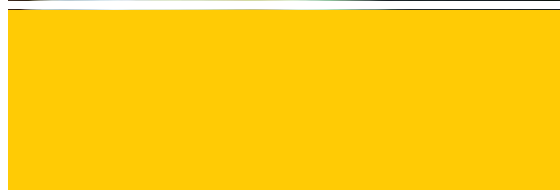
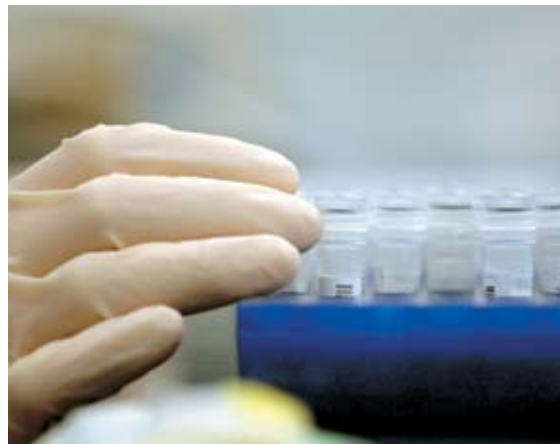


INTEGRATED RUBBER CORPORATION BERHAD
852-D

ANNUAL REPORT
2006



INTEGRATED RUBBER CORPORATION BERHAD 852-D

ANNUAL REPORT 2006



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Chairman's Statement



Over the course of last year we focused on staying competitive in an increasingly tough business environment caused by rising latex prices. Our strategy now is to maintain our position as a major manufacturer of natural rubber latex (NRL) examination gloves and strengthen our market position.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman



FINANCIAL REVIEW

The sharp increase in latex prices from RM3.04 per kg in January 2005 to RM4.75 per kg in January 2006 dragged our gross margin downwards from approximately 20% in the previous year to 9% last year. This resulted in a lower profit before tax of RM277,000 last year compared with RM7.1 million in the previous financial period. We expect to be able to transfer some of this increase in cost to our customers and at the same time improve efficiency to enable us to achieve better results this year.

The Group's revenue grew by 71% from RM53.3 million in the previous financial period to RM91.3 million last year, due to the fact that the previous year's results incorporated only seven months of Comfort Rubber Gloves Industries Sdn Bhd's revenue, when the company was effectively acquired in July 2004.



OPERATIONS REVIEW

Moving forward, we will continue to increase our production capacity to achieve greater economies of scale. We have completed phase one of our expansion plan, and added 6 production lines during the year, thus increasing the number of our production lines to 18 and our production capacity from 80 million gloves per month to 120 million gloves per month. In the new Kampung Dew Plant, an additional 6 production lines will be completed by the second quarter of 2006 with another 6 production lines due to be completed by November 2006, bringing the total number of production lines to 30 by year end. The additional lines will allow us to meet various quality standards and the requirements of different export markets. We have also improved our product mix by producing more powder-free gloves which have lower protein content to cater for the increase in demand.

We will continue to penetrate into existing markets and develop new markets. We have strengthened our presence in existing key market segments in Asia, USA and Europe and will also expand our exports to high growth regions, like China and Japan through more aggressive marketing, and increased participation in international trade fairs and overseas trade missions.

We are conscious of the challenges ahead and will focus on expanding our market and achieving cost efficiencies to allow us to stay competitive. With the initiatives that have been put in place, the Group expects to perform better in this financial year compared to last year due to higher revenue and better margins arising from improvements in operational efficiencies.

APPRECIATION

I wish to thank our shareholders for their continued support and our customers and business associates for their continued confidence and trust in the Company. My appreciation also goes to our staff and management for the hard work and relentless commitment they have displayed. Last but not least, I would like to thank my colleagues on the Board for their contributions and guidance in the management of the Company and the Group.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

June 2006

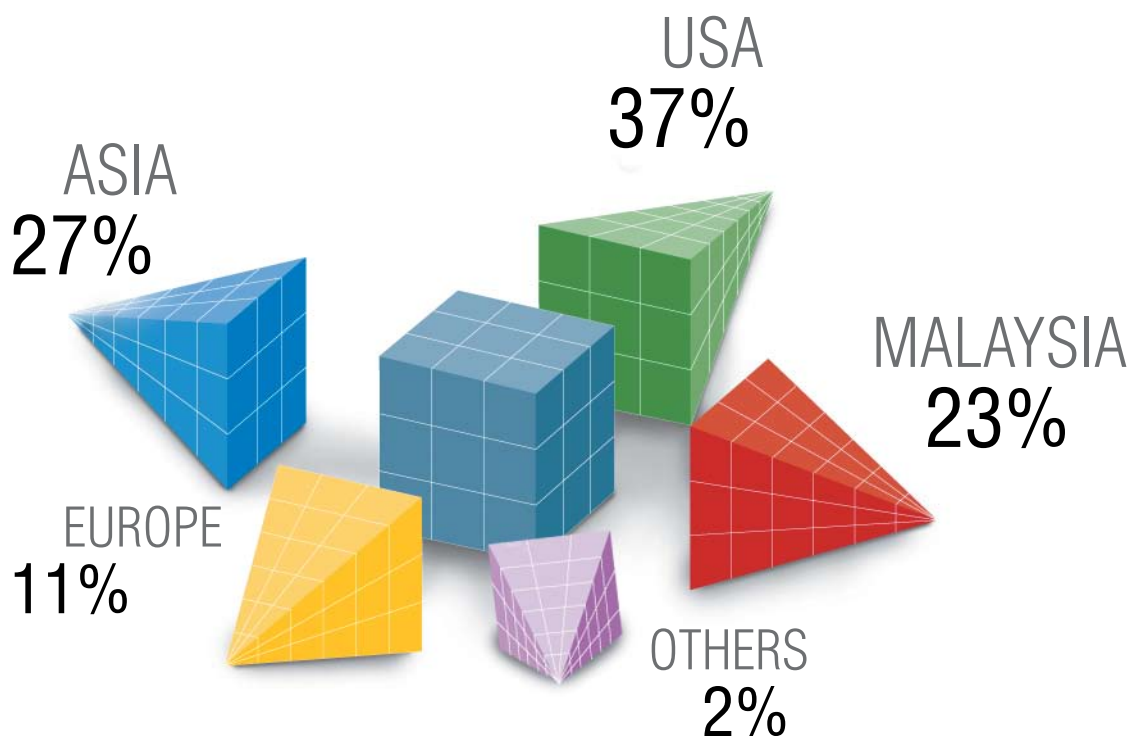
Financial Highlights

2004 9-month period ended
31 January 2005 2006

RM'000

Profit/(loss) before tax and exceptional items	(1,515)	7,129	277
Profit/(loss) attributable to shareholders	(1,515)	6,130	140
Gross assets	2,230	124,530	148,987
Shareholders' funds	(21,607)	96,823	93,411
Earnings/(loss) per share (sen)	(12.4)	3.6	0.06
Net assets/(liabilities) per share (sen)	(70.8)	40.9	39.4

Market Distribution by Region



Corporate Information

DIRECTORS

Dato' Wira Syed Abdul Jabbar bin Syed Hassan

(Chairman)

Tan Keng Beng

(Managing Director)

Dato' (Dr.) Megat Abdul Rahman bin Megat Ahmad

Datuk Alias bin Ali

Dato' Daniel Tay Kwan Hui

Tan Koon Poon @ Tan Koon Pun

Tan Loon Guan

SECRETARIES

Nanjappan A/L Vengedasalam
Chan Yoke Yin (Ms)

REGISTERED OFFICE

10th Floor, Block B, HP Towers
No. 12, Jalan Gelenggang, Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2092 5588
Facsimile No : 03-2094 0296
E-mail : cosec@mmc.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2721 2222
Facsimile No : 03-2721 2530

OPERATIONAL OFFICE

Comfort Rubber Gloves Industries Sdn Bhd
Lot 821, Jalan Matang
34750 Matang
Taiping, Perak

AUDITORS

KPMG
Chartered Accountants

PRINCIPAL BANKERS

Bumiputra Commerce Bank Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia Securities Berhad



**Dato' Wira Syed Abdul Jabbar
bin Syed Hassan**



Tan Keng Beng



**Dato' (Dr.) Megat Abdul Rahman
bin Megat Ahmad**



Datuk Alias bin Ali



Tan Koon Poon @ Tan Koon Pun



Tan Loon Guan



Dato' Daniel Tay Kwan Hui

Profile of Directors

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, 67, was appointed as a non-independent, non-executive Director of the Company on 9 April 2004. On 1 May 2004, he was appointed Chairman of the Board. Dato' Wira Syed Abdul Jabbar also chairs the Nomination and Remuneration Committees of the Board.

