NYLEX (MALAYSIA) BERHAD *(9378-T)*

Incorporated in Malaysia

TOGETHER WE CAN
MAKE A DIFFERENCE

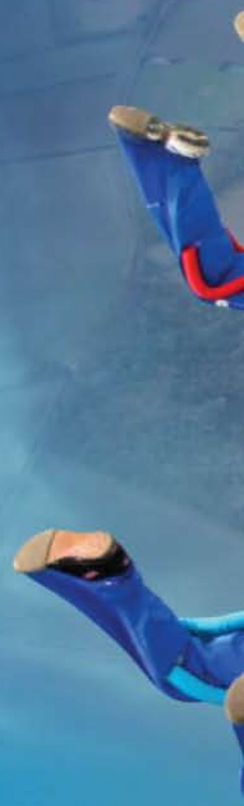
ANNUAL REPORT 2009

cover rationale

The Nylex (Malaysia) Berhad ("Nylex") Annual Report 2009 illustrates a team of skydivers graciously generating a firm, integrated formation in mid air.

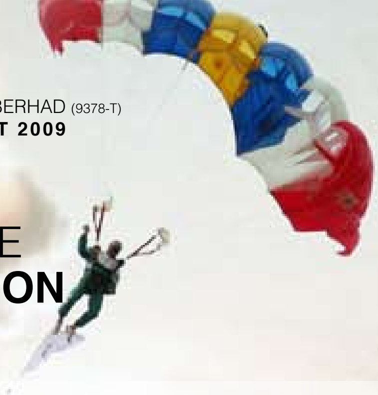
The skydivers represent team members of Nylex, facing new challenges together as they hold hands forming a semi-circle. It symbolises Nylex as a cooperative unit, trusting each other's capability, venturing into new industries and making a name for itself in the market.

Generating positive momentum even in challenging economic situations, team Nylex strives in sustaining continuous advancements, stability and growth through cooperation, willpower and shared values. Hence, the tagline "Together We Can Make A Difference".



contents


United as ONE



CORPORATE **INFORMATION**

DIRECTORS
Datuk Ir Dr Mohamed Al Amin Abdul Majid, *JP*
(Non-Independent Non-Executive Chairman)

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

Dato' Siew Ka Wei
(Group Managing Director)

Lim Hock Chye
(Independent Non-Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

AUDIT COMMITTEE
Edmond Cheah Swee Leng *(Chairman)*
Lim Hock Chye
Datuk Ir Dr Mohamed Al Amin Abdul Majid, *JP*

REMUNERATION & NOMINATION COMMITTEE
Lim Hock Chye *(Chairman)*
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
Tricor Investor Services Sdn Bhd
(formerly known as Tenaga Koperat 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 Market 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 2009

Ancom Berhad
- 100.0% **Rhodemark Development Sdn Bhd**
  - 21.2% **NYLEX (MALAYSIA) BERHAD**
- 27.0% **NYLEX (MALAYSIA) BERHAD**

NYLEX (MALAYSIA) BERHAD

100.0%		Nycon Manufacturing Sdn Bhd	Polymer Division
100.0%		Nylex Polymer Marketing Sdn Bhd	Polymer Division
100.0%		PT Nylex Indonesia	Polymer Division
100.0%		Perusahaan Kimia Gemilang Sdn Bhd	Industrial Chemical Division
	90.0%	Dynamic Chemical Trading Pte Ltd	Industrial Chemical Division
	51.0%	Perusahaan Kimia Gemilang (Vietnam) Company Ltd	Industrial Chemical Division
	51.0%	PT PKG Lautan Indonesia	Industrial Chemical Division
	30.0%	Ancom Kimia Sdn Bhd	Industrial Chemical Division
100.0%		Fermpro Sdn Bhd	Industrial Chemical Division
100.0%		Kumpulan Kesuma Sdn Bhd	Industrial Chemical Division
100.0%		Wedon Sdn Bhd	Industrial Chemical Division
100.0%		CKG Chemicals Pte Ltd	Industrial Chemical Division
100.0%		Nylex Specialty Chemicals Sdn Bhd	Industrial Chemical Division
51.0%		Speciality Phosphates (Malaysia) Sdn Bhd	Industrial Chemical Division
70.0%		Malaysian Roofing Industries Sdn Bhd	Building Products Division
	70.0%	PT Indomalay Ekatana Roofing Industries	Building Products Division

Legend:

- 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
www.nylexpolymer.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
3rd floor, 521-523 Dien Bien Phu Street
Ward 25, Binh Thanh Dist
Ho Chi Minh City
Vietnam
Tel : (848) 3898 3711
Fax : (848) 3899 4937

PT PKG LAUTAN INDONESIA
Graha Indramas Building
5th floor, JI. 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
www.dynamicchemical.com.sg

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

FIVE-YEAR **HIGHLIGHTS**

	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
Revenue	**1,366,030**	1,742,062	1,502,688	670,300	625,497
Profit before tax	**10,376**	58,269	45,986	26,233	19,525
Profit after tax	**10,618**	47,480	38,957	18,113	13,639
Effective percentage rate of tax	**-2.3%**	18.5%	15.3%	31.0%	30.1%
Net earnings for equity holders of the Company	**14,706**	47,763	39,258	18,232	13,456
ASSETS					
Property, plant and equipment	**60,211**	62,064	58,240	60,482	66,796
Prepaid lease payments	**18,490**	18,806	19,121	19,435	19,748
Investments	**3,580**	8,204	8,082	4,352	4,627
Other non-current assets	**109,933**	89,863	93,344	31,495	32,882
Current assets	**326,323**	490,299	428,385	234,988	252,678
TOTAL ASSETS	**518,537**	669,236	607,172	350,752	376,731
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	**194,338**	194,338	194,338	176,671	176,671
Reserves	**(4,577)**	(14,218)	(9,613)	(1,821)	(1,752)
Retained earnings/(Accumulated losses)	**59,393**	63,096	18,880	(11,034)	(23,542)
Less: Treasury shares, at cost	**(12,851)**	(24,917)	-	-	-
	236,303	218,299	203,605	163,816	151,377
Minority interests	**4,383**	8,510	4,691	5,318	6,625
Total equity	**240,686**	226,809	208,296	169,134	158,002
Non-current liabilities	**39,105**	51,681	66,896	11,279	27,116
Current liabilities	**238,746**	390,746	331,980	170,339	191,613
TOTAL EQUITY AND LIABILITIES	**518,537**	669,236	607,172	350,752	376,731
Shareholders' interest					
Earnings per share - sen	**8.2**	25.2	21.2	10.3	7.5
Dividend per share - sen	**11.6**	2.5	7.0	4.5	1.2
Net assets per share - sen	**127.5**	123.4	104.8	92.7	85.7
Depreciation & amortisation	**8,198**	7,779	8,994	11,849	11,462
Finance cost	**8,101**	9,612	9,897	3,660	3,877

BOARD OF DIRECTORS

DATUK IR DR MOHAMED AL AMIN ABDUL MAJID, *JP*

Aged 54, Malaysian,
Non-Independent Non-Executive Chairman

Joined the Board on 30 July 2003 and is currently a member of the Audit Comittee.

Datuk Al Amin 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 and has recently been awarded the Honorary Doctorate Degree of Doctor of Science by the university.

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 the 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 Gabongan Pemborong Bumiputra Perak Berhad, MCIS Zurich Insurance Berhad and Ancom Berhad.

DATO' JOHARI RAZAK

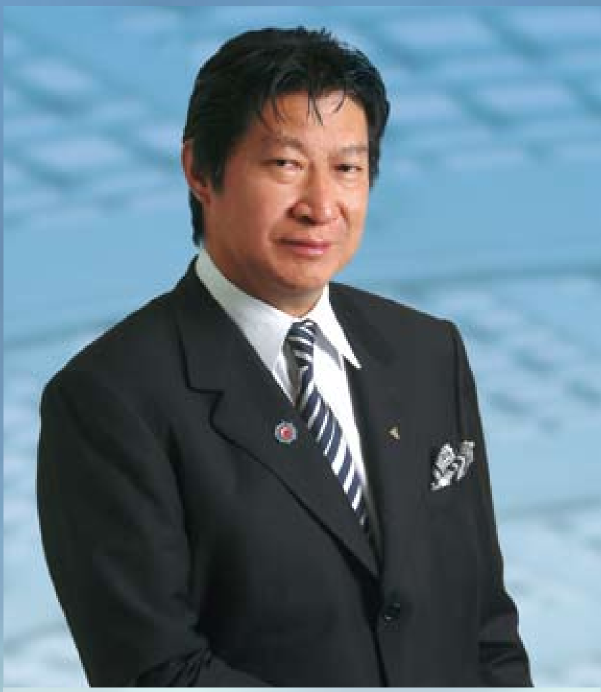
Aged 54, Malaysian,
Non-Independent Non-Executive Deputy Chairman

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 is presently the firm's Managing Partner and an Adjunct Professor of Law of Universiti Teknologi Mara.

Dato' Johari is currently the Non-Executive Chairman of Ancom Berhad, Chairman of Daiman Development Berhad and a director of Hong Leong Industries Berhad, Daiman Golf Berhad, Deutsche Bank (Malaysia) Berhad and British American Tobacco (Malaysia) Berhad.

BOARD OF DIRECTORS *(cont'd)*



DATO' SIEW KA WEI

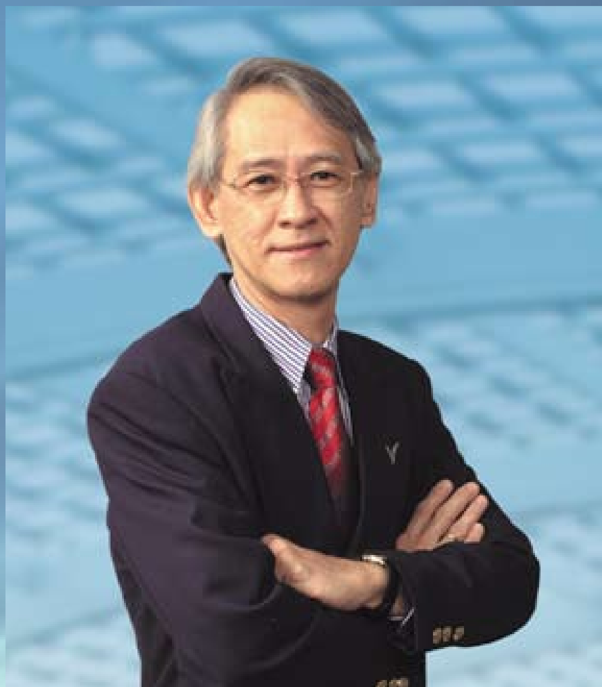
Aged 53, Malaysian,
Group Managing Director

Joined the Board on 12 October 1999. He became the Group Managing Director on 29 January 2002.

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' Siew is a substantial shareholder of the Company.



LIM HOCK CHYE

Aged 54, Malaysian,
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.

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 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 of Tamco Corporate Holdings Berhad, Silver Bird Group Berhad and TSM Global Berhad and the Group Director of Strategic Planning & Corporate Affairs of HELP University College, Kuala Lumpur.

BOARD OF DIRECTORS *(cont'd)*

EDMOND CHEAH SWEE LENG

Aged 55, Malaysian,
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 previously 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 Past President of the Financial Planning Association of Malaysia ("FPAM"), the Honorary 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.

Notes:

1) There is no family relationship between the directors and/or major shareholders of the Company.
2) Save for Dato' Johari Razak and Dato' Siew Ka Wei who have interest in certain related party transactions as disclosed in page 94 of this Annual Report, none of the Directors has any financial interest in any business arrangement involving the Group.
3) The attendance and securities holdings of the Directors are respectively disclosed in page 14 and page 32 of this Annual Report.
4) 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 2009 ("FY 2009").

PERFORMANCE

The global financial crisis during the financial year under review has had a considerable impact on the Group's performance. The Group achieved sales of RM1,366.0 million, a decline of 21.6% from RM1,742.1 million recorded in the previous financial year ended 31 May 2008 ("FY 2008"). The Group recorded a consolidated profit before tax of RM10.4 million in FY 2009, compared to RM58.3 million achieved in FY 2008. Full year profit before tax ("PBT") recorded in FY 2008 of RM58.3 million includes dividend incomes received from investment in an unquoted company of about RM6.1 million. The Group did not receive any dividend income from the said investment for FY 2009.

After including tax benefits and accounting for minority interests, the profit attributable to shareholders was RM14.7 million (FY 2008: RM47.8 million).

The basic earnings per share was 8.2 sen compared with 25.2 sen for FY 2008. Net assets per share attributable to equity holders of the parents as at 31 May 2009 was RM1.27 compared to RM1.23 as at 31 May 2008.

REVIEW OF OPERATIONS

Polymer Division

The overall performance of the Polymer Division for FY 2009 has weakened compared with last financial year. The Division achieved lower sales of RM111.5 million compared with RM133.8 million achieved in FY 2008. This is due to lesser demand for its products as most regional economies slip into recession.

The Division made a lower profit before tax of RM4.1 million compared with RM5.7 million achieved in FY 2008.

CHAIRMAN'S **STATEMENT** *(cont'd)*

Industrial Chemical Division

The Industrial Chemical Division also achieved lower sales of RM1,250.3 million for FY 2009 compared to RM1,599.6 million recorded last year. Accordingly, the Division contributed a PBT of RM26.4 million, compared with RM63.4 million achieved in FY 2008.

The decline in sales was due to the plunge in the demand of its products as a result of the poor economic conditions in the markets caused by the global financial meltdown. The drop in profits was mainly attributed to the collapse in the prices of its products caused by the weak demand mentioned above.

Building Products Division

The Building Products Division's manufacturing unit in Indonesia, PT Indomalay Ekatana Roofing Industries ("IRI") achieved lower sales of RM4.2 million for FY 2009 as compared to RM8.8 million achieved in FY 2008.

Consequently, the Division suffered a loss before tax of RM1.2 million compared to a PBT of RM0.5 million recorded in FY 2008.

In line with the Group's desire to focus more on the Polymer Division and Industrial Chemical Division which it has strategically defined as its core businesses, the Group has decided to cease production in IRI on 29 May 2009. Accordingly, the Group has accounted for the impairment loss on the carrying value in IRI of about RM2.5 million, to arrive at the PBT for FY 2009.

DIVIDENDS

The Board is recommending a final dividend in the form of distribution of one (1) treasury share for every sixty (60) existing ordinary shares of RM1.00 each held, fraction of a treasury share is to be disregarded. This shall be subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

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

In the last financial year, 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 was to be disregarded, had been approved by the Company's shareholders in the last annual general meeting held in November 2008 and was paid on 16 January 2009.

PROSPECTS FOR NEXT FINANCIAL YEAR

It was reported that the domestic consumer and business confidence has improved in second quarter of year 2009, possibly influenced by the measures taken by the Malaysian Government to support the economy. These include the fiscal stimulus packages, the historically low interest rates, and the recent liberalisation measures. However, until the global economy is back on track, it will take some time before the economy can achieve full recovery.

