth momentum in 2006 is expected to continue into 2007 at a stronger pace of 6%. However, several downside risks remain. The rise in the cost of living, due to higher oil prices and electricity tariffs, will have a dampening effect on private consumption. Escalating crude oil prices warranted three upward adjustments in fuel prices this year. This is made worse by the rise in interest rates, which had taken place twice this year.

In view of the above, the industrial business environment continues to be challenging due to high raw material prices, higher operational costs, reduced consumer spending and intense competition.

Chairman's Statement *(cont'd)*

Moving forward, the Group will continue to focus on increasing productivity and reducing operational cost in order to improve profitability of its business.

The prospects for the next financial year will depend on the ability of the Group's two core businesses, namely the Polymer and Industrial Chemical Division, to capitalise on their leading market positions in the respective sectors they serve. Barring unforeseen circumstances, the Group's performance for the next financial year is expected to be satisfactory.

APPRECIATION

On behalf of the Board, I would like to express our heartfelt appreciation to the management and employees for their loyalty, dedication and commitment which resulted in the Group's improved performance and for their continuous efforts to bring the Group to greater heights.

The Board would also like to extend its sincere thanks and gratitude to all our valued shareholders, customers, suppliers, business partners, bankers and all regulatory authorities for their continued support and co-operation throughout the year.

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

Petaling Jaya, Selangor Darul Ehsan
8 September 2006

Statement on Corporate Governance

INTRODUCTION

The Board is committed to maintaining a high standard of corporate governance and upholding the fundamental duty of safeguarding the Group's assets and enhancing shareholders' value and financial performance of the Group. Hence, it is fully dedicated to ensuring that the principles of good corporate governance and the best practices as set out in the Malaysian Code on Corporate Governance issued by the Finance Committee ('the Code"), are adhered to.

Pursuant to paragraph 15.26 of the Bursa Securities Listing Requirements ("Listing Requirements"), the Board of Directors ("the Board") is pleased to present its Statement on Corporate Governance ("Statement") to indicate how the Company has applied the principles and best practices of the Code.

BOARD OF DIRECTORS

Composition

The Board comprises seven (7) members, of which one (1) is an Executive Director and six (6) are Non-Executive Directors. Three (3) of these directors are Independent Directors. During the financial year, the composition of the Board was in compliance with the Listing Requirements, which require that at least one-third (1/3) of the Board are Independent Directors.

All Board members are persons of calibre and credibility with extensive expertise and wealth of experience in legal, accounting, economics, corporate finance, marketing and business practices to augment the Group's continued growth and success.

The profile of the directors are set out on pages 6 to 9 of this Annual Report.

Meetings and supply of information

During the financial year, the Board met four (4) times to deliberate and consider a variety of matters including review and approval of the interim financial results, and appraisal and adoption of business plans and strategies for the Group.

The Board also appointed an Audit Committee which is responsible for reviewing the adequacy and integrity of the Group's system of internal control, identifying and addressing the principal risks and ensuring the implementation of appropriate systems to manage these risks.

The details of the attendance of each director at the Board meetings held during the financial year are as follows:

Name of directors	No. of meetings attended	% attendance
Dato' Haji Mohamed Al Amin bin Haji Abdul Majid, JP	3	75
Dato' Johari Razak	3	75
Dato' Siew Ka Wei	4	100
Dato' Mohd Ismail bin Che Rus	4	100
Teo Ek Tor	2	50
Lim Hock Chye	4	100
Edmond Cheah Swee Leng	4	100

The agenda, financial reports and any other documents required for the consideration of the Board are distributed to the members, well in advance of each meeting and via circular resolutions. These documents were comprehensive and cover both qualitative and quantitative factors of the matters at hand so that informed decisions could be made. Minutes were kept, to monitor all the proceedings at the Board meetings, and confirmed by the Board at the subsequent meeting.

Invitations to attend the Board meetings have occasionally been extended to senior management staff, advisers and professionals to provide the Board with their explanations on certain items tabled or to furnish clarification on issues raised by the Board.

All directors were vested with the rights and unlimited access to information with regards to the Group's activities.

Duties and responsibilities

The role of the Chairman and Group Managing Director of the Group are distinct and separate with individual responsibilities and clearly defined duties, power and authorities. The Chairman is responsible for the orderly conduct of the Board whereas the Group Managing Director is accountable for the day-to-day running and management of the business operations and implementation of the Board's decisions and policies.

The Non-Executive Directors contribute their knowledge and experience in the decision-making process by providing unbiased views and independent judgments and ensuring that no minority group of directors or any individual director dominated the Board's discussions. The decisions of the Board were decided by a simple majority of votes of the directors present at each Board meeting.

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

Training and education

All directors of the Company have completed the Mandatory Accreditation Programme and will continue to undergo other relevant training programmes that would enhance their skills and knowledge.

As an integral part of the education programme for all directors, the management have updated the directors with information on the Group's businesses while the company secretaries have provided the directors with the relevant guidelines and updates on statutory and regulatory requirements from time to time.

Under the revised Listing Requirements, the Board will assume the onus of determining or overseeing the training needs of the Directors with effect from 1 January 2005. The Directors are encouraged to attend training programmes to ensure that they are kept abreast on key issues facing the changing business environment within which the Group operates. During the financial year, the Directors have attended training programmes covering a wide range of current business development and corporate regulatory development, such as "Effective Use of Consolidated Financial Statements", "Risk Management Awareness", "Making Corporate Board More Effective", "Enhancing Stakeholder Value", among others.

The Board will continually assess the training needs of the Directors from time to time.

Re-election

The Articles of Association of the Company provides that a newly appointed director is subject to retirement and is entitled to seek re-election at the first Annual General Meeting ("AGM") after his/her appointment. All directors retire on a rotational basis once every three (3) years and are entitled to offer themselves for re-election at the Company's AGM. None of the Executive Directors has a service contract where the notice period for termination is more than one (1) year.

In the case of re-election of directors at the general meeting, the Notice of AGM, a copy of which is on page 82 of this Annual Report, will contain the name of the directors seeking re-election. The motion to re-elect directors is voted individually.

BOARD COMMITTEES

In accordance with the best practices of the Code, the Board has established various committees to delegate specific tasks and responsibilities. These committees operate within clearly defined terms of reference. Append below are more information pertaining to each committee:

Audit Committee

The composition, terms of reference and other information relating to the Audit Committee are set out on pages 21 to 25 of this Annual Report.

Remuneration and Nomination Committee ("R&N Committee")

The R&N Committee was set up to combine the functions of the Remuneration Committee and the Nomination Committee. During the financial year, the R&N Committee comprised the following members:

Lim Hock Chye (Chairman)
Dato' Mohd Ismail bin Che Rus
Teo Ek Tor
Edmond Cheah Swee Leng

The primary responsibility of the R&N Committee is to recommend to the Board the remuneration framework and package for the directors. The R&N Committee has taken into consideration the market practices and the individual's contribution in deciding the remuneration package of these directors.

It is the Group's practice to reward the Executive Directors based on the Group's financial performance, market comparisons and competitive pressures of the industry in which the Group is part of. For Non-Executive Directors, the level of remuneration reflects the amount paid by other comparable organisations. The Board ultimately decides on the remuneration of the Directors.

The R&N Committee is also tasked with identifying, recruiting and making recommendations to the Board on all new Board and Board Committee appointments and the re-election of retiring directors. The R&N Committee has assessed the efficiency of the Board and the contributions of each director towards the effectiveness of the Board's decision-making process.

No new appointments were made by the Board during the financial year.

DIRECTORS' REMUNERATION

The details of the remuneration paid or payable to the directors by the Group during the financial year are disclosed in note 7 to the financial statements on pages 53 to 54 of this Annual Report.

SHAREHOLDERS

Investor relations and shareholders' communication

The Company maintains a policy of disseminating information that is material for shareholders' attention. During the financial year, various announcements, including the quarterly interim financial reports, were made to ensure that such information is distributed to the shareholders, stakeholders and investors in a timely manner.

In conformity with the best practices of the Code, the Board has appointed Dato' Mohd Ismail bin Che Rus, a senior Independent Non-Executive Director, as the person to whom concerns or queries may be conveyed. He may be contacted by post at Persiaran Selangor, Section 15, Shah Alam Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, fax at 603-5510 8291 or email at corp@nylex.com. In addition, the Company has also established a website, www.nylex.com, where shareholders, stakeholders and investors can have access to the Group's news and information.

General meeting

The AGM remains the principal forum for communicating with shareholders. It has been the Company's practice to send the Notice of AGM and the related reports to the shareholders and to advertise the Notice of AGM in an English newspaper within the prescribed deadlines in accordance with the regulatory and statutory requirements.

The Company holds its AGM and other general meetings at places that are easily accessible and at a time convenient to the shareholders to encourage them to attend these meetings. At the meetings, the shareholders are given the opportunity to raise questions on the Group's activities as well as to communicate their expectations and concerns to the Company. Minutes are prepared and kept on the proceedings of the meetings and these minutes are available for shareholders' inspection in accordance with the Companies Act, 1965.

ACCOUNTS AND AUDIT

Financial reporting

The Board takes responsibility in ensuring that the financial statements of the Group and of the Company give a true and fair view of the state of affairs of the Group and the Company, and are drawn up in accordance with the provisions of the Companies Act, 1965, the Listing Requirements, the standards approved by the Malaysian Accounting Standards Board and any other statutory or regulatory requirements.

The Group's quarterly interim financial reports and the annual audited financial statements are reviewed by the Audit Committee and approved by the Board prior to their release to Bursa Malaysia Securities Berhad within the stipulated time frame.

A statement explaining the Board's responsibility in preparing the annual financial statements is set out on page 28 of this Annual Report.

Internal control

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained throughout the Group and the need to review its effectiveness regularly to safeguard the Group's assets. The Board also recognises that risks cannot be totally eliminated and the system of internal control instituted could only help to minimise and manage risks. Shareholders should be cognisant that the system of internal control, by nature, could only provide reasonable but not absolute assurance against loss.

The Audit Committee has been empowered to assist the Board in discharging its duties in relation to internal control. In addition, Deloitte Enterprise Risk Services Sdn Bhd has been appointed as the Group's Internal Auditors to review the Group's internal control system during the financial year. The Internal Auditors report to the Audit Committee who shall determine their remuneration.

The report of the Audit Committee is separately set out on pages 21 to 25 of this Annual Report while the scope and results of the internal audit review by the Audit Committee are detailed in the Statement on Internal Control on pages 26 to 27 of this Annual Report.

Relationship with auditors

The Company has established a transparent relationship with its internal and external auditors. The Audit Committee acts as an independent channel of communication for the auditors to convey their objective views and professional advice on the Group's financial and operational activities.

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 AGM. The external auditors have an obligation to bring any significant matter relating to the financial audit of the Group to the Audit Committee. They are invited to attend the Audit Committee's meetings when necessary.

CONCLUSION

The Board recognises the importance of the Group practising good corporate governance and has made it a corporate policy to continually improve on its corporate governance practices and structure to achive an optimal governance framework.