Dato' Wira Syed Abdul Jabbar was the Chief Executive Officer of the Kuala Lumpur Commodity Exchange from 1980 to 1996, the Executive Chairman of the Malaysia Monetary Exchange from 1996 to 1998 and the Executive Chairman of the Commodity and Monetary Exchange of Malaysia from 1998 to 2000.

Dato' Wira Syed Abdul Jabbar is a Malaysian citizen and holds a Bachelor of Economics degree and a Masters of Science degree in Marketing. He is also the Chairman of MMC Corporation Berhad and MARDEC Berhad and a Board member of Star Publications (Malaysia) Berhad, Malaysia Smelting Corporation Berhad and KAF Discounts Berhad.

TAN KENG BENG

Mr. Tan Keng Beng, aged 44, was appointed as the Managing Director and an Audit Committee member on 22 July 2004.

He has been with Chip Lam Seng Berhad for the past twelve years and has vast working experience in processing and exporting natural rubber and latex concentrates, administration, marketing, processing and general management. He joined the Board of Comfort Rubber Gloves Industries Sdn Bhd ("CRG") in the year 2000 and was appointed as Managing Director on 18 January 2002. He is involved in policy planning and charting the future course of CRG. Mr. Tan Keng Beng is also the President of the Malaysian Latex Concentrate Producers since 1996, alternate board member of the Malaysian Rubber Board ("MRB") and committee member of MRB on price advisory and freight. He is an advisor to the MRB and the Ministry of Primary Industries.

Mr. Tan Keng Beng holds a Bachelor of Economics degree from Monash University, Melbourne, Australia and is an associate of the Australian Society of Certified Practicing Accountants.

DATO' (DR.) MEGAT ABDUL RAHMAN BIN MEGAT AHMAD

Dato' (Dr.) Megat Abdul Rahman bin Megat Ahmad, 67, was appointed to the Board as an independent non-executive Director on 23 September 2002. He is also the Chairman of the Audit Committee.

Dato' (Dr.) Megat Abdul Rahman was a partner in KPMG, Managing Partner of KPMG Desa Megat & Co. for over ten years and an Executive Director of Kumpulan Guthrie Berhad for eleven years. He is also a Board member of Tronoh Consolidated Malaysia Berhad, Press Metal Berhad, UAC Berhad, IJM Berhad and Boustead Holdings Berhad.

Dato' (Dr.) Megat Abdul Rahman holds a Bachelor of Commerce Degree from the University of Melbourne, Australia. He is a member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a fellow member of the Institute of Chartered Accountants in Australia. He was awarded an Honorary Doctorate in Business Administration by Universiti Kebangsaan Malaysia.

DATUK ALIAS BIN ALI

Datuk Alias bin Ali, aged 58, was appointed as a non-independent, non-executive Director on 7 September 2004.

Datuk Alias started his career with the Prime Minister's Department in 1970 and worked in various Departments in the Government. In 2000 he was appointed as Secretary General of the Ministry of Health until his retirement in March 2004. He is currently a Board member of Pos Malaysia & Services Holdings Berhad, FIMA Corporation Berhad, Mentakab Rubber Company (Malaya) Berhad and AirAsia Berhad.

Datuk Alias holds a Bachelor of Economics Degree from University Malaya, Malaysia and Masters Degree in Business Management from Asian Institute of Management, Philippines.

TAN KOON POON @ TAN KOON PUN

Mr. Tan Koon Poon @ Tan Koon Pun, aged 80, was appointed as a non-independent, non-executive Director on 22 July 2004.

He is the founder of Chip Lam Seng Berhad ("CLS") and is well respected in the rubber community with an estimated 49 years of accumulated experience in this industry.

Mr. Tan Koon Poon started business as a sole proprietor of Chip Lam Seng Enterprise Berhad which later prospered and allowed him to expand into the current activities of rubber dealing, processing, packaging, importing and exporting of rubber products.

TAN LOON GUAN

Mr. Tan Loon Guan, aged 28, was appointed as a non-independent, non-executive Director on 22 July 2004. Besides joining CRG as a Marketing Manager in 2002, he is also the Marketing Manager in CLS, specialising in the trading of natural rubber and latex concentrates for the local and overseas markets.

Mr. Tan Loon Guan graduated in 2000 with a Bachelor of Arts degree from the University of Hertfordshire, United Kingdom.

DATO' DANIEL TAY KWAN HUI

Dato' Daniel Tay, aged 51, was appointed as an independent Director and a member of the Audit Committee on 22 July 2004.

Dato' Daniel Tay served as a committee member of Perak Bar and sits as Chairman/member of few disciplinary committees. He is a Councillor of Majlis Bandaraya Ipoh, and is also the Secretary of the Council of Justices of the Peace, Perak. He is the President of the YMCA of Ipoh and Vice-President of the National Council of YMCAs. He sits in the Management Board of the Methodist High School, Ipoh. He served as the President of the Perak Lawn Tennis Association and continues to serve as its Vice-President. Dato' Daniel Tay remains as a legal advisor to several public companies and sits as a director of others.

Dato' Daniel Tay qualified as a Barrister and was called to the Bar of England and Wales in 1978. In 1979 he was called to the Bar, States of Malaya. In 1980, he was appointed a Magistrate in Ipoh and resumed legal practice in 1982.

Management Team

1st row (left to right)

Edmund Tan Loon Guan
(Marketing Manager)

Ivy Seah Bee Hoon
(Financial Controller)

Edward Tan Keng Beng PMP
(Managing Director)

Lim Chee Kiang
(General Manager)

Low Boon Siang
(Assistant General Manager)

2nd row (left to right)

Dreena Wong Sook Cheng
(Shipping Manager)

Ng Tian Boo
(Maintenance Manager)

Mogan Periaman
(Production Manager)

Sohan Singh s/o Ujagar Singh
(Personnel & Admin Manager)

Lee We Huat
(Assistant Production Manager)

Ng Chai Chah
(Factory Manager)

Chin Chun Seong
(QA Manager)

Vivien Tan Oi Lai
(Marketing Manager)



Statement on Corporate Governance

THE BOARD OF DIRECTORS IS COMMITTED TO ENSURE THAT THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE ARE PRACTISED IN THE GROUP. GOOD CORPORATE GOVERNANCE IS A FUNDAMENTAL PART OF THE BOARD'S RESPONSIBILITY TO PROTECT AND ENHANCE LONG TERM SHAREHOLDERS' VALUE AND THE FINANCIAL PERFORMANCE OF THE COMPANY, WHILST TAKING INTO ACCOUNT THE INTERESTS OF OTHER STAKEHOLDERS. THE BOARD HAS TAKEN STEPS TO INTRODUCE VARIOUS MEASURES BOTH PRIOR TO AND SINCE THE ISSUANCE OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("CODE") IN ORDER TO ENHANCE ITS CORPORATE GOVERNANCE PRACTICES.

