



NYLEX (MALAYSIA) BERHAD

(9378-T) Incorporated in Malaysia

*Together We Can
Make A Difference*

Annual Report
2008



cover rationale

The Nylex (Malaysia) Berhad ("Nylex") Annual Report 2008 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 colours are used to maintain corporate identity and brand recognition.



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Together We Can

Make A Difference



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)

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
Lim Hock Chye

REMUNERATION & NOMINATION COMMITTEE

Lim Hock Chye (Chairman)
Dato' Mohd Ismail bin Che Rus
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
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : (603) 2264 3883
Fax : (603) 2282 1886

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
RHB Bank Berhad

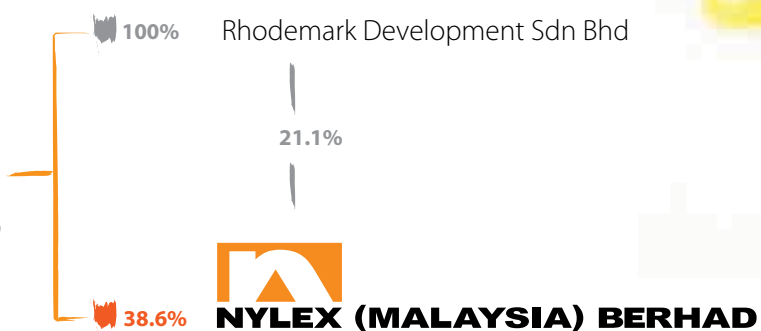
SOLICITORS

Shearn Delamore & Co

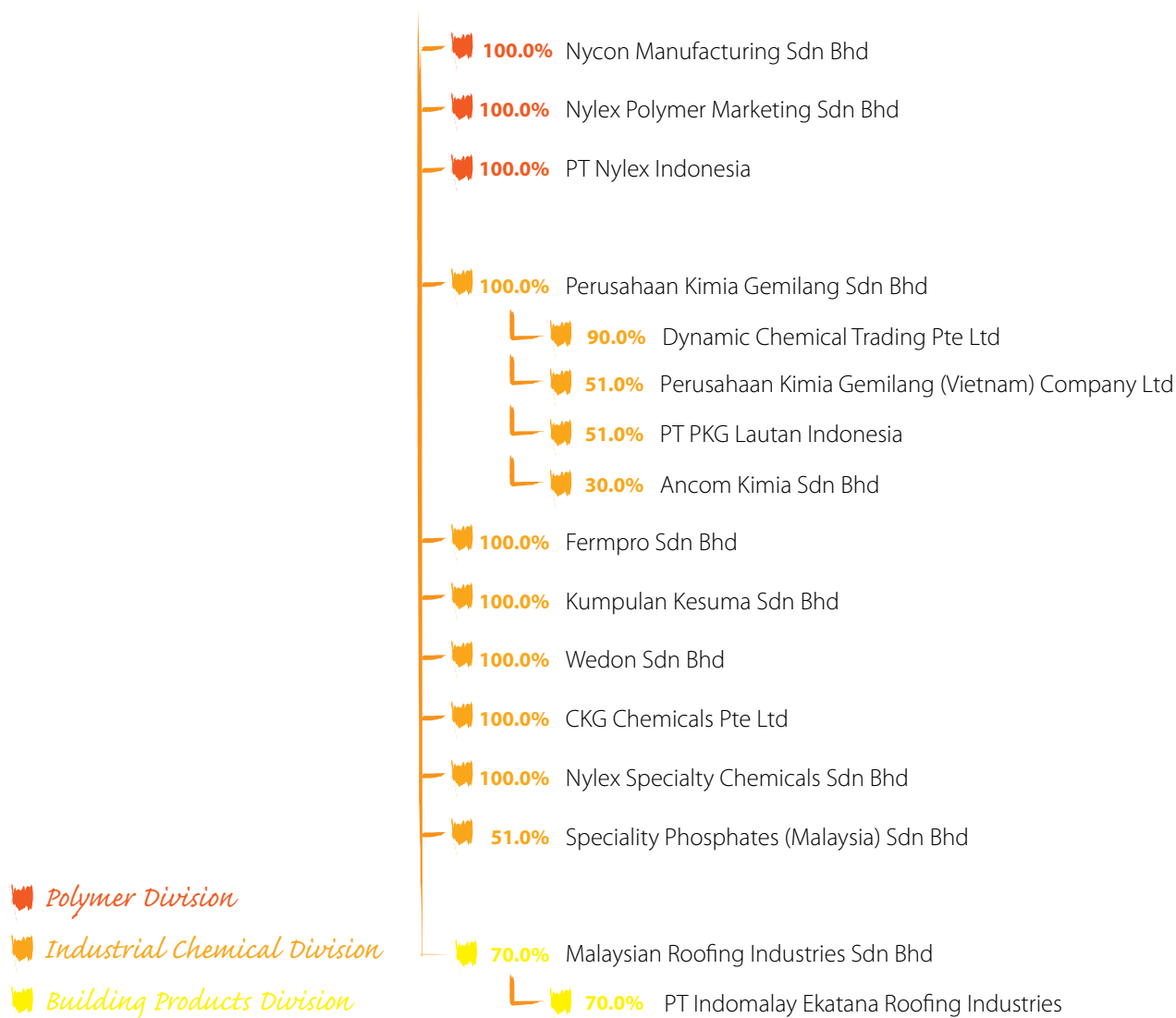
DOMICILE

Malaysia

Corporate Structure as at 31 May 2008



NYLEX (MALAYSIA) BERHAD



■ *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

PERUSAHAAN KIMIA GEMILANG (VIETNAM) COMPANY LTD

Room G.2, Nam An Building
26 Dinh Bo Linh
Ward 24, Binh Thanh Dist
Ho Chi Minh City
Vietnam
Tel : (848) 511 7317
Fax : (848) 511 6164

PT PKG LAUTAN INDONESIA

Graha Indramas Building
5th floor, Jl. AIP II K.S. Tubun Raya No. 77
Jakarta
11410 Indonesia
Tel : (6221) 5367 3269
Fax : (6221) 5367 3278

DYNAMIC CHEMICAL TRADING PTE LTD

133, Cecil Street
#12-03, Keck Seng Tower
Singapore 069535
Tel : (65) 6224 4142
Fax : (65) 6224 6460

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

