

# Annual Report 2007



Together we can  
make a *difference*



**NYLEX (MALAYSIA) BERHAD**

(Company No. 9378-T)  
Incorporated in Malaysia

# cover rationale



The Nylex (Malaysia) Berhad ("Nylex") annual report 2007 cover revolves around the "together we can make a difference" tagline. The graphics representation depicts several strokes swerving inwards to form a focal point. It represents teamwork and working towards a cohesive goal.

The images superimposed within the combination of strokes effectively highlight the business nature of the Nylex Group.

Futuristic and contemporary designs compliment the overall feel of the Nylex Group being an up-to-date, competitive and modern company that strives to provide its customers with quality products and services.

Corporate colors are used to maintain corporate identity and brand recognition.







## contents

02	Corporate Information	22	Statement on Internal Control
03	Corporate Structure	24	Directors' Responsibilities Statement on Financial Statements
04	List of Principal Offices	25	Financial Statements
05	Five-Year Highlights	85	Additional Information
06	Board of Directors	87	List of Properties
10	Chairman's Statement	88	Analysis of Shareholdings
12	Statement on Corporate Governance	90	Notice of Annual General Meeting
17	Audit Committee Report		Proxy Form

# Corporate Information

## **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)*

Cheng Kwee Kiang  
*(Non-Independent Non-Executive Director)*

## **AUDIT COMMITTEE**

Edmond Cheah Swee Leng *(Chairman)*

Dato' Mohd Ismail Bin Che Rus

Dato' Siew Ka Wei

Lim Hock Chye

## **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**

Lot 16, Persiaran Selangor, Section 15  
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) 7718 6000

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

## **SOLICITORS**

Shearn Delamore & Co

## **DOMICILE**

Malaysia

# Corporate Structure as at 31 May 2007



ANCOM BERHAD

50.1% Rhodemark Development Sdn Bhd

14.2%



**NYLEX (MALAYSIA) BERHAD**

38.0%

100.0% Nycon Manufacturing Sdn Bhd

100.0% Nylex Polymer Marketing Sdn Bhd

100.0% PT Nylex Indonesia

100.0% Perusahaan Kimia Gemilang Sdn Bhd

90.0% Dynamic Chemical Trading Pte Ltd

30.0% Ancom Kimia Sdn Bhd

100.0% Fermpro Sdn Bhd

100.0% Kumpulan Kesuma Sdn Bhd

100.0% Wedon Sdn Bhd

100.0% CKG Chemicals Pte Ltd

100.0% Nylex Specialty Chemicals Sdn Bhd

51.0% Speciality Phosphates (Malaysia) Sdn Bhd

70.0% Malaysian Roofing Industries Sdn Bhd

70.0% 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**

Lot 16, Persiaran Selangor, Section 15  
40200 Shah Alam  
Selangor Darul Ehsan  
Malaysia

Tel : (603) 5519 1706  
Fax : (603) 5510 8291 / 5510 0088  
www.nylex.com

**PT NYLEX INDONESIA**

Desa Sumengko Km31 Kecamatan  
Wringinanom, Kabupaten Gresik  
East Java  
61176 Indonesia

Tel : (6221) 898 2625  
Fax : (6221) 898 2623

**PERUSAHAAN KIMIA GEMILANG SDN BHD**

302, Block A, 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

**FERMPRO SDN BHD**

202, Block A, 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

**CKG CHEMICALS PTE LTD**

133, New Bridge Road  
#25-02, Chinatown Point  
Singapore 059413

Tel : (65) 6737 2219  
Fax : (65) 6235 6342

**KUMPULAN KESUMA SDN BHD /  
WEDON SDN BHD**

No. 6, Lorong SS13/6A  
Subang Jaya Industrial Estate  
47500 Subang Jaya  
Selangor Darul Ehsan  
Malaysia

Tel : (603) 5633 6229  
Fax : (603) 5634 9915

**DYNAMIC CHEMICAL TRADING PTE LTD**

133, Cecil Street  
#12-03, Keck Seng Tower  
Singapore 069535

Tel : (65) 6224 4142  
Fax : (65) 6224 6460

**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 5711  
www.nylexsc.com.my

**PT INDOMALAY EKATANA ROOFING INDUSTRIES**

Jln. Jend. Gatot Subroto Km 5.2  
Kel. Jatiuwung RT 002/05 Kec, Jatiuwung  
Kodya Tangerang  
15134 Indonesia

Tel : (6221) 591 9451  
Fax : (6221) 591 9450

# Five-Year Highlights

	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
Revenue	<b>1,502,688</b>	670,300	625,497	395,201	386,351
Profit before tax	<b>45,986</b>	26,233	19,525	2,036	26,124
Profit/(loss) for the year	<b>38,957</b>	18,113	13,639	(5,894)	16,060
Effective percentage rate of tax	<b>15.3%</b>	31.0%	30.1%	389.5%	38.5%
Profit/(loss) attributable to equity holders of the Company	<b>39,258</b>	18,232	13,456	(4,861)	16,756
<b>Assets</b>					
Property, plant and equipment	<b>77,361</b>	79,917	86,544	117,722	126,768
Investments	<b>8,082</b>	4,352	4,627	8,647	8,136
Other non-current assets	<b>93,344</b>	31,495	32,882	9,796	36,453
Current assets	<b>428,385</b>	234,988	252,678	362,674	266,628
<b>TOTAL ASSETS</b>	<b>607,172</b>	350,752	376,731	498,839	437,985
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	<b>194,338</b>	176,671	176,671	224,488	224,488
Reserves	<b>(9,613)</b>	(1,821)	(1,752)	1,831	6,233
Retained earnings / (Accumulated losses)	<b>18,880</b>	(11,034)	(23,542)	(35,471)	(27,377)
	<b>203,605</b>	163,816	151,377	190,848	203,344
<b>Minority interests</b>	<b>4,691</b>	5,318	6,625	2,392	2,476
<b>Total equity</b>	<b>208,296</b>	169,134	158,002	193,240	205,820
Non-current liabilities	<b>66,896</b>	11,279	27,116	94,132	21,802
Current liabilities	<b>331,980</b>	170,339	191,613	211,467	210,363
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>607,172</b>	350,752	376,731	498,839	437,985
<b>Shareholders' interest</b>					
Earnings/(loss) per share - sen	<b>21.2</b>	10.3	7.5	(2.2)	7.5
Dividend per share - sen	<b>7.0</b>	4.5	1.2	-	3.0
Net assets per share - sen	<b>104.8</b>	92.7	85.7	85.0	90.6
Depreciation & amortisation	<b>8,994</b>	11,849	11,462	18,816	17,187
Finance cost	<b>9,897</b>	3,660	3,877	7,574	6,915

# Board of Directors



**Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP**, aged 52, *Non-Independent Non-Executive Chairman*, 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 the Small & Medium Industries Development Corporation ("SMIDEC") and a Corporate Member of Institute of Engineers Malaysia ("MIEM").

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

**Dato' Johari Razak**, aged 53, *Non-Independent Non-Executive Deputy Chairman*, 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. He re-joined the firm as a Senior Partner on 1 August 2007.



Dato' Johari is currently the Non-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.



## Board of Directors (cont'd)



**Dato' Siew Ka Wei**, aged 52, *Group Managing Director*, 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 the Chairman of the Malaysian Charter of the Young Presidents Organisation ("YPO"), an international grouping of more than 8,500 chief executive officers of major companies over the world, and was a director of the International Board of Directors of YPO.

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

**Dato' Mohd Ismail bin Che Rus**, aged 64, *Independent Non-Executive Director*, joined the Board on 29 October 1999 and is currently a member of the Remuneration and Nomination Committee and the Audit 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.



## Board of Directors (cont'd)



**Teo Ek Tor**, aged 54, *Non-Independent Non-Executive Director*, 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**, aged 52, *Independent Non-Executive Director*, joined the Board on 1 August 2005 and is currently the Chairman of the Remuneration and Nomination committee and a member of the Audit 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 Shareholder Watchdog Group, an initiative set up by the Ministry of Finance in 2002 to protect 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 is a panel speaker for Bursatra Malaysia on Continuing Education Programmes for directors of public-listed companies. He continues to lecture on promotion of good corporate governance within Corporate Malaysia.

Currently, he is a director and Chief Executive Officer of Meda Inc. Berhad and a director of Tamco Corporate Holdings Berhad, Silver Bird Group Berhad and TSM Global Berhad (formerly known as Juan Kuang (M) Industrial Berhad).

## Board of Directors (cont'd)



**Edmond Cheah Swee Leng**, aged 53, *Independent Non-Executive Director*, joined the Board on 26 August 2005 and is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

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

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 Chief Executive Officer/Executive Director and a 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. He is also the Chairman of Adventa Berhad and a director of Ancom Berhad.

**Cheng Kwee Kiang**, aged 49, *Non-Independent Non-Executive Director*, joined the Board on 2 January 2007. He completed his GCE A level education in Singapore.

Mr Cheng is a businessman with interests in many companies, some of which are involved in food and beverage and property investment and development. He was a major shareholder and director of CKG Chemicals Pte Ltd ("CKG") prior to the sale of CKG to the Company. Mr Cheng relinquished his post in CKG following the completion of the sale of CKG in September 2006.

He is a substantial shareholder of the Company, holding 9,800,000 ordinary shares of RM1.00 each representing 5.04% equity interest in the Company.



### Notes:

- 1) All the directors are Malaysians, except for Teo Ek Tor and Cheng Kwee Kiang who are Singaporeans.
- 2) There is no family relationship between the directors and/or major shareholders of the Company.
- 3) Save for Dato' Johari Razak and Dato' Siew Ka Wei who have interest in certain related party transactions as disclosed in page 86 of this Annual Report, none of the Directors has any financial interest in any business arrangement involving the Group.
- 4) The attendance and securities holdings of the Directors are respectively disclosed in page 12 and pages 27 to 28 of this Annual Report.
- 5) None of the Directors has been convicted of any offence, other than traffic offences, if any, within the past ten (10) years.

# 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 2007 ("FY 2007").

## PERFORMANCE

For the financial year under review, the consolidated revenue of the Group was RM1,502.7 million, up 124.2% from RM670.3 million in the previous financial year ended 31 May 2006 ("FY 2006"). The Group recorded a consolidated profit before tax ("PBT") of RM46.0 million, compared to RM26.2 million achieved in FY 2006. After accounting for taxation and minority interests, the profit attributable to shareholders was RM39.3 million (FY 2006: RM18.2 million).

The basic earnings per share rose from 10.3 sen in FY 2006 to 21.2 sen for the current financial year. Net assets per share attributable to equity holders of the Company as at 31 May 2007 was RM1.05 compared to RM0.93 as at 31 May 2006.

## REVIEW OF OPERATIONS

### *Polymer Division*

For FY 2007, the Polymer Division recorded slightly lower sales of RM123.0 million compared with RM128.0 million achieved in FY 2006 due to stiff competition from imports.

The Division made a lower PBT of RM7.0 million compared with RM10.0 million achieved in FY 2006. The erosion of profits was mainly due to high raw material prices which lowered profit margins.

### *Industrial Chemical Division*

The Industrial Chemical Division achieved higher sales of RM1,370.3 million for FY 2007, an increase of 156.1% compared to RM535.1 million recorded last year. Due to favourable market conditions, the Division contributed a PBT of RM39.6 million, exceeding the PBT of RM17.7 million achieved in FY 2006 by 123.8%. The newly acquired wholly-owned subsidiary, CKG Chemicals Pte Ltd contributed sales of RM722.6 million and PBT of RM11.5 million for the current financial year.

### *Building Products Division*

The Building Products Division's manufacturing unit in Indonesia, PT Indomalay Ekatana Roofing Industries ("IRI") achieved higher sales of RM9.4 million for the current financial year as compared to RM7.2 million achieved in FY 2006.

However, due to some stock write-down in IRI, the Division made a lower PBT of RM0.7 million compared to RM0.8 million recorded in FY 2006.



# Chairman's Statement (cont'd)

## DIVIDENDS

In line with the higher earnings, the Board of Directors has declared higher dividends for the financial year ended 31 May 2007 to reward the shareholders of the Company. Dividend declared for this year totalled 5.5% or 5.5 sen per share less 27% income tax (FY 2006: 4.0 sen less 28% income tax).

The first interim dividend for the current financial year of 3.0% (FY 2006: Nil) less tax was paid to shareholders on 5 March 2007 whilst the second interim dividend of 2.5% (FY 2006: Nil) less tax was declared by the Board on 31 July 2007 and will be paid to entitled shareholders on 10 September 2007.

The Board does not recommend the declaration of a final dividend for the current financial year (FY 2006: 4.0% less tax).

## CORPORATE DEVELOPMENTS

1. To be in line with the Group's strategy to focus on its core investment, on 30 March 2007, the Company's wholly-owned subsidiary, CKG Chemicals Pte Ltd entered into a share sale agreement for the disposal of its 73.5% equity interest in CKG Chemicals (HK) Limited ("Disposal").

The Disposal was completed on 30 April 2007.

2. To provide shareholders the opportunity to increase their equity participation in the Company in terms of number of shares, the Board of Directors has proposed to undertake a rights issue of 24,292,232 new ordinary shares at RM1.00 each with 48,584,464 free detachable warrants. Each warrant carries the right to subscribe for a new ordinary share at an exercise price to be determined later.