THIS SECTION OF THE ANNUAL REPORT DETAILS THE MEASURES IMPLEMENTED BY THE GROUP TO STRENGTHEN ITS COMPLIANCE WITH THE PRINCIPLES AND BEST PRACTICES OF CORPORATE GOVERNANCE AS SET OUT IN PARTS 1 AND 2 OF THE CODE RESPECTIVELY.

It is based on these premises that the Board has emphasised the importance of maintaining an effective corporate governance framework within the Group. A narrative statement on how the Company has applied the Principles and Best Practices of the Malaysian Code on Corporate Governance is set out below.

DIRECTORS

The Board

The Company is controlled and led by a Board of Directors (the Board) who is responsible to the shareholders for the management of the Group. The Board is responsible for the Group's overall strategy and objectives, its acquisition and divestment policies, major capital expenditure and the consideration of significant financial matters. It monitors the performance of the Group and its exposure to key business risks, the annual budgets, and their progress in relation to these budgets. During the year ended 31 January 2006, a total of five board meetings were held. Each Director, during their term of office, has attended at least 50% of these meetings to ensure compliance with the Listing Rules.

The roles of the Chairman and the Managing Director do not vest in the same person. Specific terms of reference are set out for both key positions to ensure that their roles are clearly distinguished.

In fully embracing the spirit of corporate governance and to facilitate the discharge of the Board's stewardship responsibilities, the Board has adopted the six specific responsibilities as prescribed by the Code.

Board Balance

The Board comprises of a Managing Director and six Non-Executive Directors, two of whom are Independent. This composition allows for the applying of independent judgment on issues of strategy, performance, resource utilisation and standards of conduct, all of which are vital to the Group. The mixture of technical, entrepreneurial, financial and business skills of the Directors also enhances the effectiveness of the Board.

The Board is structured to ensure that it consists of one third of independent Directors with expertise and skills from various fields. The interests of major shareholders' are fairly reflected by the representation of the shareholders' nominees on the Board.

To further promote the active participation of Board members, the Chairman encourages healthy debates on important issues. The Board has also appointed YBhg Dato' (Dr.) Megat Abdul Rahman bin Megat Ahmad as its senior independent Director, to whom the concerns of the fellow members may be conveyed.

The non-executive Directors monitor the Group and the Management. The Board plays a significant role in the development of the Group policy. There is an adequate degree of independence and practice in place to allow Directors to meet and actively exchange views to ensure that the Board can effectively assess the direction of the Group and the performance of its management.

Supply of Information

The Board has a formal schedule of matters reserved specifically for its decision. It meets at least five times a year, and as and when necessary for any matters arising between regular Board meetings. The Board is supplied with information in a timely fashion and appropriate quality to enable them to discharge their duties. Therefore, due notice is given to Directors with regard to the issues to be discussed. All resolutions are recorded and thereafter circulated to the Directors for comments before the minutes of board proceedings are finalised and confirmed.

The Directors are given access to any information within the Group and are free to seek independent professional advice at the Company's expense, if necessary, in furtherance of their duties. Towards this end, there is an agreed procedure in place for Directors to acquire independent professional advice to ensure the Board functions effectively. All Directors have access to the advice and services of the Company Secretary whose appointment and removal is a matter for the Board as a whole. The Company Secretary is responsible for ensuring that Board procedures are met and advises the Board on compliance issues.

Appointment to the Board

The Code endorses as good practice, a formal procedure for appointment to the Board based on recommendation made by the Nomination Committee. Towards this, the Board has established a Nomination Committee, composed exclusively of non-executive Directors, the majority of whom are independent. Their function is to propose new nominees to the Board and Board committees, and to assess Directors within the Group on an ongoing basis.

Re-election

All Directors are required to submit themselves for re-election by shareholders at least once in every three years in accordance with the Company's Articles of Association. However, retiring Directors are eligible under the Articles, for re-election. In addition, pursuant to the Companies Act 1965, the Directors who are over the age of seventy years, are required to retire from at every general meeting and shall be eligible for re-appointment to hold office until the next annual general meeting.

Directors' Training

All Directors have completed the Mandatory Accreditation Programme and most of the Directors have attended various other accredited Continuing Education Programmes conducted by various course leaders.

All Directors are provided with appropriate professional development training to enhance their business acumen and professionalism in discharging their fiduciary duties. In addition to the seminars and conferences organized by the regulatory authorities and professional bodies, some of the Directors also attended in house training programmes, organized by the Company's major shareholder, MMC Corporation Berhad. During the financial year, amongst the seminars/workshops attended by some of the Directors were as follows:

Directors' training programmes, conferences and site visit

1. Bursa Malaysia's Listing requirements in relation to transactions (05.04.2005)
2. Financial Reporting Standards (FRS) workshop; Business impact of the new FRS (10.11.2005)

3. Board Room Finance for Directors (27 and 28.09.05)
4. Site visit to the factory of Comfort Rubber Gloves Industries Sdn Bhd at Taiping, Perak (22.12.2005)

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The Board as a whole reviews the level of remuneration to ensure that it is sufficient to attract and retain Directors needed to run the Company successfully. However, individual Directors are not allowed to deliberate on their own remuneration.

The Board, through the Remuneration Committee ("RC"), reviews the levels of remunerations for the MD and the Board. This is to ensure that they are remunerated sufficiently to attract and retain Directors needed to run the Company successfully.

In relation to non-executive Directors, the remuneration recommended by the RC is reviewed by the Board as a whole from time to time to ensure that it is aligned to their duties and responsibilities.

The aggregate Directors remuneration paid or payable or otherwise made available from the Company and its subsidiary company categorised into appropriate component for the financial year ended 31 January 2006 is as follows:

	Fee (RM)	Salary (RM)	Meeting Allowances (RM)	Benefit in Kind (RM)
Executive Director	-	667,104	7,500	27,663
Non Executive Directors	188,000	5,000	38,250	28,000

The Directors received RM750 per meeting as their meeting allowance for each meeting attended.

The number of Directors of the Company whose total remuneration falls within the following band for the financial year ended 31 January 2006 is as follows:

Range of Remuneration	No. of Directors	
	Executive	Non Executive
Below RM50,000	-	6
RM700,000 to RM750,000	1	-

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 10 of Bursa Securities' Listing Requirements. The Board of Directors is of the opinion that separate disclosure would not add significantly to the understanding of shareholders and other interested persons in this area.

SHAREHOLDERS

Dialogue between the Company and Investors

The Group views investor relations as encompassing three vital and inter-related components:

1. Communications

Our objective is to give investors the best information possible so that they can accurately apply it to value the Company. As we report new developments and financial results, investors assess how each piece of information fits into the Company's overall strategy.

2. Building Mutually Beneficial Relationships with Investors

Relationships are built on integrity, qualitative and timely information and management's ability to deliver on its promises.

3. Providing Feedback to Management on How the Market Views the Company

We seek to understand the current attitudes of investors towards the Group, our strategies and key initiatives. This requires having a strong sense of how the market will react to strategies and gaining insight into actions investors will favour.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board subscribes to the philosophy of transparent, fair, reliable and easily comprehensible reporting to shareholders. The Board acknowledges and accepts full responsibility for preparing a balanced and comprehensive assessment of the Group's operations and prospects each time it releases its quarterly and annual financial statements to shareholders.

In preparing the Financial Statements of the Company for the financial year ended 31 January 2006, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquires, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Internal Control

The Board is responsible to review the adequacy and integrity of the Group's internal control system. The Board has appointed experts, both internal and external to ensure that the Group maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets. The Board's Internal Control Statement appears on pages 18 to 19 of the Annual Report.