Looking ahead, the coming financial year will remain challenging. In facing these challenges, the Group will undertake the necessary changes to ensure that it remains competitive. The Group will continue to focus on cost control measures and increase productivity in order to improve profitability of its business.

CHAIRMAN'S **STATEMENT** *(cont'd)*

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

CHANGE IN BOARDROOM

Mr Cheng Kwee Kiang and Dato' Mohd Ismail Bin Che Rus resigned as directors of the Company on 3 April 2009 and 20 July 2009, respectively.

The Board wishes to record its sincere appreciation to Mr Cheng and Dato' Ismail for their 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 amidst the current economic downturn. 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 Ir Dr Mohamed Al Amin Abdul Majid, *JP*
Chairman

Petaling Jaya, Selangor Darul Ehsan
18 September 2009

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 assets of the Company and its subsidiaries ("Group") and 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 ("Code") are adhered to.

Pursuant to paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board is pleased to present its Statement on Corporate Governance to indicate how the Group has applied the principles and best practices of the Code.

THE BOARD OF DIRECTORS

Composition

As at 31 May 2009, the Board comprises seven (7) members, of whom one (1) is an Executive Director who is also the Group Managing Director and six (6) are Non-Executive Directors, including the Chairman. Three (3) of the Non-Executive Directors are Independent Directors. The composition of the Board is in compliance with the Listing Requirements that requires at least two (2) or one-third (1/3) of the Board, whichever is the higher, 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 higher proportion of Independent Non-Executive Directors on the Board provides for an effective check and balance on the functions of the Board. The Non-Executive Directors do not engage in the day-to-day management of the Company and do not participate in any business dealings or form any other relationship with the Company, which enables them to exercise independent judgement in the discharge of their duties and responsibilities in the best interests of the Company.

The Board is satisfied with the composition of the Board during the financial year. The Board is also of the view that it has the right mix of skill, experience and knowledge to deal with the strategic direction, investment and management of the Group.

The profile of the Directors is set out in pages 6 to 8 of this Annual Report.

Duties and responsibilities

The roles of the Non-Executive 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 management of the Group's business operations and implementation of the Board's decisions and policies. At the quarterly Board meetings, the Group Managing Director provides the Board with an update on the Group's key strategic initiatives and key operational issues.

All Directors are required to disclose their direct and indirect interests in the Company, its subsidiaries and related companies. They are also obligated to declare whether they or any person(s) connected to them have potential or actual conflict of interest in any transaction, contract or proposal with the Company, its subsidiaries and related companies. Any Director who has interests in such transactions, contracts or proposals will abstain from all Board deliberations and ensure that he and any person(s) connected to him will abstain on the voting in respect of his/their direct and indirect shareholdings.

The principal responsibilities of the Board include the following:

- Formulating and reviewing the business direction and objectives of the Group

  The Board plays an active role in formulating the Group's overall business direction and in reviewing the Group's business and financial performances at regular intervals.

STATEMENT ON **CORPORATE GOVERNANCE** *(cont'd)*

- Overseeing the conduct of business of the Group to evaluate whether the business is being properly managed

  The Board would appraise the Group's actual business and financial performances against the results of the corresponding period last year as well as the forecasts at the quarterly Board meetings. The key matters reserved for the Board's approval include the significant corporate proposals involving acquisitions and disposals of companies or restructuring of the Group's businesses, new issue of securities and acquisitions and disposals of significant assets and expenditure above a certain amount.

  Board Committees, such as the Audit Committee and Remuneration and Nomination Committee ("R&N Committee"), are entrusted with specific responsibilities to oversee the affairs of the Company with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("TOR"). At each Board meeting, the Chairman of the respective Board Committees would report to the Board on the key matters discussed by the Board Committees at its respective meetings. Minutes of the Board Committee meetings are also enclosed together with the Board papers for the Directors' attention.

  The activities of the Audit Committee and R&N Committee are detailed under the Board Committees section of this Statement.

- Identifying principal risks and ensuring the implementation of appropriate risk management framework

  The Board, through the Audit Committee, conducts periodic reviews on the risk management framework to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group.

- Reviewing the adequacy and integrity of the Group's internal control system and management information system

  The Group has implemented certain authority levels, control procedures, reporting mechanisms and internal audit function that are subject to periodic reviews by the Board.

Meetings and supply of information

The Board meets at least once in every quarter to deliberate and consider a variety of matters including the review and approval of the interim financial results of the Group.

At the end of each calendar year, the Company Secretaries would draw a proposed timetable for all the Board and Board Committee meetings, including the annual general meeting, to be held in the next calendar year, to ease the Directors in planning their attendance at the Board or Board Committee meetings. The proposed timetable would be revised in accordance to feedback received from the Directors to allow a maximum number of Directors to attend the Board or Board Committee meetings.

Prior to the Board or Board Committee meetings, the Directors were provided with the agenda, financial reports and any other documents required for the consideration of the Board, well in advance of each meeting or via circular resolutions. These documents were comprehensive and covered 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, the deliberations on the matters at hand and the decisions made thereto. The minutes are then circulated to the Directors for their review prior to confirmation at the subsequent Board meeting.

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

All Directors have unrestricted access to information of the Group and may engage independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate, at the Company's expense. The Board also have access to the advice and services of the two (2) Company Secretaries, who are responsible for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. The Company Secretaries are required to attend the Board meetings.

STATEMENT ON CORPORATE GOVERNANCE *(cont'd)*

The decisions of the Board are decided by a simple majority of votes of the Directors present at the Board meetings. In the event of an equality of votes, the Chairman shall have a second or casting vote except where two (2) Directors form a quorum and only two (2) Directors are present or only two (2) Directors are competent to vote on the question at issue.

During the financial year, all the Board decisions were approved by the Board unanimously without any dissenting votes from any of the Directors.

Attendance

The Board held four (4) Board meetings during the financial year. The attendance record of the Directors is as follows:

Name of Directors	**Attendance**	
	No.	**%**
Datuk Ir Dr Mohamed Al Amin Abdul Majid, *JP*	4	100
Dato' Johari Razak	4	100
Dato' Siew Ka Wei	4	100
Dato' Mohd Ismail bin Che Rus	4	100
Teo Ek Tor *(resigned on 8 August 2008)*	1	N/A
Lim Hock Chye	4	100
Edmond Cheah Swee Leng	4	100
Cheng Kwee Kiang *(resigned on 3 April 2009)*	1	N/A

All Directors have attained the minimum attendance during the financial year as required under the Listing Requirements.

The two Company Secretaries have attended all the Board meetings held during the financial year.

Subsequent to the financial year end, Dato' Mohd Ismail bin Che Rus, an Independent Non-Executive Director, resigned from the Board on 20 July 2009.

Training and education

All Directors have attended the Directors' Mandatory Accreditation Programme and are aware of the requirements of the Continuing Education Programme prescribed by the Listing Requirements.

In addition to the updates on relevant guidelines and statutory and regulatory requirements provided by the Company Secretaries and the management from time to time, the Directors have on their own initiative requested to attend courses, according to their individual needs as a Director or as members of a Board Committee on which he serves, and to enhance their skills and knowledge and keep abreast with the relevant changes in laws, regulations and business environment.

The training programmes attended by the Directors, during the financial year, include the following:

- Latest Trends & Developments in Corporate Governance, Internal Audit Detection and Prevention;
- Accounting & Financial Management : Effective Use of Consolidated Financial Statement;
- Business Continuation Planning;
- Understanding & Minimising the Risk of Accounting Manipulation;
- Understanding Financial & Accounting Reports;
- Update on Regulatory Issues, Risk Management, Directors Remuneration and Nomination and Investors Relation;
- Audit Committee Unique Competency Requirements;
- Corporate Practices & Governance for Company's Directors;
- Leadership in Challenging Times & Making Corporate Board More Effective; and
- Compensation and Nomination Committee

The Board is of the opinion that the Directors have attended adequate training. The Directors will continue to attend seminars and further training which they consider as relevant and useful in the changing environment in order to effectively discharge their duties as Directors.

STATEMENT ON **CORPORATE GOVERNANCE** *(cont'd)*

Re-election

The Articles of Association ("Articles") of the Company provide that at every Annual General Meeting ("AGM") of the Company, one-third (1/3) of the Directors who are longest in office and those Directors appointed during the financial year shall retire from office and be eligible for re-election. The Articles also provide that all Directors, including the Group Managing Director, shall retire from office once in each three (3) years but shall be eligible for re-election. The Group Managing Director does not have a service contract where the notice period for termination is more than one (1) year.

The motions to re-elect Directors are voted on individually, unless a resolution for the appointment or re-election of two (2) or more Directors by a single resolution shall have been passed by the AGM without any vote against it.

The R&N Committee is tasked with making recommendations to the Board on the re-election of Directors who retire pursuant to the Articles. In accordance with this process, two (2) Directors retired by rotation at the 38th AGM held on 20 November 2008 and were re-elected to the Board by the Company's shareholders.

Board committees

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

Audit Committee
The composition, TOR and other information relating to the Audit Committee are set out in the Audit Committee Report on pages 19 to 23 of this Annual Report.

R&N Committee
The Board has combined the functions of the Remuneration Committee and Nomination Committee into one 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. 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 AGM of the Company.

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

Lim Hock Chye *(Chairman)*
Dato' Mohd Ismail bin Che Rus
Teo Ek Tor *(up to 8 August 2008)*
Edmond Cheah Swee Leng

STATEMENT ON CORPORATE GOVERNANCE *(cont'd)*

Subsequent to the financial year end, Dato' Mohd Ismail bin Che Rus ceased to be a member of the R&N Committee following his resignation from the Board in July 2009.

During the financial year, the R&N Committee had two (2) meetings which were attended by all members. During the meeting, the R&N Committee reviewed and assessed the composition of the Board and the Board Committees and was satisfied that the Board composition was in compliance with the Code and that the Board and Board Committees were effective in discharging their respective responsibilities. The R&N Committee also made recommendations to the Board on the re-election of the retiring Directors and the payment of Directors' fees for subsequent approval by the shareholders at the forthcoming AGM. Minutes were kept to record the proceedings at the R&N Committee meetings, the deliberations on the matters at hand and the decisions made thereto. The minutes are then circulated to the Committee members for their review prior to confirmation at the subsequent R&N Committee meeting.

The R&N Committee had not engaged a consultant to do a comparative study on the Directors' remuneration. However, based on the members' personal experience, the R&N Committee was of the opinion that the amount of Directors' fees and allowances paid in the previous year were reflective of the market rates and had recommended the same amount of remuneration be paid to the Non-Executive Directors.

The R&N Committee also reviewed the remuneration of the Group Managing Director and made recommendations on the same for the Board approval. The Group Managing Director did not participate in the Board deliberation on his remuneration at the Board meeting.

The R&N Committee was of the view that the mix of Executive and Non-Executive Directors on the Board was appropriate and did not recommend the Board to make any new appointment during the financial year.

DIRECTORS' REMUNERATION

Directors' fees

For the last financial year, the Chairman of the Board and the Non-Executive Directors of the Board received RM70,000 and RM50,000 respectively as Directors' fees. For the Directors who resigned during the year, the Directors' fees were pro-rated according to the length of their term served on the Board. In addition to the above, the members of the Audit Committee received RM15,000 each while the members of the R&N Committee received RM5,000 each. These were as recommended by the R&N Committee and approved by the shareholders at the AGM.

The Non-Executive Directors also received attendance allowances, of RM416 and RM972 for local and outstation Directors respectively, for each Board and Board Committee meeting attended as recommended by the R&N Committee.

The Group Managing Director's remuneration for the financial year ended 31 May 2009 consisted of monthly salary, bonus and contribution to the Employees Provident Fund and was determined based on the performance of the Group in the financial year.

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 59 of this Annual Report.

SHAREHOLDERS

Investor relations and shareholders' communication

The Board recognises the importance of transparency and accountability to its shareholders, stakeholders and other investors through proper, timely and adequate dissemination of information on the Group's performance, business activities, financial performance, material information and corporate events through an appropriate channel of communication. The annual reports, interim results and other announcements, circulars to shareholders and press releases are the primary modes of communication utilised by the Company.

STATEMENT ON **CORPORATE GOVERNANCE** *(cont'd)*

The Company has also established a website www.nylex.com where shareholders, stakeholders and other investors can have access to the Company's latest annual report, quarterly interim financial reports, announcements, circulars to shareholders and press releases, as well as the Company's current share price.

In addition, the Board also encourages shareholders, stakeholders and other investors to communicate with the Company through other channels and has identified Dato' Mohd Ismail bin Che Rus, the Senior Independent Non-Executive Director, as the Director to whom any queries or concerns may be conveyed. Dato' Ismail can be contacted by post at Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, fax at 603-55108291 or e-mail at corp@nylex.com.

Dato' Ismail has resigned as an Independent Non-Executive Director in July 2009. The Board has decided not to appoint a Director to whom queries or concerns may be conveyed as shareholders and investors are now able to do so through the Investor Relations channel of the Company's website at www.nylex.com.

General meeting

General meetings remain the principal forum for dialogue between the Company and its shareholders. The notice of meeting is sent to the shareholders, together with any relevant circulars, within the prescribed deadlines and advertised in an English newspaper.

The Company would hold its general meetings at venues that are easily accessible by the shareholders and at a time convenient to the shareholders to encourage them to attend the meetings. The shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns to the Board at these meetings.

The Company held its 38th AGM at the Sime Darby Convention Centre at Persiaran Bukit Kiara, Kuala Lumpur on 20 November 2008. The Notice of AGM, Annual Report and the related circular were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice of AGM was also advertised in a national English newspaper within the prescribed deadlines. All the Directors, except Cheng Kwee Kiang, and a total of 194 shareholders and proxies attended the AGM.

During the AGM, the Group Managing Director gave a briefing on the performance for the financial year 2008 and his view and insights on the future prospects of the Group's businesses. There was active participation by the shareholders in the discussions. The Chairman, when presenting the agenda items for voting, also gave a brief description of the items to be voted and shareholders were invited to give their views and comments before voting commenced.

The shareholders approved all the resolutions put forth at the AGM and the results of the AGM were announced to the shareholders via the Bursa Link on the same day at the conclusion of the AGM.

Minutes were kept to record the proceedings of the AGM and shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

The Notice for the forthcoming 39th AGM of the Company, which will be held on 18 November 2009, is on pages 99 to102 of this Annual Report.

ACCOUNTS AND AUDIT

Financial reporting

The Board takes responsibility in ensuring that the quarterly interim financial reports of the Group and 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 Financial Reporting Standards in Malaysia and any other statutory or regulatory requirements.

STATEMENT ON CORPORATE GOVERNANCE *(cont'd)*

The Group's annual audited financial statements are reviewed by the Audit Committee together with the external auditors and management of the Company. The quarterly interim financial reports are reviewed by the Audit Committee and the management. Thereafter, the Audit Committee will recommend to the Board to approve same prior to their release to Bursa Malaysia Securities Berhad within the stipulated time frame.

A statement by the Board on its responsibilities for preparing the annual audited financial statements is set out on page 28 of this Annual Report.

