

CHAIRMAN'S STATEMENT



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On behalf of the Board of Directors, I would like to extend my warmest greetings to all of the Company's shareholders, clients and staff. It is with great pleasure for me to present the Financial Results of the Group for the Financial Year ended 31st December 2000.

Financial Performance

For the Financial Year 2000, the Rumpun Hijau Group achieved a turnover of RM126 million, a substantial decrease over the previous year's turnover of RM167 million. The results showed that the Group recorded a pre-tax loss of RM34.5 million compared to previous year pre-tax loss of RM7.6 million.

The losses can be mainly attributed to lower than expected performance by our subsidiaries and to the high cost of borrowings and various provisions made by the Group. However, contributions from profitable associate companies amounting to RM3.92 million gave some comforts to the overall result.

Review of Operations

While the general national economic scenario improved to some extent during the year, the Group continued to suffer from the lingering after-effect of the previous years' problems. The extensively fire-damaged plant of Len Brothers' Shoe Manufactory Sdn Bhd (which occurred in May 2000) forced the Company to cease operation while sorting out the insurance claims and other matters. This has resulted in the Group losing a substantial portion of its business incomes.

Due to the problem faced by Len Brothers' Shoe Manufactory Sdn Bhd (LBS) and its trading arm Len Brothers' Trading Sdn Bhd (LBT), the Board decided to dispose of these two companies. The agreement for the disposal was signed in September, 2000.

During the year too, the Group China's operations Nanhai County Nan Len Rubber Product Co. Ltd. made a huge write-off of old stocks and in the process resulted in a substantial loss. Nevertheless, its income contribution was still substantial.

Another subsidiary PATCO Bhd, which supplies air-conditioning equipment mainly to Proton also incurred losses due mainly to the high cost of research and development of the new air-conditioning equipment for the national car new model. But the company is confident that these losses would eventually be covered once production reaches its economic of scale in tandem with the increase in the production of Proton cars, particularly the new model.

The staple product of the Group i.e. rubber products manufactured by LBR Industries Sdn Bhd, experienced a lower than expected sales and this has lessen the company's contribution to the income of the Group.

However, two of the Group associate companies provided a fair portion of their profits to the Group during the year in review. The first is Oriental Metal Industries Sdn Bhd, which manufacture automotive steel rims and the other is Federal Auto Holdings Bhd which were able to market the new models of Volvo cars quite successfully.

Prospects for year 2001

The economic outlook for the country as forecasted by official authorities showed a favourable but easing of growth to about 5% compared to 8.5% in 2000. Nevertheless according to Bank Negara, all sectors of the economy are expected to experience positive albeit smaller expansion. This is a direct effect of the sluggishness of the U.S.A. and Japan's economies which will dampen Malaysia's own economy and this will certainly filter down to other sectors particularly manufacturing that depend primarily on export markets. Bank Negara expects the manufacturing sector to grow at only 8.5% as against 25% in 2000. However, the sector will continue to be an important contributor to the economy.

Aggregate domestic demand is forecasted to increase by 12% which is lower than previous year's rate of 16%. Consumer price index is expected to remain low throughout the year even though it may register a small increment. Private consumption will be pushed up by 7% this year compared with 12% growth in 2000.

The unfavourable condition of the world economy will affect Malaysia and Malaysian companies, including our Group which will not be shielded against the negative effect. Nevertheless, given the circumstances the Group will have to work harder to counter the effect and maintain a reasonable growth in our performance. Demand for our rubber-based items may not be as buoyant as that in the previous years. Therefore, the Group will have to seek new markets and new clients particularly overseas for these products. However, prospect for air-conditioning components remain strong in tandem with the steady demand of the new Proton car model. The Group associate companies involved in automotive and automotive component are expected to continue their previous year good run throughout 2001 and will contribute positively to the Group's overall performance.

There is a general expectation amongst respectable economic analyst that the world economy, particularly the U.S.A., will start to pick-up in the 4th quarter of 2001 and will gain momentum by the 1st quarter of 2002. In the meanwhile, the Group will continue to formulate new strategies to ensure stable returns by various subsidiaries and associates in the near future. These strategies will be actively pursued throughout 2001 and beyond.

Appreciation

The Board wish to record its appreciation to Tn Hj Abdul Rashid bin Mohd Yusoff, former Director and Chief Operating Officer who resigned on 8 September 2000. The Board duly acknowledges his contribution to the Group.

Staff commitment and diligent continues to be an important contributing factor to the continuous prosperity of companies within the Group. The Board recognises their role and records its heartfelt gratitude to all.

I would also like to extend our thanks to our business associates, valued clients, suppliers and bankers for their continued and unwavering support in the Group operations.

Dato' Mohd Nadzmi bin Mohd Salleh
Chairman