Relationship with Auditors

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the Group's Internal and External Auditors. The Audit Committee obtains reasonable assurance on the effectiveness of the internal control system through annual independent appraisal by the Auditors. Liaison and unrestricted communication exists between the Audit Committee and the external auditors.

Board and Committee Meeting Attendance

Set out below is the attendance record of the Board members for the Board and Committee meetings held between 1 February 2005 and 31 January 2006:

No.	Name	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee
1.	Dato' Wira Syed Abdul Jabbar bin Syed Hassan	5/5	-	2/2	2/2
2.	Tan Keng Beng	5/5	5/5	-	-
3.	Dato' (Dr) Megat Abdul Rahman bin Megat Ahmad	5/5	5/5	2/2	2/2
4.	Datuk Alias bin Ali	4/5	-	-	-
5.	Dato' Daniel Tay Kwan Hui	5/5	5/5	2/2	2/2
6.	Tan Koon Poon @ Tan Koon Pun	5/5	-	-	-
7.	Tan Loon Guan	5/5	-	-	-

BOARD COMMITTEES

Nomination Committee ("NC")

The NC comprises the Chairman of the Board as the Chairman of the committee with two independent, non-executive Directors. The NC met twice during the financial year.

Amongst others, the NC considered and recommended the nomination of additional directors to the Board of its subsidiary.

Remuneration Committee ("RC")

The RC comprises the Chairman of the Board as the Chairman of the committee with two independent, non-executive Directors. The RC met twice during the financial year.

The RC considered and recommended the terms and conditions of the contract of employment of the Managing Director to the Board for its approval.

The Audit Committee

The Audit Committee comprises of two Independent, Non-Executive Directors and the Managing Director and is chaired by YBhg Dato' (Dr) Megat Abdul Rahman bin Megat Ahmad. The committee meets routinely four times a year with additional meetings held where necessary. At least one meeting is held each year with the external auditors in private, in the absence of the management.

The full details of the composition, complete terms of reference and the activities of the Audit Committee during the financial year are set out under the Audit Committee Report on pages 20 to 23.

Additional Compliance Statement

CONFLICT OF INTEREST

Dato' Wira Syed Abdul Jabbar bin Syed Hassan is the Director and Chairman of the significant shareholder, MMC.

Mr. Tan Keng Beng and Mr. Tan Koon Poon @ Tan Koon Pun are deemed interested in the Company by virtue of their interest in Chip Lam Seng Berhad ("CLS") via Chip Lam Seng Enterprise Berhad ("CLSE"), which holds 100% interest in CLS pursuant to Section 6A of the Companies Act, 1965. Mr. Tan Koon Poon @ Tan Koon Pun is the father of Mr. Tan Keng Beng.

Mr. Tan Loon Guan is the nephew of Mr. Tan Keng Beng and grandson of Mr. Tan Koon Poon and is deemed interested in the Company by way of him being a beneficiary to the estate of the late Tan Keng Boon pursuant to Section 6A of the Companies Act, 1965. Mr. Tan Loon Guan is the son to the late Tan Keng Boon. Mr. Tan Koon Poon @ Tan Koon Pun is the father to the late Tan Keng Boon.

In addition to the above, Mr. Tan Koon Poon @ Tan Koon Pun, Mr. Tan Keng Beng and Mr. Tan Loon Guan are also deemed related to subsidiaries and associates of the CLS group of companies.

CONVICTIONS FOR OFFENCES

None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

UTILISATION OF PROCEEDS

No proceeds were raised by the Group from any corporate proposal.

SHARE BUYBACKS

The Group has no share buyback programme.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities were issued by the Group during the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Group did not sponsor any ADR or GDR programme.

IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Group, Directors or Management by the relevant regulatory bodies.

NON-AUDIT FEES

During the period under review, non-audit fees paid or payable to the external auditors amounted to RM57,500.

PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not release any profit estimates, forecasts or projections for the financial year.

PROFIT GUARANTEE

During the year, there was no profit guarantee given by the Group

MATERIAL CONTRACTS

Save as disclosed below, there were no other material contracts entered into by the Company and/or its subsidiaries involving Directors' and substantial shareholders' interests either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the financial year:

Date	Parties	General nature of contract	Consideration (RM)	Relationship
25.11.2004	CLS and CRG	Purchase of latex from CLS for January and February 2005	2,950,000 (Feb '05 only)	As per disclosure in the "Conflict of Interest" above
04.02.2005	CLS and CRG	Purchase of latex from CLS for the months of March to December 2005	18,027,500	As per disclosure in the "Conflict of Interest" above
24.02.2005	CLS and CRG	Purchase of latex from CLS for the months of March to December 2005	18,989,850	As per disclosure in the "Conflict of Interest" above
25.02.2005	CLS and CRG	Purchase of latex from CLS for the month of February 2005	990,000	As per disclosure in the "Conflict of Interest" above
25.03.2005	CLS and CRG	Purchase of latex from CLS for the month of March 2005	990,000	As per disclosure in the "Conflict of Interest" above
17.06.2005	CLS and CRG	Purchase of latex from CLS for the month of June 2005	2,625,000	As per disclosure in the "Conflict of Interest" above
06.01.2006	CLS and CRG	Purchase of latex from CLS for the month of January 2006	2,200,000	As per disclosure in the "Conflict of Interest" above
25.01.2006	CLS and CRG	Purchase of latex from CLS for the months of February to December 2006	6,244,710	As per disclosure in the "Conflict of Interest" above
25.01.2006	CLS and CRG	Purchase of latex from CLS for the months of February to December 2006	2,081,570	As per disclosure in the "Conflict of Interest" above
13.02.2006	CLS and CRG	Purchase of latex from CLS for the month of February 2006	2,650,000	As per disclosure in the "Conflict of Interest" above
10.03.2006	CLS and CRG	Purchase of latex from CLS for the month of March 2006	2,715,000	As per disclosure in the "Conflict of Interest" above
14.03.2006	CLS and CRG	Purchase of latex from CLS for the month of April 2006	3,228,000	As per disclosure in the "Conflict of Interest" above
28.04.2006	CLS and CRG	Purchase of latex from CLS for the month of May 2006	3,019,283	As per disclosure in the "Conflict of Interest" above
10.06.2003	GMSB and CRG	Purchase of natural gas for 5 years commencing May 2003	8,960,183 Feb '05 to Jan '06	MMC is a major shareholder of IRCB and GMSB
12.04.2005	GMSB and CRG	Purchase of natural gas for 5 years commencing July 2005	3,029,494 Feb '06 to May '06	MMC is a major shareholder of IRCB and GMSB

CONTRACTS RELATING TO LOAN

There were no contracts relating to loans by the Group except as disclosed above.

REVALUATION OF LANDED PROPERTIES

The Group does not have a revaluation policy on landed properties.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires the Board of Directors of public listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements requires the Board of Directors of public listed companies to include in its annual reports a statement about the state of their internal control.

The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year under review.

BOARD RESPONSIBILITY

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board acknowledges its overall responsibility for the Group's system of internal controls and risk management, which includes the review of the adequacy and integrity of this system. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control currently covers financial, organisational and compliance control.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Board, with the assistance of the external advisor, Messrs KPMG, had carried out an enterprise risk management review on the Company and its major operating subsidiary, Comfort Rubber Gloves Industries Sdn Bhd. This process enables the Board to identify and evaluate the principal risks of the Company and this major subsidiary by assessing the likelihood of any significant exposure and identifying the measures to be taken to manage these risks. From this initial step, the Board has established and implemented a structured risk management process for the Group.