Internal control

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained throughout the Group, covering not only financial controls but also operational and compliance controls as well as risk management. The Board recognises that risks cannot be totally eliminated and the system of internal control instituted is designed to minimise and manage, rather than eliminate, these risks to safeguard shareholders' investments and the Group's assets. The Audit Committee, which has been empowered to assist the Board in discharging its duties in relation to internal control, seeks the regular assurance on the continuity and effectiveness of the internal control system through independent reviews conducted by the internal and external auditors. In addition, Deloitte Enterprise Risk Services Sdn Bhd has been appointed as the Group's internal auditors to review the 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 19 to 23 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 24 to 25 of this Annual Report.

Relationship with auditors

The Company has established a formal, transparent and appropriate relationship with the Group's auditors, both external and internal. 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.

As per the TOR, the Audit Committee has been explicitly accorded the power to appoint and decide on the remuneration and the resignation or dismissal of the external auditors. 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.

The external auditors attended three (3) meetings with the Audit Committee whereas the internal auditors were present at four (4) Audit Committee meetings held in the financial year ended 31 May 2009.

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

The Board is pleased to present its Audit Committee Report for the financial year ended 31 May 2009.

TERMS OF REFERENCE

Composition

The Audit Committee shall be appointed by the Board of Directors 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 of Bursa Malaysia Securities Berhad ("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 15.09 (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 annual general meeting of the Company.

If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members less than the required number of three (3), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of members. All members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board of Directors or until they cease to be a director of the Company.

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 of Directors in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("Group"), particularly in:

1. maintaining a good corporate governance standard as well as a sound system of internal control;

2. facilitating the effective discharge of its stewardship responsibilities in respect of strategic business operations and related controls;

3. identifying principal risks and ensuring the implementation of appropriate risk management framework; and

4. reviewing the adequacy and integrity of the system of internal control and management information system.

Functions

1) The duty 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 question of resignation or dismissal;

AUDIT COMMITTEE REPORT *(cont'd)*

(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 –

- changes in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements;

(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 responses;

(b) INTERNAL AUDIT

(i) In relation to the internal audit function –

- to determine the scope and ensure that the internal audit function is independent of the activities it audits;
- to approve the annual internal audit plan;
- to review the competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- to review results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function; and
- to 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 of Directors.

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, internal auditors or both, without the attendance of other directors and employees of the Company and the Group whenever it deems necessary.

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 in (1) above, the Audit Committee shall have, at the cost of the Company:

(a) the explicit authority to investigate any matter within its Terms 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 auditors and the 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.

AUDIT COMMITTEE **REPORT** *(cont'd)*

Meeting

The Audit Committee shall meet every quarterly or at other frequencies as directed by the Board of Directors 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. Agenda shall be sent to all Audit Committee members and any other persons who may be required to attend the meeting at least seven (7) days prior to the meeting unless such requirement is waived by the Audit Committee members at the meeting.

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

Minutes

The minutes of each Audit Committee 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 of Directors upon request.

Copies of the minutes shall be distributed to the Audit Committee members and the Board of Directors for information.

MEMBERS AND MEETINGS

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

- Edmond Cheah Swee Leng
  Chairman, Independent Non-Executive Director, member of MIA
- Dato' Mohd Ismail Bin Che Rus
  Member, Independent Non-Executive Director
- Lim Hock Chye
  Member, Independent Non-Executive Director

The composition of the Audit Committee during the financial year complied with the Terms of Reference of the Audit Committee.

During the financial year, the Audit Committee held five (5) meetings which were attended by all the Audit Committee members. The internal auditors and the external auditors attended four (4) and three (3) Audit Committee meetings, respectively.

As per the Terms of Reference, the Chairman of the Audit Committee should engage on a continuous basis with senior management of the Company in order to be kept informed of matters affecting the Company and the Group. In this respect, the Audit Committee has decided that this would be carried out in the form of Audit Committee/Management meeting whenever the situation warrants such a meeting.

During the financial year, four (4) Audit Committee/Management meetings were held which were attended by all the Audit Committee members and the senior management of the Group to discuss the operational issues in the Group.

AUDIT COMMITTEE REPORT *(cont'd)*

SUMMARY OF ACTIVITIES

During the financial year under review, the Audit Committee carried out its duties in accordance with its Terms of Reference. The activities undertaken were as follows:

Financial results

- Review of the quarterly interim financial reports with the management before recommending them for the Board's approval; and
- Review of the annual audited financial statements with the external auditors prior to submission to the Board for approval.

The reviews above were to ensure, inter-alia, that the quarterly interim financial reports and the annual audited financial statements complied with the provisions of the Companies Act, 1965, the Listing Requirements of Bursa Malaysia Securities Berhad, the approved Financial Reporting Standards and other statutory and regulatory requirements.

Internal and external audits

- Review of the internal auditors' and external auditors' annual audit plans with the internal auditors and external auditors, respectively;
- Review of the quarterly internal audit reports with the internal auditors, and the management letter from the external auditors to ensure that the internal control system was in place and was effective to achieve its objectives. Weaknesses noted in the internal audit or non-compliance of the internal control system were reviewed to determine their possible impact on the effectiveness of the internal control system and their possible financial impact on the Group's financial results and the going concern assumptions;
- Review of the management's responses and remedial actions to be undertaken by the management in relation to the weaknesses and non-compliances noted above and the follow-up actions undertaken by the management thereof; and
- Review of the external auditors' remuneration and made recommendation to the Board for acceptance and for their reappointment.

Related party transactions

- Reviewed and approved the related party transactions entered into by the Company and the Group.

Employees share option scheme

- 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 the matters discussed at the Audit Committee meeting and the major issues raised in respect of the internal audit and internal control. The Chairman also briefed the Board on the discussion on the quarterly interim financial reports, the annual audited financial statements and the recommendations of the Committee thereon to the Board to adopt the quarterly interim financial reports and the annual audited financial statements.

AUDIT COMMITTEE **REPORT** *(cont'd)*

INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the internal control system.

In this regard, the Board has outsourced the internal audit function of the Group to an independent professional consulting firm, Deloitte Enterprise Risk Services Sdn Bhd, for the financial year ended 31 May 2009 for a fee of RM100,000. The outsourced internal audit function reports to the Audit Committee and indirectly assists the Board in monitoring and managing risks and the Group's system of internal control.

During the financial year, 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 internal control system in identifying and managing principal risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of management information system and consequently to determine the future requirements for internal control system and to co-develop a prioritised action plan;

(ii) to perform a risk assessment of the Group's business operation and to identify the business processes within the Group that internal audit should focus on; and

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

At the Audit Committee meeting, the internal auditors presented the quarterly internal audit reports to the Audit Committee for review and discussion. The quarterly internal audit reports, which highlighted internal control weaknesses in the business operations and the internal auditors' assessment of the magnitude of the financial effects arising from the weaknesses noted, also contained the internal auditors' recommendations on the corrective actions to overcome the internal control weaknesses and the management's responses to the findings and the recommendations thereof. Target was set for the appropriate corrective actions to be effected and the internal auditors would report their findings from the follow-up reviews in their internal audit progress reports, to the Audit Committee.

CONCLUSION

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 to pages 24 to 25 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 15.26(b) of the Listing Requirements of Bursa Malaysia Securities 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 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.

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 described below.

There is a continuous process for identifying, evaluating and managing significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of this annual report and financial statements. The process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board has in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

The Group's internal audit function is outsourced to a public accounting firm of international standing. The internal audit function facilitates the Board in its reviews of and evaluation of the adequacy and integrity of the Group's internal control system.

Internal audits are carried out according to the annual audit plan approved by the Audit Committee. The resulting reports from the audits undertaken are presented to the Audit Committee at its regular meetings. The Audit Committee meets to review, discuss and direct actions on matters pertaining to reports which, among other matters, include findings relating to the adequacy and integrity of the internal control system of the Group. After the Audit Committee has deliberated on

STATEMENT ON INTERNAL CONTROL *(cont'd)*

the reports, these are then forwarded to the operational management for attention and necessary actions. The operational management is responsible for ensuring that recommended corrective actions on reported weaknesses are taken within the required time frame.

The Audit Committee in its advisory capacity is established with specific terms of reference which include the overseeing and monitoring of the Group's financial reporting system and the review of the effectiveness of the Group's system of internal control periodically.

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 2009. 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

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") is pleased to present the Corporate Social Responsibility ("CSR") Statement for the financial year ended 31 May 2009.

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.

During the financial year, one of the subsidiaries has also begun the process of implementing the following initiatives:

- ISO 14000 – a standard for environmental management systems to reduce the environmental footprint of a business and to decrease pollution and waste;
- REACH – a new regulation on chemicals and their safe use to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances; and
- ROHS – a restriction on the use of certain hazardous substances in electrical and electronic equipment.

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:

- Proactive measures are taken to reduce employees' exposure to the noise in the high noise level areas, 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;
- Carry out scheduled safety drills such as fire and evacuation, chemical leakage, storage tank leakage and falling ill on site drills to ensure that employees are well trained to handle emergency situations; and
- 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 September 2008, a factory visit was conducted for twelve (12) students from the Faculty of Mechanical Engineering of Universiti Teknologi Mara, Shah Alam.

CORPORATE SOCIAL **RESPONSIBILITY STATEMENT** *(cont'd)*

Employees are encouraged to volunteer in community projects such as tree planting and blood donation campaigns. In June 2009, twenty-two (22) 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.

A subsidiary in Singapore also adopted the Singapore Children's Society as its official charity partner for 3 years beginning from year 2009.

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.

A subsidiary also carried out a safety briefing and training session for its Johor based customers in the palm oil refineries on the handling of phosphoric acid.

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 15.26(a) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Directors are required to issue a Statement explaining their responsibilities in the preparation of the annual audited 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 2009 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, the Listing Requirements and other statutory and regulatory requirements.

In preparing the financial statements for the financial year ended 31 May 2009, 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.

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 2009.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other plastic products, including geotextiles and prefabricated sub-soil drainage systems.

The principal activities of the subsidiaries comprise the following:

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

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

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

(d) Manufacture and marketing of roofing products.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year except for PT Indomalay Ekatana Roofing Industries which ceased production on 29 May 2009.

RESULTS

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

	Group RM'000	Company RM'000
Profit from operations	19,292	32,928
Finance costs	(8,101)	(5,326)
Share of results of associates	(815)	-
Profit before taxation	10,376	27,602
Taxation	242	4,304
Net profit for the year	10,618	31,906
Attributable to:		
Equity holders of the Company	14,706	31,906
Minority interests	(4,088)	-
	10,618	31,906

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' **REPORT** *(cont'd)*

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

At the 38th Annual General Meeting held on 20 November 2008, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares. During the financial year, the Company purchased 375,200 of its ordinary shares of RM1.00 each from the open market at an average price of RM1.24 per share, pursuant to Section 67A of the Companies Act, 1965 ("Act"). The total consideration paid for the repurchases including transaction costs was RM464,383. The repurchased shares have been retained as treasury shares in accordance with Section 67A (3A)(b) of the Act.

On 16 January 2009, the Company distributed a total of 8,825,943 treasury shares, being payment of the final tax-exempt dividend for the financial year ended 31 May 2008.

As at 31 May 2009, a total of 8,988,457 treasury shares at a total cost of RM12,851,324 were held by the Company. Details of the shares repurchased in the financial year are disclosed in Note 28 to the financial statements.

DIVIDENDS

During the financial year, the Company has paid the following final dividends in respect of the financial year ended 31 May 2008, on 16 January 2009:

(i) cash dividend of 4.5 sen per share, less 26% income tax, amounting to RM5,878,237; and

(ii) tax-exempt dividend in the form of distribution of 8,825,943 treasury shares, as defined under Section 67A (3A)(b) of the Act, amounting to RM12,530,191.

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final dividend in the form of distribution of one (1) treasury share for every sixty (60) existing ordinary shares of RM1.00 each held, of which fraction of a treasury share is to be disregarded.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2010.

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 Ir Dr Mohamed Al Amin Abdul Majid, *JP (Non-Executive Chairman)*
Dato' Johari Razak *(Non-Executive Deputy Chairman)*
Dato' Siew Ka Wei *(Group Managing Director)*
Dato' Mohd Ismail bin Che Rus *(resigned on 20 July 2009)*
Lim Hock Chye
Edmond Cheah Swee Leng
Cheng Kwee Kiang *(resigned on 3 April 2009)*

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

DIRECTORS' REPORT *(cont'd)*

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 1.6.2008	**Acquired**	**Share dividend received/ (distributed)**	**Disposed**	**Balance at 31.5.2009**
The Company					
Direct interest					
Dato' Johari Razak	75,000	-	50,292	-	125,292
Dato' Siew Ka Wei	-	-	1,451,735	-	1,451,735
Deemed interest					
Dato' Siew Ka Wei	109,031,518	-	(14,227,038)	-	94,804,480
Holding company, Ancom Berhad					
Direct interest					
Dato' Johari Razak	465,427	-	-	-	465,427
Dato' Siew Ka Wei	14,342,365	244,400	-	-	14,586,765
Deemed interest					
Dato' Siew Ka Wei	16,456,506	2,965,342	-	-	19,421,848

	No. of Three (3) Year Warrants 2005/2008 of RM0.02 Each				
	Balance at 1.6.2008	**Granted/ Acquired**	**Exercised**	**Expired**	**Balance at 31.5.2009**
Holding company, Ancom Berhad					
Direct interest					
Dato' Siew Ka Wei	11,249,700	1,000,000	-	(12,249,700)	-
Deemed interest					
Dato' Siew Ka Wei	4,113,713	-	(2,602,592)	(1,511,121)	-

	No. of Ordinary Shares of RM0.20 Each			
	Balance at 1.6.2008	**Share dividend received**	**Disposed**	**Balance at 31.5.2009**
Related company, Tamco Corporate Holdings Berhad				
Direct interest				
Dato' Johari Razak	150,000	23,271	(150,000)	23,271

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' **REPORT** *(cont'd)*

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 by a related corporation with a Director; or with a firm of which the Director is a member; or with a company in which the Director has a substantial financial interest.

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.

DIRECTORS' **REPORT** *(cont'd)*

OTHER STATUTORY INFORMATION *(cont'd)*

(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.

HOLDING COMPANY

The holding company of the Company is Ancom Berhad, a company incorporated in Malaysia and listed on the Main Market 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 37 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 18 September 2009.

Datuk Ir Dr Mohamed Al Amin Abdul Majid, *JP*
Director

Dato' Siew Ka Wei
Director

STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Ir Dr Mohamed Al Amin 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 38 to 92 are drawn up in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2009 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 18 September 2009.

Datuk Ir Dr Mohamed Al Amin 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 38 to 92 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 18 September 2009.