Audit Committee Report

INTRODUCTION

The Board is pleased to present the Audit Committee Report for the financial year ended 31 May 2006, pursuant to paragraph 15.16 of the Bursa Securities Listing Requirements ("Listing Requirements").

TERMS OF REFERENCE

Composition

The Board shall appoint an Audit Committee from amongst its directors comprising at least three (3) members, of which the majority must be Independent Non-Executive Directors. There shall be at least one member who is a member of the Malaysian Institute of Accountants ("MIA") or fulfils the conditions set out in paragraph 15.10(c)(ii) and (iii) of the Listing Requirements. No alternate directors shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a chairman from amongst its members and he shall be an Independent Director.

In the event that there is a vacancy in the Audit Committee which results in the number of members being less than the required number stipulated above, the Board shall appoint new members as may be required to fulfil this requirement within three (3) months of that event. All members of the Audit Committee, including the chairman, shall hold office until they cease to be a director of the company or otherwise determined by the Board.

The Board shall review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such committee and members have carried out their duties in accordance with their terms of reference.

One of the Company Secretaries shall be the secretary of the Audit Committee.

Functions

The audit committee shall discharge the following functions:

(i) Review of the following and reporting the same to the Board:
- with the external auditors, the audit plan and scope of work and determine that these fulfil the needs of the Board, the shareholders and the relevant authorities;
- with the external auditors, their evaluation of the quality, effectiveness and integrity of the Group's system of internal control;
- with the external auditors, their audit report;
- the assistance provided by the Company's employees to the external auditors;
- 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;

- the internal audit programme, processes, the results of the internal audit programme and investigation carried out and whether appropriate action has been taken on the recommendations of the internal audit function;
- the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
  - (a) changes in major accounting policy or implementation of these 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;
- any related party transactions and conflict of interest situation that may arise within the Group and any other related companies outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- any letter of resignation from the external auditors;
- whether there is reason, supported by grounds, to believe that the external auditors are not suitable for re-appointment;

(ii) recommend the nomination of the external auditors and to fix their terms of appointment and remuneration; and

(iii) any other matters as directed by the Board from time to time.

Rights

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

(i) have the authority to investigate any matter within its term of reference;

(ii) have the resources required for the performance of its duties;

(iii) have full and unrestricted access to any information pertaining to the Group;

(iv) have direct communication channels with the external and internal auditors;

(v) be able to obtain independent professional and other advices and to secure the attendance of outsiders with relevant experience and expertise if considered necessary; and

(vi) be able to convene meetings with the external auditors excluding the executive members of the Audit Committee, whenever deemed necessary.

Meeting

The Audit Committee shall meet four (4) times a year and additional meetings may be convened as and when deemed necessary. The quorum for each meeting shall be two (2) members, all of whom must be Independent Directors. The agenda shall be sent to all members of the Audit Committee and any other persons who may be required to attend the meeting, at least seven (7) days prior to the meeting unless the members in the meeting waive such requirement. The Audit Committee may invite other Directors and employees of the Group to attend any meeting, as it deems fit.

Decision of the Audit Committee shall be by a majority of votes. In the case of equality of votes, 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.

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 without any further proof of the fact stated thereof. The minutes shall be kept by the Secretary and copies of such minutes shall be distributed to all members of the Audit Committee and the Board for information.

COMPOSITION

During the financial year, the Audit Committee comprised of the following members:

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

(ii) Dato' Siew Ka Wei
Member, Group Managing Director

(iii) Lim Hock Chye
Member, Independent Non-Executive Director

(iv) Edmond Cheah Swee Leng
Member, Independent Non-Executive Director, member of MIA

MEETINGS AND ATTENDANCE

The Audit Committee held three (3) meetings during the financial year, which is one meeting short of the required number of meetings, due to the absence of quorum in one of the meetings. The Board has taken the responsibility of reviewing and approving the interim financial results report and the internal audit progress report in view that the Audit Committee meeting was not able to be convened. Both the external and internal auditors attended two (2) of the Audit Committee meetings held in the financial year. The attendance of the Audit Committee members at these meetings is as follows:

Members	No. of meetings attended	% attendance
Dato' Mohd Ismail bin Che Rus	3	100
Dato' Siew Ka Wei	3	100
Lim Hock Chye	3	100
Edmond Cheah Swee Leng	3	100

Audit Committee Report *(cont'd)*

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee carried out its duties in accordance with its Terms of Reference. These included, inter alia, the review of the following:

Financial results

- the quarterly interim financial report with the management to ensure adherence to regulatory reporting requirements. Appropriate actions were taken to resolve all accounting matters requiring judgment and recommendations were made to the Board on the adoption of the quarterly interim financial reports; and
- the annual audited financial statements with the external auditors prior to submission for approval of the Board. The review was, amongst other things, to ensure that the annual audited financial statements complied with the provisions of the Companies Act, 1965, the Listing Requirements, approved Financial Reporting Standards ("FRS") of the Malaysian Accounting Standards Board and other statutory and regulatory requirements.

External and internal audits

- the external audit plan with the external auditors, being cognisant of the emerging financial reporting issues pursuant to the introduction of new FRS and additional statutory or regulatory disclosure requirements;
- significant financial matters that were brought to the attention of the external auditors in the course of their work and taking the appropriate actions to resolve the same;
- the internal audit plan with the internal auditors based on the results of the risk-based assessment of the Group's system of internal control;
- significant internal control issues highlighted by the internal auditors, the management's responses in relation thereof and the measures taken by the management to rectify the weaknesses and to strengthen the existing risk management process; and
- the external and internal auditors' fees and making recommendations, to the Board, for their re-appointment.

Related party transactions

- the related party transactions entered into by the Company and its subsidiaries.

The company has not established any share option scheme and has no subsisting share option scheme for its employees during the financial year under review.

The chairman of the Audit Committee briefed the Board on all issues raised in respect of the above activities and the recommendations of the committee on the same.

INTERNAL AUDIT FUNCTION

The Board has re-appointed Deloitte Enterprise Risk Services Sdn Bhd as the Group's internal auditors for the financial year ended 31 May 2006. The internal auditors report to the Audit Committee and indirectly assist the Board in monitoring and managing risks and the Group's system of internal control.

The internal audit function adopted a risk-based approach in the planning and conducting of internal audits. In addition to assisting in the evaluation and reporting on the Group's principal business risks, the internal auditors also provide assistance to the Audit Committee in ensuring that the risk management mechanisms were pro-actively embedded within the Group's operational framework.

Amongst the responsibilities of the internal auditors were:

(i) to assist the Board in reviewing the adequacy, integrity and effectiveness of the Group's system of internal control;
(ii) to support the Audit Committee in identifying and evaluating the existing internal control system and consequently to determine the future requirements and to co-develop a prioritised action plan;
(iii) to perform a risk assessment on the Group to identify the business processes within the Group that the internal audit function should focus on; and
(iv) 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.

The internal auditors reported to the Audit Committee on their findings, highlighting on the weaknesses noted and providing their recommendations of the corrective measures to be taken by the management and the management's response on the findings and recommendations. The internal auditors also carried out follow-up reviews and have reported their findings in their internal audit progress reports, to the Audit Committee.

CONCLUSION

Based on the above, the Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established above.

Please refer to page 26 of this Annual Report for the Statement on Internal Control.

Statement on Internal Control

INTRODUCTION

Pursuant to paragraph 15.27(b) of the Bursa Securities Listing Requirements, the Board of Directors of Nylex (Malaysia) Berhad is pleased to provide the following statement on the state of internal control of the Company and its subsidiaries ("the Group") in accordance with the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia, and endorsed and supported by the Bursa Securities.

BOARD RESPONSIBILITY

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 system 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 defined organisational structure with clear lines of accountability and 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, sales agreements 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 Group's Policies and Procedures are a formal guide to the management and employees of the Group in carrying out their day-to-day duties. The policies and procedures 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 processes

The Group undertakes business planning and budgeting process on an annual basis 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 the management meetings.

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 Function

Regular internal audits are carried out by an independent professional services firm to review the adequacy and integrity of the internal control system of the business units. 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 with management at its quarterly meetings. In assessing the adequacy and effectiveness of the system of internal control and accounting control procedures of the Group, the Audit Committee reports to the Board 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 2006. The Board is of the view that there are no significant breakdowns or weaknesses in the system of internal control of the Group for the financial year ended 31 May 2006. 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 in continuing to take appropriate measures to strengthen the internal control environment of the Group to safeguard shareholders' investments and the Group's assets.

Directors' Responsibilities Statement on Financial Statements

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 and financial position of the Company and of the Group as at the end of the financial year.

Pursuant to paragraph 15.27(a) of the Bursa Securities Listing Requirements, the Directors are required to issue a Statement explaining their responsibilities in the preparation of the financial statements.

The Directors hereby state that they are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company and the Group to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group as at 31 May 2006 and the profit and loss of the Company and the Group for the financial year ended on that date. The Directors are also responsible for ensuring that the financial statements comply with the Companies Act, 1965 and the relevant accounting standards, the Bursa Securities Listing Requirements and other statutory and regulatory requirements.

In preparing the financial statements for the financial year ended 31 May 2006, the Directors have:

- adopted the appropriate accounting policies, which are consistently applied;
- made judgments and estimates that are reasonable and prudent;
- adopted all applicable accounting standards, material departures, if any, 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 appropriate to enable them to give their audit report on the financial statements.

Financial Statements

Directors' Report

The Directors of Nylex (Malaysia) Berhad ("Nylex") have 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 2006.

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

(b) Trading, manufacture and sale of petrochemical and industrial chemicals products;

(c) Manufacture and trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets; and

(d) Manufacture and marketing of roofing products.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year except for Nylex Polymer Marketing Sdn Bhd (formerly known as Zonson Sports (Malaysia) Sdn Bhd) which changed its principal activity from manufacture and sale of quality golf bags to trading of PU and PVC synthetic leather, films and sheets.

RESULTS

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

	Group RM'000	Company RM'000
Profit from operations	29,449	40,970
Finance costs	(3,040)	(2,393)
Share of results of associates	(176)	-
Profit before taxation	26,233	38,577
Taxation	(8,120)	(9,669)
Profit after taxation	18,113	28,908
Minority interests	119	-
Net profit for the year	18,232	28,908

There were no material transfers to or from reserves or provisions during the financial year.

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.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

DIVIDENDS

During the financial year, the Company paid a final dividend of 4.5 sen per share, less 28% income tax, amounting to RM5,724,136 on ordinary shares of 176,670,860 in respect of the financial year ended 31 May 2005, on 25 November 2005.

The Directors proposed a final dividend of 4.0 sen per share, less 28% income tax, amounting to RM5,088,121 for the financial year ended 31 May 2006, subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company. If approved, the total dividend for the financial year ended 31 May 2006 would be 4.0 sen per share, less 28% income tax.