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM

Internal Audit Function

As part of the establishment of the appropriate control environment, the Group had outsourced its Internal Audit function to a professional services firm, Messrs Deloitte Touche Tohmatsu. The Internal Audit would provide the Board with the reasonable assurance it requires regarding the adequacy and integrity of the system of internal control.

The Internal Audit reviews the internal controls in the key activities of the businesses of the major subsidiary. The management has been tasked to handle the findings by the Internal Auditor and update the Board on the status for the follow-up at subsequent quarterly meetings.

Other risks and control processes

Apart from risk management and internal audit to be undertaken by the Group, the current key elements of the Group's internal control system are as follows:

- The major subsidiary will prepare budgets for every financial year, which are approved at Board level.
- Quarterly financial management report, which includes key financial indicators are provided to the Audit Committee for deliberation and thereafter recommended to the Board for its approval.
- Major capital expenditures are subject to appropriate approval process.
- The active subsidiary of the Group has ISO 9001:2000 accreditation for its operational processes. There is a Quality Management System as documented in the Standard Operating Procedures to define clearly the delegated authority and responsibility of individual positions as well as the guidelines of quality control processes to ensure the quality of gloves produced is in accordance with those required by ISO 9001:2000.

Weaknesses in internal controls that result in material losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board acknowledges that the development of the internal control system is an ongoing process and continues to take measures to strengthen the control environment.

Approved by the Board of Directors in accordance with a resolution dated 15 May 2006.

Audit Committee Report

1. MEMBERSHIP AND MEETINGS

The members are as follows:

- Dato' (Dr.) Megat Abdul Rahman bin Megat Ahmad, Chairman (*Independent*)
- Dato' Daniel Tay Kwan Hui (*Independent*)
- Tan Keng Beng (*Managing Director*)

The term of office of each member is subject to review every three years.

Frequency of Meeting

At least four (4) times a year, and as and when required. At least once a year, the Audit Committee shall meet the External Auditors without Management being present.

During the financial year ended 31 January 2006, the Audit Committee held a total of five (5) meetings. The external auditors attended all five meetings.

2. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

2.1 Membership

The members of the Audit Committee shall be appointed by the Board amongst the Directors and shall consist of not less than three members, the majority of whom shall be independent Directors. The members of the Audit Committee shall elect a Chairman from among their members who shall be an independent Director.

At least one member of the Audit Committee is a member of the Malaysian Institute of Accountants, as prescribed by the Code.

2.2 Meetings and minutes

Meetings are scheduled at least four times a year, and will normally be attended by the Senior Internal Auditor and upon invitation, the External or Internal Audit Consultants. Other Board members may attend meetings upon the invitation by the Audit Committee. At least once a year the Audit Committee shall meet with the External Auditors without Management being present. Minutes of each meeting shall be distributed to each Board member. The Chairman of the Audit Committee shall report key matters discussed at each meeting to the Board.

2.3 Quorum

Two

2.4 Secretary

The Secretary of the Audit Committee shall be one of the Company Secretaries as decided by the Chairman of the Audit Committee.

2.5 Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- Have authority to investigate any matters within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full, free and unrestricted access to any information, records, properties and personnel of the Group;
- Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- The ability to obtain independent professional or any other advice, and
- The ability to convene meetings with the External and Internal Audit consultants.

2.6 Duties

- (i) Consider the appointment of the External and Internal Auditors, the audit fee and any questions of resignation or dismissal, and inquire into staffing and competence of the External and Internal Auditors in performing their work.
- (ii) Discuss the nature and scope of the audit in general terms and any significant problems that may be foreseen by the External and Internal Auditors before the audit commences and ensure that adequate tests to verify the accounts and procedures of the Group are performed.
- (iii) Discuss the impact of any proposed changes in accounting principles on future financial statements.
- (iv) Review the results and findings of the audit and monitor the implementation of any recommendations made therein.

- (v) Review the quarterly, half-yearly and annual financial statements before submission to the Board, focusing particularly on:
- Any changes in accounting policies and practices;
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumptions;
 - Compliance with accounting standards; and
 - Compliance with regulatory requirements.
- (vi) Discuss problems and reservations arising from the interim and final audits, and any other matters the Auditors may wish to discuss (in the absence of Management where necessary).
- (vii) Ensure that the Internal Audit is adequately resourced and has appropriate standing within the Group.
- (viii) Review the Internal Audit programme, consider the major findings of Internal Audit investigations and Management's response and ensure co-ordination between the Internal and External Auditors.
- (ix) Keep under review the effectiveness of internal control systems and, in particular, review the External Auditor's management letter and Management's response, if applicable.
- (x) Consider any related party transactions that may arise within the Group.
- (xi) Carry out such other assignments as defined by the Board.
- (xii) To review all prospective financial information provided to the regulators and/or the public.
- (xiii) To report promptly to Bursa Malaysia Securities Berhad ("Bursa Securities") on any matter reported by Bursa Securities to the Board of Directors, which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia's Revamped Listing Requirements.
- (xiv) To review arrangements established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Group.

3. SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee carried out its duties as set out in the terms of reference. The main activities performed by the Audit Committee during the financial year ended 31 January 2006 were as follows:

- Reviewed the External Auditors' audit strategy and scope for the statutory audit of the Company's financial year ended 31 January 2006.
- Reviewed the unaudited quarterly financial statements and the annual audited financial statements of the Group and recommended the same for approval by the Board.
- Reviewed the findings of the External and Internal Auditors and followed up on the recommendations.
- Reviewed and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.
- Reviewed the RRPT Circular to Shareholders and recommended the same for approval by the Board.
- Reviewed the Internal Audit Planning Memorandum and the timeline required for the exercise.

Other main issues discussed by the Audit Committee were as follows:

- Internal Control Statement and Audit Committee Report for inclusion in the Annual Report;
- The disclosure requirements in accordance with the Bursa Securities' Revamped Listing Requirements; and
- The Enterprise Risk Management report submitted by Messrs. KPMG.

4. INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Internal Audit function has been outsourced to Messrs Deloitte Touche Tohmatsu ("Deloitte"). During the year, the Committee reviewed Deloitte's Internal Audit Review Report, its findings and emphasised on follow-up audits to ensure that appropriate corrective actions are taken and that the audit recommendations are implemented.

5. EMPLOYEES' SHARE OPTION SCHEME

There is no employee share scheme for the Audit Committee to review and verify.

Shareholders' Information

SHAREHOLDINGS STATISTICS AS AT 5 JUNE 2006

Class of securities : Ordinary shares of RM0.50 each

Authorised share capital : RM200,000,000.00

Issued and paid-up capital : RM118,405,240.00

Voting rights : 1 vote for every Ordinary Shares

Size of Holdings	No. of Holders	% of Shareholders	No. of Shares Held	%
Less than 100	212	3.21	7,927	0.00
100 to 1,000	3,878	58.77	2,007,649	0.85
1,001 to 10,000	2,195	33.26	6,296,699	2.66
10,001 to 100,000	266	4.03	7,408,005	3.13
100,001 to less than 5% of issued shares	46	0.70	46,989,154	19.84
5% and above of issued shares	2	0.03	174,101,046	73.52
TOTAL	6,599	100.00	236,810,480	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 5 JUNE 2006