**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

	2008	2007	2006	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,742,062	1,502,688	670,300	625,497	395,201
Profit before tax	58,269	45,986	26,233	19,525	2,036
Profit/(loss) after tax	47,480	38,957	18,113	13,639	(5,894)
Effective percentage rate of tax	18.5%	15.3%	31.0%	30.1%	389.5%
Net earnings/(loss) for equity holders of the Company	47,763	39,258	18,232	13,456	(4,861)
ASSETS					
Property, plant and equipment	62,064	58,240	60,482	66,796	95,966
Prepaid lease payments	18,806	19,121	19,435	19,748	21,756
Investments	8,204	8,082	4,352	4,627	8,647
Other non-current assets	89,863	93,344	31,495	32,882	9,796
Current assets	490,299	428,385	234,988	252,678	362,674
TOTAL ASSETS	669,236	607,172	350,752	376,731	498,839
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	194,338	194,338	176,671	176,671	224,488
Reserves	(14,218)	(9,613)	(1,821)	(1,752)	1,831
Retained earnings/(Accumulated losses)	63,096	18,880	(11,034)	(23,542)	(35,471)
Less: Treasury shares, at cost	(24,917)	-	-	-	-
	218,299	203,605	163,816	151,377	190,848
Minority interests	8,510	4,691	5,318	6,625	2,392
Total equity	226,809	208,296	169,134	158,002	193,240
Non-current liabilities	51,681	66,896	11,279	27,116	94,132
Current liabilities	390,746	331,980	170,339	191,613	211,467
TOTAL EQUITY AND LIABILITIES	669,236	607,172	350,752	376,731	498,839
Shareholders' interest					
Earnings/(loss) per share - sen	25.2	21.2	10.3	7.5	(2.2)
Dividend per share - sen	2.5	7.0	4.5	1.2	-
Net assets per share - sen	123.4	104.8	92.7	85.7	85.0
Depreciation & amortisation	7,779	8,994	11,849	11,462	18,816
Finance cost	9,612	9,897	3,660	3,877	7,574