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	*(Non-Executive Deputy Chairman)*
Dato' Siew Ka Wei	*(Group Managing Director)*
Dato' Mohd Ismail bin Che Rus	
Teo Ek Tor	
Lim Hock Chye	
Edmond Cheah Swee Leng	

In accordance with Article 109 of the Company's Articles of Association, Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP, Dato' Siew Ka Wei and Teo Ek Tor retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The interests in shares 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/Warrants				
	Balance at 1.6.2005	Acquired	Share dividend received	Disposed	Balance at 31.5.2006
Ordinary Shares of RM1.00 each in the Company					
Direct interest					
Dato' Johari Razak	75,000	-	-	-	75,000
Deemed interest					
Dato' Siew Ka Wei	124,589,386	7,505,200	-	(8,236,000)	123,858,586
Ordinary Shares of RM1.00 each in a related company, Rhodemark Development Sdn Bhd					
Deemed interest					
Dato' Siew Ka Wei	53,753,722	-	-	-	53,753,722
Ordinary Shares of RM1.00 each in Holding Company, Ancom Berhad					
Direct interest					
Dato' Johari Razak	748,688	37,433	-	-	786,121
Dato' Siew Ka Wei	13,062,600	-	653,130	(735,000)	12,980,730
Deemed interest					
Dato' Siew Ka Wei	13,049,128	735,000	654,280	-	14,438,408
Three (3) year warrants 2005/2008 of RM0.02 each in Holding Company, Ancom Berhad					
Direct Interest					
Dato' Siew Ka Wei	-	6,962,900	-	(2,333,350)	4,629,550
Deemed Interest					
Dato' Siew Ka Wei	-	6,198,913	-	(2,689,250)	3,509,663
Ordinary Shares of RM0.50 each in a related company, Tamco Corporate Holdings Berhad					
Direct interest					
Dato' Mohd Ismail bin Che Rus	175,000	28,000	-	-	203,000
Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP	6,128,500	-	-	-	6,128,500
Dato' Johari Razak	150,000	-	-	-	150,000
Deemed interest					
Dato' Siew Ka Wei	124,414,072	8,717,900	-	-	133,131,972
Ordinary Shares of RM1.00 each in a related company, MSTi Corporation Sdn Bhd					
Deemed interest					
Dato' Siew Ka Wei	1,571,460	-	-	(1,571,460)	-

By virtue of his interest in the shares of the 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 of the Company and of related companies at the end of the financial year.

DIRECTORS' BENEFITS

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

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

OTHER 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values 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 allowance 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 COMPANY

The holding company of the Company is Ancom Berhad, a company incorporated in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad.

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

Significant events during the year and subsequent to the balance sheet date are disclosed in Note 33 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

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

Dato' Siew Ka Wei
Director

Petaling Jaya, Selangor Darul Ehsan, Malaysia
8 September 2006

Statement By Directors

pursuant to section 169(15) of the Companies Act, 1965

We, Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP and Dato' Siew Ka Wei 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 37 to 76 are drawn up in accordance with applicable Approved Accounting Standards of the Malaysian Accounting Standards Board ("MASB") 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 2006 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

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

Dato' Siew Ka Wei
Director

Petaling Jaya, Selangor Darul Ehsan, Malaysia
8 September 2006

Statutory Declaration

pursuant to section 169(16) of the Companies Act, 1965

I, Dato' Siew Ka Wei, being the Director primarily responsible for the financial management of Nylex (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 76 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 Dato' Siew Ka Wei at Petaling Jaya on 8 September 2006

Dato' Siew Ka Wei
Director

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 37 to 76. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2006 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 34 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

Lee Seng Huat
No. 2518/12/07 (J)
Partner

Kuala Lumpur, Malaysia
8 September 2006

Income Statements

for the financial year ended 31 May 2006

		Group		Company	
		2006	2005	**2006**	2005
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	3	**670,300**	625,497	**114,946**	110,035
Cost of sales	3	**(604,082)**	(571,526)	**(93,732)**	(93,279)
Gross profit		**66,218**	53,971	**21,214**	16,756
Other operating income		**5,103**	12,788	**35,407**	15,846
Selling and distribution expenses		**(19,096)**	(19,833)	**(7,595)**	(7,373)
Administrative expenses		**(19,581)**	(18,664)	**(4,759)**	(7,872)
Other operating expenses		**(3,195)**	(4,982)	**(3,297)**	(1,918)
Profit from operations		**29,449**	23,280	**40,970**	15,439
Finance cost (net)	4	**(3,040)**	(3,667)	**(2,393)**	(1,664)
Share of results of associates		**(176)**	(88)	**-**	-
Profit before taxation	5	**26,233**	19,525	**38,577**	13,775
Taxation	8	**(8,120)**	(5,886)	**(9,669)**	(4,673)
Net profit after taxation		**18,113**	13,639	**28,908**	9,102
Minority interests		**119**	(183)	**-**	-
Net profit for the year		**18,232**	13,456	**28,908**	9,102
Earnings per share (sen)	9	**10.3**	7.5		
Net dividends per share (sen)	10	**3.2**	0.9		

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

Balance Sheets

as at 31 May 2006

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	**79,917**	86,544	**42,566**	48,302
Investments in subsidiaries	12	**-**	-	**105,625**	108,233
Investments in associates	13	**772**	1,047	**-**	-
Other investments	14	**3,580**	3,580	**80**	80
Intangible assets	15	**967**	1,246	**891**	1,158
Goodwill arising on consolidation	16	**29,154**	30,758	**-**	-
Deferred tax assets	25	**1,374**	878	**-**	-
CURRENT ASSETS					
Inventories	17	**55,797**	50,865	**25,239**	23,997
Receivables	18	**141,363**	161,769	**23,162**	24,737
Marketable securities	19	**1,598**	-	**-**	-
Tax recoverable		**2,410**	7,686	**-**	2,347
Amount owing by group companies	20	**232**	449	**14,851**	18,185
Short-term deposits with licensed banks		**14,046**	7,886	**10,700**	-
Cash and bank balances		**19,542**	24,023	**5,315**	8,627
Total current assets		**234,988**	252,678	**79,267**	77,893
CURRENT LIABILITIES					
Payables	21	**66,600**	69,977	**22,558**	26,728
Amount owing to group companies	20	**14,901**	27,101	**11,027**	11,705
Short-term borrowings	22	**87,126**	93,164	**27,102**	37,987
Provision for taxation		**1,712**	1,205	**1,332**	-
Total current liabilities		**170,339**	191,447	**62,019**	76,420
NET CURRENT ASSETS		**64,649**	61,231	**17,248**	1,473
		180,413	185,284	**166,410**	159,246
FINANCED BY					
Share capital	23	**176,671**	176,671	**176,671**	176,671
Reserves	24	**(1,821)**	(1,752)	**809**	809
Accumulated losses		**(11,034)**	(23,542)	**(19,413)**	(42,597)
SHAREHOLDERS' FUNDS		**163,816**	151,377	**158,067**	134,883
Minority interests		**5,318**	6,625	**-**	-
Deferred tax liabilities	25	**6,664**	7,605	**4,020**	4,990
Long-term borrowings	22	**10**	15,326	**-**	15,272
Provision for retirement benefits	27	**4,605**	4,351	**4,323**	4,101
		180,413	185,284	**166,410**	159,246

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

Statements of Changes in Equity

for the financial year ended 31 May 2006

Group	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 2004		224,488	6,173	(4,342)	(35,471)	190,848
Capital reduction						
- capital distribution of shares in Tamco Corporate Holdings Berhad ("Tamco") Group	23	(112,244)	-	-	-	(112,244)
Issue of ordinary shares						
- acquisition of subsidiaries	23	64,427	-	-	-	64,427
Share issue expenses		-	(5,364)	-	-	(5,364)
Currency translation differences		-	-	1,781	-	1,781
Net profit for the year		-	-	-	13,456	13,456
Dividends	10	-	-	-	(1,527)	(1,527)
Balance as at 31 May 2005		176,671	809	(2,561)	(23,542)	151,377
Currency translation differences		-	-	(69)	-	(69)
Net profit for the year		-	-	-	18,232	18,232
Dividends	10	-	-	-	(5,724)	(5,724)
Balance as at 31 May 2006		**176,671**	**809**	**(2,630)**	**(11,034)**	**163,816**

Statements of Changes in Equity

for the financial year ended 31 May 2006

Company	Note	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 June 2004		224,488	6,173	(50,172)	180,489
Capital reduction					
- capital distribution of shares in Tamco Group	23	(112,244)	-	-	(112,244)
Issue of ordinary shares					
- acquisition of subsidiaries	23	64,427	-	-	64,427
Share issue expenses		-	(5,364)	-	(5,364)
Net profit for the year		-	-	9,102	9,102
Dividends	10	-	-	(1,527)	(1,527)
Balance as at 31 May 2005		176,671	809	(42,597)	134,883
Net profit for the year		-	-	28,908	28,908
Dividends	10	-	-	(5,724)	(5,724)
Balance as at 31 May 2006		**176,671**	**809**	**(19,413)**	**158,067**

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

Cash Flow Statements

for the financial year ended 31 May 2006

Group	**2006 RM'000**	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**26,233**	19,525
Adjustments for:		
Depreciation of property, plant and equipment	**9,964**	9,204
Interest expense	**3,660**	3,877
Amortisation of:		
Goodwill arising on consolidation	**1,604**	1,873
Development expenditure	**12**	277
Rights	**269**	108
Under provision for loss on capital distribution	**-**	165
Impairment of investment	**482**	-
Impairment of property, plant and equipment	**240**	-
Impairment of goodwill on consolidation	**-**	2,496
Inventories written (back)/down	**(1,061)**	1,917
Bad debts written off	**80**	-
Allowance for/(write-back of) doubtful debts	**98**	(391)
Unrealised loss on foreign exchange	**715**	369
Provision for retirement benefits	**552**	916
Dividend income	**(4,320)**	(2,000)
Interest income	**(620)**	(210)
Gain on disposal of property, plant and equipment (net)	**(766)**	(12,550)
Loss on deemed disposal of interest in a subsidiary	**-**	13
Gain on disposal of investment	**(17)**	-
Share of results of associates	**176**	88
Operating profit before working capital changes	**37,301**	25,677
Working Capital Changes		
Receivables	**20,218**	(23,796)
Inventories	**(3,875)**	(16,881)
Group companies	**(11,844)**	14,515
Payables	**(4,172)**	3,687
Cash generated from operations	**37,628**	3,202
Income taxes paid	**(3,734)**	(5,006)
Retirement benefits paid	**(299)**	(245)
Net Cash Generated From/(Used In) Operating Activities	**33,595**	(2,049)