Before me,

Dato' Siew Ka Wei

A. Rathnasamy, AMN (No. B348)
Pesuruhjaya Sumpah
Malaysia

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NYLEX (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

Report of the Financial Statements

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the balance sheets as at 31 May 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 92.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 ("Act") in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's and the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and of the Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Act in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Act in Malaysia, we also report the following:

(a) In our opinion, 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.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 38 to the financial statements.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF NYLEX (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA) *(cont'd)*

(c) 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.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Act in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF:0039
Chartered Accountants

Kua Choh Leang
No. 2716/01/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
18 September 2009

INCOME **STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 MAY 2009

		Group		Company	
		2009	2008	**2009**	2008
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	3	**1,366,030**	1,742,062	**85,866**	105,996
Cost of sales	3	**(1,234,473)**	(1,576,508)	**(73,732)**	(90,971)
Gross profit		**131,557**	165,554	**12,134**	15,025
Other income	4	**2,817**	7,958	**44,688**	54,091
Selling and distribution expenses		**(64,211)**	(57,126)	**(6,401)**	(7,654)
Administrative expenses		**(43,593)**	(43,512)	**(15,596)**	(15,428)
Other expenses		**(7,278)**	(5,116)	**(1,897)**	(483)
Profit from operations		**19,292**	67,758	**32,928**	45,551
Finance costs	5	**(8,101)**	(9,612)	**(5,326)**	(5,336)
Share of results of associates		**(815)**	123	**-**	-
Profit before taxation	6	**10,376**	58,269	**27,602**	40,215
Taxation	9	**242**	(10,789)	**4,304**	(4,025)
Net profit for the year		**10,618**	47,480	**31,906**	36,190
Attributable to:					
Equity holders of the Company		**14,706**	47,763	**31,906**	36,190
Minority interests		**(4,088)**	(283)	**-**	-
		10,618	47,480	**31,906**	36,190
Earnings per share (sen)	10	**8.2**	25.2		
Net dividends per ordinary share (sen)	11	**10.5**	1.8		

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

BALANCE **SHEETS**
AS AT 31 MAY 2009

		Group		Company	
		2009	2008	**2009**	2008
	Note	**RM'000**	RM'000	**RM'000**	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**60,211**	62,064	**35,058**	37,478
Prepaid lease payments	13	**18,490**	18,806	**7,108**	7,224
Investments in subsidiaries	14	**-**	-	**200,927**	201,117
Investments in associates	15	**-**	815	**-**	-
Other investments	16	**3,580**	7,389	**80**	3,889
Intangible assets	17	**199**	403	**162**	353
Goodwill arising on consolidation	18	**93,160**	88,464	**-**	-
Deferred tax assets	29	**16,574**	996	**11,709**	-
		192,214	178,937	**255,044**	250,061
Current assets					
Inventories	19	**90,175**	132,964	**20,142**	24,736
Receivables	20	**162,351**	278,540	**14,795**	27,609
Marketable securities	21	**790**	1,137	**-**	-
Tax recoverable		**5,372**	8,694	**4,968**	7,957
Amount owing by group companies	22	**54**	180	**41,885**	49,539
Short-term deposits with licensed banks	32	**33,774**	24,998	**4,800**	-
Cash and bank balances	32	**33,807**	43,786	**9,961**	4,111
		326,323	490,299	**96,551**	113,952
TOTAL ASSETS		**518,537**	669,236	**351,595**	364,013
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	**194,338**	194,338	**194,338**	194,338
Reserves	26	**(4,577)**	(14,218)	**805**	805
Retained earnings	27	**59,393**	63,096	**47,796**	34,299
Less: Treasury shares, at cost	28	**(12,851)**	(24,917)	**(12,851)**	(24,917)
		236,303	218,299	**230,088**	204,525
Minority interests		**4,383**	8,510	**-**	-
Total equity		**240,686**	226,809	**230,088**	204,525
Non-current liabilities					
Deferred tax liabilities	29	**1,888**	2,836	**-**	691
Borrowings	24	**32,777**	44,311	**29,847**	44,311
Provision for retirement benefits	31	**3,774**	4,534	**3,561**	4,186
		38,439	51,681	**33,408**	49,188
Current liabilities					
Payables	23	**124,862**	194,750	**18,873**	22,386
Amount owing to group companies	22	**7,560**	11,065	**23,561**	41,965
Borrowings	24	**104,662**	181,200	**45,665**	45,949
Provision for taxation		**2,328**	3,731	**-**	-
		239,412	390,746	**88,099**	110,300
Total liabilities		**277,851**	442,427	**121,507**	159,488
TOTAL EQUITY AND LIABILITIES		**518,537**	669,236	**351,595**	364,013

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2009

		Attributable to Equity Holders of the Company							
		Non-distributable							
	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Retained earnings RM'000	Treasury shares RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Balance as at 1 June 2007		194,338	805	(10,418)	18,880	-	203,605	4,691	208,296
Currency translation differences, representing net expense recognised directly in equity		-	-	(4,605)	-	-	(4,605)	(112)	(4,717)
Net profit for the year		-	-	-	47,763	-	47,763	(283)	47,480
Total recognised income and expense for the year		-	-	(4,605)	47,763	-	43,158	(395)	42,763
Dividends	11	-	-	-	(3,547)	-	(3,547)	-	(3,547)
Repurchase of shares		-	-	-	-	(24,917)	(24,917)	-	(24,917)
Acquisition of subsidiaries		-	-	-	-	-	-	4,214	4,214
		-	-	(4,605)	44,216	(24,917)	14,694	3,819	18,513
Balance as at 31 May 2008		194,338	805	(15,023)	63,096	(24,917)	218,299	8,510	226,809
Currency translation differences, representing net income recognised directly in equity		-	-	9,641	-	-	9,641	(91)	9,550
Net profit for the year		-	-	-	14,706	-	14,706	(4,088)	10,618
Total recognised income and expense for the year		-	-	9,641	14,706	-	24,347	(4,179)	20,168
Dividends	11	-	-	-	(18,409)	12,530	(5,879)	-	(5,879)
Repurchase of shares		-	-	-	-	(464)	(464)	-	(464)
Additional interests in subsidiary *		-	-	-	-	-	-	52	52
		-	-	9,641	(3,703)	12,066	18,004	(4,127)	13,877
Balance as at 31 May 2009		**194,338**	**805**	**(5,382)**	**59,393**	**(12,851)**	**236,303**	**4,383**	**240,686**

* Being transaction costs paid by minority interests on acquisition of a subsidiary in prior year.

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

COMPANY STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2009

		←Non-distributable→				
		Share	Share	Retained	Treasury	
		capital	premium	earnings	shares	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 June 2007		194,338	805	1,656	-	196,799
Net profit for the year, representing total recognised income and expense for the year		-	-	36,190	-	36,190
Dividends	11	-	-	(3,547)	-	(3,547)
Repurchase of shares		-	-	-	(24,917)	(24,917)
Balance as at 31 May 2008		194,338	805	34,299	(24,917)	204,525
Net profit for the year, representing total recognised income and expense for the year		-	-	31,906	-	31,906
Dividends	11	-	-	(18,409)	12,530	(5,879)
Repurchase of shares		-	-	-	(464)	(464)
Balance as at 31 May 2009		**194,338**	**805**	**47,796**	**(12,851)**	**230,088**

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

CONSOLIDATED **CASH FLOW STATEMENT**
FOR THE FINANCIAL YEAR ENDED 31 MAY 2009

	2009 RM'000	2008 RM'000
Cash Flows From Operating Activities		
Profit before taxation	**10,376**	58,269
Adjustments for:		
Depreciation of property, plant and equipment	**7,678**	7,182
Interest expense	**8,101**	9,612
Amortisation of:		
Prepaid lease payments	**316**	315
Development expenditure	**13**	13
Rights	**191**	269
Impairment of investment	**2,876**	193
Bad debts recovered	**(27)**	(509)
Write-down of inventories	**1,244**	1,338
Allowance for doubtful debts	**592**	1,098
Unrealised (gain)/loss on foreign exchange	**(1,597)**	2,212
(Write-back)/provision for retirement benefits	**(169)**	348
Dividend income	**(104)**	(6,248)
Interest income	**(921)**	(1,670)
Gain on disposal of property, plant and equipment (net)	**(185)**	(40)
Share of results of associates	**815**	(123)
Operating profit before working capital changes	**29,199**	72,259
Working Capital Changes		
Receivables	**126,544**	(32,074)
Inventories	**47,213**	(24,146)
Payables	**(87,137)**	16,644
Group companies	**2,801**	10,905
Cash generated from operations	**118,620**	43,588
Income taxes paid	**(14,460)**	(12,662)
Retirement benefits paid	**(605)**	(354)
Net Cash Generated From Operating Activities	**103,555**	30,572

CONSOLIDATED **CASH FLOW STATEMENT**
FOR THE FINANCIAL YEAR ENDED 31 MAY 2009 *(cont'd)*

	2009 RM'000	2008 RM'000
Net Cash Generated From Operating Activities	**103,555**	30,572
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**406**	48
Purchase of property, plant and equipment	**(6,050)**	(11,971)
Acquisition of marketable securities	**(32)**	-
Disposal of quoted investment	**3,809**	-
Net cash flows on acquisition of subsidiaries (Note 14(a))	**-**	4,214
Transaction costs paid by minority interests arising from acquisition of subsidiary in prior year	**52**	-
Interest received	**921**	1,670
Dividend received from:		
- unquoted shares	**-**	4,480
- quoted shares	**78**	111
- marketable securities	**26**	26
Net Cash Used In Investing Activities	**(790)**	(1,422)
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	**(5,879)**	(3,547)
Repayment of hire-purchase creditors	**(164)**	(142)
Drawdown of term loan and advances	**70,012**	186,097
Repayment of term loan and advances	**(161,997)**	(163,083)
Purchase of Company's own shares	**(464)**	(24,804)
Interest paid	**(8,101)**	(9,612)
Net Cash Used In Financing Activities	**(106,593)**	(15,091)
Net (Decrease)/Increase in Cash and Cash Equivalents	**(3,828)**	14,059
Effects of Exchange Rate Changes	**5,254**	(2,666)
Cash and Cash Equivalents at beginning of year	**68,379**	55,514
Effects of Exchange Rate Changes	**(2,554)**	1,472
	65,825	56,986
Cash and Cash Equivalents at end of year (Note 32)	**67,251**	68,379

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

COMPANY **CASH FLOW STATEMENT**
FOR THE FINANCIAL YEAR ENDED 31 MAY 2009

	2009	2008
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	**27,602**	40,215
Adjustments for:		
Depreciation of property, plant and equipment	**4,360**	4,309
Interest expense	**5,326**	5,336
Amortisation of:		
Prepaid lease payments	**116**	116
Rights	**191**	269
Impairment of investment	**189**	-
Write-down of inventories	**-**	1,172
Allowance for doubtful debts	**12**	-
Unrealised (gain)/loss on foreign exchange	**(1,171)**	122
(Write-back)/provision for retirement benefits	**(244)**	285
Dividend income	**(42,803)**	(53,928)
Interest income	**(56)**	(56)
(Gain)/loss on disposal of property, plant and equipment	**(19)**	6
Operating loss before working capital changes	**(6,497)**	(2,154)
Working Capital Changes		
Receivables	**12,802**	(5,453)
Inventories	**4,594**	(2,294)
Payables	**(3,512)**	2,157
Group companies	**12,549**	41,556
Cash generated from operations	**19,936**	33,812
Income taxes paid	**-**	(87)
Retirement benefits paid	**(381)**	(354)
Net Cash Generated From Operating Activities	**19,555**	33,371

COMPANY **CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2009 *(cont'd)*

	2009	2008
	RM'000	RM'000
Net Cash Generated From Operating Activities	**19,555**	33,371
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**130**	-
Purchase of property, plant and equipment	**(2,052)**	(7,575)
Disposal of quoted investment	**3,809**	-
Interest received	**56**	56
Dividend income	**15,570**	4,591
Net Cash Generated From/(Used In) Investing Activities	**17,513**	(2,928)
Cash Flows From Financing Activities		
Dividends paid to shareholders of the Company	**(5,879)**	(3,547)
Repayment of hire-purchase creditors	**(149)**	(133)
Drawdown of term loan and advances	**6,800**	17,600
Repayment of term loan and advances	**(21,400)**	(14,892)
Purchase of Company's own shares	**(464)**	(24,804)
Interest paid	**(5,326)**	(5,336)
Net Cash Used In Financing Activities	**(26,418)**	(31,112)
Net Increase/(Decrease) in Cash and Cash Equivalents	**10,650**	(669)
Cash and Cash Equivalents at beginning of year	**4,111**	4,780
Cash and Cash Equivalents at end of year (Note 32)	**14,761**	4,111

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

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market 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 38. 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 18 September 2009.

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 2008, the Group and the Company adopted the following applicable FRSs and amendments to FRSs which are mandatory for financial periods beginning on or after 1 July 2007:

FRSs	
FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 119_{2004}	Employee Benefits
Amendments to	
FRS 121	The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

The adoption of the new and revised FRSs does not have significant financial impact on the Group and the Company.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

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

FRSs		**Effective for financial periods beginning on or after**
FRS 7	Financial Instruments - Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments - Recognition and Measurement	1 January 2010
Amendments to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
FRS 127	Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Interpretations		
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	Group and Treasury Share Transactions	1 January 2010

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

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

(iii) FRSs, amendments to FRSs and interpretations that are not applicable and not adopted

FRS		**Effective for financial periods beginning on or after**
FRS 4	Insurance Contracts	1 January 2010
Amendments to FRSs		
FRS 2	Share-based Payments - Vesting Conditions and Cancellations	1 January 2010
Interpretations		
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The above FRSs and interpretations that are not yet effective are not applicable to the Group and the Company.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Significant accounting judgements and estimates

Estimates and assumptions concerning the future and judgements 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 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 2009 was RM93,160,000 (2008: RM88,464,000). Further details are disclosed in Note 18.

(ii) Income tax

Judgement 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 29 respectively.

(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 4% and 1% variances in net profit for the year of the Group and of the Company respectively.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Subsidiaries and basis of consolidation *(cont'd)*

(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.

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 earnings 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.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(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 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.

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

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 - 33.3**
Plant and machinery	**6.7 - 33.3**
Furniture and fittings	**7.5 - 33.3**
Office equipment	**10.0 - 33.3**
Motor vehicles	**15.0 - 25.0**

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 earnings 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.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(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.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

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.

(iv) Termination benefits

Termination benefits are payable to employees whose employment are terminated before the normal retirement date or employees who accept voluntary redundancy. The Group recognises termination benefits as a liability and an expense when it is irrefutably committed to the termination and is without realistic possibility of withdrawal or when an offer is made in order to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of the termination benefits shall be based on the number of employees expected to accept the offer. Benefits which fall due more than 12 months after the balance sheet date are discounted to the present value.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(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 transactions. 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.

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, regardless of the currency of the monetary items, 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 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 re-translation 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 of the consolidated financial statements, which is in RM, 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.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

(iii) Foreign operations *(cont'd)*

The principal average rates and closing rates were as follows:

	Average Rate		Closing Rate	
	2009	2008	**2009**	2008
RM1.00 =				
Foreign currency				
Australian Dollar	**0.3789**	0.3388	**0.3603**	0.3237
Chinese Renminbi	**1.9709**	2.2033	**1.9593**	2.1438
Hong Kong Dollar	**2.2366**	2.3450	**2.2170**	2.4096
Indonesian Rupiah (1,000 units)	**2.9996**	2.7683	**2.9430**	2.8760
Singapore Dollar	**0.4169**	0.4355	**0.4134**	0.4221
United States Dollar	**0.2878**	0.3009	**0.2860**	0.3087
Vietnamese Dong (1,000 units)	**4.8875**	-	**4.8440**	-

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.