The proceeds to be raised from this rights issue shall be utilised for general working capital purposes of the Group.

As at the date of this report, the said proposal has not been completed.

3. On 28 June 2007, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn Bhd, had entered into a joint venture contract with Long Thanh Chemicals Company Ltd to set up a new joint venture company named Perusahaan Kimia Gemilang (Vietnam) Company Ltd. ("PKG Vietnam"), in the Socialist Republic of Vietnam.

PKG Vietnam shall be incorporated for the purpose of building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals, and carrying out any other activities which are, or may be, incidental or ancillary to the foregoing.

The above transaction was completed on 6 September 2007.

## PROSPECTS FOR NEXT FINANCIAL YEAR

For the first-half year of 2007, the average inflation rate in Malaysia was 2%. With the relatively lower inflation rate, higher investment approvals, and the recent policy initiatives to relax foreign exchange rules and scrap the Real Property Gains Tax, the Malaysian economy is expected to sustain its moderate pace of growth and is projected to register growth of 5.8% in 2008.

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

Barring unforeseen circumstances, the Group's performance for the next financial year is expected to be satisfactory.

## CHANGE IN BOARDROOM

On 2 January 2007, Mr Cheng Kwee Kiang joined the Board of Directors as a Non-Independent Non-Executive Director.

## APPRECIATION

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

The Board of Directors would also like to thank 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  
6 September 2007

# Statement on Corporate Governance

## INTRODUCTION

The Board of Directors ("Board") hereby states its commitment to maintain a high standard of corporate governance and upholding the fundamental duty of safeguarding the Group's assets, to enhance shareholders' value and financial performance of the Group. Therefore, 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 on Corporate Governance ("the Code") are adhered to.

Pursuant to paragraph 15.26 of the Bursa Securities Listing Requirements ("Listing Requirements"), 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. This Statement is issued in accordance with a resolution of the Board dated 6 September 2007.

## BOARD OF DIRECTORS

### Composition

The Board comprises eight (8) members, of whom one (1) is an Executive Director and seven (7) 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 that requires a minimum of two (2) or one-third (1/3) of the Board to be 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 the review and approval of the interim financial results of 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
Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP	3	75
Dato' Johari Razak	4	100
Dato' Siew Ka Wei	4	100
Dato' Mohd Ismail bin Che Rus	3	75
Teo Ek Tor	4	100
Lim Hock Chye	4	100
Edmond Cheah Swee Leng	3	75
Cheng Kwee Kiang ( <i>Appointed on 2 January 2007</i> )	1	N/A

# Statement on Corporate Governance (cont'd)

The agenda, financial reports and any other documents required for the consideration of the Board are distributed to the Directors, well in advance of each meeting or 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 record the proceedings at the Board meetings, and were 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.

The Board has the services of two (2) Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with.

## **Duties and responsibilities**

The roles of the Chairman and the Group Managing Director 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**

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. 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.

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.

In this respect, the Directors have attended several training programmes conducted by professional trainers, such as "Understanding Financial Reporting for Directors and Senior Management", 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.

# Statement on Corporate Governance (cont'd)

In the case of re-election of Directors at the general meeting, the Notice of AGM, a copy of which is on page 90 of this Annual Report, will contain the name of the Directors seeking re-election. The motion to re-elect Directors is voted individually, unless a resolution for the appointment of two (2) or more persons as Directors by a single resolution shall then be passed by the Annual General Meeting without any vote against it.

## BOARD COMMITTEES

In accordance with the best practices of the Code, the Board has established the following committees to delegate specific tasks and responsibilities:

### Audit Committee

The composition, terms of reference and other information relating to the Audit Committee are set out on pages 17 to 21 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.

## DIRECTORS' REMUNERATION

The details of the remuneration paid or payable to the Directors by the Group during the financial year are disclosed in Note 8 to the financial statements on page 53 of this Annual Report.



# Statement on Corporate Governance (cont'd)

## 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 Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, fax at 603-5510 8291 or email at corp@nylex.com.

### 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 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 applicable approved accounting standards in Malaysia 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 24 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.

# Statement on Corporate Governance (cont'd)

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 17 to 21 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 22 to 23 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 will continually improve on its corporate governance practices and structure to achieve an optimal governance framework.

# Audit Committee Report

## INTRODUCTION

Pursuant to paragraph 15.16 of the Bursa Securities Listing Requirements ("Listing Requirements"), the Board of Directors ("Board") has pleasure in presenting the Audit Committee report for the financial year ended 31 May 2007. This report has been reviewed by the Board and approved by a Board's resolution dated 6 September 2007.

## TERMS OF REFERENCE

### Composition

The Audit Committee ("the Committee") shall be appointed by the Board of Directors from amongst its members and shall consist of at least three (3) members, with the majority of the Committee being Independent Non-Executive Directors and at least one member of the Committee being 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 Committee shall elect a chairman from amongst its members at the first Audit Committee meeting held after every annual general meeting of the Company and he shall be an Independent Non-Executive 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 the Committee has carried out its duties in accordance with its Terms of Reference.

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

### Functions

The functions of the Audit Committee shall include, but not limited to, the following:

- (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 and the results of this programme, processes or 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;

# Audit Committee Report (cont'd)

(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; and
- 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 may be 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 or 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 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.



# Audit Committee Report (cont'd)

## 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) Edmond Cheah Swee Leng  
*Chairman, Independent Non-Executive Director, member of MIA*
- (ii) Dato' Mohd Ismail bin Che Rus  
*Member, Independent Non-Executive Director*
- (iii) Dato' Siew Ka Wei  
*Member, Group Managing Director*
- (iv) Lim Hock Chye  
*Member, Independent Non-Executive Director*

On 23 January 2007, Mr Edmond Cheah Swee Leng was unanimously elected by the Committee as the new Chairman of the Audit Committee.

## MEETINGS AND ATTENDANCE

Five (5) Audit Committee meetings were held during the financial year. The attendance record of each member is as follows:

Members	No. of meetings attended	% attendance
Edmond Cheah Swee Leng	5	100
Dato' Mohd Ismail bin Che Rus	5	100
Dato' Siew Ka Wei	5	100
Lim Hock Chye	5	100

## 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;
- 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.

# Audit Committee Report (cont'd)

## 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 reappointment.

## 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 2007. 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;

# Audit Committee Report (cont'd)

- (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 pages 22 and 23 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 ("Board") 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 is committed to maintaining a system of internal control in financial, operational and compliance as well as risk management to achieve the following objectives:

- safeguard assets of the group and shareholders' interest;
- identify and manage risks affecting the group;
- ensure compliance with regulatory requirements; and
- ensure operational results are closely monitored and substantial variances are promptly explained.

The Board also acknowledges its responsibility for reviewing adequacy and integrity of system of internal control. In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. Furthermore, consideration is given to the cost of implementation as compared to the expected benefits to be derived from the implementation of the internal control system.

## 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 the Board's 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.



# Statement on Internal Control (cont'd)

## **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.

## **Human resource policy**

There are proper guidelines within the Group for recruitment and selection, compensation and benefits, performance management, training and development, employee communication, human resource administration, and other relevant procedures in line with its brand promise and core values.

## **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.

## **Board commitment**

The Board recognises that the Group operates in a dynamic business environment in which the system of internal control must be reviewed continuously in line with changes in the business environment in order to be able to continuously support its business objectives.

## **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 2007. 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 2007. 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 the 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 2007 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 2007, 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 and 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

<b>26</b>	Directors' Report
<b>31</b>	Statement by Directors
<b>31</b>	Statutory Declaration
<b>32</b>	Report of the Auditors
<b>33</b>	Income Statements
<b>34</b>	Balance Sheets
<b>35</b>	Consolidated Statement of Changes in Equity
<b>36</b>	Company Statement of Changes in Equity
<b>37</b>	Consolidated Cash Flow Statement
<b>39</b>	Company Cash Flow Statement
<b>40</b>	Notes to the 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 2007.

## 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.

## RESULTS

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

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit from operations	<b>55,962</b>	<b>41,503</b>
Finance costs	<b>(9,897)</b>	<b>(4,772)</b>
Share of results of associates	<b>(79)</b>	<b>-</b>
Profit before taxation	<b>45,986</b>	<b>36,731</b>
Taxation	<b>(7,029)</b>	<b>(6,318)</b>
Net profit for the year	<b>38,957</b>	<b>30,413</b>
Attributable to:		
Equity holders of the Company	<b>39,258</b>	<b>30,413</b>
Minority interest	<b>(301)</b>	<b>-</b>
	<b>38,957</b>	<b>30,413</b>

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.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company undertook 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 17,667,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.01 per share. The gross proceeds received from the Private Placement was utilised for general working capital purposes.

The shares were allotted on 30 November 2006 and the Private Placement has been completed upon the listing and quotation of the placement shares on the Main Board of Bursa Securities on 8 December 2006.

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

## DIVIDENDS

During the financial year, the Company paid a final dividend of 4.0 sen per share, less 28% income tax, amounting to RM5,088,121 on ordinary shares of 176,670,860 in respect of the financial year ended 31 May 2006, on 30 November 2006.

The Company has on 5 March 2007, paid an interim dividend of 3.0 sen per share, less 27% income tax, amounting to RM4,256,001, for the financial year ended 31 May 2007.

A second interim dividend of 2.5 sen per share, less 27% income tax, amounting to RM3,546,666, for the financial year ended 31 May 2007, has been declared by the Board on 31 July 2007. The dividend is payable to entitled shareholders on 10 September 2007.

## 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	
Cheng Kwee Kiang	(Appointed on 2 January 2007)

In accordance with Article 109 of the Company's Articles of Association, Lim Hock Chye and Edmond Cheah Swee Leng retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

In accordance with Article 93 of the Company's Articles of Association, Cheng Kwee Kiang retires at the forthcoming annual general meeting and being eligible, offers himself 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 Ordinary Shares of RM1.00 Each				
	Balance at 1.6.2006	Acquired	Share dividend received	Disposed	Balance at 31.5.2007
<b>The Company</b>					
<i>Direct interest</i>					
Dato' Johari Razak	75,000	-	-	-	75,000
Cheng Kwee Kiang	-	9,800,000	-	-	9,800,000
<i>Deemed interest</i>					
Dato' Siew Ka Wei	123,858,586	2,173,000	-	(22,500,000)	103,531,586
<b>Related company, Rhodemark Development Sdn Bhd</b>					
<i>Deemed interest</i>					
Dato' Siew Ka Wei	53,753,722	-	-	-	53,753,722



## DIRECTORS' INTERESTS (CONT'D)

	No. of Ordinary Shares of RM1.00 Each			
	Balance at 1.6.2006	Acquired	Share dividend received	Balance at 31.5.2007
<b>Holding company, Ancom Berhad</b>				
<i>Direct interest</i>				
Dato' Johari Razak	786,121	-	29,306	465,427
Dato' Siew Ka Wei	12,980,730	179,000	656,035	13,615,765
<i>Deemed interest</i>				
Dato' Siew Ka Wei	14,438,408	1,312,450	688,326	13,480,206

	No. of Three (3) year Warrants 2005/2008 of RM0.02 Each			
	Balance at 1.6.2006	Acquired	Share dividend received	Balance at 31.5.2007
<b>Holding company, Ancom Berhad</b>				
<i>Direct interest</i>				
Dato' Johari Razak	377,705	-	-	177,705
Dato' Siew Ka Wei	4,629,550	-	-	3,540,300
<i>Deemed interest</i>				
Dato' Siew Ka Wei	3,509,663	13,306,150	-	8,915,813

	No. of Ordinary Shares of RM0.50 Each		
	Balance at 1.6.2006	Acquired	Balance at 31.5.2007
<b>Related company, Tamco Corporate Holdings Berhad</b>			
<i>Direct interest</i>			
Dato' Mohd Ismail bin Che Rus	203,000	-	-
Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP	6,128,500	-	2,469,500
Dato' Johari Razak	150,000	-	150,000
<i>Deemed interest</i>			
Dato' Siew Ka Wei	133,131,972	-	133,131,972

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 a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, or the fixed salary received in his capacity as a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director; a firm of which he is a member; or with a company in which he has a substantial financial interest.

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 (cont'd)

## **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 35 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 dated 6 September 2007.

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

**Dato' Siew Ka Wei**  
Director

# 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 33 to 84 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2007 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 dated 6 September 2007.