Board of Directors



Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP

Non-Independent Non-Executive Chairman, aged 53, 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 and a director of Gabungan Pemborong Bumiputra Perak Berhad, MCIS Zurich Insurance Berhad and Ancom Berhad.

Dato' Johari Razak

Non-Independent Non-Executive Deputy Chairman, aged 54, 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

Group Managing Director, aged 53, joined the Board on 12 October 1999. He became the Group Managing Director on 29 January 2002 and was a member of the Audit Committee until his resignation from the Committee on 1 October 2007.

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

Independent Non-Executive Director, aged 65, 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)



Lim Hock Chye

Independent Non-Executive Director, aged 53, 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.

Mr Lim 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 Bursa 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 of Tamco Corporate Holdings Berhad, Silver Bird Group Berhad and TSM Global Berhad.

Edmond Cheah Swee Leng

Independent Non-Executive Director, aged 54, 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.



Board of Directors (cont'd)



Cheng Kwee Kiang

Non-Independent Non-Executive Director, aged 50, 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.



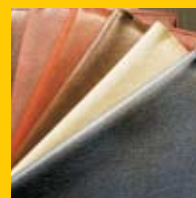
Notes:

- 1) All the Directors are Malaysians, except for Cheng Kwee Kiang who is a Singaporean.
- 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 92 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 28 to 29 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 ("the Board"), 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 2008 ("FY 2008").



PERFORMANCE

For the financial year under review, the Group increased sales by 15.9% to RM1,742.1 million, compared to RM1,502.7 million achieved in the previous financial year ended 31 May 2007 ("FY 2007"). The Group recorded a consolidated profit before tax of RM58.3 million in FY 2008, compared to RM46.0 million achieved in FY 2007. After accounting for taxation and minority interests, the profit attributable to shareholders was RM47.8 million (FY 2007: RM39.3 million).

The basic earnings per share rose from 21.2 sen in FY 2007 to 25.2 sen for FY 2008. Net assets per share attributable to equity holders of the Company as at 31 May 2008 was RM1.23 compared to RM1.05 as at 31 May 2007.

REVIEW OF OPERATIONS

Polymer Division

For FY 2008, the overall sales for the Polymer Division improved by 8.7% to RM133.8 million compared with RM123.0 million achieved in FY 2007.

The Division made a lower profit before tax ("PBT") of RM5.7 million compared with RM7.0 million achieved in FY 2007. 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 RM1,599.6 million for FY 2008, an increase of 16.7% compared to RM1,370.3 million recorded last year. Due to favourable market conditions, the Division contributed a

PBT of RM63.4 million, exceeding the PBT of RM39.6 million achieved in FY 2007 by 60.1%.

Building Products Division

The Building Products Division's manufacturing unit in Indonesia, PT Indomalay Ekatana Roofing Industries ("IRI") achieved lower sales of RM8.8 million for FY 2008 as compared to RM9.4 million achieved in FY 2007.

Consequently, the Division achieved a lower PBT of RM0.5 million compared to RM0.7 million recorded in FY 2007.

DIVIDENDS

In line with the higher earnings, the Board is recommending a final cash dividend of 4.5 sen per share, less 26% income tax and a final tax-exempt dividend in the form of distribution of one (1) treasury share for every twenty (20) existing ordinary shares of RM1.00 each held, of which fraction of a treasury share is to be disregarded. These shall be subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

The Company will announce the book closure date and the date of payment of the cash dividend and distribution of the treasury shares in due course.