Cash Flow Statements

for the financial year ended 31 May 2006

Group ***(continued)***	**2006 RM'000**	2005 RM'000
Net Cash Generated From/(Used In) Operating Activities	**33,595**	(2,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**1,255**	22,734
Purchase of property, plant and equipment	**(4,155)**	(16,921)
Additions to intangible assets	**(2)**	(1,061)
Acquisition of interest in subsidiary	**-**	1,677
Acquisition of marketable securities	**(2,345)**	-
Disposal of marketable securities	**283**	-
Net cash flows from disposal of subsidiaries	**-**	(15,429)
Net cash flows on acquisition of subsidiaries (Note 12)	**-**	(34,161)
Share issue expenses	**-**	(5,364)
Interest received	**620**	210
Dividend received from:		
- an associate	**90**	300
- unquoted shares	**4,285**	1,440
- marketable securities	**25**	-
Net Cash Generated From/(Used In) Investing Activities	**56**	(46,575)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders of the Company	**(5,724)**	(1,527)
Dividends paid to minority shareholders of subsidiary company	**(1,170)**	-
Repayment of hire-purchase creditors	**(278)**	(171)
Drawdown of term loan and advances	**90,751**	53,052
Repayment of term loan and advances	**(111,827)**	(9,170)
Interest paid	**(3,660)**	(3,877)
Net Cash (Used In)/Generated From Financing Activities	**(31,908)**	38,307
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,743**	(10,317)
EFFECTS OF EXCHANGE RATE CHANGES	**(81)**	(1,122)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**31,909**	43,309
EFFECTS OF EXCHANGE RATE CHANGES	**17**	39
	31,926	43,348
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 28)	**33,588**	31,909

Cash Flow Statements

for the financial year ended 31 May 2006

Company	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**38,577**	13,775
Adjustments for:		
Depreciation of property, plant and equipment	**7,032**	6,997
Interest expense	**2,470**	1,750
Inventories written (back)/down	**(259)**	865
Allowance for doubtful debts	**25**	124
Provision for retirement benefits	**503**	693
Unrealised loss on foreign exchange	**148**	-
Dividend income	**(35,284)**	(15,798)
Interest income	**(77)**	(86)
Gain on disposal of property, plant and equipment (net)	**(89)**	(3)
Amortisation of rights	**269**	108
Impairment of investment	**2,608**	1,396
Impairment of property, plant and equipment	**240**	-
Operating profit before working capital changes	**16,163**	9,821
Working Capital Changes		
Receivables	**1,550**	6,033
Inventories	**(983)**	(7,932)
Group companies	**23,674**	1,544
Payables	**(4,170)**	7,531
Cash generated from operations	**36,234**	16,997
Income taxes refunded/(paid)	**143**	(594)
Retirement benefits paid	**(281)**	(184)
Net Cash Generated From Operating Activities	**36,096**	16,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**546**	137
Purchase of property, plant and equipment	**(1,993)**	(4,034)
Addition of intangible assets	**(2)**	(955)
Share issue expenses	**-**	(5,364)
Additional investment in subsidiaries	**-**	(3,353)
Acquisition of subsidiaries (Note 12)	**-**	(31,155)
Interest received	**77**	86
Dividend income	**7,015**	1,440
Net Cash Generated From/(Used In) Investing Activities	**5,643**	(43,198)

Cash Flow Statements

for the financial year ended 31 May 2006

Company *(continued)*	2006 RM'000	2005 RM'000
Net Cash Generated From Investing Activities	**5,643**	(43,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders of the Company	**(5,724)**	(1,527)
Repayment of hire-purchase creditors	**(225)**	(99)
Drawdown of term loan and advances	**85,895**	35,034
Repayment of term loan and advances	**(111,827)**	(6,330)
Interest paid	**(2,470)**	(1,750)
Net Cash (Used In)/Generated From Financing Activities	**(34,351)**	25,328
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**7,388**	(1,651)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,627**	10,278
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 28)	**16,015**	8,627

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

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 34.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year except for Nylex Polymer Marketing Sdn Bhd (formerly known as Zonson Sports (Malaysia) Sdn Bhd) which changed its principal activity from manufacture and sale of quality golf bags to trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, while the principal place of business is located at Persiaran Selangor, Section 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 667 (2005: 672) and 367 (2005: 381) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 September 2006.

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 MASB Approved Accounting Standards issued in Malaysia.

(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.

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 and other investee companies are recognised in the income statements as and when declared.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 52 to 81 years. Depreciation of all other assets is computed on the straight-line method based on the estimated useful life of the various assets, at the following annual rates:

	%
Buildings and improvements	2.0 - 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 or accumulated losses.

(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).

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.

(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) Intangible assets

(i) 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.

(ii) Rights

Rights are recognised as intangible assets if it is probable that the future economic benefits that are attributable to such asset will flow to the enterprise and the costs of such assets can be measured reliably.

Rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in the income statement on a straight-line basis over the estimated useful life of five years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

(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) Retirement benefits obligation

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Foreign currencies *(continued)*

(ii) Foreign entities *(continued)*

The principal average rates and closing rates were as follows:

	Average Rate		Closing Rate	
	2006	2005	**2006**	2005
RM1.00 = Foreign currency				
Australian Dollar	**0.3571**	0.3532	**0.3623**	0.3433
Chinese Renminbi	**2.1648**	2.1854	**2.2115**	2.1854
Hong Kong Dollar	**2.0776**	2.0604	**2.1377**	2.0600
Indonesia Rupiah (1,000 units)	**2.5741**	2.4663	**2.5420**	2.5253
Singapore Dollar	**0.4408**	0.4402	**0.4343**	0.4359
United States Dollar	**0.2675**	0.2640	**0.2756**	0.2640

(l) Revenue recognition

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

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement.

(iii) 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 allowances are made for debts considered to be doubtful of collection.

(iv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

(v) 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.

(vi) Equity instruments

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

(vii) 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	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Interest expense				
Short-term borrowings	**3,634**	3,830	**1,822**	1,750
Advances from subsidiaries	**-**	-	**648**	-
Others	**26**	47	**-**	-
	3,660	3,877	**2,470**	1,750
Interest income				
Short-term deposits	**(620)**	(210)	**(77)**	(31)
Advances to subsidiaries	**-**	-	**-**	(55)
	(620)	(210)	**(77)**	(86)
	3,040	3,667	**2,393**	1,664

5. PROFIT BEFORE TAXATION

This was arrived at after charging:

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Amortisation of development expenditure (Note 15)	**12**	277	**-**	-
Amortisation of rights (Note 15)	**269**	108	**269**	108
Amortisation of goodwill (Note 16)	**1,604**	1,873	**-**	-
Auditors' remuneration				
- Current	**230**	317	**72**	72
- Over provision in prior years	**(22)**	(7)	**(8)**	-
Bad debts written off	**80**	-	**-**	-
Depreciation of property, plant and equipment (Note 11)	**9,964**	9,204	**7,032**	6,997
Hire of equipment	**-**	2	**-**	-
Inventories written (back)/down	**(1,061)**	1,917	**(259)**	865
Allowance for/(write-back of) doubtful debts	**98**	(391)	**25**	124
Realised loss/(gain) on foreign exchange	**278**	(1,242)	**-**	-
Unrealised loss on foreign exchange	**715**	369	**148**	-
Rent of premises	**2,626**	2,273	**103**	128
Under provision of loss on capital distribution	**-**	165	**-**	-
Impairment of investment	**482**	-	**2,608**	1,396
Impairment of property, plant and equipment	**240**	-	**240**	-
Impairment of goodwill on consolidation (Note 16)	**-**	2,496	**-**	-
Loss on deemed disposal of interest in a subsidiary	**-**	13	**-**	-
Staff costs (Note 6)	**26,960**	28,637	**13,325**	15,462

5. PROFIT BEFORE TAXATION *(continued)*

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
And crediting:				
Gross dividend income from				
- unquoted shares	**4,285**	2,000	**4,285**	2,000
- subsidiaries	**-**	-	**30,999**	13,798
- marketable securities	**35**	-	**-**	-
Gain on disposal of property, plant and equipment (net)	**766**	12,550	**89**	3
Gain on disposal of investment	**17**	-	**-**	-

6. STAFF COSTS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Wages and salaries	**23,943**	25,280	**11,377**	13,300
EPF and social security costs	**1,788**	1,893	**976**	1,171
Short-term accumulating compensated absences	**221**	150	**219**	61
Provision for retirement benefits (Note 27)	**552**	916	**503**	693
Other staff related expenses	**456**	398	**250**	237
	26,960	28,637	**13,325**	15,462

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM1,352,000 (2005: RM2,151,000) and RM672,000 (2005: RM1,708,000) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

(a) Total remuneration

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Executive Directors				
Salaries	**720**	1,167	**600**	1,135
Other emoluments	**632**	984	**72**	573
	1,352	2,151	**672**	1,708
Benefit-in-kind	**-**	41	**-**	41
	1,352	2,192	**672**	1,749
Non-Executive Directors				
Fees	**243**	207	**243**	207
Other emoluments	**12**	10	**12**	10
	255	217	**255**	217
Total	**1,607**	2,409	**927**	1,966

7. DIRECTORS' REMUNERATION *(continued)*

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

	No. of Directors	
	2006	2005
Executive Directors		
Less than RM250,000	**-**	1
RM250,001 to RM500,000	**-**	1
RM500,001 to RM1,000,000	**-**	1
RM1,000,001 to RM1,400,000	**1**	1
	1	4
Non-Executive Directors		
Less than RM50,000	**6**	5
RM50,001 to RM100,000	**1**	1
	7	6

8. TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Income tax:				
- Malaysian	**(9,395)**	(4,683)	**(10,383)**	(4,361)
- Foreign	**(31)**	(364)	**-**	-
	(9,426)	(5,047)	**(10,383)**	(4,361)
(Under)/Over provision in prior years:				
- Malaysian	**(183)**	(303)	**(256)**	(520)
- Foreign	**65**	-	**-**	-
	(9,544)	(5,350)	**(10,639)**	(4,881)
Deferred tax:				
Relating to origination and reversal of temporary differences	**1,501**	314	**897**	491
(Under)/Over provision in prior years	**(67)**	(331)	**73**	(283)
	1,434	(17)	**970**	208
Share of taxation of:				
- Associates	**(10)**	11	**-**	-
Real Property Gains tax	-	(530)	**-**	-
	(8,120)	(5,886)	**(9,669)**	(4,673)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the prevailing rate of the respective jurisdictions.

8. TAXATION *(continued)*

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	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Profit before taxation	**26,233**	19,525	**38,577**	13,775
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	**(7,345)**	(5,467)	**(10,802)**	(3,857)
Effect of different tax rates in other countries	**27**	12	**-**	-
Effect of tax savings in small and medium scale companies	**77**	69	**-**	-
Income not subject to tax	**1,235**	31	**2,777**	575
Expenses not deductible for tax purposes				
- Loss on capital distribution	**-**	(46)	**-**	-
- Others	**(2,042)**	(2,176)	**(1,461)**	(856)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**12**	489	**-**	-
Utilisation of current year's reinvestment allowances	**24**	268	**-**	268
Deferred tax assets recognised	**94**	15	**-**	-
Deferred tax assets not recognised	**(17)**	(297)	**-**	-
Effect of different tax rate in Real Property Gains	**-**	1,850	**-**	-
(Under)/Over provision of deferred tax in prior years	**(67)**	(331)	**73**	(283)
Under provision of tax expense in prior years	**(118)**	(303)	**(256)**	(520)
Tax expense for the year	**(8,120)**	(5,886)	**(9,669)**	(4,673)

The Company is entitled to claim certain tax incentives under the Income Tax Act, 1967 and Promotion of Investment Act, 1986. As at 31 May 2006, the Company has claimed tax incentives totalling RM19,930,824 (2005: RM16,295,933) which, if agreed with the Inland Revenue Board, will enable the Company to distribute tax-exempt dividends of up to the same amount.

9. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit of RM18,232,000 (2005: RM13,456,000) by the number of ordinary shares in issue during the financial year of 176,670,860 shares (2005: weighted average of 180,655,598 shares).

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

10. DIVIDENDS

	Amount		Net dividends per ordinary share	
	2006 RM'000	2005 RM'000	**2006 sen**	2005 sen
Interim - Nil (2005: 1.2 sen per share less tax)	**-**	1,527	**-**	0.9
Final dividend of 4.5 sen per share less tax in respect of financial year ended 31 May 2005 paid in the current financial year, on 25 November 2005	**5,724**	-	**3.2**	-
	5,724	1,527	**3.2**	0.9

A final dividend of 4.0 sen, less 28% income tax, amounting to RM5,088,121 in respect of the financial year ended 31 May 2006 has been proposed by the Directors after the balance sheet date for approval by the shareholders at the Company's forthcoming Annual General Meeting. The financial statements for the current year do not reflect this proposed dividend. This dividend, if approved by the shareholders, will be accounted for as an appropriation of retained profits in the financial year ending 31 May 2007.

11. 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 2005										
Cost	-	12,292	347	16,601	118,630	982	2,563	4,239	1,347	**157,001**
Valuation	250	9,830	-	5,020	-	-	-	-	-	**15,100**
	250	22,122	347	21,621	118,630	982	2,563	4,239	1,347	**172,101**
Additions	-	-	-	58	2,454	120	1,153	260	110	**4,155**
Disposals	-	-	-	-	(1,075)	-	(53)	(1,249)	-	**(2,377)**
Reclassification	-	-	-	-	103	-	-	-	(103)	**-**
Exchange fluctuation	-	-	-	-	(76)	1	1	(2)	-	**(76)**
At 31 May 2006	**250**	**22,122**	**347**	**21,679**	**120,036**	**1,103**	**3,664**	**3,248**	**1,354**	**173,803**
Accumulated depreciation										
At 1 June 2005	-	2,374	12	5,295	73,412	657	1,755	2,052	-	**85,557**
Charge for the year	-	313	1	686	7,841	69	473	581	-	**9,964**
Disposals	-	-	-	-	(1,065)	-	(47)	(774)	-	**(1,886)**
Impairment loss	-	-	-	-	240	-	-	-	-	**240**
Exchange fluctuation	-	-	-	-	8	2	-	1	-	**11**
At 31 May 2006	**-**	**2,687**	**13**	**5,981**	**80,436**	**728**	**2,181**	**1,860**	**-**	**93,886**
Net book value										
At 31 May 2006	**250**	**19,435**	**334**	**15,698**	**39,600**	**375**	**1,483**	**1,388**	**1,354**	**79,917**
At 31 May 2005	250	19,748	335	16,326	45,218	325	808	2,187	1,347	86,544
Details at 1 June 2004										
Cost	4,604	17,586	11,736	21,112	151,156	6,691	13,998	7,459	3,920	238,262
Valuation	-	9,830	-	5,020	-	-	-	-	-	14,850
Accumulated depreciation	-	5,661	2,365	9,190	98,725	3,404	11,901	4,144	-	135,390
Depreciation charge for year 2005	-	263	41	580	7,274	76	284	686	-	9,204

11. 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 2005								
Cost	-	9,921	97,421	675	1,924	3,136	1,233	**114,310**
Valuation	9,830	5,020	-	-	-	-	-	**14,850**
	9,830	14,941	97,421	675	1,924	3,136	1,233	**129,160**
Additions	-	21	1,102	29	721	-	120	**1,993**
Disposals	-	-	(1,012)	-	(43)	(1,055)	-	**(2,110)**
At 31 May 2006	**9,830**	**14,962**	**97,511**	**704**	**2,602**	**2,081**	**1,353**	**129,043**
Accumulated depreciation								
At 1 June 2005	2,257	4,869	69,767	618	1,589	1,758	-	**80,858**
Charge for the year	116	374	5,983	13	263	283	-	**7,032**
Disposals	-	-	(1,012)	-	(40)	(601)	-	**(1,653)**
Impairment loss	-	-	240	-	-	-	-	**240**
At 31 May 2006	**2,373**	**5,243**	**74,978**	**631**	**1,812**	**1,440**	**-**	**86,477**
Net book value								
At 31 May 2006	**7,457**	**9,719**	**22,533**	**73**	**790**	**641**	**1,353**	**42,566**
At 31 May 2005	7,573	10,072	27,654	57	335	1,378	1,233	48,302
Details at 1 June 2004								
Cost	-	9,711	95,500	682	1,886	3,047	37	110,863
Valuation	9,830	5,020	-	-	-	-	-	14,850
Accumulated depreciation	2,141	4,497	63,993	630	1,556	1,490	-	74,307
Depreciation charge for year 2005	116	372	5,972	15	144	378	-	6,997

(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 RM757,109 (2005: RM809,581) in respect of both the Group and Company.

(b) During the previous year, the Group acquired property, plant and equipment with an aggregate cost of RM17,052,000 of which RM131,000 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	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Motor vehicles	**174**	547	**-**	346

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	RM'000	RM'000
Unquoted shares - at cost	**112,492**	112,492
Less: Accumulated impairment losses	**(6,867)**	(4,259)
	105,625	108,233

Details of the subsidiaries are disclosed in Note 34.

Acquisition of subsidiaries

(i) On 1 March 2005, the Company completed the acquisition of the entire equity interests in Nylex Specialty Chemicals Sdn Bhd (formerly known as Rhodia Consumer Specialties Malaysia Sdn Bhd) and 51% of the equity interests in Speciality Phosphates (Malaysia) Sdn Bhd, from Rhodia UK Limited for a total cash consideration of USD5.3 million (equivalent to RM20.14 million, based on the exchange rate of USD1.00 : RM3.80) subject to adjustment arising from trade working capital of the companies acquired. Following the completion of the acquisitions, the Company made an additional payment of RM3.51 million for the increase in the trade working capital value of the companies acquired.

(ii) In July 2004, the Company issued 64,427,000 new ordinary shares of RM1.00 each at par as purchase consideration for acquisition of the entire equity interest in four industrial chemical companies, namely Perusahaan Kimia Gemilang Sdn Bhd, Fermpro Sdn Bhd, Kumpulan Kesuma Sdn Bhd and Wedon Sdn Bhd. Due to the extended completion date of the reorganisation scheme that resulted in the increase of net tangible assets of the four industrial chemical companies, Nylex has agreed to make an additional cash payment of RM7,500,000 to Ancom Berhad as additional purchase consideration.

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	2005
	RM'000
Property, plant and equipment	30,901
Investment in associates	1,416
Intangibles (Note 15)	100
Inventories	22,946
Trade receivables	99,360
Other receivables	5,864
Short-term deposits and cash and bank balances	(3,006)
Amount owing by group companies	4,518
Trade payables	(30,986)
Other payables	(14,983)
Amount owing to group companies	(16,884)
Long and short-term borrowings	(32,300)
Provision for taxation	(517)
Net deferred tax liabilities (Note 25)	(1,969)
Fair value of total net assets	64,460
Less: Minority interest	(959)
Group's share of net assets	63,501
Goodwill on acquisition (Note 16)	32,081
Cost of acquisition	95,582

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

Acquisition of subsidiaries *(continued)*

	2005 RM'000
Purchase consideration satisfied by:	
Cash	31,155
Ordinary shares issued (Note 23)	64,427
Total purchase consideration	95,582
Cash outflow arising on consolidation:	
Cash consideration, representing cash outflow of the Company	31,155
Cash and cash equivalents of subsidiaries acquired	3,006
Net cash outflow of the Group	34,161

There were no acquisitions in the financial year ended 31 May 2006.

13. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Investment in unquoted associates				
- At cost	**1,116**	1,116	**-**	-
- Share of post-acquisition results	**(344)**	(69)	**-**	-
	772	1,047	**-**	-

The Group's investment in associates is as follows:

	Group	
	2006 RM'000	2005 RM'000
Share of net tangible assets	**772**	1,047

Details of the associates are disclosed in Note 35.

14. OTHER INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Unquoted shares at cost	**3,580**	3,580	**80**	80

15. INTANGIBLE ASSETS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Development expenditure				
Balance at beginning of year	**88**	1,562	**-**	-
Exchange fluctuation	**-**	(72)	**-**	-
Additions during the year	**-**	106	**-**	-
Acquisition of subsidiaries (Note 12)	**-**	100	**-**	-
Disposal of subsidiaries	**-**	(1,331)	**-**	-
Amount amortised	**(12)**	(277)	**-**	-
Balance at end of year	**76**	88	**-**	-
Rights				
Balance at beginning of year	**1,158**	311	**1,158**	311
Additions during the year	**2**	955	**2**	955
Amount amortised	**(269)**	(108)	**(269)**	(108)
Balance at end of year	**891**	1,158	**891**	1,158
Total	**967**	1,246	**891**	1,158

16. GOODWILL ARISING ON CONSOLIDATION

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Balance at beginning of year	**30,758**	2,859	**-**	-
Acquisition of subsidiaries (Note 12)	**-**	32,081	**-**	-
Impairment of goodwill arising on consolidation	**-**	(2,496)	**-**	-
Goodwill arising from capital distribution	**-**	187	**-**	-
Amount amortised	**(1,604)**	(1,873)	**-**	-
Balance at end of year	**29,154**	30,758	**-**	-

17. INVENTORIES

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Finished goods	**29,814**	27,773	**9,504**	9,835
Work-in-progress	**4,702**	3,982	**3,788**	2,660
Raw materials and consumable stores	**22,767**	21,749	**13,275**	13,089
Inventory-in-transit	**92**	-	**-**	-
	57,375	53,504	**26,567**	25,584
Allowance for obsolete inventories	**(1,578)**	(2,639)	**(1,328)**	(1,587)
	55,797	50,865	**25,239**	23,997

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

	Group 2006 RM'000	Group 2005 RM'000
Finished goods	**-**	89

18. RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**139,532**	144,081	**22,557**	23,675
Allowance for doubtful debts	**(1,795)**	(1,871)	**(333)**	(404)
	137,737	142,210	**22,224**	23,271
Other receivables	**2,540**	18,293	**808**	1,222
Deposits	**208**	212	**25**	22
Prepayments	**878**	1,054	**105**	222
	3,626	19,559	**938**	1,466
	141,363	161,769	**23,162**	24,737

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.