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

**Dato' Siew Ka Wei**

# 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 33 to 84 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Siew Ka Wei at Petaling Jaya on 6 September 2007

**Dato' Siew Ka Wei**

**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 33 to 84. 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 Financial Reporting 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 2007 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 36 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

Kuala Lumpur, Malaysia

6 September 2007

## **Lee Seng Huat**

No. 2518/12/07 (J)

Partner



# Income Statements

for the financial year ended 31 May 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	3	<b>1,502,688</b>	670,300	<b>105,558</b>	114,946
Cost of sales	3	<b>(1,392,669)</b>	(604,082)	<b>(88,770)</b>	(93,732)
Gross profit		<b>110,019</b>	66,218	<b>16,788</b>	21,214
Other operating income	4	<b>9,937</b>	5,723	<b>39,713</b>	35,484
Selling and distribution expenses		<b>(47,628)</b>	(19,096)	<b>(7,021)</b>	(7,595)
Administrative expenses		<b>(13,939)</b>	(19,581)	<b>(6,983)</b>	(4,759)
Other expenses		<b>(2,427)</b>	(3,195)	<b>(994)</b>	(3,297)
Profit from operations		<b>55,962</b>	30,069	<b>41,503</b>	41,047
Finance costs	5	<b>(9,897)</b>	(3,660)	<b>(4,772)</b>	(2,470)
Share of results of associates		<b>(79)</b>	(186)	-	-
Profit before taxation	6	<b>45,986</b>	26,223	<b>36,731</b>	38,577
Taxation	9	<b>(7,029)</b>	(8,110)	<b>(6,318)</b>	(9,669)
Profit for the year		<b>38,957</b>	18,113	<b>30,413</b>	28,908
Attributable to:					
Equity holders of the Company		<b>39,258</b>	18,232	<b>30,413</b>	28,908
Minority interests		<b>(301)</b>	(119)	-	-
		<b>38,957</b>	18,113	<b>30,413</b>	28,908
Earnings per share (sen)	10	<b>21.2</b>	10.3		
Net dividends per share (sen)	11	<b>5.1</b>	3.2		

# Balance Sheets as at 31 May 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	77,361	79,917	41,558	42,566
Investments in subsidiaries	13	-	-	201,117	105,625
Investments in associates	14	693	772	-	-
Other investments	15	7,389	3,580	3,889	80
Intangible assets	16	685	967	622	891
Goodwill arising on consolidation	17	91,330	29,154	-	-
Deferred tax assets	27	1,329	1,374	-	-
		<b>178,787</b>	115,764	<b>247,186</b>	149,162
<b>Current assets</b>					
Inventories	18	113,865	55,797	23,614	25,239
Receivables	19	252,619	141,363	22,156	23,162
Marketable securities	20	1,330	1,598	-	-
Tax recoverable		4,800	2,410	2,388	-
Amount owing by group companies	21	232	232	21,348	14,851
Short-term deposits with licensed banks	30	19,420	14,046	-	10,700
Cash and bank balances	30	36,119	19,542	4,805	5,315
		<b>428,385</b>	234,988	<b>74,311</b>	79,267
<b>TOTAL ASSETS</b>		<b>607,172</b>	350,752	<b>321,497</b>	228,429
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	24	194,338	176,671	194,338	176,671
Reserves	25	(9,613)	(1,821)	805	809
Retained earnings/(Accumulated losses)	26	18,880	(11,034)	1,656	(19,413)
		<b>203,605</b>	163,816	<b>196,799</b>	158,067
<b>Minority interests</b>		<b>4,691</b>	5,318	-	-
<b>Total equity</b>		<b>208,296</b>	169,134	<b>196,799</b>	158,067
<b>Non-current liabilities</b>					
Deferred tax liabilities	27	4,683	6,664	2,159	4,020
Borrowings	23	57,652	10	57,652	-
Provision for retirement benefits	29	4,561	4,605	4,255	4,323
		<b>66,896</b>	11,279	<b>64,066</b>	8,343
<b>Current liabilities</b>					
Payables	22	180,076	66,600	20,115	22,558
Amount owing to group companies	21	3,785	14,901	10,458	11,027
Borrowings	23	146,299	87,126	30,059	27,102
Provision for taxation		1,820	1,712	-	1,332
		<b>331,980</b>	170,339	<b>60,632</b>	62,019
<b>Total liabilities</b>		<b>398,876</b>	181,618	<b>124,698</b>	70,362
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>607,172</b>	350,752	<b>321,497</b>	228,429

# Consolidated Statement of Changes in Equity for the financial year ended 31 May 2007

		← Attributable to Equity Holders of the Company →						
		Non-distributable			(Accumulated			
		Share capital	Share premium	Translation reserve	Retained earnings	Total	Minority interests	Total equity
Note		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

# Company Statement of Changes in Equity

for the financial year ended 31 May 2007

		← Non-distributable →		(Accumulated losses)/ Retained earnings	
	Note	Share capital RM'000	Share premium RM'000	RM'000	Total RM'000
Balance as at 1 June 2005		176,671	809	(42,597)	134,883
Net profit for the year, representing total recognised income and expense for the year		-	-	28,908	28,908
Dividends	11	-	-	(5,724)	(5,724)
Balance as at 31 May 2006		176,671	809	(19,413)	158,067
Share issue expenses, representing net expense recognised directly in equity		-	(181)	-	(181)
Net profit for the year		-	-	30,413	30,413
Total recognised income and expense for the year		-	(181)	30,413	30,232
Dividends	11	-	-	(9,344)	(9,344)
Issue of ordinary shares - private placement		17,667	177	-	17,844
<b>Balance as at 31 May 2007</b>		<b>194,338</b>	<b>805</b>	<b>1,656</b>	<b>196,799</b>

# Consolidated Cash Flow Statement

for the financial year ended 31 May 2007

	2007 RM'000	2006 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	45,986	26,223
Adjustments for:		
Depreciation of property, plant and equipment	8,712	9,964
Interest expense	9,897	3,660
Amortisation of:		
Goodwill arising on consolidation	-	1,604
Development expenditure	13	12
Rights	269	269
(Write-back of impairment)/impairment of investment	(204)	482
Impairment of property, plant and equipment	-	240
Bad debts written off	25	80
Write-down of inventories	228	-
(Write-back of)/allowance for doubtful debts	(2,571)	98
Unrealised loss on foreign exchange	892	715
Provision for retirement benefits	423	552
Dividend income	(7,690)	(4,320)
Interest income	(1,881)	(620)
Loss/(gain) on disposal of property, plant and equipment (net)	21	(766)
Gain on disposal of a subsidiary (Note 13(b))	(277)	-
Gain on disposal of investment	(68)	(17)
Share of results of associates	79	186
Operating profit before working capital changes	53,854	38,362
<b>Working Capital Changes</b>		
Receivables	(27,896)	20,218
Inventories	(9,234)	(4,936)
Group companies	(760)	(11,844)
Payables	19,217	(4,172)
Cash generated from operations	35,181	37,628
Income taxes paid	(10,657)	(3,734)
Retirement benefits paid	(462)	(299)
<b>Net Cash Generated From Operating Activities</b>	<b>24,062</b>	<b>33,595</b>



# Consolidated Cash Flow Statement

for the financial year ended 31 May 2007 (cont'd)

	2007 RM'000	2006 RM'000
<b>Net Cash Generated From Operating Activities</b>	<b>24,062</b>	33,595
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	198	1,255
Purchase of property, plant and equipment	(5,991)	(4,155)
Additions to intangible assets	-	(2)
Acquisition of additional interest in a subsidiary	(642)	-
Acquisition of investment	(3,809)	-
Acquisition of marketable securities	-	(2,345)
Disposal of marketable securities	540	283
Net cash flows from disposal of a subsidiary (Note 13(b))	(40)	-
Net cash flows on acquisition of subsidiaries (Note 13(a))	(70,660)	-
Share issue expenses	(181)	-
Interest received	1,881	620
Dividend received from:		
- an associate	-	90
- unquoted shares	5,840	4,285
- quoted shares	136	-
- marketable securities	110	25
<b>Net Cash (Used In)/Generated From Investing Activities</b>	<b>(72,618)</b>	56
<b>Cash Flows From Financing Activities</b>		
Dividends paid to shareholders of the Company	(9,344)	(5,724)
Dividends paid to minority shareholders of a subsidiary	-	(1,170)
Proceeds from issuance of shares	17,844	-
Repayment of hire-purchase creditors	(152)	(278)
Drawdown of term loan and advances	279,372	90,751
Repayment of term loan and advances	(204,791)	(111,827)
Interest paid	(9,897)	(3,660)
<b>Net Cash Generated From/(Used In) Financing Activities</b>	<b>73,032</b>	(31,908)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>24,476</b>	1,743
<b>Effects of Exchange Rate Changes</b>	<b>(4,387)</b>	(81)
<b>Cash and Cash Equivalents at beginning of year</b>	<b>33,588</b>	31,909
<b>Effects of Exchange Rate Changes</b>	<b>1,837</b>	17
	<b>35,425</b>	31,926
<b>Cash and Cash Equivalents at end of year (Note 30)</b>	<b>55,514</b>	33,588

# Company Cash Flow Statement

for the financial year ended 31 May 2007

	2007 RM'000	2006 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	36,731	38,577
Adjustments for:		
Depreciation of property, plant and equipment	5,634	7,032
Interest expense	4,772	2,470
Allowance for doubtful debts	120	25
Provision for retirement benefits	394	503
Unrealised loss on foreign exchange	614	148
Dividend income	(39,308)	(35,284)
Interest income	(250)	(77)
Loss/(gain) on disposal of property, plant and equipment (net)	17	(89)
Amortisation of rights	269	269
Impairment of investment	-	2,608
Impairment of property, plant and equipment	-	240
Operating profit before working capital changes	8,993	16,422
<b>Working Capital Changes</b>		
Receivables	886	1,550
Inventories	1,625	(1,242)
Group companies	14,906	23,674
Payables	(2,444)	(4,170)
Cash generated from operations	23,966	36,234
Income taxes (paid)/refunded	(2,503)	143
Retirement benefits paid	(462)	(281)
<b>Net Cash Generated From Operating Activities</b>	21,001	36,096
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	131	546
Purchase of property, plant and equipment	(4,344)	(1,993)
Addition of intangible assets	-	(2)
Share issue expenses	(181)	-
Additional investment in a subsidiary	(642)	-
Acquisition of investment	(3,809)	-
Acquisition of subsidiaries (Note 13(a))	(94,849)	-
Interest received	250	77
Dividend income	7,327	7,015
<b>Net Cash (Used In)/Generated From Investing Activities</b>	(96,117)	5,643
<b>Cash Flows From Financing Activities</b>		
Dividends paid to shareholders of the Company	(9,344)	(5,724)
Proceeds from issuance of shares	17,844	-
Repayment of hire-purchase creditors	(84)	(225)
Drawdown of term loan and advances	132,096	85,895
Repayment of term loan and advances	(71,859)	(111,827)
Interest paid	(4,772)	(2,470)
<b>Net Cash Generated From/(Used In) Financing Activities</b>	63,881	(34,351)
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	(11,235)	7,388
<b>Cash and Cash Equivalents at beginning of year</b>	16,015	8,627
<b>Cash and Cash Equivalents at end of year (Note 30)</b>	4,780	16,015

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

## 1. CORPORATE INFORMATION

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 Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 6 September 2007.

## 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 Financial Reporting Standards ("FRSs") issued in Malaysia.

### (b) Changes in accounting policies and effects arising from adoption of new and revised FRSs

#### (i) Adoption of new and revised FRSs

On 1 June 2006, the Group and the Company adopted the following FRSs which are mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

#### (i) Adoption of new and revised FRSs (cont'd)

The adoption of the new and revised FRSs does not have significant financial impact on the Group and the Company except as disclosed below:

#### (a) FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

Prior to 1 June 2006, goodwill was systematically amortised over a period of time not exceeding twenty years. This change in accounting policy has been accounted for prospectively for this financial year. However, the transitional provisions of FRS 3 have required the Group to eliminate the carrying amount of the accumulated amortisation at 1 June 2006 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 June 2006 of RM29,154,000 ceased to be amortised. This has the effect of reducing the amortisation charges by RM1,604,000 in the financial year ended 31 May 2007.

#### (b) FRS 101: Presentation of Financial Statements

Prior to 1 June 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statements of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statements of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

The Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement, prior to 1 June 2006. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

The current financial year's presentation of the Group's financial statements is based on the revised requirements of FRS 101. These changes in comparatives have been applied retrospectively, with certain comparatives restated to conform to the current year's presentation. The effects on the comparatives for the consolidated income statement are as follows:

	2006 RM'000
Increase in share of results in associates	10
Decrease in taxation	(10)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

#### (i) Adoption of new and revised FRSs (cont'd)

#### (c) FRS 121: The Effect of Changes in Foreign Exchange Rates

##### Goodwill and fair value adjustments

Prior to 1 June 2006, goodwill arising on the acquisition of a foreign operation and fair value adjustments to the carrying amounts of assets and liabilities arising on such acquisition were deemed to be assets and liabilities of the parent company and translated using the exchange rate at the date of acquisition.

Upon the adoption of the revised FRS 121, goodwill and fair value adjustments arising on the acquisition of a foreign operation are now treated as assets and liabilities of the foreign operation and translated at the closing rate. In accordance with the transitional provisions, the Group has applied this change in accounting policy prospectively to all acquisitions occurring after 1 June 2006. The change in accounting policy, therefore, has had no impact on amounts reported for 2006 or prior periods.

#### (ii) Applicable FRSs and amendments to FRSs that are not yet effective and not adopted

FRSs	Effective for financial periods beginning on or after
FRS 107 Cash Flow Statements	1 July 2007
FRS 112 Income Taxes	1 July 2007
FRS 117 Leases	1 October 2006
FRS 118 Revenue	1 July 2007
FRS 124 Related Party Disclosures	1 October 2006
FRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
<b>Amendments to FRSs</b>	
FRS 119 Employee Benefits	1 July 2007
FRS 121 The Effect of Changes in Foreign Exchange Rates	1 July 2007

It is anticipated that the adoption of the above FRSs and amendments to FRSs in future periods will not have a material impact on the financial statements of the Group and the Company except for additional disclosure requirements.

Application of FRS 139: Financial Instruments - Recognition and Measurement has been deferred to a date to be announced by the Malaysian Accounting Standards Board. It is anticipated that the adoption of FRS 139 in future periods will not have a material impact on the financial statements of the Group and the Company.