Other than the above recommended dividends, there are no other dividends declared by the Company for the current financial year. In the last financial year, the total dividend declared and paid was 5.5% or 5.5 sen per share, less 27% income tax.



CORPORATE DEVELOPMENTS

1 Proposed Rights Issue With Warrants

As mentioned in the previous Chairman's Statement, the Board announced on 30 April 2007 that the Company is proposing to undertake a Proposed Renounceable Rights Issue of 24,292,232 new ordinary shares of RM1.00 each in Nylex ("Rights Share") 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 Nylex ("Proposed Rights Issue With Warrants").

The Proposed Rights Issue With Warrants was approved by the Securities Commission, Bank Negara Malaysia and the Company's shareholders.

On 22 November 2007, the Board announced that the Company has decided to abort the Proposed Rights Issue With Warrants.

2 Perusahaan Kimia Gemilang (Vietnam) Company Ltd. ("PKG Vietnam")

As mentioned in the previous Chairman's Statement, the Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG") had, on 28 June 2007, entered into a joint venture contract with Long Thanh Chemicals Company Ltd to set up a joint venture company, PKG Vietnam, in the Socialist Republic of Vietnam, for the purpose of building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.

The charter capital of PKG Vietnam is US\$200,000, of which PKG contributed US\$102,000 representing 51% participating interest.

The above transaction was completed in September 2007.

3. PT PKG Lautan Indonesia ("PKG Indonesia")

On 10 September 2007, PKG entered into a joint venture contract with PT Lautan Luas Tbk to set up a joint venture company, PKG Indonesia, in the Republic of Indonesia, for the purpose of importation and distribution of industrial chemicals.

The investment in PKG Indonesia by PKG was US\$1,275,000 for the subscription of 1,275,000 ordinary shares, representing 51% of the equity in PKG Indonesia.

PKG Indonesia was incorporated on 24 July 2008.

PROSPECTS FOR NEXT FINANCIAL YEAR

Going forward, it is projected that there will be some moderation in growth in the regional economies. While commodity and energy prices have experienced some correction in response to signs of slower global growth, prices remain elevated. The impact of rising commodity and fuel prices and costs will continue to have a negative impact on domestic demand, as well as affecting consumer and business sentiments. Under such circumstances, the Group will face many challenges in the coming financial year. Nevertheless, 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 8 August 2008, Mr Teo Ek Tor resigned as a Director.

The Board wishes to record our sincere appreciation to Mr Teo for his valuable contribution to the Group.

APPRECIATION

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

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

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

Petaling Jaya,
Selangor Darul Ehsan
23 September 2008





Statement on Corporate Governance

INTRODUCTION

The Board of Directors ("the 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. It is fully dedicated to ensuring that the principles of good corporate governance and the best practices as set out in the Malaysian Code on Corporate Governance issued by the Finance Committee ("the Code") are adhered to.

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

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. As at 31 May 2008, 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 is 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	4	100
Teo Ek Tor	4	100
Lim Hock Chye	4	100
Edmond Cheah Swee Leng	4	100
Cheng Kwee Kiang	2	50

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 judgements 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 "Directors' Duties and Liabilities", 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 96 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 AGM without any vote against it.

BOARD COMMITTEES

In accordance with the best practices of the Code, the Board has established various 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 20 of this Annual Report.

Remuneration and Nomination Committee

The Board has combined the functions of the Remuneration Committee and Nomination Committee into one Remuneration and Nomination Committee ("R&N Committee") which was established on 24 September 2001.

The R&N Committee is responsible for reviewing and assessing the effectiveness of the Board as a whole and the Board Committees and for assessing the performance of the Executive Directors. It is also responsible for reviewing the required mix of skills and experience and core competencies which the Non-Executive Directors should bring to the Board and for proposing and recommending to the Board candidates for all Directorships to be filled by the Board or the shareholders. In making its recommendation, the R&N Committee would consider the candidates' skill, knowledge, expertise and experience, professionalism, integrity and in the case of independent non-executive directors – the candidates' ability to discharge such responsibilities and functions expected from them.