Name	Number of Shares Held			%
	Direct	%	Deem Interested	
Chip Lam Seng Berhad ("CLS")	130,101,046	54.94	-	-
Chip Lam Seng Enterprise Berhad ("CLSE")	-	-	⁽¹⁾ 130,101,046	54.94
Tan Koon Poon @ Tan Koon Pun	-	-	⁽²⁾ 130,101,046	54.94
Tan Keng Beng	-	-	⁽²⁾ 130,101,046	54.94
The Estate of Tan Keng Boon	-	-	⁽²⁾ 130,101,046	54.94
Tan Loon Guan	-	-	⁽³⁾ 130,101,046	54.94
MMC Corporation Berhad ("MMC")	⁽⁴⁾ 47,497,154	20.06	-	-
Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputra)	-	-	⁽⁵⁾ 47,497,154	20.06
Seaport Terminal (Johor) Sdn Bhd ("Seaport")	-	-	⁽⁵⁾ 47,497,154	20.06
Indra Cita Sdn Bhd ("Indra Cita")	-	-	⁽⁶⁾ 47,497,154	20.06
Tan Sri Dato' Syed Moktar Shah bin Syed Nor	-	-	⁽⁷⁾ 47,497,154	20.06

Notes:

- (1) Deemed interested by virtue of its interest in CLS pursuant to Section 6A of the Companies Act, 1965 ("Act")
- (2) Deemed interested by virtue of his interest in CLS via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Act, Mr. Tan Koon Poon @ Tan Koon Pun is the father and Madam Tham Yoke Cheong is the mother to the late Tan Keng Boon and Mr. Tan Keng Beng
- (3) Deemed interested by virtue of him being a beneficiary to the Estate of the late Tan Keng Boon, Mr. Tan Loon Guan is the son to the late Tan Keng Boon
- (4) Deemed interested in 44,000,000 Shares directly (18.58%) and deemed interested through Anglo-Oriental (Malaya) Sdn Bhd, a wholly-owned subsidiary of MMC which holds 3,497,154 IRCB shares (1.48%) pursuant to Section 6A of the Act
- (5) Deemed interested through MMC pursuant to Section 6A of the Act
- (6) Deemed interested by virtue of its major shareholdings in Seaport pursuant to Section 6A of the Act
- (7) Deemed interested by virtue of his major shareholdings in Indra Cita pursuant to Section 6A of the Act

THIRTY LARGEST SHAREHOLDERS AS AT 5 JUNE 2006

NO.	NAME	NO. OF SHARES	% OF ISSUED CAPITAL
1.	Chip Lam Seng Berhad	130,101,046	54.94
2.	MMC Corporation Berhad	44,000,000	18.58
3.	Warisan Diprima Sdn Bhd	10,000,000	4.22
4.	Melati Angsana Sdn Bhd	7,500,000	3.17
5.	Ng Lai Chiek	3,834,000	1.62
6.	Anglo-Oriental (Malaya) Sdn Bhd	3,497,154	1.48
7.	Rampai Dedikasi Sdn Bhd	2,700,000	1.14
8.	Angkasuwan Mrs Sunee	2,560,400	1.08
9.	Sokongan Sistemik Sdn Bhd	2,031,700	0.86
10.	Impian Semarak Sdn Bhd	2,000,000	0.84
11.	Lee Chee Ming	800,000	0.34
12.	Gulamoydeen bin Mohamed Haniffa	746,000	0.32
13.	Lee Eng Kwen	620,000	0.26
14.	Lim Ho Peng	572,600	0.24
15.	Ching Ping Wah	551,100	0.23
16.	Ng Siyu Lian	500,400	0.21
17.	Chai Sing Kee	500,000	0.21
18.	Tham Yoke Cheong	500,000	0.21
19.	Ooi Siew Suan	500,000	0.21
20.	Lee Sim Hak	500,000	0.21
21.	Ong Lock Hoo	500,000	0.21
22.	Universal Fisheries (M) Holdings Sdn Bhd	500,000	0.21
23.	Koh Chong Wan	500,000	0.21
24.	Moo Sing Hoe	489,300	0.21
25.	Tan Loon Hean	419,000	0.18
26.	Chew Sock Hoon	355,700	0.15
27.	Chong Thee Thiang	330,000	0.14
28.	Koay Theng Kooi	310,200	0.13
29.	Chong Foo Chu	295,000	0.12
30.	Wong Renn Chieng	280,000	0.12
	TOTAL	217,993,600	92.05

List of Properties Held

as at 31 January 2006

Location	Tenure	Area (Hectares)	Year of Expiry	Description/ Existing use	Net Book Value (RM)	Age Building (Years)	Year of Acquisition
SELANGOR DARUL EHSAN							
PT 823 Ulu Tinggi Kuala Selangor	Leasehold	36.42	2004 (Under application for renewal)	Mining land	1	-	2001
Lot Nos. 514 and 682 Batang Berjuntai Kuala Selangor	Freehold	13.86	-	Camp site	234,946	24-38	1957 & 1960
Lot No. 4162 Batu Caves Gombak	Freehold	0.47	-	Laboratory	84,318	24-31	1970
PERAK DARUL RIDZUAN							
G.M.530 Lot No. 821 Mukim Jebong District Larut & Matang Perak	Freehold	2.26	-	Single storey factory building with an adjacent double-storey office/ Factory building currently used for production of powdered NRL gloves	4,470,041	12	1993
H.S.(M) 629 / P.T. No. 2330 Mukim Jebong District Larut & Matang Perak	Freehold	2.46	-	Single storey factory building with an adjacent double-storey office/ Factory building currently used for production of powder-free NRL gloves	4,372,717	12	1999
(Held under master title) H.S.(D) KN4809 Mukim Gunung Semanggol Daerah Kerian Negeri Perak Darul Ridzuan	Leasehold for 99 years	-	2099	Three-bedroom apartment on the ground floor of a four-storey apartment complex / apartment for CRG's employees' vocational purposes	163,159	9	2000

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Directors' Report

for the year ended 31 January 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 January 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year except as disclosed in Note 3 to the financial statements.

RESULTS

	Group RM	Company RM
Net profit/(loss) for the year	140,301	(560,860)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDEND

Since the end of previous financial period, the Company paid a final dividend of 1.5 sen tax exempt per share totalling RM3,552,157 in respect of the financial period ended 31 January 2005 on 18 August 2005.

The Directors do not recommend any final dividend to be paid.

DIRECTORS OF THE COMPANY

The Directors who served since the date of the last report are:-

Dato' Wira Syed Abdul Jabbar bin Syed Hassan

Tan Keng Beng

Dato' (Dr) Megat Abdul Rahman bin Megat Ahmad

Tan Koon Poon @ Tan Koon Pun

Tan Loon Guan

Dato' Daniel Tay Kwan Hui

Dato' Alias bin Ali

DIRECTORS' INTEREST

The holdings and deemed holdings in the ordinary shares of the Company and of its holding companies of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:-

<-- Number of ordinary shares of RM0.50 each -->				
	Balance at 1.2.2005	Bought	Sold	Balance at 31.1.2006
The Company				
<i>Indirect Interest</i>				
Tan Keng Beng	130,101,046	-	-	130,101,046
Tan Koon Poon @ Tan Koon Pun	130,101,046	-	-	130,101,046
Tan Loon Guan	130,101,046	-	-	130,101,046
Dato' Wira Syed Abdul Jabbar bin Syed Hassan (held by his son)	2,400	-	(2,400)	-
<-- Number of ordinary shares of RM1.00 each -->				
The Holding Company				
Chip Lam Seng Berhad				
<i>Indirect Interest</i>				
Tan Keng Beng	16,000,000	-	-	16,000,000
Tan Koon Poon @ Tan Koon Pun	16,000,000	-	-	16,000,000
The Ultimate Holding Company				
Chip Lam Seng Enterprise Berhad				
<i>Direct</i>				
Tan Keng Beng	1,600,000	-	-	1,600,000
Tan Koon Poon @ Tan Koon Pun	7,179,520	-	-	7,179,520

Tan Keng Beng, Tan Koon Poon @ Tan Koon Pun and Tan Loon Guan are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest and also the related corporations to the extent the holding company has an interest.