#### (iii) FRSs and interpretations that are not applicable and not adopted

FRSs	Effective for financial periods beginning on or after
FRS 6 Exploration for and Evaluation of Mineral	1 January 2007
FRS 111 Construction Contracts	1 July 2007
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 126 Accounting and Reporting by Retirement Benefit Plans	1 July 2007
FRS 129 Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134 Interim Financial Reporting	1 July 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

#### (iii) FRSs and interpretations that are not applicable and not adopted (cont'd)

Interpretations		Effective for financial periods beginning on or after
IC Interpretation 1	Changes in Existing Decommissioning Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The above standards and interpretations that have been issued but not yet effective are not applicable to the Group and the Company.

### (c) Significant accounting judgments and estimates

Estimates and assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

#### (i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 May 2007 was RM91,330,000 (2006: RM29,154,000). Further details are disclosed in Note 17.

#### (ii) Income tax

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of the taxation and deferred tax are disclosed in Note 9 and Note 27 respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Significant accounting judgments and estimates (cont'd)

#### (iii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful life. Management estimates of the useful lives of the assets are as disclosed in Note 2(f). Changes in expected level of usage could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the current year depreciation charge will result in approximately 1% variance in profit for the year.

### (d) Subsidiaries and basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

#### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and the resulting unrealised gains are eliminated in full, and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are also eliminated unless the cost cannot be recovered. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

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

### (e) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Associates (cont'd)

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.

### (f) Property, plant and 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(o). 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 applicable lease period. 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.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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.

### (g) 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(o).

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### h) 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.

### (i) 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

### (j) Intangible assets

#### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o). Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (ii) 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.

#### (iii) 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(o).

### (k) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Employee benefits *(cont'd)*

#### (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.

### (l) 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 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 the amount in excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

### (m) Foreign currencies

#### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

#### (ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into RM 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Foreign currencies (cont'd)

#### (ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

#### (iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency, Ringgit Malaysia ("RM"), of the consolidated financial statements are translated into RM as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- (b) income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (c) all resulting exchange differences are taken to the foreign currency translation reserve within equity.

The principal average rates and closing rates were as follows:

	Average Rate		Closing Rate	
	2007	2006	2007	2006
<b>RM1.00 =</b>				
<i>Foreign currency</i>				
Australian Dollar	<b>0.3597</b>	0.3571	<b>0.3581</b>	0.3623
Chinese Renminbi	<b>2.1995</b>	2.1648	<b>2.2520</b>	2.2115
Hong Kong Dollar	<b>2.1844</b>	2.0776	<b>2.2991</b>	2.1377
Indonesia Rupiah (1,000 units)	<b>2.5548</b>	2.5741	<b>2.5980</b>	2.5420
Singapore Dollar	<b>0.4349</b>	0.4408	<b>0.4502</b>	0.4343
United States Dollar	<b>0.2805</b>	0.2675	<b>0.2945</b>	0.2756

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 June 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 June 2006 are deemed to be assets and liabilities of the parent company and recorded in RM at the rates prevailing at the date of acquisition.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) Revenue recognition

#### (i) Sale of goods and services

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

#### (ii) Interest income

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

#### (iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

### (o) Impairment of assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which this asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (p) 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 Group'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 charge 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(f).

#### (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.

### (q) 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 financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as an equity instrument are charged directly to equity as a distribution of profits. 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) 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.

#### (ii) Other non-current investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o). On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (q) Financial instruments (cont'd)

#### (iii) 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.

#### (iv) Receivables

Trade and other 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.

#### (v) Payables

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

#### (vi) Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

#### (vii) Equity instruments

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

#### (viii) 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.

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 4. OTHER OPERATING INCOME

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest income	1,881	620	250	77
Dividend income on equity investments				
- unquoted shares	7,413	4,285	7,413	4,285
- quoted shares	167	-	167	-
- marketable securities	110	35	-	-
- subsidiaries	-	-	31,728	30,999
Gain on disposal of investment	68	17	-	-
Gain on disposal of a subsidiary	277	-	-	-
Gain on disposal of property, plant and equipment	-	766	-	89
Royalty received from subsidiary	-	-	-	24
Sundry income	21	-	155	10
	<b>9,937</b>	<b>5,723</b>	<b>39,713</b>	<b>35,484</b>

## 5. FINANCE COSTS

Bank borrowings	9,865	3,634	3,850	1,822
Advances from subsidiaries	-	-	922	648
Others	32	26	-	-
	<b>9,897</b>	<b>3,660</b>	<b>4,772</b>	<b>2,470</b>

## 6. PROFIT BEFORE TAXATION

This was arrived at after charging/(crediting):

Amortisation of development expenditure (Note 16)	13	12	-	-
Amortisation of rights (Note 16)	269	269	269	269
Amortisation of goodwill (Note 17)	-	1,604	-	-
Auditors' remuneration				
- Current	262	230	75	72
- Over provision in prior years	(6)	(22)	-	(8)
Bad debts written off	25	80	-	-
Depreciation of property, plant and equipment (Note 12)	8,712	9,964	5,634	7,032
Hire of equipment	6	-	-	-
(Write-back of)/allowance for doubtful debts	(2,571)	98	120	25
Write-down of inventories	228	-	-	-
Realised loss/(gain) on foreign exchange	1,247	278	(15)	-
Unrealised loss on foreign exchange	892	715	614	148
Rent of premises	1,192	1,006	93	103
(Write-back of impairment)/impairment of investment	(204)	482	-	2,608
Impairment of property, plant and equipment	-	240	-	240
Loss on disposal of property, plant and equipment	21	-	17	-
Staff costs (Note 7)	24,878	26,960	14,407	13,325

# Notes to the Financial Statements

31 May 2007 (cont'd)

## 7. STAFF COSTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Wages and salaries	21,760	24,164	12,491	11,596
EPF and social security costs	2,379	1,788	1,368	976
Provision for retirement benefits (Note 29)	423	552	394	503
Other staff related expenses	316	456	154	250
	<b>24,878</b>	26,960	<b>14,407</b>	13,325

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM1,912,000 (2006: RM1,352,000) and RM1,792,000 (2006: RM672,000) respectively as further disclosed in Note 8.

## 8. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>(a) Total remuneration</b>				
<b>Executive Directors</b>				
Salaries	720	720	600	600
Other emoluments	1,192	632	1,192	72
	<b>1,912</b>	1,352	<b>1,792</b>	672
<b>Non-Executive Directors</b>				
Fees	406	243	406	243
Other emoluments	25	12	25	12
	<b>431</b>	255	<b>431</b>	255
<b>Total</b>	<b>2,343</b>	1,607	<b>2,223</b>	927

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

	No. of Directors	
	2007	2006
<b>Executive Directors</b>		
RM1,000,001 to RM1,500,000	-	1
RM1,500,001 to RM2,000,000	1	-
	<b>1</b>	1
<b>Non-Executive Directors</b>		
Less than RM60,000	3	6
RM60,001 to RM100,000	4	1
	<b>7</b>	7

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 9. TAXATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current income tax:				
- Malaysian income tax	(8,334)	(9,395)	(8,555)	(10,383)
- Foreign tax	(1,463)	(31)	-	-
	(9,797)	(9,426)	(8,555)	(10,383)
Over/(under) provision in prior years:				
- Malaysian income tax	846	(183)	376	(256)
- Foreign tax	(82)	65	-	-
	(9,033)	(9,544)	(8,179)	(10,639)
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	1,026	1,501	1,180	897
Relating to changes in tax rates	262	-	210	-
Over/(under) provision in prior years	716	(67)	471	73
	2,004	1,434	1,861	970
	(7,029)	(8,110)	(6,318)	(9,669)

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 31 May 2007 has reflected this change. Taxation for other jurisdictions is calculated at the prevailing rate of the respective jurisdictions.

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before taxation	45,986	26,223	36,731	38,577
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(12,416)	(7,342)	(9,917)	(10,802)
Effect of different tax rates in other countries	836	27	788	-
Effect of changes in tax rates	262	-	210	-
Effect of tax savings in small and medium scale companies	160	77	-	-
Effect of other tax incentives	3,108	-	1,892	-
Income not subject to tax	754	1,235	506	2,777
Expenses not deductible for tax purposes	(1,103)	(2,035)	(644)	(1,461)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	27	12	-	-
Utilisation of current year's reinvestment allowances	-	24	-	-
Deferred tax assets recognised	-	94	-	-
Deferred tax assets not recognised	(137)	(17)	-	-
Over/(under) provision of deferred tax in prior years	716	(67)	471	73
Over/(under) provision of tax expense in prior years	764	(118)	376	(256)
Tax expense for the year	(7,029)	(8,110)	(6,318)	(9,669)



# Notes to the Financial Statements

31 May 2007 (cont'd)

## 10. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company of RM39,258,000 (2006: RM18,232,000) by the weighted average number of ordinary shares in issue during the financial year of 185,528,561 shares (2006: 176,670,860 shares).

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

## 11. DIVIDENDS

	Amount		Net dividends per ordinary share	
	2007 RM'000	2006 RM'000	2007 sen	2006 sen
Final dividend of 4.0 sen per share less tax in respect of financial year ended 31 May 2006 paid in the current financial year on 27 November 2006 (2006: 4.5 sen per share less tax)	<b>5,088</b>	5,724	<b>2.9</b>	3.2
Interim dividend of 3.0 sen per share less tax in respect of financial year ended 31 May 2007, paid on 5 March 2007 (2006: Nil)	<b>4,256</b>	-	<b>2.2</b>	-
	<b>9,344</b>	5,724	<b>5.1</b>	3.2

A second interim dividend of 2.5 sen, less 27% income tax, amounting to RM3,546,666 in respect of the financial year ended 31 May 2007 has been proposed by the Directors after the balance sheet date. The financial statements for the current financial year do not reflect this proposed dividend. This dividend will be accounted for as an appropriation of retained earnings in the financial year ending 31 May 2008.

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	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
<b>At 31 May 2007</b>										
<b>Cost or valuation</b>										
At 1 June 2006										
Cost	250	12,292	347	16,659	120,143	1,102	3,683	3,739	1,354	<b>159,569</b>
Valuation	-	9,830	-	5,020	-	-	-	-	-	<b>14,850</b>
Additions	250	22,122	347	21,679	120,143	1,102	3,683	3,739	1,354	<b>174,419</b>
Disposals	-	-	-	79	992	242	234	1,093	3,781	<b>6,421</b>
Reclassification	-	-	-	-	(166)	(40)	(121)	(338)	-	<b>(665)</b>
Acquisition of subsidiaries (Note 13(a))	-	-	-	13	939	-	297	-	(1,249)	<b>-</b>
Disposal of subsidiaries	-	-	-	-	-	136	120	-	-	<b>256</b>
Exchange differences	-	-	-	-	-	(29)	(48)	-	-	<b>(77)</b>
	-	-	-	-	(266)	(16)	(15)	(6)	-	<b>(303)</b>
<b>At 31 May 2007</b>	<b>250</b>	<b>22,122</b>	<b>347</b>	<b>21,771</b>	<b>121,642</b>	<b>1,395</b>	<b>4,150</b>	<b>4,488</b>	<b>3,886</b>	<b>180,051</b>
Representing:										
At cost	250	12,292	347	16,751	121,642	1,395	4,150	4,488	3,886	<b>165,201</b>
At valuation	-	9,830	-	5,020	-	-	-	-	-	<b>14,850</b>
<b>At 31 May 2007</b>	<b>250</b>	<b>22,122</b>	<b>347</b>	<b>21,771</b>	<b>121,642</b>	<b>1,395</b>	<b>4,150</b>	<b>4,488</b>	<b>3,886</b>	<b>180,051</b>
<b>Accumulated depreciation and impairment loss</b>										
At 1 June 2006	-	2,687	13	5,981	80,543	727	2,200	2,351	-	<b>94,502</b>
Depreciation charge for the year, recognised in profit or loss (Note 6)	-	314	5	695	6,519	93	519	567	-	<b>8,712</b>
Disposals	-	-	-	-	(61)	(1)	(112)	(272)	-	<b>(446)</b>
Disposal of subsidiaries	-	-	-	-	-	(4)	(10)	-	-	<b>(14)</b>
Exchange differences	-	-	-	-	(55)	(2)	(4)	(3)	-	<b>(64)</b>
<b>At 31 May 2007</b>	<b>-</b>	<b>3,001</b>	<b>18</b>	<b>6,676</b>	<b>86,946</b>	<b>813</b>	<b>2,593</b>	<b>2,643</b>	<b>-</b>	<b>102,690</b>
<b>Net carrying amount</b>										
At cost	250	11,781	329	12,761	34,696	582	1,557	1,845	3,886	<b>67,687</b>
At valuation	-	7,340	-	2,334	-	-	-	-	-	<b>9,674</b>
<b>At 31 May 2007</b>	<b>250</b>	<b>19,121</b>	<b>329</b>	<b>15,095</b>	<b>34,696</b>	<b>582</b>	<b>1,557</b>	<b>1,845</b>	<b>3,886</b>	<b>77,361</b>