The R&N Committee also assume the task of recommending to the Board the remuneration package for the Executive Directors in all its forms, drawing from outside advice as necessary at the Company's expense, taking into consideration the Executive Directors' responsibilities, contributions and performances, as well as the market-rate for similar positions in comparable companies. The R&N Committee is also responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fee, after taking into account comparison with payment by similar companies, to the Board for its endorsement.

It is the ultimate responsibility of the Board as a whole to decide the appointment and remuneration for the Directors. The Directors' fees would be submitted to the shareholders for approval at the annual general meeting of the Company.

During the financial year, the members of the R&N Committee are as follows:

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

During the financial year, the R&N Committee had one meeting which was attended by all members. During the meeting, the R&N Committee reviewed and assessed the composition of the Board and was satisfied that the Board composition was in compliance with the Code and that the Board was effective in discharging its responsibilities. The R&N Committee also recommended to the Board to endorse the re-election of the retiring Directors and the payment of Directors' fees for subsequent approval by the shareholders at the forthcoming AGM.

No new Directors were appointed during the financial year.

Statement on Corporate Governance (cont'd)

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 55 of this Annual Report.

SHAREHOLDERS

Investor relations and shareholders' communication

The Company maintains a policy of disseminating information that is material for its 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 annual audited financial statements of the Group and of the Company give a true and fair view of the state of affairs of the Group and of 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 by the Board on its responsibility for preparing the annual financial statements is set out on page 24 of this Annual Report.



Statement on Corporate Governance (cont'd)

Internal control

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

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

The report of the Audit Committee is separately set out on pages 17 to 20 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 21 to 22 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 Company's 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 ("the Board") has pleasure in presenting the Audit Committee report for the financial year ended 31 May 2008.

TERMS OF REFERENCE

During the financial year, the Company revised its Terms of Reference for the Audit Committee, pursuant to revisions in the Malaysian Code of Corporate Governance issued by the Finance Committee, and the Listing Requirements.

Composition

The Audit Committee shall be appointed by the Board from amongst its members. The Audit Committee shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent directors as defined in the Listing Requirements.

All members of the Audit Committee shall be financially literate and at least one of them shall be a member of the Malaysian Institute of Accountants ("MIA") or a person who fulfils the requirements under Paragraph 15.10(1)(c)(ii) and (iii) of the Listing Requirements. No alternate director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee shall be elected at the first Audit Committee meeting held after each annual general meeting of the Company, from amongst its members and he shall be an independent non-executive director. The Chairman so elected shall hold office until the commencement of the first Audit Committee meeting held after each subsequent annual general meeting of the Company.

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 until otherwise determined by the Board.

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

Objectives

The objectives of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("Group"), particularly in:

- (i) maintaining a good corporate governance standard as well as a sound system of internal control;
- (ii) facilitating the effective discharge of its stewardship responsibilities in respect of strategic business operations and related controls;
- (iii) identifying principal risks and ensuring the implementation of appropriate risk management framework; and
- (iv) reviewing the adequacy and integrity of the system of internal control and management information system.

Functions

1) The functions of the Audit Committee shall include the following:

- (a) External audit
 - (i) To consider the appointment of the external auditors, the audit fee and any other question of resignation or dismissal;
 - (ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
 - (iii) To review the quarterly and year-end financial statements of the Group, focusing particularly on:
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.