19. MARKETABLE SECURITIES

	Group	
	2006	2005
	RM'000	RM'000
Shares quoted in Malaysia, at cost	**2,080**	-
Less: Accumulated impairment losses	**(482)**	-
	1,598	-
Market value of quoted shares	**1,598**	-

20. AMOUNT OWING BY/TO GROUP COMPANIES

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Amount owing by group companies:				
Related companies	**232**	449	**2**	269
Subsidiaries	**-**	-	**14,849**	17,916
	232	449	**14,851**	18,185
Amount owing to group companies:				
Related companies	**14,798**	26,402	**60**	191
Subsidiaries	**-**	-	**10,932**	10,815
Holding company	**103**	699	**35**	699
	14,901	27,101	**11,027**	**11,705**

20. AMOUNT OWING BY/TO GROUP COMPANIES *(continued)*

The Company is a subsidiary of Ancom Berhad ("Ancom"), a company incorporated in Malaysia and listed on the Main Board of Bursa Securities.

Related companies refer to companies within Ancom's group of companies.

The account balances with the holding company, subsidiaries and other related companies arose mainly from intercompany advances which bore interest at rates ranging from 3.0% to 4.9% (2005: 3.0% to 6.0%) 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.

21. PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Trade payables	**55,164**	54,930	**17,986**	21,449
Other payables	**6,367**	8,589	**2,116**	2,272
Accruals	**5,069**	6,458	**2,456**	3,007
	66,600	69,977	**22,558**	26,728

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

22. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Short-term borrowings				
Unsecured:				
Short-term loan and advances	**87,058**	93,033	**27,102**	37,933
Hire-purchase creditors (Note 26)	**68**	131	**-**	54
	87,126	93,164	**27,102**	37,987
Long-term borrowings				
Unsecured:				
Term loan	**-**	15,101	**-**	15,101
Hire-purchase creditors (Note 26)	**10**	225	**-**	171
	10	15,326	**-**	15,272
Total borrowings	**87,136**	108,490	**27,102**	53,259
Maturity of borrowings (excluding hire-purchase and finance lease):				
Within one year	**87,058**	93,033	**27,102**	37,933
More than 2 years and less than 5 years	**-**	15,101	**-**	15,101
	87,058	108,134	**27,102**	53,034

The borrowings are unsecured and bore interest at rates ranging from 3.0% to 7.7% (2005: 3.0% to 6.5%) per annum.

23. SHARE CAPITAL

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2006	2005	**2006**	2005
	'000	'000	**RM'000**	RM'000
Authorised:				
At 1 June/31 May	**300,000**	300,000	**300,000**	300,000
Issued and fully paid:				
At 1 June	**176,671**	224,488	**176,671**	224,488
Capital reduction				
- capital distribution of shares in Tamco Group	**-**	(112,244)	**-**	(112,244)
Issue of ordinary shares				
- acquisition of subsidiaries (Note 12)	**-**	64,427	**-**	64,427
At 31 May	**176,671**	176,671	**176,671**	176,671

24. RESERVES

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable:				
Share premium	**809**	809	**809**	809
Translation reserves	**(2,630)**	(2,561)	**-**	-
	(1,821)	(1,752)	**809**	809

25. DEFERRED TAX

Balance at beginning of year	**6,727**	4,223	**4,990**	5,198
Recognised in income statement (Note 8)	**(1,434)**	17	**(970)**	(208)
Acquisition of subsidiaries (Note 12)	**-**	1,969	**-**	-
Disposal of subsidiaries	**-**	(39)	**-**	-
Exchange fluctuation	**(3)**	557	**-**	-
Balance at end of year	**5,290**	6,727	**4,020**	4,990
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(1,374)**	(878)	**-**	-
Deferred tax liabilities	**6,664**	7,605	**4,020**	4,990
	5,290	6,727	**4,020**	4,990

25. 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 2005	9,087	-	3	9,090
Recognised in the income statement	(910)	-	(3)	(913)
As at 31 May 2006	**8,177**	**-**	**-**	**8,177**
As at 1 June 2004	10,760	1,428	284	12,472
Recognised in the income statement	(716)	(43)	(1)	(760)
Acquisition of subsidiaries	1,943	-	-	1,943
Disposal of subsidiaries	(3,126)	(1,385)	(283)	(4,794)
Exchange differences	226	-	3	229
As at 31 May 2005	9,087	-	3	9,090

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 2005	(408)	(1,428)	(527)	(2,363)
Recognised in the income statement	(885)	804	(440)	(521)
Exchange differences	-	-	(3)	(3)
As at 31 May 2006	**(1,293)**	**(624)**	**(970)**	**(2,887)**
As at 1 June 2004	(1,218)	(1,949)	(5,082)	(8,249)
Recognised in the income statement	136	(419)	1,060	777
Acquisition of subsidiaries	-	26	-	26
Disposal of subsidiaries	673	914	3,168	4,755
Exchange differences	1	-	327	328
As at 31 May 2005	(408)	(1,428)	(527)	(2,363)

Deferred tax liabilities of the Company	Property, plant and equipment RM'000	Total RM'000
At 1 June 2005	6,582	6,582
Recognised in income statement	(824)	(824)
At 31 May 2006	**5,758**	**5,758**
At 1 June 2004	7,105	7,105
Recognised in income statement	(523)	(523)
At 31 May 2005	6,582	6,582

25. DEFERRED TAX *(continued)*

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 2005	(1,148)	(444)	-	(1,592)
Recognised in income statement	(63)	(83)	-	(146)
At 31 May 2006	**(1,211)**	**(527)**	**-**	**(1,738)**
At 1 June 2004	(1,006)	(202)	(699)	(1,907)
Recognised in income statement	(142)	(242)	699	315
At 31 May 2005	(1,148)	(444)	-	(1,592)

26. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	Group		**Company**	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Minimum lease payments				
- Not later than one year	**72**	155	**-**	68
- Later than one year and not later than two years	**12**	117	**-**	64
- Later than two years and not later than five years	**-**	165	**-**	154
	84	437	**-**	286
Future finance charges	**(6)**	(81)	**-**	(61)
Present value of finance lease liabilities	**78**	356	**-**	225
Present value of finance lease liabilities				
- Not later than one year	**68**	131	**-**	54
- Later than one year and not later than two years	**10**	95	**-**	50
- Later than two years and not later than five years	**-**	130	**-**	121
	78	356	**-**	225
Analysed as:				
Due within 12 months (Note 22)	**68**	131	**-**	54
Due after 12 months (Note 22)	**10**	225	**-**	171
	78	356	**-**	225

The hire-purchase and lease liabilities bore interest at the balance sheet date of between 6.49% to 7.74% (2005: 5.98% to 7.74%) per annum.

27. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Balance as at beginning of year	**4,351**	3,854	**4,101**	3,592
Benefits paid	**(299)**	(245)	**(281)**	(184)
Disposal of subsidiaries	**-**	(170)	**-**	-
Expense recognised in the income statements (Note 6)	**552**	916	**503**	693
Exchange fluctuation	**1**	(4)	**-**	-
Balance as at end of year	**4,605**	4,351	**4,323**	4,101

28. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances	**19,542**	24,023	**5,315**	8,627
Short-term deposits with licensed banks	**14,046**	7,886	**10,700**	-
Cash and cash equivalents	**33,588**	31,909	**16,015**	8,627

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

	Group		Company	
	2006	2005	**2006**	2005
	%	%	**%**	%
Short-term deposits with licensed banks	**3.20**	2.87	**2.75**	-

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

	Group		Company	
	2006	2005	**2006**	2005
	Days	Days	**Days**	Days
Short-term deposits with licensed banks	**162**	77	**4**	-

29. COMMITMENTS

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Capital commitments				
Approved and contracted				
- property, plant and equipment	**2,539**	793	**2,415**	277
Approved and contracted				
- acquisition of subsidiary (Note 33)	**99,995**	-	**99,995**	-
Approved and not contracted	**372**	523	**142**	472
	102,906	1,316	**102,552**	749

30. CONTINGENT LIABILITIES

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Unsecured:				
Bills discounted with banks	**199**	924	**199**	924

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Sales to subsidiaries/associates/related companies:				
- Ancom Crop Care Sdn Bhd	**178**	-	**-**	-
- Ancom Kimia Sdn Bhd	**-**	3,042	**-**	-
- ChemResources China (Agencies) Ltd	**-**	161	**-**	-
- Kumpulan Kesuma Sdn Bhd	**-**	-	**338**	549
- Tamco Corporate Holdings Berhad	**-**	121	**-**	121
Purchases from subsidiaries/associates/related companies:				
- Ancom Kimia Sdn Bhd	**161,926**	174,439	**-**	-
- MSTi Corporation Sdn Bhd	**187**	1,002	**187**	1,000
- Perusahaan Kimia Gemilang Sdn Bhd	**-**	117	**849**	1,093
Freight/transport charges paid to related companies:				
- Pengangkutan Cogent Sdn Bhd	**2,104**	1,634	**-**	-
- Synergy Concepts Sdn Bhd	**1,451**	1,506	**-**	-
- Synergy Point Sdn Bhd	**71**	352	**-**	-
Storage rental paid to related companies:				
- Ancom-ChemQuest Terminals Sdn Bhd	**2,111**	1,658	**-**	-
Interest (expense to)/income from subsidiaries:				
- Malaysian Roofing Industries Sdn Bhd	**-**	-	**(135)**	30
- Perusahaan Kimia Gemilang Sdn Bhd	**-**	-	**(483)**	-
Consultation charges paid to holding company	**345**	-	**-**	-
Gross dividend from subsidiaries:				
- Fermpro Sdn Bhd	**-**	-	**4,000**	4,000
- Kumpulan Kesuma Sdn Bhd	**-**	-	**402**	-
- Malaysian Roofing Industries Sdn Bhd	**-**	-	**2,730**	-
- Nycon Manufacturing Sdn Bhd	**-**	-	**5,902**	-
- Nylex Specialty Chemicals Sdn Bhd	**-**	-	**3,078**	2,052
- Perusahaan Kimia Gemilang Sdn Bhd	**-**	-	**13,942**	7,746
- Wedon Sdn Bhd	**-**	-	**945**	-

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.

32. 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.

(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 profile and interest rates of financial assets and liabiities are disclosed in their respective notes.

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Singapore Dollar, Japanese Yen and Indonesian Rupiah. 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.

(iii) Foreign exchange risk

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.

32. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Foreign exchange risk *(continued)*

	Functional currency of group companies			
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	Singapore Dollar RM'000	Total RM'000
At 31 May 2006				
Receivables				
United States Dollar	392	-	3,586	3,978
Singapore Dollar	333	-	-	333
Japanese Yen	203	-	-	203
Brunei Dollar	15	-	-	15
	943	**-**	**3,586**	**4,529**
Cash and bank balances				
United States Dollar	4,899	43	312	5,254
Singapore Dollar	2	-	-	2
	4,901	**43**	**312**	**5,256**
Payables				
United States Dollar	10,969	1,250	3,630	15,849
Singapore Dollar	37	-	-	37
Australian Dollar	215	-	-	215
	11,221	**1,250**	**3,630**	**16,101**
At 31 May 2005				
Receivables				
United States Dollar	511	-	5,676	6,187
Singapore Dollar	1,205	-	-	1,205
Japanese Yen	574	-	-	574
	2,290	-	5,676	7,966
Cash and bank balances				
United States Dollar	4,273	100	205	4,578
Singapore Dollar	1	-	-	1
	4,274	100	205	4,579
Payables				
United States Dollar	22,933	45	-	22,978
Singapore Dollar	12	-	-	12
Japanese Yen	469	-	-	469
Pound Sterling	10	-	-	10
	23,424	45	-	23,469

32. 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 2006			
Forward contract used to hedge trade receivables	United States Dollar	27,829	27,829
	Singapore Dollar	1,221	1,221
		29,050	**29,050**
Forward contract used to hedge future sales	United States Dollar	33,424	33,424
	Singapore Dollar	354	354
		33,778	**33,778**
At 31 May 2005			
Forward contract used to hedge trade receivables	United States Dollar	32,027	32,027
	Singapore Dollar	715	715
		32,742	32,742
Forward contract used to hedge future sales	United States Dollar	56,071	56,071
	Singapore Dollar	4,173	4,173
		60,244	60,244

(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.