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	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
<b>At 31 May 2006</b>										
<b>Cost or valuation</b>										
At 1 June 2005										
Cost	250	12,292	347	16,601	118,706	983	2,574	4,590	1,347	157,690
Valuation	-	9,830	-	5,020	-	-	-	-	-	14,850
Additions	250	22,122	347	21,621	118,706	983	2,574	4,590	1,347	172,540
Disposals	-	-	-	58	2,454	120	1,153	260	110	4,155
Reclassification	-	-	-	-	(1,043)	-	(43)	(1,109)	-	(2,195)
Exchange differences	-	-	-	-	103	-	-	-	(103)	-
	-	-	-	-	(77)	(1)	(1)	(2)	-	(81)
At 31 May 2006	250	22,122	347	21,679	120,143	1,102	3,683	3,739	1,354	174,419
Representing:										
At cost	250	12,292	347	16,659	120,143	1,102	3,683	3,739	1,354	159,569
At valuation	-	9,830	-	5,020	-	-	-	-	-	14,850
At 31 May 2006	250	22,122	347	21,679	120,143	1,102	3,683	3,739	1,354	174,419
<b>Accumulated depreciation and impairment loss</b>										
At 1 June 2005	-	2,374	12	5,295	73,488	658	1,766	2,403	-	85,996
Depreciation charge for the year, recognised in profit or loss (Note 6)	-	313	1	686	7,841	69	473	581	-	9,964
Disposals	-	-	-	-	(1,032)	-	(39)	(633)	-	(1,704)
Impairment loss	-	-	-	-	240	-	-	-	-	240
Exchange differences	-	-	-	-	6	-	-	-	-	6
At 31 May 2006	-	2,687	13	5,981	80,543	727	2,200	2,351	-	94,502
<b>Net carrying amount</b>										
At cost	250	11,979	334	13,239	39,600	375	1,483	1,388	1,354	70,002
At valuation	-	7,456	-	2,459	-	-	-	-	-	9,915
At 31 May 2006	250	19,435	334	15,698	39,600	375	1,483	1,388	1,354	79,917

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	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
<b>At 31 May 2007</b>								
<b>Cost or valuation</b>								
At 1 June 2006								
Cost	-	9,942	97,511	704	2,602	2,081	1,353	<b>114,193</b>
Valuation	9,830	5,020	-	-	-	-	-	<b>14,850</b>
	9,830	14,962	97,511	704	2,602	2,081	1,353	<b>129,043</b>
Additions	-	80	307	7	86	535	3,759	<b>4,774</b>
Disposals	-	-	(142)	-	(111)	(308)	-	<b>(561)</b>
Reclassification	-	13	939	-	297	-	(1,249)	<b>-</b>
<b>At 31 May 2007</b>	<b>9,830</b>	<b>15,055</b>	<b>98,615</b>	<b>711</b>	<b>2,874</b>	<b>2,308</b>	<b>3,863</b>	<b>133,256</b>
Representing:								
At cost	-	10,035	98,615	711	2,874	2,308	3,863	<b>118,406</b>
At valuation	9,830	5,020	-	-	-	-	-	<b>14,850</b>
<b>At 31 May 2007</b>	<b>9,830</b>	<b>15,055</b>	<b>98,615</b>	<b>711</b>	<b>2,874</b>	<b>2,308</b>	<b>3,863</b>	<b>133,256</b>
<b>Accumulated depreciation and impairment loss</b>								
At 1 June 2006	2,373	5,243	74,978	631	1,812	1,440	-	<b>86,477</b>
Depreciation charge for the year, recognised in profit or loss (Note 6)	117	375	4,594	12	287	249	-	<b>5,634</b>
Disposals	-	-	(60)	-	(111)	(242)	-	<b>(413)</b>
<b>At 31 May 2007</b>	<b>2,490</b>	<b>5,618</b>	<b>79,512</b>	<b>643</b>	<b>1,988</b>	<b>1,447</b>	<b>-</b>	<b>91,698</b>
<b>Net carrying amount</b>								
At cost	-	7,103	19,103	68	886	861	3,863	<b>31,884</b>
At valuation	7,340	2,334	-	-	-	-	-	<b>9,674</b>
<b>At 31 May 2007</b>	<b>7,340</b>	<b>9,437</b>	<b>19,103</b>	<b>68</b>	<b>886</b>	<b>861</b>	<b>3,863</b>	<b>41,558</b>

# Notes to the Financial Statements

31 May 2007 (cont'd)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	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
<b>At 31 May 2006</b>								
<b>Cost or valuation</b>								
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
Representing:								
At cost	-	9,942	97,511	704	2,602	2,081	1,353	114,193
At valuation	9,830	5,020	-	-	-	-	-	14,850
At 31 May 2006	9,830	14,962	97,511	704	2,602	2,081	1,353	129,043
<b>Accumulated depreciation and impairment loss</b>								
At 1 June 2005	2,257	4,869	69,767	618	1,589	1,758	-	80,858
Depreciation charge for the year, recognised in profit or loss (Note 6)	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
<b>Net carrying amount</b>								
At cost	-	7,260	22,533	73	790	641	1,353	32,650
At valuation	7,457	2,459	-	-	-	-	-	9,916
At 31 May 2006	7,457	9,719	22,533	73	790	641	1,353	42,566

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (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 Malaysian Accounting Standards Board.

The net book value of assets stated at 1985 valuation had they been stated at cost would have been approximately RM704,638 (2006: RM757,109) in respect of both the Group and Company.

- (b) During the current year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM6,421,000 and RM4,774,000 respectively of which RM430,000 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:

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Motor vehicles	<b>622</b>	174	<b>481</b>	-

## 13. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2007</b>	2006
	<b>RM'000</b>	RM'000
Unquoted shares - at cost	<b>207,984</b>	112,492
Less: Accumulated impairment losses	<b>(6,867)</b>	(6,867)
	<b>201,117</b>	105,625

Details of the subsidiaries are disclosed in Note 36.

### (a) Acquisition of subsidiaries

During the last financial year, the Company entered into a share sale agreement 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 Chemicals Pte Ltd ("CKG") for a total purchase consideration of S\$40,000,000. The transaction was completed in September 2006.

The acquisition had the following effect on the Group's financial results for the year:

	<b>2007</b>
	<b>RM'000</b>
Revenue	<b>722,581</b>
Profit from operations	<b>14,301</b>
Net profit for the year	<b>10,184</b>

If the acquisition had occurred on 1 June 2006, the Group's revenue and profit for the year would have been RM1,783,736,000 and RM41,369,000 respectively.



# Notes to the Financial Statements

31 May 2007 (cont'd)

## 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### (a) Acquisition of subsidiaries (cont'd)

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

	<b>2007 RM'000</b>
Property, plant and equipment (Note 12)	<b>256</b>
Inventories	<b>54,909</b>
Trade receivables	<b>90,368</b>
Other receivables	<b>2,447</b>
Amount owing by group companies	<b>10,384</b>
Short-term deposits and cash and bank balances	<b>24,189</b>
	<b>182,553</b>
Trade payables	<b>(90,899)</b>
Other payables	<b>(18,327)</b>
Long and short-term borrowings	<b>(46,025)</b>
Provision for taxation	<b>(990)</b>
Net deferred tax liabilities (Note 27)	<b>(42)</b>
	<b>(156,283)</b>
Fair value of total net assets	<b>26,270</b>
Less: Minority interest	<b>95</b>
	<b>26,365</b>
Group's share of net assets	<b>68,484</b>
Goodwill on acquisition (Note 17)	<b>94,849</b>
Total cost of acquisition	<b>94,849</b>
<i>The cash outflow on acquisition is as follows:</i>	
Purchase consideration satisfied by cash	<b>93,636</b>
Costs attributable to the acquisition, paid in cash	<b>1,213</b>
Total cash outflow of the Company	<b>94,849</b>
Cash and cash equivalents of subsidiaries acquired	<b>(24,189)</b>
Net cash outflow of the Group	<b>70,660</b>

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

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### (b) Disposal of a subsidiary

On 30 April 2007, CKG completed the disposal of its 11,095,000 ordinary shares of HK\$1.00 each representing 73.5% of the issued and paid-up share capital in CKG Chemicals (HK) Limited ("CKG HK"). With the disposal, CKG HK ceased to be a subsidiary of the Company.

The disposal had the following effects on the financial position of the Group as at the end of the year:

	<b>2007 RM'000</b>
Property, plant and equipment (Note 12)	<b>63</b>
Inventories	<b>1,007</b>
Receivables	<b>2,255</b>
Tax recoverable	<b>72</b>
Short-term deposits and cash and bank balances	<b>1,014</b>
	<b>4,411</b>
Payables	<b>(4,292)</b>
Long and short-term borrowings	<b>(898)</b>
	<b>(5,190)</b>
Net assets distributed	<b>(779)</b>
Attributable goodwill (Note 17)	<b>1,301</b>
Minority interest	<b>206</b>
Transfer from translation reserves	<b>(31)</b>
	<b>697</b>
Sales proceeds	<b>(974)</b>
	<b>(277)</b>
<i>The cash outflow on disposal is as follows:</i>	
Sales proceeds settled by cash	<b>974</b>
Cash and cash equivalents of the subsidiaries disposed	<b>(1,014)</b>
	<b>(40)</b>
Net cash outflow of the Group	<b>(40)</b>

### (c) Acquisition of additional interest in a subsidiary

On 31 January 2007, the Company completed the acquisition of the remaining 35% interest in PT Nylex Indonesia ("PTNI") for a cash consideration of US\$183,000 (equivalent to RM642,000). With effect from the same date, PTNI became a wholly-owned subsidiary of the Company.

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 14. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Investment in unquoted associates				
- At cost	1,116	1,116	-	-
- Share of post-acquisition results	(423)	(344)	-	-
	<b>693</b>	<b>772</b>	<b>-</b>	<b>-</b>

The summarised financial statements of the associates are as follows:

	2007 RM'000	2006 RM'000
<b>Assets and liabilities</b>		
Current assets	7,276	23,884
Non-current assets	777	335
Total assets	<b>8,053</b>	<b>24,219</b>
Current liabilities	5,744	21,605
Non-current liabilities	-	41
Total liabilities	<b>5,744</b>	<b>21,646</b>
<b>Results</b>		
Revenue	272,295	212,899
Loss for the year	(263)	(620)

Details of the associates are disclosed in Note 37.

## 15. OTHER INVESTMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares at cost	3,580	3,580	80	80
Quoted shares at cost	3,809	-	3,809	-
	<b>7,389</b>	<b>3,580</b>	<b>3,889</b>	<b>80</b>
Market value of quoted shares				
- As at 31 May 2007	2,842	-	2,842	-
- As at 5 September 2007	3,908	-	3,908	-

No impairment in value for quoted shares has been recognised as subsequent to the financial year end, the market value of the quoted shares is higher than the cost.

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 16. INTANGIBLE ASSETS

	<b>Group</b>		<b>Company</b>	
	<b>2007 RM'000</b>	2006 RM'000	<b>2007 RM'000</b>	2006 RM'000
<b>Development expenditure</b>				
Balance at beginning of year	<b>76</b>	88	-	-
Amount amortised	<b>(13)</b>	(12)	-	-
Balance at end of year	<b>63</b>	76	-	-
<b>Rights</b>				
Balance at beginning of year	<b>891</b>	1,158	<b>891</b>	1,158
Additions during the year	-	2	-	2
Amount amortised	<b>(269)</b>	(269)	<b>(269)</b>	(269)
Balance at end of year	<b>622</b>	891	<b>622</b>	891
<b>Total</b>	<b>685</b>	967	<b>622</b>	891

## 17. GOODWILL ARISING ON CONSOLIDATION

	<b>Group</b>	
	<b>2007 RM'000</b>	2006 RM'000
<b>Cost</b>		
At 1 June	<b>38,190</b>	38,190
Effects of adopting FRS 3 (Note 2(b)(i)(a))	<b>(9,036)</b>	-
Acquisition of subsidiaries (Note 13(a))	<b>68,484</b>	-
Additional investment in a subsidiary (Note 13(c))	<b>126</b>	-
Derecognised on disposal of a subsidiary (Note 13(b))	<b>(1,301)</b>	-
Exchange differences	<b>(5,133)</b>	-
At 31 May	<b>91,330</b>	38,190
<b>Accumulated amortisation</b>		
At 1 June	<b>9,036</b>	7,432
Effects of adopting FRS 3 (Note 2(b)(i)(a))	<b>(9,036)</b>	-
Amount amortised	-	1,604
At 31 May	-	9,036
<b>Net carrying amount</b>	<b>91,330</b>	29,154

### Impairment test of goodwill

#### (i) Allocation of goodwill

Goodwill has been allocated to the group's CGUs which has been identified according to business segments as follows:

	<b>Polymer RM'000</b>	<b>Industrial Chemical RM'000</b>	<b>Total RM'000</b>
<b>31 May 2007</b>	<b>126</b>	<b>91,204</b>	<b>91,330</b>
31 May 2006	-	29,154	29,154

## 17. GOODWILL ARISING ON CONSOLIDATION (CONT'D)

### Impairment test of goodwill (cont'd)

#### (ii) Key assumptions used in value-in-use calculations

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the directors are of the opinion that all the CGUs are held on a long-term basis, the value-in-use would best reflect its recoverable amount. The value-in-use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plan, which is the best estimate of future performance. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each CGU.

There remains a risk that the ability to achieve management's business plan will be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions. Hence, in computing the value-in-use for each CGU, the management has applied a discount rate of 9.03% and average growth rates of 6%.