(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

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(o) Impairment of assets *(cont'd)*

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.

(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. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards 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).

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(p) Leases *(cont'd)*

(ii) Operating leases

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

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(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 equity instruments 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.

(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. On disposal of marketable securities, the difference between the net disposal proceeds and the carrying amount is 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.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

(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.

4. OTHER INCOME

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Interest income	**921**	1,670	**56**	56
Dividend income on equity investments				
- unquoted shares	**-**	6,099	**-**	6,099
- shares quoted outside Malaysia	**78**	123	**78**	123
- marketable securities	**26**	26	**-**	-
- subsidiaries	**-**	-	**42,725**	47,706
Gain on disposal of property, plant and equipment	**185**	40	**19**	-
Realised gain on foreign exchange	**-**	-	**629**	-
Unrealised gain on foreign exchange	**1,597**	-	**1,171**	-
Sundry income	**10**	-	**10**	107
	2,817	7,958	**44,688**	54,091

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

5. FINANCE COSTS

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Bank borrowings	**7,826**	9,575	**3,610**	4,290
Advances from subsidiaries	**-**	-	**1,716**	1,046
Others	**275**	37	**-**	-
	8,101	9,612	**5,326**	5,336

6. PROFIT BEFORE TAXATION

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
This was arrived at after charging/(crediting):				
Amortisation of prepaid lease payments (Note 13)	**316**	315	**116**	116
Amortisation of development expenditure (Note 17)	**13**	13	**-**	-
Amortisation of rights (Note 17)	**191**	269	**191**	269
Auditors' remuneration				
- Current	**375**	317	**75**	75
- Under provision in prior year	**1**	11	**-**	-
Bad debts recovered	**(27)**	(509)	**-**	-
Depreciation of property, plant and equipment (Note 12)	**7,678**	7,182	**4,360**	4,309
Hire of equipment	**82**	7	**-**	-
Allowance for doubtful debts	**592**	1,098	**12**	-
Write-down of inventories	**1,244**	1,338	**-**	1,172
Realised loss on foreign exchange	**1,367**	2,209	**-**	1
Unrealised loss on foreign exchange	**-**	2,212	**-**	122
Rent of premises	**1,306**	1,547	**72**	88
Impairment of investment	**2,876**	193	**189**	-
Loss on disposal of property, plant and equipment	**-**	-	**-**	6
Staff costs (Note 7)	**47,146**	46,276	**22,695**	22,586

7. STAFF COSTS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Wages and salaries	**40,623**	42,089	**19,133**	19,927
EPF and social security costs	**4,107**	3,463	**2,253**	2,214
(Write-back)/provision for retirement benefits (Note 31)	**(169)**	348	**(244)**	285
Termination benefits	**1,932**	-	**1,418**	-
Other staff related expenses	**653**	376	**135**	160
	47,146	46,276	**22,695**	22,586

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

7. STAFF COSTS *(cont'd)*

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM3,032,000 (2008: RM6,549,000) and RM2,912,000 (2008: RM6,149,000) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

(a) Total remuneration

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Executive Directors				
Salaries	**720**	720	**600**	600
Bonuses	**2,000**	5,140	**2,000**	4,890
EPF	**312**	689	**312**	659
	3,032	6,549	**2,912**	6,149
Non-Executive Directors				
Fees	**382**	435	**382**	435
Allowances	**22**	28	**22**	28
	404	463	**404**	463
Total	**3,436**	7,012	**3,316**	6,612

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

	No. of Directors	
	2009	2008
Executive Directors		
RM2,000,001 to RM6,600,000	**1**	1
	1	1
Non-Executive Directors		
Less than RM60,000	**3**	3
RM60,001 to RM100,000	**4**	4
	7	7

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

9. TAXATION

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Current income tax:				
- Malaysian income tax	**(13,383)**	(10,711)	**(5,108)**	(5,331)
- Foreign tax	**253**	(1,437)	**-**	-
	(13,130)	(12,148)	**(5,108)**	(5,331)
Under provision in prior years:				
- Malaysian income tax	**(3,130)**	(174)	**(2,988)**	(162)
- Foreign tax	**-**	(105)	**-**	-
	(16,260)	(12,427)	**(8,096)**	(5,493)
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	**11,351**	1,491	**7,224**	1,420
Relating to changes in tax rates	**(213)**	68	**-**	28
Over provision in prior years	**5,364**	79	**5,176**	20
	16,502	1,638	**12,400**	1,468
	242	(10,789)	**4,304**	(4,025)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income	: 20%
In excess of RM500,000 of chargeable income	: 26%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

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	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**10,376**	58,269	**27,602**	40,215

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

9. **TAXATION** *(cont'd)*

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	**(2,594)**	(15,150)	**(6,901)**	(10,456)
Effect of different tax rates in other countries	**308**	1,180	**-**	338
Effect of changes in tax rates	**(213)**	68	**-**	28
Effect of tax savings in small and medium scale companies	**-**	123	**-**	-
Effect of other tax incentives	**4,718**	6,128	**4,700**	4,888
Income not subject to tax	**313**	35	**5,592**	2,741
Expenses not deductible for tax purposes	**(3,534)**	(2,602)	**(1,276)**	(1,422)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**-**	86	**-**	-
Deferred tax assets not recognised	**(990)**	(457)	**-**	-
Over provision of deferred tax in prior years	**5,364**	79	**5,176**	20
Under provision of tax expense in prior years	**(3,130)**	(279)	**(2,988)**	(162)
Tax expense for the year	**242**	(10,789)	**4,304**	(4,025)

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 RM14,706,000 (2008: RM47,763,000) by the weighted average number of ordinary shares in issue during the financial year of 179,850,688 shares (2008: weighted average of 189,823,261 shares).

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

11. **DIVIDENDS**

	Amount		Net dividends per ordinary share	
	2009	2008	**2009**	2008
	RM'000	RM'000	**sen**	sen
Final dividend of 4.5 sen per share less tax in respect of financial year ended 31 May 2008, paid on 16 January 2009 (2008: second interim dividend of 2.5 sen per share less tax in respect of financial year ended 31 May 2007)	**5,879**	3,547	**3.4**	1.8
Final tax-exempt dividend in the form of distribution of one (1) treasury share for every twenty (20) ordinary shares held in respect of financial year ended 31 May 2008, on 16 January 2009	**12,530**	-	**7.1**	-
	18,409	3,547	**10.5**	1.8

Subject to the approval by the Company's shareholders at the forthcoming annual general meeting, the Directors have recommended a final dividend in the form of distribution of one (1) treasury share for every sixty (60) existing ordinary shares of RM1.00 each held, of which fraction of a treasury share is to be disregarded.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2010.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold 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
At 31 May 2009									
Cost or valuation									
At 1 June 2008									
Cost	250	353	17,161	125,471	1,450	5,485	4,732	8,462	**163,364**
Valuation	-	-	5,020	-	-	-	-	-	**5,020**
	250	353	22,181	125,471	1,450	5,485	4,732	8,462	**168,384**
Additions	-	-	-	2,052	41	120	589	3,326	**6,128**
Disposals	-	-	-	(1,759)	-	(61)	(1,124)	-	**(2,944)**
Reclassification	-	-	-	6,635	(70)	70	-	(6,635)	**-**
Exchange differences	-	-	-	(260)	14	14	(4)	108	**(128)**
At 31 May 2009	**250**	**353**	**22,181**	**132,139**	**1,435**	**5,628**	**4,193**	**5,261**	**171,440**
Representing:									
At cost	250	353	17,161	132,139	1,435	5,628	4,193	5,261	**166,420**
At valuation	-	-	5,020	-	-	-	-	-	**5,020**
At 31 May 2009	**250**	**353**	**22,181**	**132,139**	**1,435**	**5,628**	**4,193**	**5,261**	**171,440**
Accumulated depreciation									
At 1 June 2008	-	31	7,375	91,600	915	3,246	3,153	-	**106,320**
Depreciation charge for the year, recognised in the income statement (Note 6)	-	7	702	5,505	110	774	580	-	**7,678**
Disposals	-	-	-	(1,699)	-	(50)	(974)	-	**(2,723)**
Exchange differences	-	1	-	(56)	4	6	(1)	-	**(46)**
At 31 May 2009	**-**	**39**	**8,077**	**95,350**	**1,029**	**3,976**	**2,758**	**-**	**111,229**
Net carrying amount									
At cost	250	314	12,021	36,789	406	1,652	1,435	5,261	**58,128**
At valuation	-	-	2,083	-	-	-	-	-	**2,083**
At 31 May 2009	**250**	**314**	**14,104**	**36,789**	**406**	**1,652**	**1,435**	**5,261**	**60,211**

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

12. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Group	Freehold 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
At 31 May 2008									
Cost or valuation									
At 1 June 2007									
Cost	250	354	16,751	121,642	1,395	4,150	4,488	3,886	152,916
Valuation	-	-	5,020	-	-	-	-	-	5,020
	250	354	21,771	121,642	1,395	4,150	4,488	3,886	157,936
Additions	-	-	72	2,273	85	822	311	8,408	11,971
Disposals	-	-	-	(137)	-	(66)	(35)	-	(238)
Reclassification	-	-	338	2,897	-	597	-	(3,832)	-
Exchange differences	-	(1)	-	(1,204)	(30)	(18)	(32)	-	(1,285)
At 31 May 2008	250	353	22,181	125,471	1,450	5,485	4,732	8,462	168,384
Representing:									
At cost	250	353	17,161	125,471	1,450	5,485	4,732	8,462	163,364
At valuation	-	-	5,020	-	-	-	-	-	5,020
At 31 May 2008	250	353	22,181	125,471	1,450	5,485	4,732	8,462	168,384
Accumulated depreciation									
At 1 June 2007	-	25	6,676	86,946	813	2,593	2,643	-	99,696
Depreciation charge for the year, recognised in the income statement (Note 6)	-	6	699	5,086	108	724	559	-	7,182
Disposals	-	-	-	(135)	-	(60)	(35)	-	(230)
Exchange differences	-	-	-	(297)	(6)	(11)	(14)	-	(328)
At 31 May 2008	-	31	7,375	91,600	915	3,246	3,153	-	106,320
Net carrying amount									
At cost	250	322	12,598	33,871	535	2,239	1,579	8,462	59,856
At valuation	-	-	2,208	-	-	-	-	-	2,208
At 31 May 2008	250	322	14,806	33,871	535	2,239	1,579	8,462	62,064

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

12. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company	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
At 31 May 2009							
Cost or valuation							
At 1 June 2008							
Cost	10,398	103,226	723	4,022	2,322	5,227	**125,918**
Valuation	5,020	-	-	-	-	-	**5,020**
	15,418	103,226	723	4,022	2,322	5,227	**130,938**
Additions	-	1,881	6	25	98	42	**2,052**
Disposals	-	(1,713)	-	(50)	(572)	-	**(2,335)**
Reclassification	-	12	-	-	-	(12)	**-**
At 31 May 2009	**15,418**	**103,406**	**729**	**3,997**	**1,848**	**5,257**	**130,655**
Representing:							
At cost	10,398	103,406	729	3,997	1,848	5,257	**125,635**
At valuation	5,020	-	-	-	-	-	**5,020**
At 31 May 2009	**15,418**	**103,406**	**729**	**3,997**	**1,848**	**5,257**	**130,655**
Accumulated depreciation							
At 1 June 2008	6,001	82,684	654	2,430	1,691	-	**93,460**
Depreciation charge for the year, recognised in the income statement (Note 6)	385	3,271	23	475	206	-	**4,360**
Disposals	-	(1,654)	-	(47)	(522)	-	**(2,223)**
At 31 May 2009	**6,386**	**84,301**	**677**	**2,858**	**1,375**	**-**	**95,597**
Net carrying amount							
At cost	6,949	19,105	52	1,139	473	5,257	**32,975**
At valuation	2,083	-	-	-	-	-	**2,083**
At 31 May 2009	**9,032**	**19,105**	**52**	**1,139**	**473**	**5,257**	**35,058**

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

12. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company	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
At 31 May 2008							
Cost or valuation							
At 1 June 2007							
Cost	10,035	98,615	711	2,874	2,308	3,863	118,406
Valuation	5,020	-	-	-	-	-	5,020
	15,055	98,615	711	2,874	2,308	3,863	123,426
Additions	64	1,735	12	604	14	5,146	7,575
Disposals	-	(10)	-	(53)	-	-	(63)
Reclassification	299	2,886	-	597	-	(3,782)	-
At 31 May 2008	15,418	103,226	723	4,022	2,322	5,227	130,938
Representing:							
At cost	10,398	103,226	723	4,022	2,322	5,227	125,918
At valuation	5,020	-	-	-	-	-	5,020
At 31 May 2008	15,418	103,226	723	4,022	2,322	5,227	130,938
Accumulated depreciation							
At 1 June 2007	5,618	79,512	643	1,988	1,447	-	89,208
Depreciation charge for the year, recognised in the income statement (Note 6)	383	3,180	11	491	244	-	4,309
Disposals	-	(8)	-	(49)	-	-	(57)
At 31 May 2008	6,001	82,684	654	2,430	1,691	-	93,460
Net carrying amount							
At cost	7,209	20,542	69	1,592	631	5,227	35,270
At valuation	2,208	-	-	-	-	-	2,208
At 31 May 2008	9,417	20,542	69	1,592	631	5,227	37,478

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

12. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Leasehold 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 RM351,987 (2008: RM399,307) in respect of both the Group and the Company.

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM6,128,000 of which RM78,000 were acquired by means of finance lease arrangements.

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

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Motor vehicles	**388**	561	**321**	462

13. PREPAID LEASE PAYMENTS

At 1 June				
Cost	**11,582**	11,781	**-**	-
Valuation	**7,224**	7,340	**7,224**	7,340
	18,806	19,121	**7,224**	7,340
Amortisation during the year (Note 6)	**(316)**	(315)	**(116)**	(116)
At 31 May	**18,490**	18,806	**7,108**	7,224
Net carrying amount				
At cost	**11,382**	11,582	**-**	-
At valuation	**7,108**	7,224	**7,108**	7,224
	18,490	18,806	**7,108**	7,224
Analysed as:				
Long-term leasehold land	**17,786**	18,081	**7,108**	7,224
Short-term leasehold land	**704**	725	**-**	-
	18,490	18,806	**7,108**	7,224

(a) Leasehold land was 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 RM247,708 (2008: RM252,859) in respect of both the Group and the Company.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RM'000	RM'000
Unquoted shares - at cost	**207,984**	207,984
Less: Accumulated impairment losses	**(7,057)**	(6,867)
	200,927	201,117

Details of the subsidiaries are disclosed in Note 38.