None of the other Directors holding office at 31 January 2006 had any interest in the ordinary shares of the Company or its related corporations during the financial year. There were no changes notified by the Directors in any of their interest in the ordinary shares of the Company between 31 January 2006 to 15 May 2006.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:-

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the company inadequate to an substantial extent, or
- (ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (cont'd)

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 January 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:



..... Director

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN



..... Director

TAN KENG BENG

KUALA LUMPUR

Date: 15 May 2006

Statement by **Directors**

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

In the opinion of the Directors, the financial statements set out on pages 35 to 71, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 January 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:



..... Director

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN



..... Director

TAN KENG BENG

KUALA LUMPUR

Date: 15 May 2006

Statutory **Declaration**

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

I, TAN KENG BENG, the Director primarily responsible for the financial management of INTEGRATED RUBBER CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 35 to 71 are, to the best of my knowledge and belief 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 TAN KENG BENG in
Kuala Lumpur this 15 May 2006

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)
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BEFORE ME:



Report of the Auditors **to the Members**

We have audited the financial statements set out on pages 35 to 71. The preparation of the financial statements is the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company at 31 January 2006 and the results of their operations and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG

Firm Number: AF - 0758
Chartered Accountants

IPOH

Date: 15 May 2006

PETER HO KOK WAI

Partner
Approval Number: 1745/12/07 (J)

Consolidated Balance Sheet

at 31 January 2006

	Note	2006 RM	2005 RM
PROPERTY, PLANT AND EQUIPMENT	2	66,081,440	41,687,710
INVESTMENT IN ASSOCIATE	4	-	49
OTHER INVESTMENTS	5	1,245,000	1,245,000
GOODWILL ON CONSOLIDATION	6	42,727,693	44,393,070
CURRENT ASSETS			
Inventories	7	15,288,842	8,199,830
Trade receivables		17,712,126	21,709,428
Other receivables, deposits and prepayments		985,940	851,181
Amount due from holding company	8	74,548	417,665
Amount due from a related company	9	1,444,066	1,536,668
Tax recoverable		2,181,489	728,971
Fixed deposits	10	657,394	70,924
Cash and bank balances		588,670	3,689,678
		38,933,075	37,204,345
CURRENT LIABILITIES			
Trade payables	11	3,758,380	3,743,131
Other payables and accruals	12	6,508,237	7,313,510
Amount due to holding company	8	32,178	80,677
Hire purchase creditor	13	229,152	-
Short term borrowings (unsecured)	14	30,076,000	12,080,000
Term loan (secured)	15	314,000	-
Provision for taxation		-	4,880
		40,917,947	23,222,198
Net current (liabilities)/assets		(1,984,872)	13,982,147
HIRE PURCHASE CREDITOR	13	(1,173,352)	-
TERM LOAN	15	(8,326,000)	-
DEFERRED TAXATION	16	(5,158,789)	(4,485,000)
		93,411,120	96,822,976
Financed by:-			
SHARE CAPITAL	17	118,405,240	118,405,240
CAPITAL RESERVE	18	120,000	120,000
ACCUMULATED LOSSES		(25,114,120)	(21,702,264)
		93,411,120	96,822,976

The financial statements were approved and authorised for issue by the Board of Directors on 15 May 2006.

The notes set out on pages 44 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated **Income Statement**

for the year ended 31 January 2006

	Note	Year ended 31.1.2006 RM	9-month period ended 31.1.2005 RM
REVENUE	19	91,304,680	53,344,998
OPERATING PROFIT	19	1,051,480	7,311,553
Financing costs	20	(808,594)	(232,625)
Interest income on deposits		34,035	49,637
PROFIT BEFORE TAXATION		276,921	7,128,565
Taxation	21	(136,620)	(998,697)
NET PROFIT FOR THE YEAR/PERIOD		140,301	6,129,868
Basic earnings per ordinary share (sen)	22	0.06	3.6
Dividend per ordinary share (net)	23	-	1.5

The notes set out on pages 44 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

Balance Sheet

at 31 January 2006

	Note	2006 RM	2005 RM
PROPERTY, PLANT AND EQUIPMENT	2	364,648	386,637
INVESTMENT IN SUBSIDIARIES	3	90,300,001	90,300,001
INVESTMENT IN ASSOCIATE	4	-	49
OTHER INVESTMENTS	5	1,245,000	1,245,000
CURRENT ASSETS			
Other receivables		178,386	267,913
Tax recoverable		6,880	-
Amount due from a subsidiary	3	5,865	4,238,000
Fixed deposits	10	657,394	70,924
Cash and bank balances		92,640	44,035
		941,165	4,620,872
CURRENT LIABILITIES			
Other payables and accruals	12	834,395	650,178
Amount due to a subsidiary	3	1,892,507	1,660,572
Provision for taxation		-	4,880
		2,726,902	2,315,630
Net current (liabilities)/assets		(1,785,737)	2,305,242
		90,123,912	94,236,929
Financed by:-			
SHARE CAPITAL	17	118,405,240	118,405,240
CAPITAL RESERVE	18	120,000	120,000
ACCUMULATED LOSSES		(28,401,328)	(24,288,311)
		90,123,912	94,236,929

The notes set out on pages 44 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statement

for the year ended 31 January 2006

	Note	Year ended 31.1.2006 RM	9-month period ended 31.1.2005 RM
REVENUE	19	42,000	4,273,000
OPERATING (LOSS)/PROFIT	19	(626,828)	3,559,760
Interest income on deposits		9,169	-
(LOSS)/PROFIT BEFORE TAXATION		(617,659)	3,559,760
Taxation	21	56,799	(17,640)
NET (LOSS)/PROFIT FOR THE YEAR/PERIOD		(560,860)	3,542,120

The notes set out on pages 44 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Changes in Equity

for the year ended 31 January 2006

	Note	Share capital RM	Capital reserve RM	Accumulated losses RM	Total RM
GROUP					
At 1 May 2004		30,526,200	120,000	(52,253,092)	(21,606,892)
Reduction in share capital		(24,420,960)	-	24,420,960	-
Issuance of new ordinary shares		112,300,000	-	-	112,300,000
Net profit for the period		-	-	6,129,868	6,129,868
At 31 January 2005		118,405,240	120,000	(21,702,264)	96,822,976
2005 final dividend					
- 1.5 sen tax exempt per share	23	-	-	(3,552,157)	(3,552,157)
Net profit for the year		-	-	140,301	140,301
At 31 January 2006		118,405,240	120,000	(25,114,120)	93,411,120
		Note 17	Note 18		
COMPANY					
At 1 May 2004		30,526,200	120,000	(52,251,391)	(21,605,191)
Reduction in share capital		(24,420,960)	-	24,420,960	-
Issuance of new ordinary shares		112,300,000	-	-	112,300,000
Net profit for the period		-	-	3,542,120	3,542,120
At 31 January 2005		118,405,240	120,000	(24,288,311)	94,236,929
2005 final dividend					
- 1.5 sen tax exempt per share	23	-	-	(3,552,157)	(3,552,157)
Net loss for the year		-	-	(560,860)	(560,860)
At 31 January 2006		118,405,240	120,000	(28,401,328)	90,123,912
		Note 17	Note 18		

The notes set out on pages 44 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 January 2006