The following describes each key assumption on which the management has based its cash flow projections for the purposes of the impairment test for goodwill:

- (a) The discount rate used reflected the management's best estimate of return on capital employed.
- (b) Growth rate used has been based on historical trend of each segment taking into account industry outlook for that segment.
- (c) The profit margin applied to the projections are based on the historical profit margin trend for the individual CGU.

The management believes that no reasonably possible change in any of the above key assumptions would caused the carrying values of the CGU to materially exceed their recoverable amounts.

## 18. INVENTORIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Cost</b>				
Finished goods	<b>18,661</b>	20,310	-	-
Work-in-progress	<b>1,738</b>	914	-	-
Raw materials and consumable stores	<b>7,467</b>	9,447	<b>551</b>	591
Inventory-in-transit	<b>19</b>	92	-	-
	<b>27,885</b>	30,763	<b>551</b>	591
<b>Net realisable value</b>				
Finished goods	<b>71,679</b>	8,755	<b>9,471</b>	8,755
Work-in-progress	<b>3,332</b>	3,698	<b>3,032</b>	3,698
Raw materials and consumable stores	<b>10,969</b>	12,581	<b>10,560</b>	12,195
	<b>113,865</b>	55,797	<b>23,614</b>	25,239

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 19. RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	250,356	139,532	21,828	22,557
Allowance for doubtful debts	(1,326)	(1,795)	(410)	(333)
	249,030	137,737	21,418	22,224
Other receivables	1,999	2,540	491	808
Deposits	289	208	5	25
Prepayments	1,301	878	242	105
	3,589	3,626	738	938
	252,619	141,363	22,156	23,162

The Group's normal trade credit term ranges from 30 - 90 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.

## 20. MARKETABLE SECURITIES

	Group	
	2007 RM'000	2006 RM'000
Shares quoted in Malaysia, at cost	1,549	2,080
Less: Accumulated impairment losses	(219)	(482)
	1,330	1,598
Market value of quoted shares	1,330	1,598

## 21. AMOUNT OWING BY/TO GROUP COMPANIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Amount owing by group companies:</b>				
Related companies	232	232	6	2
Subsidiaries	-	-	21,342	14,849
	232	232	21,348	14,851



# Notes to the Financial Statements

31 May 2007 (cont'd)

## 21. AMOUNT OWING BY/TO GROUP COMPANIES (CONT'D)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Amount owing to group companies:</b>				
Related companies	<b>3,783</b>	14,798	<b>18</b>	60
Subsidiaries	-	-	<b>10,438</b>	10,932
Holding company	<b>2</b>	103	<b>2</b>	35
	<b>3,785</b>	14,901	<b>10,458</b>	11,027

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.

The account balances with the holding company, subsidiaries and other related companies arose mainly from intercompany advances which bore interest at rates ranging from 3.5% to 4.9% (2006: 3.0% to 4.9%) 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.

## 22. PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	<b>162,413</b>	55,164	<b>15,869</b>	17,986
Other payables	<b>13,788</b>	6,367	<b>2,207</b>	2,116
Accruals	<b>3,875</b>	5,069	<b>2,039</b>	2,456
	<b>180,076</b>	66,600	<b>20,115</b>	22,558

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

## 23. BORROWINGS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Short-term borrowings</b>				
<u>Secured</u>				
Trust receipts	<b>36,752</b>	-	-	-
Term loan	<b>13,200</b>	-	<b>13,200</b>	-
<u>Unsecured</u>				
Bank overdrafts (Note 30)	<b>25</b>	-	<b>25</b>	-
Short-term loan and advances	<b>96,169</b>	87,058	<b>16,691</b>	27,102
Hire-purchase creditors (Note 28)	<b>153</b>	68	<b>143</b>	-
	<b>146,299</b>	87,126	<b>30,059</b>	27,102

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 23. BORROWINGS (CONT'D)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Long-term borrowings</b>				
<u>Secured</u>				
Term loan	57,449	-	57,449	-
<u>Unsecured</u>				
Hire-purchase creditors (Note 28)	203	10	203	-
	57,652	10	57,652	-
Total borrowings	203,951	87,136	87,711	27,102
<i>Maturity of borrowings</i>				
Within one year	146,299	87,126	30,059	27,102
More than 1 year and less than 2 years	14,543	10	14,543	-
More than 2 years and less than 5 years	43,109	-	43,109	-
	203,951	87,136	87,711	27,102

The borrowings bore interest at rates ranging from 3.3% to 8.3% (2006: 3.0% to 7.7%) per annum.

The secured trust receipts are secured by the following:

- (i) Deed of Charge and assignment of receivables, stocks and credit balances with the banks.
- (ii) Joint and Several Continuing Personal Guarantees.

The secured term loan is secured by assignment of dividends received or receivable from a subsidiary of the Company.

## 24. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of RM1.00 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
<b>Authorised:</b>				
At 1 June/31 May	300,000	300,000	300,000	300,000
<b>Issued and fully paid:</b>				
At 1 June	176,671	176,671	176,671	176,671
Issue of ordinary shares - private placement	17,667	-	17,667	-
At 31 May	194,338	176,671	194,338	176,671

# Notes to the Financial Statements

31 May 2007 (cont'd)

## 24. SHARE CAPITAL (CONT'D)

During the last 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 at an issue price of RM1.01 per share. The gross proceeds received from the Private Placement was utilised for general working capital purposes.

The shares were allotted on 30 November 2006 and the Private Placement has been completed upon the listing and quotation of the placement shares on the Main Board of Bursa Securities on 8 December 2006.

## 25. RESERVES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Non-distributable:</b>				
Share premium	805	809	805	809
Translation reserves	(10,418)	(2,630)	-	-
	<b>(9,613)</b>	<b>(1,821)</b>	<b>805</b>	<b>809</b>

The movements of the above reserves are disclosed in the statements of changes in equity.

## 26. RETAINED EARNINGS

As at 31 May 2007, the Company has tax-exempt income accounts of approximately RM20,206,000 (2006: RM20,071,000) of which the Company can distribute tax-exempt dividends of up to the same amount, subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 May 2007.

## 27. DEFERRED TAX

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Balance at beginning of year	5,290	6,727	4,020	4,990
Recognised in the income statement (Note 9)	(2,004)	(1,434)	(1,861)	(970)
Acquisition of subsidiaries (Note 13(a))	42	-	-	-
Exchange fluctuation	26	(3)	-	-
Balance at end of year	<b>3,354</b>	<b>5,290</b>	<b>2,159</b>	<b>4,020</b>
<i>Presented after appropriate offsetting as follows:</i>				
Deferred tax assets	(1,329)	(1,374)	-	-
Deferred tax liabilities	4,683	6,664	2,159	4,020
	<b>3,354</b>	<b>5,290</b>	<b>2,159</b>	<b>4,020</b>

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 27. DEFERRED TAX (CONT'D)

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	Others RM'000	Total RM'000
As at 1 June 2006	8,177	-	8,177
Recognised in the income statement	(391)	-	(391)
Acquisition of subsidiaries (Note 13(a))	42	-	42
<b>As at 31 May 2007</b>	<b>7,828</b>	<b>-</b>	<b>7,828</b>
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

### 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 2006	(1,293)	(624)	(970)	(2,887)
Recognised in the income statement	98	(403)	(1,308)	(1,613)
Exchange differences	1	1	24	26
<b>As at 31 May 2007</b>	<b>(1,194)</b>	<b>(1,026)</b>	<b>(2,254)</b>	<b>(4,474)</b>
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)

### Deferred tax liabilities of the Company

	Property, plant and equipment RM'000	Total RM'000
At 1 June 2006	5,758	5,758
Recognised in the income statement	(535)	(535)
<b>At 31 May 2007</b>	<b>5,223</b>	<b>5,223</b>
At 1 June 2005	6,582	6,582
Recognised in the income statement	(824)	(824)
At 31 May 2006	5,758	5,758

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 27. DEFERRED TAX (CONT'D)

### Deferred tax assets of the Company

	Retirement benefits obligations RM'000	Provision for liabilities RM'000	Unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2006	(1,211)	(527)	-	(1,738)
Recognised in the income statement	105	(271)	(1,160)	(1,326)
<b>At 31 May 2007</b>	<b>(1,106)</b>	<b>(798)</b>	<b>(1,160)</b>	<b>(3,064)</b>
At 1 June 2005	(1,148)	(444)	-	(1,592)
Recognised in the income statement	(63)	(83)	-	(146)
At 31 May 2006	(1,211)	(527)	-	(1,738)

## 28. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Minimum lease payments</b>				
Not later than one year	170	72	158	-
Later than one year and not later than two years	158	12	158	-
Later than two years and not later than five years	65	-	65	-
	393	84	381	-
Future finance charges	(37)	(6)	(35)	-
Present value of finance lease liabilities	356	78	346	-
<b>Present value of finance lease liabilities</b>				
Not later than one year	153	68	143	-
Later than one year and not later than two years	143	10	143	-
Later than two years and not later than five years	60	-	60	-
	356	78	346	-
<b>Analysed as:</b>				
Due within 12 months (Note 23)	153	68	143	-
Due after 12 months (Note 23)	203	10	203	-
	356	78	346	-

The hire-purchase and lease liabilities bore flat interest rates at the balance sheet date of between 3.34% to 7.00% (2006: 6.49% to 7.74%) per annum.

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 29. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Balance as at beginning of year	4,605	4,351	4,323	4,101
Benefits paid	(462)	(299)	(462)	(281)
Expense recognised in the income statements (Note 7)	423	552	394	503
Exchange fluctuation	(5)	1	-	-
Balance as at end of year	4,561	4,605	4,255	4,323

## 30. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	36,119	19,542	4,805	5,315
Short-term deposits with licensed banks	19,420	14,046	-	10,700
Bank overdrafts (Note 23)	55,539 (25)	33,588 -	4,805 (25)	16,015 -
Cash and cash equivalents	55,514	33,588	4,780	16,015

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

	Group		Company	
	2007 Days	2006 Days	2007 Days	2006 Days
Short-term deposits with licensed banks	135	162	-	4

The average interest rates of deposits as at the end of the financial year are disclosed in Note 34.

## 31. COMMITMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Capital commitments</b>				
Approved and contracted				
- property, plant and equipment	3,509	2,539	3,439	2,415
- acquisition of subsidiaries	-	99,995	-	99,995
- acquisition of investment	14,706	-	14,706	-
Approved and not contracted	188	372	-	142
	18,403	102,906	18,145	102,552

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 32. CONTINGENT LIABILITIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Unsecured:</b>				
Bills discounted with banks	-	199	-	199

## 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

Sales to subsidiaries/associates/related companies:

- Ancom Crop Care Sdn Bhd	<b>140</b>	178	-	-
- Ancom Kimia Sdn Bhd	<b>1,374</b>	-	-	-
- Kumpulan Kesuma Sdn Bhd	-	-	-	338
- Timber Preservatives Sdn Bhd	<b>198</b>	-	-	-
- Transmare-Chemie (Singapore) Pte Ltd	<b>28,398</b>	-	-	-

Purchases from subsidiaries/associates/related companies:

- Ancom Kimia Sdn Bhd	<b>208,565</b>	161,926	-	-
- MSTi Corporation Sdn Bhd	-	187	-	187
- Transmare-Chemie (Singapore) Pte Ltd	<b>935</b>	-	-	-
- Perusahaan Kimia Gemilang Sdn Bhd	-	-	-	849
- WorldSQL.com Sdn Bhd	<b>148</b>	-	<b>143</b>	-

Freight/transport charges paid to related companies:

- Pengangkutan Cogent Sdn Bhd	<b>2,292</b>	2,104	-	-
- Synergy Concepts Sdn Bhd	-	1,451	-	-
- Synergy Point Sdn Bhd	-	71	-	-

Storage rental paid to related companies:

- Ancom-ChemQuest Terminals Sdn Bhd	<b>1,868</b>	2,111	-	-
- SM Integrated Transware Pte Ltd	<b>270</b>	-	-	-

Interest paid to subsidiaries:

- Malaysian Roofing Industries Sdn Bhd	-	-	<b>138</b>	135
- Perusahaan Kimia Gemilang Sdn Bhd	-	-	<b>784</b>	483

Consultation charges paid to holding/related company:

- Ancom Berhad	<b>360</b>	345	-	-
- Organigro Sdn Bhd	<b>560</b>	-	-	-

Gross dividend from subsidiaries:

- CKG Chemicals Pte Ltd	-	-	<b>8,601</b>	-
- Fermpro Sdn Bhd	-	-	<b>3,200</b>	4,000
- Kumpulan Kesuma Sdn Bhd	-	-	<b>226</b>	402
- Malaysian Roofing Industries Sdn Bhd	-	-	-	2,730
- Nycon Manufacturing Sdn Bhd	-	-	<b>975</b>	5,902
- Nylex Specialty Chemicals Sdn Bhd	-	-	<b>3,078</b>	3,078
- Perusahaan Kimia Gemilang Sdn Bhd	-	-	<b>15,491</b>	13,942
- Wedon Sdn Bhd	-	-	<b>157</b>	945



### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

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.

### 34. 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 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 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.