(a) Acquisition of subsidiaries

(i) Joint ventures

During the last financial year, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn Bhd ("PKG") entered into two Joint Venture Contracts ("JVCs") as follows:

(a) Perusahaan Kimia Gemilang (Vietnam) Company Ltd

On 28 June 2007, a joint venture with Long Thanh Chemicals Company Ltd to set up a new company named Perusahaan Kimia Gemilang (Vietnam) Company Ltd. ("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 USD200,000, of which PKG contributed USD102,000 representing 51% participating interest.

On 6 September 2007, all conditions precedent to the joint venture were fulfilled and PKG Vietnam became a 51% owned subsidiary of the Company.

The joint venture had the following effect on the Group's financial results for the previous financial year:

	2008
	RM'000
Revenue	1,978
Loss from operations	796
Net loss for the year	908

(b) PT PKG Lautan Indonesia

On 10 September 2007, a joint venture with PT Lautan Luas Tbk to set up a new company named PT PKG Lautan Indonesia ("PKG Indonesia"), in the Republic of Indonesia, for the purpose of importation and distribution of industrial chemicals.

The authorised capital of PKG Indonesia consists of USD10,000,000 divided into 10,000,000 ordinary registered shares with a nominal value of USD1.00 per share, of which 2,500,000 shares with the total nominal value of USD2,500,000 is issued and fully paid up.

The investment in PKG Indonesia by PKG was USD1,275,000 for the subscription of 1,275,000 ordinary shares, representing 51% of the equity in PKG Indonesia.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

14. **INVESTMENTS IN SUBSIDIARIES** *(cont'd)*

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

(i) **Joint ventures** *(cont'd)*

(b) **PT PKG Lautan Indonesia** *(cont'd)*

As at 31 May 2008, PKG Indonesia had yet to begin operations. Hence, it had no effect on the Group's financial results for the financial year ended 31 May 2008.

The fair values of the assets acquired from the acquisition of the above joint ventures were as follows:

	2008 RM'000
Cash and bank balances	8,600
Less: Minority interests	(4,214)
Group's share of net assets	4,386
The cash outflow/(inflow) on acquisition is as follows:	
Purchase consideration satisfied by cash	4,386
Cash and cash equivalents of subsidiaries acquired	(8,600)
Net cash inflow of the Group	(4,214)

15. **INVESTMENTS IN ASSOCIATES**

	Group		Company	
	2009 RM'000	2008 RM'000	**2009 RM'000**	2008 RM'000
Investment in unquoted associates				
- At cost	**1,116**	1,116	**-**	-
- Share of post-acquisition results	**(1,116)**	(301)	**-**	-
	-	815	**-**	-

The summarised financial statements of the associates are as follows:

	2009 RM'000	2008 RM'000
Assets and liabilities		
Current assets	**7,457**	18,788
Non-current assets	**635**	803
Total assets	**8,092**	19,591
Current liabilities	**8,481**	16,874
Total liabilities	**8,481**	16,874

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

15. INVESTMENTS IN ASSOCIATES *(cont'd)*

The summarised financial statements of the associates are as follows:

	2009	2008
	RM'000	RM'000
Results		
Revenue	**183,839**	271,928
(Loss)/profit for the year	**(3,107)**	409

Details of the associates are disclosed in Note 39.

16. OTHER INVESTMENTS

	Group		**Company**	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Unquoted shares at cost	**3,580**	3,580	**80**	80
Quoted shares at cost	**-**	3,809	**-**	3,809
	3,580	7,389	**80**	3,889
Market value of quoted shares				
- As at 30 May 2008	**-**	3,790	**-**	3,790
- As at 15 September 2008	**-**	3,840	**-**	3,840

17. INTANGIBLE ASSETS

	2009	2008	**2009**	2008
Development expenditure				
At 1 June	**50**	63	**-**	-
Amortisation during the year (Note 6)	**(13)**	(13)	**-**	-
At 31 May	**37**	50	**-**	-
Rights				
At 1 June	**353**	622	**353**	622
Amortisation during the year (Note 6)	**(191)**	(269)	**(191)**	(269)
At 31 May	**162**	353	**162**	353
Total	**199**	403	**162**	353

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

18. GOODWILL ARISING ON CONSOLIDATION

	Group	
	2009	2008
	RM'000	RM'000
At 1 June	**88,464**	91,330
Exchange differences	**4,696**	(2,866)
At 31 May	**93,160**	88,464

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:

	Polymer	Industrial Chemical	Total
	RM'000	RM'000	RM'000
31 May 2009	**111**	**93,049**	**93,160**
31 May 2008	114	88,350	88,464

(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. Cash flows beyond the five-year period are extrapolated using the growth rate stated below. 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. In computing the value-in-use for each CGU, the management has applied a discount rate of 8.43% 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 have caused the carrying values of the CGUs to materially exceed their recoverable amounts.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

19. INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Cost				
Finished goods	**16,898**	19,934	**-**	-
Work-in-progress	**929**	1,556	**-**	-
Raw materials and consumable stores	**6,549**	10,972	**365**	434
Inventory-in-transit	**2,801**	-	**-**	-
	27,177	32,462	**365**	434
Net realisable value				
Finished goods	**51,436**	85,763	**7,715**	10,508
Work-in-progress	**3,694**	3,407	**3,656**	3,203
Raw materials and consumable stores	**7,868**	11,332	**8,406**	10,591
	62,998	100,502	**19,777**	24,302
	90,175	132,964	**20,142**	24,736

20. RECEIVABLES

Trade receivables	**158,429**	275,610	**14,740**	26,970
Allowance for doubtful debts	**(2,105)**	(1,719)	**(422)**	(410)
	156,324	273,891	**14,318**	26,560
Other receivables	**4,370**	3,298	**368**	903
Deposits	**368**	301	**17**	11
Prepayments	**1,289**	1,050	**92**	135
	6,027	4,649	**477**	1,049
	162,351	278,540	**14,795**	27,609

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.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

21. MARKETABLE SECURITIES

	Group	
	2009	2008
	RM'000	RM'000
Shares quoted in Malaysia, at cost	**1,581**	1,549
Less: Accumulated impairment losses	**(791)**	(412)
	790	1,137
Market value of quoted shares	**790**	1,137

22. AMOUNT OWING BY/TO GROUP COMPANIES

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Amount owing by group companies:				
Trade				
Related companies	**54**	180	**-**	4
Subsidiaries	**-**	-	**-**	182
	54	180	**-**	186
Non-trade				
Subsidiaries	**-**	-	**41,885**	49,353
	54	180	**41,885**	49,539
Amount owing to group companies:				
Trade				
Related companies	**1,576**	905	**-**	-
Non-trade				
Related companies	**4,322**	8,451	**14**	21
Subsidiaries	**-**	-	**21,882**	40,239
Holding company	**1,662**	1,709	**1,665**	1,705
	5,984	10,160	**23,561**	41,965
	7,560	11,065	**23,561**	41,965

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

Related companies refer to companies within Ancom.

The account balances with the holding company, subsidiaries and other related companies consists of the following:

(i) trade balances which are subject to normal trade credit terms; and

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

22. AMOUNT OWING BY/TO GROUP COMPANIES *(cont'd)*

(ii) non-trade balances which arose mainly from intercompany advances which bore interest at rates ranging from 2.7% to 3.8% (2008: 3.5% 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.

23. PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**88,623**	176,523	**8,559**	16,378
Other payables	**18,845**	9,685	**3,046**	2,370
Accruals	**17,394**	8,542	**7,268**	3,638
	124,862	194,750	**18,873**	22,386

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

24. BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Short-term borrowings				
Secured				
Trust receipts	**1,507**	51,322	**-**	-
Revolving credits	**1,696**	-	**-**	-
Term loan	**15,066**	14,400	**14,400**	14,400
Unsecured				
Bank overdrafts (Note 32)	**330**	405	**-**	-
Short-term loan and advances	**85,980**	114,924	**31,200**	31,400
Hire-purchase creditors (Note 30)	**83**	149	**65**	149
	104,662	181,200	**45,665**	45,949
Long-term borrowings				
Secured				
Term loans	**32,731**	44,247	**29,847**	44,247
Unsecured				
Hire-purchase creditors (Note 30)	**46**	64	**-**	64
	32,777	44,311	**29,847**	44,311
Total borrowings	**137,439**	225,511	**75,512**	90,260

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

24. BORROWINGS *(cont'd)*

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Maturity of borrowings				
Within one year	**104,662**	181,200	**45,665**	45,949
More than 1 year and less than 2 years	**18,805**	14,464	**17,900**	14,464
More than 2 years and less than 5 years	**13,972**	29,847	**11,947**	29,847
	137,439	225,511	**75,512**	90,260

The borrowings bore interest at rates ranging from 2.5% to 8.0% (2008: 3.3% to 5.0%) per annum.

The short-term secured trust receipts and revolving credits together with the long-term secured term loan of RM3,550,000 are for a foreign subsidiary and secured by the mortgage of tank farms, corporate guarantee by its shareholders and the assignment of insurance policies covering stock in trade in favour of the Bank.

The short-term secured term loan of RM14,400,000 and the long-term secured term loan of RM29,847,000 are secured by assignment of dividends received or receivable from a subsidiary of the Company.

25. SHARE CAPITAL

	Group / Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2009	2008	**2009**	2008
	'000	'000	**RM'000**	RM'000
Authorised:				
At 1 June/31 May	**300,000**	300,000	**300,000**	300,000
Issued and fully paid:				
At 1 June	**194,338**	194,338	**194,338**	194,338
At 31 May	**194,338**	194,338	**194,338**	194,338

Of the total 194,337,860 (2008: 194,337,860) issued and paid-up ordinary shares of RM1.00 each as at 31 May 2009, 8,988,457 (2008: 17,439,200) shares are held as treasury shares by the Company. Consequently, as at 31 May 2009, the number of ordinary shares in issue after deduction of the treasury shares is 185,349,403 (2008: 176,898,660) ordinary shares of RM1.00 each.

26. RESERVES

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable:				
Share premium	**805**	805	**805**	805
Translation reserves	**(5,382)**	(15,023)	**-**	-
	(4,577)	(14,218)	**805**	805

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

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

27. RETAINED EARNINGS

As at 31 May 2009, the Company has tax-exempt income accounts of approximately RM27,344,000 (2008: RM23,240,000) of which the Company can distribute tax-exempt dividends of up to the same amount, subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2008 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single-tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the balances under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2008.

The Company did not elect for the irrevocable option to disregard the Section 108 tax credit balances. Accordingly, during the transitional period, the Company may utilise the credit in 108 balance 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 2009.

28. TREASURY SHARES

	Group / Company			
	Number of ordinary shares of RM1.00 each		**Amount**	
	2009	2008	**2009**	2008
	'000	'000	**RM'000**	RM'000
At 1 June	**17,439**	-	**24,917**	-
Repurchase of shares	**375**	17,439	**464**	24,917
Distribution of share dividend	**(8,826)**	-	**(12,530)**	-
At 31 May	**8,988**	17,439	**12,851**	24,917

The details of the shares repurchased during the financial year are as follows:

Month	**No. of shares**	**Cost RM**	**Purchase price per share Highest RM**	**Lowest RM**	**Average RM**
June 2008	269,600	360,406	1.3800	1.2700	1.3307
July 2008	41,000	47,630	1.1700	1.1300	1.1513
October 2008	40,500	35,419	1.0200	0.7900	0.8689
November 2008	24,000	20,824	0.8900	0.8050	0.8598
May 2009	100	103	0.6200	0.6200	0.6200
	375,200	**464,382**			

There were no shares resold or cancelled during the financial year.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

29. DEFERRED TAX

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
At 1 June	**1,840**	3,354	**691**	2,159
Recognised in the income statement (Note 9)	**(16,502)**	(1,638)	**(12,400)**	(1,468)
Exchange differences	**(24)**	124	**-**	-
At 31 May	**(14,686)**	1,840	**(11,709)**	691
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(16,574)**	(996)	**(11,709)**	-
Deferred tax liabilities	**1,888**	2,836	**-**	691
	(14,686)	1,840	**(11,709)**	691

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	Total RM'000
At 1 June 2008	7,236	7,236
Recognised in the income statement	(451)	(451)
Exchange differences	3	3
At 31 May 2009	**6,788**	**6,788**
At 1 June 2007	7,828	7,828
Recognised in the income statement	(606)	(606)
Exchange differences	14	14
At 31 May 2008	7,236	7,236

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
At 1 June 2008	(1,144)	(1,659)	(2,593)	(5,396)
Recognised in the income statement	196	(2,900)	(13,347)	(16,051)
Exchange differences	2	(1)	(28)	(27)
At 31 May 2009	**(946)**	**(4,560)**	**(15,968)**	**(21,474)**

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

29. DEFERRED TAX *(cont'd)*

Deferred tax assets of the Group *(cont'd)*

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2007	(1,194)	(1,026)	(2,254)	(4,474)
Recognised in the income statement	43	(639)	(436)	(1,032)
Exchange differences	7	6	97	110
At 31 May 2008	(1,144)	(1,659)	(2,593)	(5,396)

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000	Total RM'000
At 1 June 2008	4,767	4,767
Recognised in the income statement	(208)	(208)
At 31 May 2009	**4,559**	**4,559**
At 1 June 2007	5,223	5,223
Recognised in the income statement	(456)	(456)
At 31 May 2008	4,767	4,767

Deferred tax assets of the Company

	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 June 2008	(1,046)	(1,175)	(1,855)	(4,076)
Recognised in the income statement	156	(1,519)	(10,829)	(12,192)
At 31 May 2009	**(890)**	**(2,694)**	**(12,684)**	**(16,268)**
At 1 June 2007	(1,106)	(798)	(1,160)	(3,064)
Recognised in the income statement	60	(377)	(695)	(1,012)
At 31 May 2008	(1,046)	(1,175)	(1,855)	(4,076)

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

30. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Minimum lease payments				
Not later than one year	**89**	158	**66**	158
Later than one year and not later than two years	**23**	65	**-**	65
Later than two years and not later than five years	**36**	-	**-**	-
	148	223	**66**	223
Future finance charges	**(19)**	(10)	**(1)**	(10)
Present value of finance lease liabilities	**129**	213	**65**	213
Present value of finance lease liabilities				
Not later than one year	**83**	149	**65**	149
Later than one year and not later than two years	**18**	64	**-**	64
Later than two years and not later than five years	**28**	-	**-**	-
	129	213	**65**	213
Analysed as:				
Due within 12 months (Note 24)	**83**	149	**65**	149
Due after 12 months (Note 24)	**46**	64	**-**	64
	129	213	**65**	213

The hire-purchase and lease liabilities bore flat interest rates at the balance sheet date of 3.30% to 8.00% (2008: 3.30%) per annum.

31. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
At 1 June	**4,534**	4,561	**4,186**	4,255
Benefits paid	**(605)**	(354)	**(381)**	(354)
(Income)/expense recognised in the income statements (Note 7)	**(169)**	348	**(244)**	285
Exchange fluctuation	**14**	(21)	**-**	-
At 31 May	**3,774**	4,534	**3,561**	4,186

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

32. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances	**33,807**	43,786	**9,961**	4,111
Short-term deposits with licensed banks	**33,774**	24,998	**4,800**	-
	67,581	68,784	**14,761**	4,111
Bank overdrafts (Note 24)	**(330)**	(405)	**-**	-
Cash and cash equivalents	**67,251**	68,379	**14,761**	4,111

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

	Group		Company	
	2009	2008	**2009**	2008
	Days	Days	**Days**	Days
Short-term deposits with licensed banks	**81**	104	**6**	-

The average interest rate of deposits as at the end of the financial year is 2.59% (2008: 2.55%).

33. COMMITMENTS

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Capital commitments				
Approved and contracted				
- property, plant and equipment	**275**	1,941	**237**	1,795
- acquisition of investment	**-**	15,152	**-**	15,152
	275	17,093	**237**	16,947

34. CONTINGENT LIABILITIES

There are no contingent liabilities for the Group and the Company for the financial year ended 31 May 2009 (2008: Nil).

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

35. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Sales to associates and related companies:	(i)				
- Ancom Crop Care Sdn Bhd		**153**	149	**-**	-
- Ancom Kimia Sdn Bhd		**23**	2,196	**-**	-
- Timber Preservatives Sdn Bhd		**-**	259	**-**	-
Purchases from subsidiary and associate:	(i)				
- Ancom Kimia Sdn Bhd		**148,675**	215,091	**-**	-
- Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**350**	668
Freight/transport charges paid to related company:	(i)				
- Pengangkutan Cogent Sdn Bhd		**3,841**	1,604	**101**	-
Storage rental paid to related companies:	(i)				
- Ancom-ChemQuest Terminals Sdn Bhd		**2,487**	2,392	**-**	-
- Sinsenmoh Transportation Pte Ltd		**433**	-	**-**	-
- SM Integrated Transware Pte Ltd		**-**	425	**-**	-
Interest paid to subsidiaries:	(ii)				
- Malaysian Roofing Industries Sdn Bhd		**-**	-	**183**	167
- Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**1,533**	879
Consultation charges paid to holding company:	(iii)				
- Ancom Berhad		**-**	207	**-**	-
Gross dividend from subsidiaries:					
- CKG Chemicals Pte Ltd		**-**	-	**-**	10,769
- Fermpro Sdn Bhd		**-**	-	**4,240**	6,047
- Kumpulan Kesuma Sdn Bhd		**-**	-	**410**	-
- Nycon Manufacturing Sdn Bhd		**-**	-	**570**	6,113
- Nylex Specialty Chemicals Sdn Bhd		**-**	-	**5,027**	13,614
- Perusahaan Kimia Gemilang Sdn Bhd		**-**	-	**32,310**	11,163
- Wedon Sdn Bhd		**-**	-	**168**	-

(i) The Directors are of the opinion that the sales, purchases, freight/transport and storage charges to/from subsidiaries, associates and related companies are 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.

(ii) Interest paid arose from advances from subsidiaries. Further details are disclosed in Note 22.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

35. RELATED PARTY DISCLOSURES *(cont'd)*

(a) Significant related party transactions *(cont'd)*

(iii) Consultancy fees charged were based on the nature and type of services performed. The Directors consider that the charges are substantially in line with the market prices.

The outstanding balances as at 31 May 2009 are disclosed in Note 22.

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company and its subsidiaries.

The remuneration of directors and other members of key management was as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Fees	**394**	477	**382**	435
Wages and salaries	**17,863**	19,068	**5,989**	8,851
EPF and social security costs	**1,502**	2,081	**716**	1,062
Other emoluments	**243**	214	**33**	39
	20,002	21,840	**7,120**	10,387

Included in the total remuneration of key management personnel are:

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Directors' remuneration (Note 8)	**3,436**	7,012	**3,316**	6,612

36. FINANCIAL INSTRUMENTS

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

36. FINANCIAL INSTRUMENTS *(cont'd)*

(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 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	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Financial assets				
Fixed rate	**16,344**	18,398	**-**	-
Floating rate	**31,473**	24,839	**4,800**	-
Interest free	**186,539**	313,609	**266,358**	286,275
	234,356	356,846	**271,158**	286,275
Financial liabilities				
Fixed rate	**129**	51,657	**19,235**	39,414
Floating rate	**137,312**	173,976	**75,447**	90,047
Interest free	**101,730**	193,789	**25,536**	29,345
	239,171	419,422	**120,218**	158,806

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

	Group		Company	
	2009	2008	**2009**	2008
	%	%	**%**	%
Financial assets				
Fixed rate	**3.89**	3.20	**-**	-
Floating rate	**2.39**	1.99	**1.30**	-
Financial liabilities				
Fixed rate	**5.67**	3.34	**3.60**	3.91
Floating rate	**4.84**	4.32	**3.25**	4.52

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

36. FINANCIAL INSTRUMENTS *(cont'd)*

(iii) Foreign exchange risk

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

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

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

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

	Functional currency of group companies				
	Ringgit Malaysia RM'000	**Indonesian Rupiah RM'000**	**United States Dollar RM'000**	**Vietnamese Dong RM'000**	**Total RM'000**
At 31 May 2009					
Receivables					
United States Dollar	7,944	1,569	-	-	9 ,513
Singapore Dollar	1,298	-	1,830	-	3,128
Japanese Yen	178	-	-	-	178
Pound Sterling	103	-	-	-	103
Hong Kong Dollar	-	-	160	-	160
Euro	52	-	-	-	52
	9,575	**1,569**	**1,990**	**-**	**13,134**
Cash and bank balances					
United States Dollar	5,211	1,218	-	3	6,432
Singapore Dollar	3,983	-	367	-	4,350
Hong Kong Dollar	-	-	48	-	48
	9,194	**1,218**	**415**	**3**	**10,830**
Borrowings					
United States Dollar	**-**	**330**	**-**	**-**	**330**
Payables					
Ringgit Malaysia	-	-	333	-	333
United States Dollar	9,304	6,934	-	-	16,238
Singapore Dollar	-	-	3,614	-	3,614
Euro	-	-	-	-	-
	9,304	**6,934**	**3,947**	**-**	**20,185**

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

36. 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**
At 31 May 2008				
Receivables				
United States Dollar	17,274	96	-	17,370
Singapore Dollar	1,108	-	2,499	3,607
Japanese Yen	520	-	-	520
Brunei Dollar	25	-	-	25
Hong Kong Dollar	-	-	176	176
Vietnamese Dong	-	-	1,432	1,432
	18,927	96	4,107	23,130
Cash and bank balances				
United States Dollar	7,838	64	-	7,902
Singapore Dollar	71	-	264	335
Hong Kong Dollar	-	-	370	370
Vietnamese Dong	-	-	246	246
	7,909	64	880	8,853
Borrowings				
Singapore Dollar	-	-	405	405
Payables				
Ringgit Malaysia	-	-	386	386
United States Dollar	4,844	2,141	-	6,985
Singapore Dollar	71	-	3,118	3,189
Vietnamese Dong	-	-	680	680
Euro	5	-	-	5
	4,920	2,141	4,184	11,245

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

36. 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
At 31 May 2009				
Forward contract used to hedge trade receivables				
United States Dollar	**808**	**808**	**808**	**808**
Forward contract used to hedge future sales				
United States Dollar	**1,835**	**1,835**	**1,835**	**1,835**
At 31 May 2008				
Forward contract used to hedge trade receivables				
United States Dollar	6,403	6,403	6,403	6,403

(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 maintains 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.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

36. 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:

	Note	Group Carrying Amount RM'000	Group Fair Value RM'000	Company Carrying Amount RM'000	Company Fair Value RM'000
At 31 May 2009					
Investment in subsidiaries	14	**-**	**-**	**200,927**	**#**
Non-current unquoted shares	16	**3,580**	**#**	**80**	**#**
Hire-purchase and finance lease payables	30	**129**	**129**	**65**	**65**
Forward foreign exchange contracts	36(iii)	**-**	**2,172**	**-**	**2,172**
At 31 May 2008					
Investment in subsidiaries	14	-	-	201,117	#
Investment in associates	15	815	#	-	#
Non-current unquoted shares	16	3,580	#	80	#
Non-current quoted shares	16	3,809	3,790	3,809	3,790
Hire-purchase and finance lease payables	30	213	213	213	213
Forward foreign exchange contracts	36(iii)	-	6,479	-	6,479

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 Directors believe that the carrying amounts represent 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) 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.

(ii) 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.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

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

(a) Megachem Limited ("Megachem")

Pursuant to the sale and option agreement ("Agreement") entered into on 24 May 2006 with Mr Lim Yee Hoe ("Vendor") for the acquisition of 39,976,670 issued shares in Megachem Limited ("Megachem") representing 29.99% of the issued share capital in Megachem at S$0.20 per share, Nylex had on 22 May 2009 exercised the put option (granted by the Vendor) to require the Vendor to purchase from Nylex the 39,976,670 Megachem shares at the option price of S$0.20 per share. On even date, the Vendor has settled the aggregate cash consideration.

(b) PT Indomalay Ekatana Roofing Industries ("IRI")

IRI, a 49% indirect subsidiary of Nylex, ceased production on 29 May 2009. Following its cessation of production, an impairment loss on the carrying value in IRI amounting to RM2.5 million has been accordingly accounted for in the consolidated income statement for the current financial year.

(c) Perusahaan Kimia Gemilang (Vietnam) Company Ltd ("PKG Vietnam")

The Company's wholly-owned subsidiary, Perusahaan Kimia Gemilang Sdn Bhd ("PKG") currently owns 51% interest in PKG Vietnam. On 6 July 2009, PKG entered into a conditional capital transfer agreement with Long Thanh Chemicals Company Ltd ("LTCC") for the acquisition of the remaining 49% interest in PKG Vietnam from LTCC for a purchase consideration of USD500,000.

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

38. SUBSIDIARIES

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective % ownership in 2009 %	2008 %	Principal activities
Direct subsidiaries				
Nycon Manufacturing Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of rotomoulded plastic products including bulk chemical containers, road barriers, playground equipment and disposal bins.
Malaysian Roofing Industries Sdn Bhd	Malaysia	**70**	70	Dormant.
Nylex Polymer Marketing Sdn Bhd	Malaysia	**100**	100	Trading of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets.

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

38. SUBSIDIARIES *(cont'd)*

Name of company	Country of incorporation	Effective % ownership in 2009 %	2008 %	Principal activities
Direct subsidiaries *(cont'd)*				
* PT Nylex Indonesia	Indonesia	**100**	100	Manufacture, marketing and distribution of PU and PVC leathercloth.
Perusahaan Kimia Gemilang Sdn Bhd	Malaysia	**100**	100	Trading in petrochemicals and industrial chemicals.
Fermpro Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.
Kumpulan Kesuma Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of sealants and adhesive products.
Wedon Sdn Bhd	Malaysia	**100**	100	Marketing of sealants and adhesive products.
Nylex Specialty Chemicals Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of phosphoric acid.
Speciality Phosphates (Malaysia) Sdn Bhd	Malaysia	**51**	51	Manufacture and sale of chemicals.
CKG Chemicals Pte Ltd	Singapore	**100**	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.
Perusahaan Kimia Gemilang (Vietnam) Company Ltd	Vietnam	**51**	51	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.
* PT PKG Lautan Indonesia	Indonesia	**51**	51	Importation and distribution of industrial chemicals.

* The financial statements of these subsidiaries are audited by firms other than Ernst & Young.

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

39. ASSOCIATES

Details of associates are as follows:

Name of company	Country of incorporation	Effective % ownership in 2009 %	2008 %	Principal activities
Ancom Kimia Sdn Bhd	Malaysia	**30**	30	Distribution of petrochemicals and industrial chemicals.

40. 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.

2009	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	111,532	1,250,306	4,192	-	1,366,030
Inter-segment sales	6	350	-	(356)	-
Total revenue	111,538	1,250,656	4,192	(356)	1,366,030
Results					
Segment results	4,376	30,146	(1,309)	-	33,213
Unallocated corporate expenses					(13,921)
Profit from operations					19,292
Finance cost					(8,101)
Share of results of associates					(815
Profit before taxation					10,376
Taxation					242
Profit after taxation					10,618
Minority interests					4,088
Net profit after minority interests					14,706

NOTES TO **THE FINANCIAL STATEMENTS**
31 MAY 2009 *(cont'd)*

40. SEGMENT INFORMATION *(cont'd)*

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

2009	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Assets					
Segment assets	110,038	306,046	9,275	(70,433)	354,926
Goodwill on consolidation					93,160
Unallocated corporate assets					70,451
Consolidated total assets					518,537
Liabilities					
Segment liabilities	31,895	136,163	652	(62,063)	106,647
Borrowings					137,439
Unallocated corporate liabilities					33,765
Consolidated total liabilities					277,851
Other information					
Capital expenditure	2,131	3,997	-	-	6,128
Depreciation and amortisation	5,794	2,300	82	-	8,176
Unallocated corporate depreciation and amortisation					22
Impairment losses	-	379	-	-	379
Unallocated corporate impairment losses					2,497
Non-cash expenses other than depreciation, amortisation and impairment losses	476	(205)	740	-	1,011
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					(1,153)

2008	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	133,742	1,599,566	8,754	-	1,742,062
Inter-segment sales	19	668	-	(687)	-
Total revenue	133,761	1,600,234	8,754	(687)	1,742,062

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

40. SEGMENT INFORMATION *(cont'd)*

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

2008	Polymer RM'000	Industrial Chemical RM'000	Building Products RM'000	Eliminations RM'000	Consolidated RM'000
Results					
Segment results	5,949	67,700	354	-	74,003
Unallocated corporate expenses					(6,245)
Profit from operations					67,758
Finance cost					(9,612)
Share of results of associates					123
Profit before taxation					58,269
Taxation					(10,789)
Profit after taxation					47,480
Minority interests					283
Net profit after minority interests					47,763
Assets					
Segment assets	125,033	466,210	11,469	(88,577)	514,135
Investment in associates	-	815	-	-	815
Goodwill on consolidation					88,464
Unallocated corporate assets					65,822
Consolidated total assets					669,236
Liabilities					
Segment liabilities	44,152	209,634	1,510	(88,577)	166,719
Borrowings					225,511
Unallocated corporate liabilities					50,197
Consolidated total liabilities					442,427
Other information					
Capital expenditure	7,916	3,972	73	-	11,961
Unallocated corporate capital expenditure					10
Depreciation and amortisation	5,865	1,801	89	-	7,755
Unallocated corporate depreciation and amortisation					24
Impairment losses	-	193	-	-	193
Non-cash expenses other than depreciation, amortisation and impairment losses	2,670	1,711	28	-	4,409
Unallocated corporate non-cash expenses other than depreciation, amortisation and impairment losses					(129)

NOTES TO **THE FINANCIAL STATEMENTS**

31 MAY 2009 *(cont'd)*

40. SEGMENT INFORMATION *(cont'd)*

(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)	
	2009	2008	**2009**	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Singapore	**556,453**	736,827	**135,396**	234,731	**19**	78
Malaysia	**465,610**	522,158	**181,738**	253,078	**2,600**	8,330
Philippines	**88,156**	111,148	**-**	-	**-**	-
Indonesia	**60,465**	40,065	**25,538**	19,732	**242**	254
Vietnam	**56,152**	55,842	**12,254**	6,594	**3,267**	3,309
Australia	**37,880**	41,027	**-**	-	**-**	-
Sri Lanka	**25,266**	31,317	**-**	-	**-**	-
China	**13,246**	82,019	**-**	-	**-**	-
Japan	**12,232**	3,803	**-**	-	**-**	-
Bangladesh	**11,697**	6,818	**-**	-	**-**	-
Africa	**7,942**	6,513	**-**	-	**-**	-
Thailand	**7,517**	17,399	**-**	-	**-**	-
Hong Kong	**5,529**	9,238	**-**	-	**-**	-
New Zealand	**4,264**	3,137	**-**	-	**-**	-
Pakistan	**3,932**	4,195	**-**	-	**-**	-
Middle East	**3,893**	6,374	**-**	-	**-**	-
India	**1,896**	2,202	**-**	-	**-**	-
Taiwan	**263**	32,121	**-**	-	**-**	-
Korea	**36**	24,693	**-**	-	**-**	-
Other Asian countries	**2,212**	2,394	**-**	-	**-**	-
Other countries	**1,389**	2,772	**-**	-	**-**	-
Consolidated	**1,366,030**	1,742,062	**354,926**	514,135	**6,128**	11,971

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 2009

The remuneration of directors for the financial year ended 31 May 2009 is set out in Note 8 to the financial statements, on page 59 of this Annual Report.