(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 amounts 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 2006 that are required to be disclosed.

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

(a) Proposed Private Placement

During the financial year, the Company proposed to undertake a private placement of up to 10% of the existing issued and paid-up share capital of the Company ("Private Placement"), involving the issuance of up to 17,667,000 new ordinary shares of RM1.00 each in the company as an issue price to be determined later to places (s) to be identitied.

The Private Placement has been approved by the Securities Commission, Ministry of International Trade and Industry and Bursa Securities.

Approval has also been obtained from the shareholders of the Company at the last Annual General Meeting ("AGM") convened on 25 October 2005 authorising the Directors to issue new Nylex shares not exceeding 10% of the issued and paid-up share capital of the Company as at the date thereof pursuant to Section 132D of the Companies Act, 1965. The approval is valid until the next AGM which is expected to be held in October 2006.

As at the date of this report, the Company has not implemented the Private Placement.

(b) Acquisition of Chemical companies

(i) CKG Chemicals Pte Ltd ("CKG")

During the financial year, the Company entered into a Share Sale Agreement ("SSA") for the acquisition of 4,000,000 ordinary shares of S$1.00 each representing the entire issued and paid-up share capital of CKG for a total purchase consideration of S$40,000,000 ("Proposed CKG Acquisition").

Subsequent to the financial year, the Company and the CKG vendors entered into an Addendum No. 1 to extend the period for fulfillment of the conditions precedent in the SSA for a further sixty (60) days after the expiry of three (3) months from the date of execution of the SSA.

The Proposed CKG Acquisition has been approved by Bank Negara Malaysia ("BNM") and the shareholders of the Company.

As at the date of this report, this Proposed CKG Acquisition is completed.

(ii) Megachem Limited ("Megachem")

During the financial year, the Company entered into a Sale and Option Agreement for the acquisition of 39,976,670 issued shares in Megachem representing 29.99% of the issued share capital of Megachem for a cash consideration of S$7,995,334 ("Megachem Acquisition").

Subsequent to the financial year, the Megachem Acquisition was approved by BNM and the sale and purchase of the 20% and 9.99% of the issued shares of Megachem has been completed in July 2006 and September 2006 respectively.

34. SUBSIDIARIES

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective % ownership in 2006 %	2005 %	Principal activities
Direct subsidiaries				
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	Dormant.
Nylex Polymer Marketing Sdn Bhd (formerly known as Zonson Sports (Malaysia) Sdn Bhd)	Malaysia	**100**	100	Trading of PU and PVC synthetic leather, films and sheets.
*PT Nylex Indonesia	Indonesia	**65**	65	Manufacture, marketing and distribution of PU and PVC leathercloth.
*Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	**100**	100	Trading in petrochemicals and industrial chemicals.
*Fermpro Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.
*Kumpulan Kesuma Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of sealants and adhesive products.
*Wedon Sdn Bhd	Malaysia	**100**	100	Marketing of sealants and adhesive products.
Nylex Specialty Chemicals Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of phosphoric acid.
Speciality Phosphates (Malaysia) Sdn Bhd	Malaysia	**51**	51	Manufacture and sale of chemicals.
Indirect subsidiaries				
*PT Indomalay Ekatana Roofing Industries	Indonesia	**49**	49	Manufacture and marketing of metal roofing tiles
*Dynamic Chemical Trading Pte Ltd	Singapore	**90**	90	Trading in industrial chemicals.

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

35. ASSOCIATES

Details of associates are as follows:

Name of company	Country of incorporation	Effective % ownership in 2006 %	2005 %	Principal activities
Ancom Kimia Sdn Bhd	Malaysia	**30**	30	Distributor of petrochemicals and industrial chemicals.

36. 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 polyurethane and vinyl-coated fabrics, calendered film and sheeting, and other plastic products, including geotextiles and prefabricated sub-soil drainage systems, and rotomoulded plastic products.
Industrial chemical	-	Trading, manufacture and sale of petrochemical and industrial chemicals products.
Building products	-	Manufacture and marketing of roofing products.

2006	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	128,037	535,097	7,166	-	670,300
Inter-segment sales	18	814	-	(832)	-
Total revenue	128,055	535,911	7,166	(832)	670,300
Results					
Segment results	9,389	18,681	664	-	28,734
Goodwill amortisation					(1,604)
Unallocated corporate income					2,319
Profit from operations					29,449
Interest expense					(3,660)
Interest income					620
Share of results of associates					(176)
Profit before taxation					26,233
Taxation					(8,120)
Profit after taxation					18,113
Minority interests					119
Net profit for the year					18,232

36. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

2006	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Assets					
Segment assets	120,226	184,661	10,664	(15,815)	299,736
Investment in associates	-	772	-	-	772
Goodwill on consolidation					29,154
Unallocated corporate assets					21,090
Consolidated total assets					350,752
Liabilities					
Segment liabilities	44,264	118,502	1,395	(15,815)	148,346
Unallocated corporate liabilities					33,272
Consolidated total liabilities					181,618
Other information					
Capital expenditure	2,765	1,392	-	-	4,157
Depreciation and amortisation	8,440	1,667	102	-	10,209
Unallocated corporate depreciation and amortisation					1,640
Impairment losses	240	482	-	-	722
Non-cash expenses other than depreciation, amortisation and impairment losses	54	96	(691)	-	(541)
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					142

2005	Polymer RM'000	Industrial Chemical RM'000	Engineering RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	118,694	473,094	17,194	16,515	-	625,497
Inter-segment sales	52	-	-	-	(52)	-
Total revenue	118,746	473,094	17,194	16,515	(52)	625,497

36. SEGMENT INFORMATION *(continued)*

(a) Business segments (continued)

2005	Polymer RM'000	Industrial Chemical RM'000	Engineering RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Results						
Segment results	5,077	22,380	1,117	1,965	-	30,539
Impairment of goodwill on consolidation						(2,496)
Under provision for loss on capital distribution						(165)
Goodwill amortisation						(1,873)
Unallocated corporate expenses						(2,725)
Profit from operations						23,280
Interest expense						(3,877)
Interest income						210
Share of results of associates						(88)
Profit before taxation						19,525
Taxation						(5,886)
Profit after taxation						13,639
Minority interests						(183)
Net loss for the year						13,456
Assets						
Segment assets	147,263	204,501	-	17,000	(37,414)	331,350
Investment in associates	-	1,047	-	-	-	1,047
Goodwill on consolidation						30,758
Unallocated corporate assets						13,576
Consolidated total assets						376,731
Liabilities						
Segment liabilities	55,897	126,520	-	4,005	(17,548)	168,874
Unallocated corporate liabilities						49,855
Consolidated total liabilities						218,729
Other information						
Capital expenditure	15,828	567	1,482	133	-	18,010
Unallocated corporate capital expenditure						103
Depreciation and amortisation	7,335	1,052	714	400	-	9,501
Unallocated corporate depreciation and amortisation						1,961
Non-cash expenses other than depreciation, amortisation and impairment losses	1,833	(9,740)	37	(2,517)	-	(10,387)
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses						113

36. 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)	
	2006	2005	**2006**	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Malaysia	**413,955**	374,956	**274,899**	305,228	**3,454**	6,236
China	**18,972**	49,073	**-**	-	**-**	471
Australia	**26,630**	4,412	**-**	-	**-**	91
Indonesia	**22,346**	27,108	**18,352**	18,007	**694**	10,750
Hong Kong	**8,278**	3,256	**-**	-	**-**	151
Singapore	**72,026**	60,654	**6,485**	8,115	**9**	311
Middle East	**5,454**	13,876	**-**	-	**-**	-
Europe	**338**	1,005	**-**	-	**-**	-
Philippines	**44,551**	44,225	**-**	-	**-**	-
Thailand	**23,121**	28,240	**-**	-	**-**	-
Others	**34,629**	18,692	**-**	-	**-**	-
Consolidated	**670,300**	625,497	**299,736**	331,350	**4,157**	18,010

Additional Information

in compliance with Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad

DISCLOSURE ON THE REMUNERATION OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 MAY 2006

The remuneration of directors for the financial year ended 31 May 2006 is set out in Note 7 to the financial statements, on page 53 to 54 of this Annual Report.

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

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

NON-AUDIT FEES

There was no non-audit fees paid to the external auditors for the financial year ended 31 May 2006.

PROFIT ESTIMATE, FORECAST OR PROJECTION

There was no variance between the results for the financial year ended 31 May 2006 and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projection for the financial year.

PROFIT GUARANTEES

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

MATERIAL CONTRACTS

There was no material contracts, of the Company and its subsidiaries, not being contracts entered into in the ordinary cause of business, which involves directors' and major shareholders' interests, either still subsisting at the end of the financial year 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.