The interest profile of the financial assets and liabilities of the Group and of the Company as at balance sheet date are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Financial assets</b>				
Fixed rate	19,420	14,046	-	10,700
Floating rate	14,276	589	-	-
Interest free	284,106	166,498	253,315	149,033
	<b>317,802</b>	181,133	<b>253,315</b>	159,733

# Notes to the Financial Statements

31 May 2007 (cont'd)

## 34. FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Interest rate risk (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Financial liabilities</b>				
Fixed rate	37,108	79	8,987	-
Floating rate	166,843	87,057	87,365	37,641
Interest free	188,422	86,106	26,187	27,369
	<b>392,373</b>	173,242	<b>122,539</b>	65,010

The weighted average interest rates on the financial assets and liabilities are as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
<b>Financial assets</b>				
Fixed rate	3.81	3.28	-	2.75
Floating rate	1.25	2.60	-	-
<b>Financial liabilities</b>				
Fixed rate	4.56	7.08	3.79	-
Floating rate	5.57	3.95	5.29	4.57

### (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.

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

	Functional currency of group companies			
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Total RM'000
<b>At 31 May 2007</b>				
<b>Receivables</b>				
United States Dollar ("USD")	20,691	-	-	20,691
Singapore Dollar ("SGD")	882	-	1,691	2,573
Japanese Yen	312	-	-	312
Hong Kong Dollar	-	-	241	241
	<b>21,885</b>	<b>-</b>	<b>1,932</b>	<b>23,817</b>

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 34. FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Foreign exchange risk (cont'd)

	Functional currency of group companies			
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Total RM'000
<b>At 31 May 2007 (cont'd)</b>				
<b>Cash and bank balances</b>				
United States Dollar	10,359	87	-	10,446
Singapore Dollar	83	-	701	784
Hong Kong Dollar	-	-	106	106
	<b>10,442</b>	<b>87</b>	<b>807</b>	<b>11,336</b>

### Payables

United States Dollar	10,656	1,955	-	12,611
Singapore Dollar	68	-	5,581	5,649
	<b>10,724</b>	<b>1,955</b>	<b>5,581</b>	<b>18,260</b>

	Functional currency of group companies			
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	Singapore Dollar RM'000	Total RM'000
<b>At 31 May 2006</b>				
<b>Receivables</b>				
United States Dollar	392	-	3,586	3,978
Singapore Dollar	333	-	-	333
Japanese Yen	203	-	-	203
Brunei Dollar	15	-	-	15
	<b>943</b>	<b>-</b>	<b>3,586</b>	<b>4,529</b>

### Cash and bank balances

United States Dollar	4,899	43	312	5,254
Singapore Dollar	2	-	-	2
	<b>4,901</b>	<b>43</b>	<b>312</b>	<b>5,256</b>

### Payables

United States Dollar	10,969	1,250	3,630	15,849
Singapore Dollar	37	-	-	37
Australian Dollar	215	-	-	215
	<b>11,221</b>	<b>1,250</b>	<b>3,630</b>	<b>16,101</b>

# Notes to the Financial Statements

31 May 2007 (cont'd)

## 34. FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Foreign exchange risk (cont'd)

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

		Group		Company	
		Maturity Less than 1 year RM'000	Notional amount RM'000	Maturity Less than 1 year RM'000	Notional amount RM'000
Currency					
<b>At 31 May 2007</b>					
Forward contract used to hedge trade receivables	USD	5,111	5,111	4,983	4,983
Forward contract used to hedge future sales	USD	335	335	331	331
<b>At 31 May 2006</b>					
Forward contract used to hedge trade receivables	USD	27,829	27,829	3,999	3,999
	SGD	1,221	1,221	760	760
		29,050	29,050	4,759	4,759
Forward contract used to hedge future sales	USD	33,424	33,424	17,304	17,304
	SGD	354	354	354	354
		33,778	33,778	17,658	17,658

### (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.

## 34. FINANCIAL INSTRUMENTS (CONT'D)

### (vi) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the following:

		Group		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>At 31 May 2007</b>					
Investment in subsidiaries	13	-	-	201,117	#
Investment in associates	14	693	#	-	#
Non-current unquoted shares	15	3,580	#	80	#
Non-current quoted shares	15	3,809	2,842	3,809	2,842
Marketable securities	20	1,330	1,330	-	-
Hire-purchase and finance lease payables	28	356	364	346	353
Forward foreign exchange contracts	34(iii)	-	4,951	-	4,893
<b>At 31 May 2006</b>					
Investment in subsidiaries	13	-	-	105,625	#
Investment in associates	14	772	#	-	#
Non-current unquoted shares	15	3,580	#	80	#
Non-current quoted shares	15	-	-	-	-
Marketable securities	20	1,598	1,598	-	-
Hire-purchase and finance lease payables	28	78	87	-	-
Forward foreign exchange contracts	34(iii)	-	60,629	-	22,297

# It is not practical to estimate the fair value of the Group's non-current unquoted investments due to the absence of quoted market prices and inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents recoverable values.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

#### (i) Non-current quoted shares

The fair value of non-current quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

#### (ii) Hire purchase and finance lease creditors

The fair value of hire purchase payables is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

#### (iii) Forward foreign exchange contracts

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

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

### (a) Proposed Private Placement

During the last 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 at an issue price of RM1.01 per share. The gross proceeds received from the Private Placement was utilised for general working capital purposes.

The shares were allotted on 30 November 2006 and the Private Placement has been completed upon the listing and quotation of the placement shares on the Main Board of Bursa Securities on 8 December 2006.

### (b) Acquisition of chemical companies

#### (i) CKG

During the last financial year, the Company entered into a share sale agreement 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.

The transaction was completed in September 2006.

#### (ii) Megachem Limited ("Megachem")

During the last 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.

During the financial year, S\$1,599,600 was paid, representing 6% effective interest in Megachem. The final payment of S\$6,395,734 has not been made and shall only be payable on the date of the third anniversary of 6 July 2006.

### (c) Disposal of subsidiary

During the financial year, CKG entered into a share sale agreement for the disposal of its 11,095,000 ordinary shares of HK\$1.00 each representing 73.5% of the issued and paid-up share capital in CKG HK, for a sale consideration of USD281,936 ("Proposed Disposal"). The Proposed Disposal was completed on 30 April 2007.

### (d) Proposed Rights Issue with Warrants

On 30 April 2007, on behalf of the Board of Directors of the Company, Aseambankers Malaysia Berhad announced that the Company is proposing to undertake a Proposed Renounceable Rights Issue of 24,292,232 New Ordinary Shares Of RM1.00 Each In the Company ("Rights Shares") Together With 48,584,464 Free Detachable New Warrants ("Warrants") On The Basis Of One (1) Rights Share And Two (2) Warrants For Every Eight (8) Existing Ordinary Shares Of RM1.00 Each In the Company ("Nylex Shares" or "Shares") ("Proposed Rights Issue with Warrants").

The Proposed Rights Issue With Warrants is conditional upon the approvals being obtained from the following:

- (i) the Securities Commission ("SC") for the Proposed Rights Issue with Warrants and the listing of and quotation for the Rights Shares and Warrants and the new Nylex Shares to be issued pursuant to the exercise of the Warrants on the Main Board of Bursa Securities;
- (ii) Bursa Securities for the listing of and quotation for the Rights Shares and Warrants and for the new Nylex Shares to be issued pursuant to the exercise of the Warrants;
- (iii) the Shareholders of the Company at an extraordinary general meeting to be convened; and
- (iv) Bank Negara Malaysia ("BNM") for the issuance of the Warrants to non-residents.

### 35. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE BALANCE SHEET DATE (CONT'D)

#### (d) Proposed Rights Issue with Warrants (cont'd)

On 6 July 2007 and 10 July 2007, the Proposed Rights Issue with Warrants was approved by BNM and SC, respectively.

Approval has also been obtained from the shareholders of the Company at an Extraordinary General Meeting convened on 14 August 2007.

#### (e) Joint venture in Vietnam

On 28 June 2007, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn Bhd had entered into a Joint Venture Contract with Long Thanh Chemicals Company Ltd to set up a new joint venture company named Perusahaan Kimia Gemilang (Vietnam) Company Ltd. ("PKG Vietnam"), in the Socialist Republic of Vietnam.

PKG Vietnam shall be incorporated for the purpose of building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals, and carrying out any other activities which are, or may be, incidental or ancillary to the foregoing.

As at the date of this report, the above transaction has not been completed.

### 36. SUBSIDIARIES

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective % ownership in		Principal activities
		2007 %	2006 %	
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	Malaysia	100	100	Trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets.
*PT Nylex Indonesia	Indonesia	100	65	Manufacture, marketing and distribution of PU and PVC leathercloth.
*Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	100	100	Trading in petrochemicals and industrial chemicals.



# Notes to the Financial Statements

31 May 2007 (cont'd)

## 36. SUBSIDIARIES (CONT'D)

Name of company	Country of incorporation	Effective % ownership in		Principal activities
		2007 %	2006 %	
Direct subsidiaries (cont'd)				
*Fempro 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.
CKG Chemicals Pte Ltd	Singapore	100	-	Trading and distribution of industrial chemicals and gasoline blending components.
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.

## 37. ASSOCIATE

Details of associate is as follows:

Name of company	Country of incorporation	Effective % ownership in		Principal activities
		2007 %	2006 %	
Ancom Kimia Sdn Bhd	Malaysia	30	30	Distribution of petrochemicals and industrial chemicals.

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 38. 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 chemical products.   |
| Building products   | - Manufacture and marketing of roofing products.   |

	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
<b>2007</b>					
<b>Revenue</b>					
External sales	123,016	1,370,307	9,365	-	1,502,688
Inter-segment sales	3	686	-	(689)	-
Total revenue	123,019	1,370,993	9,365	(689)	1,502,688
<b>Results</b>					
Segment results	7,195	44,951	550	-	52,696
Unallocated corporate income					3,266
Profit from operations					55,962
Finance cost					(9,897)
Share of results of associates					(79)
Profit before taxation					45,986
Taxation					(7,029)
Profit after taxation					38,957
Minority interests					301
Net profit for the year					39,258
<b>Assets</b>					
Segment assets	115,156	386,207	11,298	(28,694)	483,967
Investment in associates	-	693	-	-	693
Goodwill on consolidation					91,330
Unallocated corporate assets					31,182
Consolidated total assets					607,172

# Notes to the Financial Statements

31 May 2007 (cont'd)

## 38. SEGMENT INFORMATION (CONT'D)

### (a) Business segments (cont'd)

2007	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
<b>Liabilities</b>					
Segment liabilities	37,877	284,847	1,484	(28,694)	295,514
Unallocated corporate liabilities					<u>103,362</u>
Consolidated total liabilities					<u>398,876</u>
<b>Other information</b>					
Capital expenditure	5,205	1,033	172	-	6,410
Unallocated corporate capital expenditure					11
Depreciation and amortisation	7,115	1,780	75	-	8,970
Unallocated corporate depreciation and amortisation					24
Write-back of impairment	-	(204)	-	-	(204)
Non-cash expenses other than depreciation, amortisation and impairment losses	293	(2,032)	221	-	(1,518)
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					191
<b>2006</b>					
<b>Revenue</b>					
External sales	128,037	535,097	7,166	-	670,300
Inter-segment sales	18	814	-	(832)	-
Total revenue	<u>128,055</u>	<u>535,911</u>	<u>7,166</u>	<u>(832)</u>	<u>670,300</u>
<b>Results</b>					
Segment results	9,454	19,201	687	-	29,342
Goodwill amortisation					(1,604)
Unallocated corporate income					<u>2,331</u>
Profit from operations					30,069
Finance cost					(3,660)
Share of results of associates					<u>(186)</u>
Profit before taxation					26,223
Taxation					<u>(8,110)</u>
Profit after taxation					18,113
Minority interests					<u>119</u>
Net profit for the year					<u>18,232</u>

# Notes to the Financial Statements 31 May 2007 (cont'd)

## 38. SEGMENT INFORMATION (CONT'D)

### (a) Business segments (cont'd)

2006	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
<b>Assets</b>					
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
<b>Liabilities</b>					
Segment liabilities	44,264	118,502	1,395	(15,815)	148,346
Unallocated corporate liabilities					33,272
Consolidated total liabilities					181,618
<b>Other information</b>					
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	314	202	4	-	520
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					142

### (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)	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysia	550,721	413,955	273,713	274,899	5,763	3,454
Singapore	562,887	72,026	191,994	6,485	149	9
Philippines	72,214	44,551	-	-	-	-
China	57,534	18,972	-	-	-	-
Thailand	56,196	23,121	-	-	-	-
Vietnam	45,799	7,976	-	-	-	-
Indonesia	43,865	22,346	18,260	18,352	509	694
Australia	30,141	26,630	-	-	-	-
Sri Lanka	22,128	5,128	-	-	-	-
Hong Kong	13,882	8,278	-	-	-	-
Middle East	5,476	5,454	-	-	-	-
Europe	1,080	338	-	-	-	-
Others	40,765	21,525	-	-	-	-
Consolidated	1,502,688	670,300	483,967	299,736	6,421	4,157

# 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 2007**

The remuneration of directors for the financial year ended 31 May 2007 is set out in Note 8 to the financial statements, on page 53 of this Annual Report.

## **UTILISATION OF PROCEEDS**

On 30 November 2006, Nylex had issued 17,667,000 new ordinary shares of RM1.00 each ("Nylex Shares") to certain investors at an issue price of RM1.01 per Nylex Share ("Private Placement").