UTILISATION OF PROCEEDS

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

SHARE BUY-BACK

The details of the Company's shares repurchased, resold, cancelled or retained as treasury shares are disclosed in the Directors' Report on page 31 and Note 28 to the Financial Statement on page 75 of this Annual Report.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any depository receipt programme.

IMPOSITION OF SANCTIONS/PENALTIES

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

NON-AUDIT FEES

There was no non-audit fees paid to the external auditors for the financial year ended 31 May 2009.

PROFIT ESTIMATE, FORECAST OR PROJECTION

There is no material variance between the audited results for the financial year ended 31 May 2009 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

Pursuant to a Share Sale Agreement dated 14 April 2006 ("SSA") between the Company, Cheng Kwee Kiang, Kong Hwai Ming and Yap Kian Peng ("Vendors") in connection with the Company's acquisition of CKG Chemicals Pte Ltd ("CKG"), the Vendors jointly and severally warranted that the aggregate of the CKG Group profit after tax for the financial years ending 2006, 2007 and 2008 shall be at least Singapore Dollars Eighteen Million (SGD18,000,000). The Company has on 23 October 2009, entered into a supplemental agreement with the Vendors, whereby it was agreed (amongst others) that the aforesaid profit guarantee would be provided by Kong Hwai Ming only and the period to achieve such profit guarantee shall be extended for an additional year to include the financial year ending 2009, in addition to the financial years ending 2006, 2007 and 2008 (as originally set out in the SSA). In addition, the other vendors, Cheng Kwee Kiang and Yap Kian Peng, are released from their obligations pursuant to their profit guarantees. The shortfall of the profit guarantee, if any, can only be determined after obtaining the signed audited accounts of CKG for the financial year ending 31 December 2009.

ADDITIONAL **INFORMATION**

IN COMPLIANCE WITH PART A, APPENDIX 9C OF THE
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD *(cont'd)*

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts, of the Company and its subsidiaries, not being contracts entered into in the ordinary course of business, which involves directors' and/or 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")

The aggregate value of RRPT made during the financial year, 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	1,320	Ancom Berhad Dato' Siew Ka Wei Dato' Johari Razak
	Handling and pipeline charges	1,167	
Pengangkutan Cogent Sdn Bhd	Transport charges	3,841	

LIST OF **PROPERTIES**

AS AT 31 MAY 2009

Location / Address	Title	Age of Building (Years)	Land Area (sq.m.)	Existing Use	Date of Acquisition / Revaluation	Tenure	Net Book Value as at 31.05.09 (RM'000)
a) **Proprietor: Nylex (Malaysia) Berhad**							
Lot 16 Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan	HS (D) 256546	38	30,224	Office building and factory.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	16,795
	HS (D) 256546	29	12,140	Warehouse, factory and vacant land.	26 Nov 1985	Leasehold, expiring on 29 June 2108.	
b) **Proprietor: Perusahaan Kimia Gemilang Sdn Bhd**							
PT 4228 Mukim of Kapar Daerah Klang Selangor Darul Ehsan	HS (M) 6259	18	28,491	Office building and factory.	01 July 2004	Leasehold, expiring on 09 June 2086.	6,561
Lot 1506, 1507, 1533 and 1534 Mukim 12 Seberang Perai Selatan Pulau Pinang	HS (D) 27613 HS (D) 27614 HS (D) 27640 HS (D) 27641	15	1,208	2 units 1 1/2 storey semi-detached factories.	01 July 2004	Freehold.	563
c) **Proprietor: Fermpro Sdn Bhd**							
Lot 1113 Mukim of Chuping Perlis Indera Kayangan	HS (M) 748	21	16,190	Office building and factory.	01 July 2004	Leasehold, expiring on 22 November 2046.	1,927
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.	1,086
PT 2978 Mukim of Chuping Perlis Indera Kayangan	HS (M) 1803	7	8,100	Office building and factory.	01 July 2004	Leasehold, expiring on 07 February 2059.	456
d) **Proprietor: Nylex Specialty Chemicals Sdn Bhd**							
Lot 593 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 5507	34	8,093	Office building and factory.	01 March 2005	Leasehold, expiring on 01 September 2074.	2,249
Lot 624 Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang Selangor Darul Ehsan	HS (M) 6588	32	8,298	Office building and warehouse.	01 March 2005	Leasehold, expiring on 19 February 2076.	3,521

The above buildings are in good condition.

ANALYSIS OF **SHAREHOLDINGS**

AS AT 30 SEPTEMBER 2009

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	:	14,175
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	1,577	40,562	0.02
100 to 1,000	7,056	2,922,279	1.58
1,001 to 10,000	4,532	13,823,023	7.46
10,001 to 100,000	911	23,784,880	12.83
100,001 to less than 5% of issued Shares	95	43,814,520	23.64
5% and above of issued Shares	4	100,964,139	54.47
	14,175	185,349,403	100.00
Treasury Shares	-	8,988,457	-
	14,175	194,337,860	100.00

Substantial holders

		Direct		**Indirect**	
		No. of shares	**%**	**No. of shares**	**%**
1.	Dato' Siew Ka Wei	1,451,735	0.78	94,774,780 (1)	51.13
2.	Ancom Berhad	50,076,598	27.02	39,225,885 (2)	21.16
3.	Rhodemark Development Sdn Bhd	39,225,885	21.16	-	-
4.	Eminent East Limited	11,661,161	6.29	-	-
5.	Prime Enterprise II, L.P.	-	-	11,661,161 (3)	6.29
6.	Asian Corporate Finance Fund, L.P.	-	-	11,661,161 (3)	6.29

Note:

1 Deemed interested through his direct and indirect interest in Ancom Berhad, Rhodemark Development Sdn Bhd, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn Bhd, Datin Young Ka Mun and Quek Lay Kheng.

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**	**%**
1.	Dato' Johari Razak	125,292	0.07	-	-
2.	Dato' Siew Ka Wei	1,451,735	0.78	94,774,780 (1)	51.13

Note:

1 Deemed interested through his direct and indirect interest in Ancom Berhad, Rhodemark Development Sdn Bhd, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn Bhd, Datin Young Ka Mun and Quek Lay Kheng.

ANALYSIS OF **SHAREHOLDINGS**

AS AT 30 SEPTEMBER 2009 *(cont'd)*

Thirty largest shareholders

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

	Name	No. of shares	%
1.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rhodemark Development Sdn Bhd (001)	39,225,885	21.16
2.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ancom Berhad	30,076,598	16.23
3.	Ancom Berhad	20,000,495	10.80
4.	Maybank Nominees (Asing) Sdn Bhd DBS Bank for Eminent East Limited (280051)	11,661,161	6.29
5.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siew Nim Chee & Sons Sendirian Berhad	4,105,304	2.21
6.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank NA, Singapore (Julius Baer)	3,754,827	2.02
7.	ECML Nominees (Asing) Sdn Bhd Plato Capital Investment Fund	2,200,642	1.19
8.	CIMSEC Nominees (Tempatan) Sdn Bhd ING Asia Private Bank Ltd for Ng Kok Hin	1,920,000	1.03
9.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Grace Yeoh Cheng Geok	1,795,500	0.97
10.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Grace Yeoh Cheng Geok (MM1166)	1,734,707	0.94
11.	ECM Libra Investment Bank Berhad IVT (AO2) for ECM Libra Investment Bank Berhad (Account 1)	1,119,450	0.60
12.	Terengganu Incorporated Sdn Bhd	1,058,925	0.57
13.	Cheung Kwong Kwan	1,050,000	0.57
14.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ng Kok Hin	1,008,630	0.54
15.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (KLC/AFF)	982,415	0.53
16.	Pacific & Orient Insurance Co Berhad	811,811	0.44
17.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client A/C – NR)	760,170	0.41
18.	Pacific & Orient Berhad	751,727	0.41
19.	Lim Chui Kui @ Lim Chooi Kui	707,624	0.38
20.	Malaysian Trustees Berhad PBS Office Supplies Holding Sdn Bhd	705,000	0.38
21.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Ng Kok Hin	698,580	0.38
22.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Siew Ka Wei	664,220	0.36
23.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	618,600	0.33
24.	ECML Nominees (Tempatan) Sdn Bhd Plato Capital Sdn Bhd for Heah Sieu Lay (Pledged)	573,000	0.31

ANALYSIS OF **SHAREHOLDINGS**

AS AT 30 SEPTEMBER 2009 *(cont'd)*

	Name	No. of shares	%
25.	Amanah Raya Nominees (Tempatan) Sdn Bhd Sekim Amanah Saham Nasional Permodalan Nasional Berhad	564,900	0.30
26.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Silver Dollars Sdn Bhd (01-00198-000)	472,768	0.26
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Gim Leong (E-KLC)	462,100	0.25
28.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chay Yew Meng (CEB)	462,000	0.25
29.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Siew Nim Chee & Sons Sdn Bhd (01-00801-000)	446,131	0.24
30.	Yeoh Kean Hua	430,500	0.23
	Total	**130,823,670**	**70.58**

NOTICE OF ANNUAL **GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 39th Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 18 November 2009 at 10.00 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 2009; **[Please refer Explanatory Note 1]**

2. To approve the payment of final dividend for the financial year ended 31 May 2009, in the form of distribution of one (1) treasury share for every sixty (60) existing ordinary shares of RM1.00 each held in the Company, at a date to be announced, fraction of a treasury share to be disregarded; **[Resolution 1]**

3. To approve Directors' fees for the financial year ended 31 May 2009; **[Resolution 2]**

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

   4.1 Datuk Ir Dr Mohamed Al Amin Abdul Majid, *JP*; **[Resolution 3]**

   4.2 Dato' Siew Ka Wei; **[Resolution 4]**

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

AS SPECIAL BUSINESS

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

6. Proposed Amendments To The Articles Of Association Of The Company **[Resolution 6]**

   "THAT the existing Article 137 and Article 142 be deleted in their entirety and that the following new Articles be adopted:

   New Article 137
   Payment of dividend, interest or other moneys payable in cash by cheque or warrant or electronic transfer

   Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or paid via electronic transfer of remittance to the account provided by the holder who is named on the Register of Members and/or Record of Depositors. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer of remittance shall operate as a good discharge to the Company in respect of the dividend, interest or other moneys payable in cash represented thereby notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer of remittance, has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented.

NOTICE OF ANNUAL **GENERAL MEETING** *(cont'd)*

New Article 142
Minutes

The Directors shall cause minutes to be made in books to be provided for the purpose:-

(a) Of all appointments of officers made by the Directors.

(b) Of all the names of the Directors present at each meeting of Directors and of any committee of Directors.

(c) Of all resolutions and proceedings at all meetings of the Company and of any class of Members of the Company and of the Directors and of committees of Directors."

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 **[Resolution 7]**

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares of RM1.00 each in the Company from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may deem fit provided that the aggregate number of new ordinary shares to be issued pursuant to this resolution shall not exceed ten per centum (10%) 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."

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

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries 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 Part A of the Circular/Statement to Shareholders dated 27 October 2009 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;

NOTICE OF ANNUAL **GENERAL MEETING** *(cont'd)*

(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 Renewal of Shareholders' Mandate on Share Buy-Back ("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 and other applicable laws rules regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to utilise an amount not exceeding the total share premium account and retained profits of the Company to purchase such number of ordinary shares of RM1.00 each in the Company 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 ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares as defined under Section 67A of the Act ("Treasury Shares") then still held by the Company not exceed ten per centum (10%) of the total issued and paid-up 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 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 interest of the Company and in accordance with the Act, the applicable laws 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 WHYE
Secretaries

Petaling Jaya
27 October 2009

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. **Resolution 6**
   This resolution, if passed, will rectify the typing error made to the earlier amendment of Article 137 on payment of dividend, interest or other moneys payable in cash by cheque or warrant or electronic transfer and reinstate Article 142 on the keeping of Minutes.

3. **Resolution 7**
   This resolution, if passed, will renew the general mandate giving authority to the Directors to issue and allot new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company ("Share Issue Mandate") 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.

   As at the date of this Notice, no new shares were issued pursuant to the Share Issue Mandate obtained at the 38th Annual General Meeting held on 20 November 2008 and which will lapse at the conclusion of this Annual General Meeting.

   The Share Issue Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investments, acquisitions and/or working capital.

4. **Resolution 8**
   This resolution, 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. Detailed information on the Proposed RRPT Mandate is set out in the Circular to Shareholders in relation to Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature dated 27 October 2009 which is despatched together with this Annual Report.

5. **Resolution 9**
   This resolution, 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. Detailed information on the Proposed Share Buy-Back is set out in the Statement in relation to Proposed Renewal of Shareholders' Mandate on Share Buy-Back dated 27 October 2009 which is despatched together with this Annual Report.

NYLEX (MALAYSIA) BERHAD
(Company No: 9378-T) (Incorporated in Malaysia)

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)

____
(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 39th Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 18 November 2009, at 10.00 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 final dividend.	1		
3.	To approve the payment of Directors' fees.	2		
4.	To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:			
	4.1 Datuk Ir Dr Mohamed Al Amin Abdul Majid, *JP*	3		
	4.2 Dato' Siew Ka Wei	4		
5.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.	5		
6.	To approve the proposed amendments to the Articles of Association of the Company.	6		
7.	To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.	7		
8.	To approve the new and renewal of recurring related party transaction mandate.	8		
9.	To approve the renewal of share buy-back mandate.	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 2009

Telephone number
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.*
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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

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www.nylex.com