Audit Committee Report (cont'd)

- (iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary); and
 - (v) To review the external auditors' management letter and management's response.
- (b) Internal audit
- (i) To do the following, in relation to the internal audit function:
 - determine the scope and ensure that the internal audit function is independent of the activities it audits;
 - approve the annual internal audit programme;
 - review the competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - review results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;
 - take cognisance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
 - ensure that the internal audit function reports directly to the Audit Committee. However, on a day to day basis, the Audit Committee may select a representative to liaise with the Head of Internal Audit.
 - (ii) To consider any related party transactions that may arise within the Company and the Group;
 - (iii) To consider the major findings of internal investigations and management's response; and
 - (iv) To consider other topics as defined by the Board.
- 2) The Head of Internal Audit and representative of the external auditors should normally attend the Audit Committee Meeting. Invitees may attend the Audit Committee meetings upon the invitation of the Audit Committee. The Audit Committee shall convene meetings with the external auditors without executive Board members present at least twice a year.
- 3) The Chairman of the Audit Committee should engage on a continuous basis with senior management such as the Chairman, the Group Managing Director, the Group Chief Operating Officer and other senior operating staff, the Head of Internal Audit and external auditors in order to be kept informed of matters affecting the Company and the Group.
- 4) In discharging the functions as stated above, the Audit Committee shall have, at the cost of the Company:
- (a) the explicit authority to investigate any matter within its Term of Reference;
 - (b) all the resources that are required to perform its duties;
 - (c) full and unrestricted access to any information pertaining to the Company and the Group;
 - (d) direct communication channels with the external and internal auditors; and
 - (e) the authority to obtain independent professional and other advices and to secure the attendance of the advisers if it considers necessary.

Meeting

The Audit Committee shall meet every quarterly or at other frequencies as directed by the Board and at any time upon the request of any members of the Audit Committee, the external auditors or the internal auditors and/or at the Chairman's discretion.

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.

Decision of the Audit Committee shall be by a majority of vote. In the case of equality of vote, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the Audit Committee members attending the meeting, shall have a second and casting vote.

Audit Committee Report *(cont'd)*

Minutes

The minutes of each meeting, after the same have been affirmed by the subsequent Audit Committee meeting and signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat.

The minutes shall be kept by the Secretary and are subject to inspection by the Audit Committee members and the Board upon request. 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) Lim Hock Chye
Member, Independent Non-Executive Director
- (iv) Dato' Siew Ka Wei
Member, Group Managing Director (resigned on 1 October 2007)

MEETINGS AND ATTENDANCE

There were six (6) Audit Committee meetings held during the financial year. The attendance record of each member is as follows:

Members	No. of meetings attended	% attendance
Edmond Cheah Swee Leng	6	100
Dato' Mohd Ismail bin Che Rus	6	100
Lim Hock Chye	6	100
Dato' Siew Ka Wei (<i>up to 30 September 2007</i>)	2	100

During the financial year, the internal auditors and the external auditors attended two (2) and three (3) Audit Committee meetings respectively. The Audit Committee also held two (2) Audit Committee / Management meetings during the financial year which were attended by all the Audit Committee members and the senior management of the Group to discuss operational issues in the Group.

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 reports with the management to ensure adherence to regulatory reporting requirements. Appropriate actions were taken to resolve all accounting matters requiring judgement and recommendations were made to the Board on the adoption of the quarterly interim financial reports; and
- the annual audited financial statements with the external auditors prior to submission to the Board for approval. 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.

During the Board meeting, the Chairman of the Audit Committee briefed the Board on major 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 2008. 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.

The internal auditors carried out the internal audit function based on approved internal audit plan.

Amongst the responsibilities of the internal auditors were:

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

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

CONCLUSION

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

Please refer pages 21 and 22 of this Annual Report for the Statement on Internal Control.

Statement on Internal Control

INTRODUCTION

This Statement on Internal Control by the Board of Directors ("the Board") is made pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Securities Malaysia Berhad. It outlines the nature and scope of internal control of Nylex (Malaysia) Berhad and its subsidiaries ("the Group") during the financial year under review.

BOARD RESPONSIBILITY

In accordance with Principle D II in Part 1 of the Malaysian Code on Corporate Governance, 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 the shareholders' interests;
- 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.

Accordingly, the Board acknowledges its responsibility for the Group's overall system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. However, it should be noted that due to the limitations that are inherent in any system of internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve the Group's 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 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 Group Managing Director and his management team 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 the 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 interim financial reports 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 hiring and termination of employees, formal training programmes for employees, performance management and other relevant procedures in place to ensure that employees are competent and adequately trained in carrying out their responsibilities.