At the date of this report, Nylex has fully utilised all of the proceeds of RM17.84 million from its Private Placement as follows:

	RM' million
Expenses incurred in relation to this Private Placement	0.18
Settlement of trade payables	17.66
	<u>17.84</u>

## **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, which was made public during the financial year.

## **NON-AUDIT FEES**

An amount of RM253,000 was paid to the external auditors for the financial year ended 31 May 2007 in respect of other services rendered.

## **PROFIT ESTIMATE, FORECAST OR PROJECTION**

There is no variance between the results for the financial year ended 31 May 2007 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.

# Additional Information

in compliance with Part A, Appendix 9C of the  
Listing Requirements of Bursa Malaysia Securities Berhad (cont'd)

## MATERIAL CONTRACTS

There was no material contracts, of the Company and its subsidiaries, not being contracts entered into in the ordinary course 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.

## 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 person
Ancom-Chemquest Terminals Sdn Bhd	Storage rental	1,868	Ancom Berhad Dato' Siew Ka Wei Dato' Johari Razak
Pengangkutan Cogent Sdn Bhd	Storage, handling and pipeline charges	2,292	
Synergy Concepts Sdn Bhd	Freight services	-	
Transmare-Chemie (Singapore) Pte Ltd	Sales of industrial chemicals	28,398	

# List of Properties as at 31 May 2007

							Net Book Value as at 31.05.07 (RM'000)
Location / Address	Title	Age of Building (years)	Land Area (sq.m)	Existing use	Date of Acquisition / Revaluation	Tenure	
a) <b>Proprietor: Nylex (Malaysia) Berhad</b>							
Lot 16, Persiaran Selangor, Section 15 40200 Shah Alam Selangor Darul Ehsan	QT (R) 32	36	29,340	Office building and factory.	26 Nov 1985	Leasehold, expiring on 19 July 2070.*	16,777
	HS (D) 209	27	12,140	Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 10 February 2075.*	
b) <b>Proprietor: Perusahaan Kimia Gemilang Sdn Bhd</b>							
PT 4228 Mukim of Kapar Daerah Klang Selangor Darul Ehsan		16	53,700	Office building and factory.	01 July 2004	Leasehold, expiring on 09 June 2086.	6,746
Lot 1506 and 1507 Mukim 12 Seberang Perai Selatan Pulau Pinang		13	1,200	1-1/2 storey semi-detached factory.	01 July 2004	Freehold.	576
c) <b>Proprietor: Fermpro Sdn Bhd</b>							
Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	19	16,190	Office building and factory.	01 July 2004	Leasehold, expiring on 22 November 2046.	2,022
Plot 3 & 4, PT 924A Mukim of Chuping Perlis Indera Kayangan	HS (M) 1804		24,280	Spent molasses treatment pond.	01 July 2004	Leasehold, expiring on 07 February 2059.	1,132
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	5	8,100	Office building and factory.	01 July 2004	Leasehold, expiring on 07 February 2059.	476
d) <b>Proprietor: Nylex Specialty Chemicals Sdn Bhd</b>							
Lot 593 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 5507	32	8,093	Office building and factory.	01 March 2005	Leasehold, expiring on 01 September 2074.	2,492
Lot 624 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 6588	30	8,298	Office building and warehouse.	01 March 2005	Leasehold, expiring on 19 February 2076.	3,864

\* On 31 May 2007, the Company obtained approval from the relevant authorities to extend the lease period to 99 years.



# Analysis of Shareholdings

as at 7 September 2007

## No. Of Holders Of Each Class Of Equity Securities

Class of securities	:	Ordinary shares of RM1.00 each
Total no. issued	:	194,337,860
No. of holders	:	6,374
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	77	3,299	0.001
100 to 1,000	2,970	2,124,098	1.093
1,001 to 10,000	2,698	10,244,872	5.272
10,001 to 100,000	547	16,857,825	8.674
100,001 to less than 5% of issued shares	77	53,949,180	27.761
5% and above of issued shares	5	111,158,586	57.199
	6,374	194,337,860	100.000

## Substantial Holders

	Direct		Indirect	
	No. of shares	%	No. of shares	%
1. Dato' Siew Ka Wei	-	-	103,531,586 <sup>(1)</sup>	53.27
2. Ancom Berhad	73,800,600	37.98	27,557,986 <sup>(2)</sup>	14.18
3. Rhodemark Development Sdn Bhd	27,557,986	14.18	-	-
4. Eminent East Limited	-	-	27,557,986 <sup>(2)</sup>	14.18
5. Prime Enterprise II, L.P.	-	-	27,557,986 <sup>(3)</sup>	14.18
6. Asian Corporate Finance Fund, L.P.	-	-	27,557,986 <sup>(3)</sup>	14.18
7. Cheng Kwee Kiang	9,800,000	5.04	-	-

Note :

1. Deemed interested through his direct and indirect interest in Ancom Berhad and Siew Nim Chee & Sons Sendirian 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.

## Directors' Holdings

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Johari Razak	75,000	0.04	-	-
Dato' Siew Ka Wei	-	-	103,531,586 <sup>(1)</sup>	53.27
Cheng Kwee Kiang	9,800,000	5.04	-	-

Note:

1. Deemed interested through his direct and indirect interest in Ancom Berhad and Siew Nim Chee & Sons Sendirian Berhad.

# Analysis of Shareholdings

as at 7 September 2007 (cont'd)

## Thirty Largest Shareholders

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

Name	No. of shares	%
1. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd ECM Libra Partners Sdn Bhd for Ancom Berhad (Pledged)	34,000,000	17.495
2. Rhodemark Development Sdn Bhd	27,557,986	14.181
3. Ancom Berhad	23,800,600	12.247
4. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Plato Capital Sdn Bhd for Ancom Berhad (Pledged)	16,000,000	8.233
5. Mayban Securities Nominees (Asing) Sdn Bhd Pledged Securities Account for Cheng Kwee Kiang	9,800,000	5.043
6. HDM Nominees (Asing) Sdn Bhd DBS Vickers SECS (S) Pte Ltd for Kestrel Capital Partners (M) Sdn Bhd (A/C 2)	9,342,500	4.807
7. Employees Provident Fund Board	2,636,700	1.357
8. Malaysian Trustees Berhad PBS Office Supplies Holding Sdn Bhd	2,200,000	1.132
9. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	2,173,000	1.118
10. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Grace Yeoh Cheng Geok (MM 1166)	2,149,100	1.106
11. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Plato Capital Sdn Bhd for Heah Sieu Lay (Pledged)	2,138,450	1.100
12. OSK Nominees (Tempatan) Sdn Berhad Pledged Securities for Ng Kok Hin	2,072,600	1.067
13. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,710,000	0.880
14. EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ng Kok Hin	1,420,600	0.731
15. Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,400,000	0.720
16. HLG Nominee (Tempatan) Sdn Bhd HLG Asset Management Sdn Bhd for Hong Leong Assurance Bhd (Growth Fund)	1,400,000	0.720
17. AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for HLG Strategic Fund (L6 Strategic)	1,255,000	0.646
18. TA Nominees (Tempatan) Sdn Bhd Pledged Securities for Zulfadzli bin Mohd Yusoff	1,254,100	0.645
19. Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Asia New Economy Fund	1,199,400	0.617
20. ECM Libra Avenue Nominees (Asing) Sdn Bhd Plato Capital Investment Fund	1,184,450	0.610
21. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Equity Trust (3175)	1,165,000	0.600
22. HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-Asing)	1,009,200	0.519
23. Terengganu Incorporated Sdn Bhd	1,008,500	0.519
24. Cheung Kwong Kwan	1,000,000	0.514
25. Mayban Securities Nominees (Asing) Sdn Bhd OCBC Securities Private Limited for Goh Sian Yuen	926,000	0.476
26. Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Kenno Hayashi Ltd	905,050	0.466
27. Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Djelas Company S.A.	753,400	0.388
28. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Sing Ling	601,200	0.309
29. HLG Nominee (Tempatan) Sdn Bhd HLG Asset Management Sdn Bhd for Hong Leong Assurance Bhd (Blue Chipfund)	600,000	0.309
30. Kelvin Low Meng Poh	595,000	0.306
<b>Total</b>	<b>153,257,836</b>	<b>78.861</b>

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of the Company will be held at Selangor 2 Ballroom, Sheraton Subang Hotel & Towers, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on 31 October 2007 at 11.30 a.m. 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 2007;                            | <b>[Please refer<br/>Explanatory Note 1]</b> |
| 2. To approve Directors' fees for the financial year ended 31 May 2007;  | <b>[Resolution 1]</b>                        |
| 3. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:<br>3.1 Lim Hock Chye<br>3.2 Edmond Cheah Swee Leng | <b>[Resolution 2]<br/>[Resolution 3]</b>     |
| 4. To re-elect the following Director who retires pursuant to Article 93 of the Company's Articles of Association:<br>4.1 Cheng Kwee Kiang                             | <b>[Resolution 4]</b>                        |
| 5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Board of Directors to fix their remuneration;                                    | <b>[Resolution 5]</b>                        |

### AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as a Special Resolution:

- |   |                       |
|---|-----------------------|
| 6. Proposed Amendment To The Articles Of Association Of The Company | <b>[Resolution 6]</b> |
|---|-----------------------|

"THAT the Company's Articles of Association be amended by inserting a new Article 56A immediately after Article 56 as stated below pursuant to Section 67A of the Companies Act, 1965 ("Act"):

New Article 56A  
Purchase of issued shares

The Company shall have the power to purchase its own shares in any manner authorised and subject to any conditions prescribed by the Act and the regulations from time to time prescribed by the Exchange".

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

- |  |                       |
|--|-----------------------|
| 7. Proposed Issuance Of New Ordinary Shares Of RM1.00 Each Pursuant To Section 132D of the Companies Act, 1965 | <b>[Resolution 7]</b> |
|--|-----------------------|

"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 shall 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."

# Notice of Annual General Meeting (cont'd)

## 8. Proposed Renewal Of The Shareholders' Mandate For Recurrent Related Party Transactions Of Revenue Or Trading Nature

### [Resolution 8]

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries 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 2.4 of the Circular to Shareholders dated 9 October 2007 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 the authority conferred by such mandate shall continue to be in force from the date of this resolution unless revoked or varied by resolution passed by shareholders of the Company at a 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."

## 9. Proposed Share Buy-Back

### [Resolution 9]

"THAT subject to the Companies Act, 1965 ("Act"), the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association (as amended in Resolution 6 above) and other applicable laws rules regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten (10) per centum of the total issued and paid-up share capital of the Company and the amount allocated for the Proposed Share Buy-Back shall not exceed the total share premium account and retained profits 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 unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased or retain same as treasury shares and may distribute the treasury shares as share dividend or to sell same in a manner they deem fit and expedient in the best interests of the Company and in accordance with the Act, the applicable law rules regulations and guidelines of Bursa Securities and any other regulatory authorities for the time being in force."

## 10. 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 WHYIE**  
Secretaries

Petaling Jaya  
9 October 2007

# Notice of Annual General Meeting (cont'd)

## 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. A member shall be entitled to appoint not more than two (2) proxies pursuant to Section 149(1)(c) of the Companies Act, 1965. Where a member appoints more than one (1) 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.

### 2. Item 6 of the Agenda

Resolution 6 proposed under item 6 of the Agenda, if passed, will enable the Company to amend its Articles of Association to accommodate the authority to purchase its own shares.

### 3. Item 7 of the Agenda

Resolution 7 proposed under item 7 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.

### 4. Item 8 of the Agenda

Resolution 8 proposed under item 8 of the Agenda, if passed, will authorise the Company and its subsidiaries 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.

### 5. Item 9 of the Agenda

Resolution 9 proposed under item 9 of the Agenda, if passed, will enable the Company to purchase and/or hold up to 10% of its own shares. 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

Further details of the Directors standing for election as required under Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad can be found in pages 8 to 9 of the Company's Annual Report 2007.

# Proxy Form

CDS A/C No.
No. of shares held

I/We \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_  
(Full Address)

being (a) member(s) of NYLEX (MALAYSIA) BERHAD, hereby appoint \_\_\_\_\_  
(Full Name In Block Letters)

of \_\_\_\_\_ or  
(Full Address)

\_\_\_\_\_ or  
(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 37th Annual General Meeting of the Company to be held at Selangor 2 Ballroom, Sheraton Subang Hotel & Towers, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on 31 October 2007 at 11.30 a.m. or any adjournment thereof and to vote as indicated below :-

Item	Agenda	Resolution	For	Against
1.	To receive the audited financial statements and reports thereon.			
2.	To approve the payment of Directors' fees.	1		
3.	To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:			
	3.1 Lim Hock Chye	2		
	3.2 Edmond Cheah Swee Leng	3		
4.	To re-elect the following Director who retires pursuant to Article 93 of the Company's Articles of Association:			
	4.1 Cheng Kwee Kiang	4		
5.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.	5		
6.	To approve the proposed new Article 56A of the Company's Articles of Association.	6		
7.	To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.	7		
8.	To approve the renewal of the recurring related party transaction mandate.	8		
9.	To approve the share buy-back.	9		

(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 ..... 2007

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. A member shall be entitled to appoint not more than two (2) proxies pursuant to Section 149(1)(c) of the Companies Act, 1965. Where a member appoints more than one (1) 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.

1st fold here

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



The background is a solid yellow color. There are several white, curved, brushstroke-like lines that sweep across the page from the left side towards the right. These lines vary in thickness and curvature, creating a sense of movement and flow. The lines are positioned in the upper half of the page, with some extending further down.

w w w . n y l e x . c o m