Additional Information

in compliance with Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

During the financial year, the RRPT pursuant to the shareholders' mandate obtained at the last annual general meeting of the Company are as follows:

Related party	Nature of transaction	Value of RRPT (RM'000)	Interested directors, major shareholders and connected persons
Ancom Crop Care Sdn Bhd	Sales of industrial chemicals	178	Ancom Berhad Dato' Siew Ka Wei Dato' Johari Razak
Polytensides Sdn Bhd	Sales of industrial chemicals	30	
OrganiGro Sdn Bhd	Purchase of fertilizers	0	
Synergy Concepts Sdn Bhd	Freight services	1,451	
Ancom-ChemQuest Terminals Sdn Bhd	Storage rental	2,111	
Pengangkutan Cogent Sdn Bhd	Storage, handling and pipeline charges	2,104	
Timber Preservatives Sdn Bhd	Sales of rotomoulded plastic products	22	
Nufarm Technologies (Malaysia) Sdn Bhd	Sales of rotomoulded plastic products	94	
MSTi Corporation Sdn Bhd and its subsidiary, I-Enterprise Online.com Sdn Bhd	Information technology ("IT") related consultancy services Purchase of IT equipment	259	Ancom Berhad Dato' Siew Ka Wei Dato' Johari Razak Quek Lay Kheng

List of Properties

as at 31 May 2006

Location / Address	Title	Age of Building (Years)	Land Area (sq. m.)	Existing Use	Date of Acquisition / Revaluation	Tenure	Net Book Value as at 31.05.06 (RM'000)
a) **Proprietor:** **Nylex (Malaysia) Berhad** Persiaran Selangor Section 15 Shah Alam Industrial Estate 40200 Shah Alam Selangor Darul Ehsan	QT (R) 32	35	29,340	Office building and factory.	26 Nov 1985	Leasehold, expiring on 19 July 2070.	17,176
	HS (D) 209	26	12,140	Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 10 February 2075.	
b) **Proprietor:** **Perusahaan Kimia Gemilang Sdn Bhd** PT 4228 Mukim of Kapar Daerah Klang Selangor Darul Ehsan		15	53,700	Office building and factory.	1 July 2004	Leasehold, expiring on 09 June 2086.	6,838
Lot 1506 and 1507 Mukim 12 Seberang Perai Selatan Pulau Pinang		12	1,200	1-1/2 storey semi-detached factory.	1 July 2004	Freehold.	583
c) **Proprietor:** **Fermpro Sdn Bhd** Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	18	16,190	Office building and factory.	1 July 2004	Leasehold, expiring on 22 November 2046.	2,069
Plot 3 & 4, PT 924A Mukim of Chuping Perlis Indera Kayangan	HS (M) 1804		24,280	Spent molasses treatment pond.	1 July 2004	Leasehold, expiring on 07 February 2059.	1,155
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	4	8,100	Office building and factory.	1 July 2004	Leasehold, expiring on 07 February 2059.	486
d) **Proprietor:** **Nylex Specialty Chemicals Sdn Bhd** Lot 593 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 5507	31	8,093	Office building. and factory	1 March 2005	Leasehold, expiring on 01 September 2074.	2,646
Lot 624 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 6588	29	8,298	Office building and warehouse.	1 March 2005	Leasehold, expiring on 19 February 2076.	4,024

Analysis of Shareholdings

as at 8 September 2006

No. Of Holders Of Each Class Of Equity Securities

Class of securities	:	Ordinary shares of RM1.00 each
Total no. issued	:	176,670,860
No. of holders	:	7,082
Voting rights	:	One vote per ordinary share on a poll
	:	One vote per shareholder on a show of hands

Distribution Schedule

Holdings	No. of holders	Total Holdings	%
Less than 100	53	2,278	0.00
100 to 1,000	3,701	2,638,553	1.49
1,001 to 10,000	2,906	9,822,459	5.56
10,001 to 100,000	373	10,937,304	6.19
100,001 to less than 5% of issued Shares	47	29,411,680	16.65
5% and above of issued Shares	2	123,858,586	70.11
	7,082	176,670,860	100.00

Substantial Holders

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Siew Ka Wei	-	-	123,858,586[1]	70.11
Ancom Berhad	73,800,600	41.77	50,057,986[2]	28.33
Rhodemark Development Sdn Bhd	50,057,986	28.33	-	-
Eminent East Limited	-	-	50,057,986[2]	28.33
Prime Enterprise II, L.P.	-	-	50,057,986[3]	28.33
Asian Corporate Finance Fund, L.P.	-	-	50,057,986[3]	28.33
Employees Provident Fund Board	8,543,800	4.84	399,000[4]	0.23

Note:

1 Deemed interested through his direct and indirect interest in Ancom Berhad.
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 its direct interest in Eminent East Limited pursuant to Section 6A of the Companies Act, 1965.
4 Held through Alliance Capital Asset Management Sdn Bhd.

Directors' Holdings

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Johari Razak	75,000	0.04	-	-
Dato' Siew Ka Wei	-	-	123,858,586[1]	70.11

Note:

1 Deemed interested through his direct and indirect interest in Ancom Berhad.

Analysis of Shareholdings

as at 8 September 2006

Thirty Largest Shareholders
(Without aggregating securities from different securities accounts belonging to the same person)

	Name	No. of shares	%
1.	Ancom Berhad	73,800,600	41.77
2.	Rhodemark Development Sdn Bhd	50,057,236	28.33
3.	Employees Provident Fund Board	8,543,800	4.84
4.	ECM Libra Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	4,110,000	2.33
5.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Grace Yeoh Cheng Geok (M1166)	2,595,900	1.47
6.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Siew Leng	1,514,100	0.86
7.	ECM Libra Securities Nominees (Asing) Sdn Bhd ECM Libra Securities Limited for Asia New Economy Fund	1,199,400	0.68
8.	Lembaga Tabung Amanah Warisan Negeri Terengganu	1,008,500	0.57
9.	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Djelas Company S.A.	936,500	0.53
10.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zulfadzli bin Mohd Yusoff	678,900	0.38
11.	Permodalan Nasional Berhad	592,000	0.33
12.	Amanah Raya Nominees (Tempatan) Sdn Bhd Sekim Amanah Saham Nasional Permodalan Nasional Berhad	538,000	0.30
13.	Citigroup Nominees (Asing) Sdn Bhd UBS AG Hong Kong for Cheddar Hill Capital Inc	458,700	0.26
14.	Yeoh Kean Hua	410,000	0.23
15.	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Kenno Hayashi Ltd	405,050	0.23
16.	Alliancegroup Nominees (Tempatan) Sdn Bhd Alliance Capital Asset Management Sdn Bhd for Employees Provident Fund	399,000	0.23
17.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)	371,500	0.21
18.	ECM Libra Securities Nominees (Asing) Sdn Bhd ECM Libra Securities Limited for Djelas Company S.A.	353,500	0.20
19.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	332,500	0.19
20.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Funds	307,250	0.17
21.	Chu Loch Yee	288,100	0.16
22.	Johan Enterprise Sdn Bhd	240,000	0.14
23.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for City of New York Group Trust	232,200	0.13
24.	Tay Thiam Song	223,900	0.13
25.	Chu Loch Yee	216,400	0.12
26.	Cheah See Han	209,300	0.12
27.	BHLB Trustee Berhad PCM for Cheng Hsian @ Tay Cheng Hsian	180,000	0.10
28.	HDM Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Wong Wai Han	150,000	0.09
29.	Mayban Securities Nominees (Asing) Sdn Bhd OCBC Securities Private Limited for Loi Siew Hoong	150,000	0.09
30.	ECM Libra Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Bonnie Yong @ Yong Yoon Kong	148,300	0.08
	Total	150,650,636	85.27

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 36th Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 31 October 2006 at 12.00 noon to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements, Reports of the Directors and the Auditors thereon for the financial year ended 31 May 2006; **[Please refer Explanatory Note 1]**

2. To approve the payment of a final dividend of 4.0% less 28% Malaysian income tax for the financial year ended 31 May 2006; **[Resolution 1]**

3. To approve Directors' fees for the financial year ended 31 May 2006; **[Resolution 2]**

4. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:
   4.1 Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP **[Resolution 3]**
   4.2 Dato' Siew Ka Wei **[Resolution 4]**
   4.3 Teo Ek Tor **[Resolution 5]**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Board of Directors to fix their remuneration; **[Resolution 6]**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions as Ordinary Resolutions:

6. Proposed Issuance Of New Ordinary Shares Of RM1.00 Each Pursuant To Section 132D of the Companies Act, 1965 **[Resolution 7]**

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares of RM1.00 each in the Company from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may deem fit provided that the aggregate number of new ordinary shares to be issued pursuant to this resolution does not exceed ten (10) per centum of the total issued share capital of the Company and that such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors are further authorised to make such applications to Bursa Malaysia Securities Berhad and to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

7. Proposed Renewal and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed RRPT Mandate") **[Resolution 8]**

   "THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("Group") shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature and with those related parties as specified in Section 2.3 of the Circular to Shareholders dated 9 October 2006 subject to the following:

   (i) that the transactions are in the ordinary course of business, made on arm's length and on normal commercial terms and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;

(ii) that disclosure is made in the annual report, of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' mandate during the financial year based on the type of recurrent transactions made and the related parties involved;

(iii) that authority conferred by such mandate shall continue to be in force, unless revoked or varied by resolution passed by Shareholders in general meeting, until the conclusion of the next annual general meeting of the Company or after the date it is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 ("Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; and

(iv) that the Directors and/or any one of them be and are hereby authorised to complete and to do all such acts and things, including executing such documents as may be required, to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. Other Ordinary Business

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

By order of the Board,

CHOO SE ENG
STEPHEN GEH SIM WHYE
Secretaries

Petaling Jaya
9 October 2006

Notice of Annual General Meeting

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote for him. A proxy may but need not be a member of the Company.
2. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

EXPLANATORY NOTES

1. **Item 1 of the Agenda**
   This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval by the Shareholders for the audited financial statements, and hence, is not put forward for voting.

2. **Item 6 of the Agenda**
   Resolution 7 proposed under item 6 of the Agenda, if passed, will give the Directors authority to issue and allot 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 best interest of the Company. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting.

3. **Item 7 of the Agenda**
   Resolution 8 proposed under item 7 of the Agenda, if passed, will enable the Company authority to enter into recurring transactions of a revenue or trading nature with its related parties as defined in the Listing Requirements of Bursa Malaysia Securities Berhad. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the Shareholders at a general meeting, expire at the next annual general meeting.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. The venue, date and time of the Company's 36th Annual General Meeting are as follows:

   Venue : Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya
   No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
   Date : Tuesday, 31 October 2006
   Time : 12.00 noon

2. The name of Directors who are standing for re-election at this Annual General Meeting:
   (i) Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP
   (ii) Dato' Siew Ka Wei
   (iii) Teo Ek Tor

3. The attendance record at Board Meetings and other details of the above named Directors required under Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad can be found in pages 15 to 20 and pages 6 to 9 in the Company's Annual Report 2006.

CDS A/C No.
No. of shares held

NYLEX (MALAYSIA) BERHAD

(Company No: 9378-T)
(Incorporated In Malaysia)

FORM OF PROXY

I/We ....
(Full Name In Block Letters)

of...
(Full Address)

being (a) member(s) of NYLEX (MALAYSIA) BERHAD, hereby appoint(s)...

....
(Full Name In Block Letters)

of ....or
(Full Address)

....
(Full Name In Block Letters)

of...or
(Full Address)

failing *him / her, the Chairman of the Meeting as *my / our proxy to attend and to vote for *me / us on *my / our behalf at the 36th Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 31 October 2006 at 12.00 noon or any adjournment thereof and to vote as indicated below -

Item	Agenda			
1.	To receive Audited Financial Statements and the Reports thereon.			
		Resolution	**For**	**Against**
2.	To approve the payment of a final dividend of 4.0% less 28% Malaysian income tax.	1		
3.	To approve the payment of Directors' fees.	2		
4.	To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association: 4.1 Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP	3		
	4.2 Dato' Siew Ka Wei	4		
	4.3 Teo Ek Tor	5		
5.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.	6		
6.	To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.	7		
7.	To approve the renewal and new recurring related party transaction mandates.	8		

(Please indicate with "X" 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 discretion.)

Dated this .... day of 2006

Telephone no.
during office hours : ………………………

……………………………………………………
[Signature / Common Seal of shareholder(s)]
[*Delete if not applicable]

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote for him. A proxy may but need not be a member of the Company.
2. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

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AFFIX
STAMP

NYLEX (MALAYSIA) BERHAD
(Company No. : 9378-T)
Registered Office:
Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Then fold here


www.nylex.com