Internal audit function

The internal audit function of the Group is outsourced to a firm of qualified professionals, whose remit is to the Audit Committee. The internal audit plan was approved by the Audit Committee. Periodic internal audit visits have been carried out to monitor compliance with the Group's procedures and to provide assurance on the effectiveness of the Group's system of internal control.

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 is of the opinion that the system of internal control that has been instituted throughout the Group was satisfactory and has not resulted in any material losses that would require disclosure in the Group's annual report for the financial year ended 31 May 2008. 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.

Corporate Social Responsibility Statement

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to the Bursa Securities Listing Requirements, the Board of Directors ("the Board") has pleasure in presenting the Corporate Social Responsibility ("CSR") Statement for the financial year ended 31 May 2008.

The Board understands the need for transparent business practices that are based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders. In that respect, the Company and its subsidiaries ("the Group") have carried out certain activities during the financial year, which focuses on four main focal areas as disclosed below:

Environment

As a responsible corporation, the Group has initiated various sustainable environmental conservation efforts. Chemical wastes are sent to Kualiti Alam for proper disposal and monthly reports on the scheduled waste are submitted to the Department of Environment ("DOE"). Other wastes or materials such as papers and plastics are re-used, where possible, or sent to recycling centres.

The Group employs Alam Sekitar Malaysia Sdn Bhd to carry out quarterly stack gas emission tests to ensure compliance with the Environmental Quality Act, 1974 ("EQA"). The Group also strives to use eco-friendly chemicals in its products.

Workplace

The Group values its employees and emphasises on the development of human resources. Various activities focusing on safety and health were organised by the Group to promote a healthy and positive work environment for its employees:

- A Noise Exposure Monitor test in the Company's factory to identify high noise level areas was carried out in June 2007. Proactive measures are taken to reduce employees' exposure to the noise, such as providing ear plugs and soundproofing the affected areas where possible. Annual Employee Audiometric Hearing tests are also conducted to ensure employees' hearing is in good condition.
- In August 2007, the Company conducted a Safety and Health Campaign that was launched by Tan Sri Lee Lam Thye. Talks were conducted by the Chemical Industries Council of Malaysia ("CICM") on Responsible Care and Safety and Health and Control and Disposal of Scheduled Wastes during this campaign.
- Training on safety, product handling and succession planning, inspection of fire fighting equipment and fire and chemical handling drills are carried out on a regular basis.

Management and Supervisory Development programmes which provide career advancement opportunities were also organised by the Company for potential employees.

Community

Consistent with one of the important focal area of CSR which is to be responsible to the community in which the Group operates, the Group makes it a point to provide industrial training or factory visits to undergraduates or technical students from local and international institutions. In June 2007, a 3-month industrial training programme was organised for a student from the Faculty of Manufacturing Engineering, Universiti Teknikal Malaysia. A factory visit was also conducted for twenty-five (25) students from the Faculty of Chemistry and Molecular Life Sciences, Radboud University of Netherland, in April 2008.

Employees are encouraged to volunteer in community projects such as tree planting and blood donation campaigns. In March 2008, nineteen (19) employees of the Company participated in a blood donation campaign which was organised to collect blood for Hospital Tengku Ampuan Rahimah, Klang, Selangor Darul Ehsan.

Marketplace

Last but not least, the Group also recognises its duty to be socially responsible to its customers, suppliers, shareholders and other stakeholders. Hence, with effect from January 2007, Material Safety Data Sheets were developed on the Group's products range for customers to ensure safe and proper usage and handling of our products.

Supplier Audits are regularly conducted to ensure that materials provided by our suppliers meet the standards imposed by the DOE or EQA. During the financial year, Supplier Audits were conducted on two suppliers on the packaging material provided.



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 2008 and the income statement 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 2008, the Directors have:

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

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