	Note	Year ended 31.1.2006 RM	9-month period ended 31.1.2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		276,921	7,128,565
Adjustments for:-			
Depreciation		5,389,570	2,272,860
Gain on disposal of investment in associate		(4,851)	-
Formers written off		274,294	190,365
Financing costs		808,594	232,625
Interest income		(34,035)	(49,637)
(Gain)/Loss on disposal of equipment and motor vehicles		(84,581)	13,405
Dividend income		(42,000)	(35,000)
		6,306,991	2,624,618
Operating profit before working capital changes		6,583,912	9,753,183
Increase in inventories		(7,089,012)	(1,884,742)
Decrease/(Increase) in trade receivables and other receivables		3,862,543	(2,819,698)
Decrease in amount due from holding company		294,618	3,186,446
Decrease/(Increase) in amount due from related company		92,602	(1,536,668)
(Decrease)/Increase in trade and other payables		(790,024)	1,735,271
Cash generated from operations		2,954,639	8,433,792
Financing costs paid		(758,185)	(232,625)
Income tax paid		(1,567,879)	(1,577,017)
Dividend income received		42,000	35,000
Net cash generated from operating activities		670,575	6,659,150
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		34,035	49,637
Proceeds from disposal of equipment and motor vehicles		305,124	11,400
Proceeds from disposal of investment in associate		4,900	-
Acquisition of property, plant and equipment and motor vehicle	A	(26,361,110)	(6,534,311)
Acquisition of a subsidiary, net of cash acquired	3	-	6,121,820
Increase in fixed deposit pledged		(2,524)	(1,234)
Net cash used in investing activities		(26,019,575)	(352,688)
Balance carried down		(25,349,000)	6,306,462

	Year ended 31.1.2006 RM	9-month period ended 31.1.2005 RM
Balance brought down	(25,349,000)	6,306,462
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from/(Repayment of) short term borrowings	17,996,000	(2,877,000)
Dividend paid	(3,552,157)	-
Interest paid on hire purchase	(35,686)	-
Interest paid on term loan	(14,723)	-
Repayment to hire purchase creditor	(201,496)	-
Proceeds from term loans	8,640,000	-
Net cash from/(used in) financing activities	22,831,938	(2,877,000)
Net (decrease)/increase in cash and cash equivalents	(2,517,062)	3,429,462
Cash and cash equivalents at beginning of year/period	3,689,678	260,216
Cash and cash equivalents at end of year/period	1,172,616	3,689,678

Analysis of cash and cash equivalents:

	31.1.2006 RM	31.1.2005 RM
Cash and bank balances	588,670	3,689,678
Fixed deposits (excluding pledged deposits)	583,946	-
	1,172,616	3,689,678

NOTE TO THE CASH FLOW STATEMENT

A. Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM27,965,110 of which RM1,604,000 were acquired by means of hire purchase.

The notes set out on pages 44 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 31 January 2006

	Year ended 31.1.2006 RM	9-month period ended 31.1.2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(617,659)	3,559,760
Adjustments for:-		
Depreciation	18,754	21,945
Dividend income	(42,000)	(4,273,000)
Interest income	(9,169)	(2,782)
Loss/(Gain) on disposal of equipment	3,235	(6,400)
Gain on disposal of investment in associate	(4,851)	-
	(34,031)	(4,260,237)
Operating loss before working capital changes	(651,690)	(700,477)
Increase in amounts due (to)/from subsidiaries	226,070	1,660,572
Decrease/(Increase) in other receivables	89,527	(33,277)
Increase/(Decrease) in other payables and accruals	184,217	(1,184,947)
Cash used in operations	(151,876)	(258,129)
Income tax refund	45,039	(1,000)
Dividend income received	4,280,000	35,000
Net cash generated from/(used in) operating activities	4,173,163	(224,129)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,169	2,782
Proceeds from disposal of investment in associate	4,900	-
Proceeds from disposal of equipment	-	6,400
Increase in fixed deposit pledged	(2,524)	(1,234)
Net cash from investing activities	11,545	7,948
CASH FLOWS FROM FINANCING ACTIVITY		
Dividend paid	(3,552,157)	-
Net increase/(decrease) in cash and cash equivalents	632,551	(216,181)
Cash and cash equivalents at beginning of year/period	44,035	260,216
Cash and cash equivalents at end of year/period	676,586	44,035

	31.1.2006 RM	31.1.2005 RM
Analysis of cash and cash equivalents:-		
Cash and bank balances	92,640	44,035
Fixed deposits (excluding pledged deposits)	583,946	-
	676,586	44,035

The notes set out on pages 44 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

Notes To The **Financial Statements**

31 January 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

1.1 Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

As at 31 January 2006, the current liabilities of the Group and the Company have exceeded its current assets by RM1,984,872 and RM1,785,737 respectively. In the opinion of the Directors, the Group and the Company would be able to generate sufficient funds from operating cash flows in the near future to meet its debts as and when they fall due. In view of the above together with assumptions that the continuing financial support from their bankers and creditors are obtained and the Group's ability to achieve continuing profitable operations, the financial statements for the year ended 31 January 2006 are prepared on a going concern basis.

1.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of the acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intra group transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

1.3 Property, plant and equipment

Property, plant and equipment, except for freehold land and formers, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.4 Depreciation

Depreciation is provided on a straight line basis so as to write off the property, plant and equipment over their estimated useful lives.

The principal annual rates of depreciation are as follows:-

Factory and office buildings	5% - 10%
Furniture and fittings	8%
Plant and machinery	10%
Office equipment	10% - 15%
Motor vehicles	16% - 25%

Freehold land is stated at cost and is not amortised. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. No depreciation is provided for formers but they are written off at cost as and when damaged.

1.5 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

1.6 Liabilities

Borrowings, trade and other payables are stated at cost.

1.7 Goodwill on consolidation

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less impairment loss, where applicable.

1.8 Investments

Long term investments, other than in subsidiaries and associates, are stated at Directors' valuation.

Any surplus arising from the revaluation is dealt with in the revaluation reserve. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase of the same investment. In all other cases, a decrease in the carrying amount is charged to the income statement. On the sale of a revalued investment, the portion of the revaluation surplus pertaining to the investment will be realised and transferred to revenue reserve.

Long term investments in subsidiaries and associates are stated at cost in the Company, less impairment loss where applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis.

For work-in-progress and finished goods, cost consists of raw materials, direct labour and an appropriate proportion of manufacturing overheads. For raw materials, packing material and treatment plant chemicals, cost consists of original purchase price plus cost of bringing these inventories to their present condition and location.

1.10 Impairment

The carrying amounts of the assets, other than inventories (refer Note 1.9) and deferred tax assets (refer Note 1.12) and financial assets (other than investments in subsidiaries and associate), 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. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is carried at a revalued amount in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement unless it reverse on impairment loss on a revalued asset, in which case it is taken to equity.

1.11 Employee benefits

(i) Defined contribution plan

Obligations for statutory employer's contribution for employees are recognised as an expense in the income statement as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.11 Employee benefits (cont'd)

(ii) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the period in which the associated services are rendered by the employees. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

1.12 Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1.13 Foreign currency

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rate used in translation is USD1.00: RM3.75 (31.1.2005: USD1.00: RM3.80).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.14 Revenue

(i) Sales of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards or ownership have been transferred to the buyer.

(ii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(iii) Dividend income

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

1.15 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

1.16 Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

1.17 Derivative financial instruments

The Group uses derivative financial instruments, including forward foreign exchange contracts, to hedge its exposure to foreign exchange arising from operational activities.

Derivative financial instruments (used for hedging purposes) are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions upon realisation.

1.18 Hire purchase agreements

Assets acquired under hire purchase agreements are capitalised at their purchased cost and depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements are included under hire purchase creditors.

The interest element for assets acquired under hire purchase agreements are amortised over the period of the agreements.

2. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings (Note 2.1) RM	Plant, machinery, formers and capital work-in-progress RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
At Cost					
At 1 February 2005	14,679,035	47,611,128	2,065,906	1,407,422	65,763,491
Additions	110,953	25,862,849	1,808,343	182,965	27,965,110
Fair value adjustment (Note 3)	2,313,024	-	-	-	2,313,024
Disposals	-	(110,861)	(1,029,933)	-	(1,140,794)
Write off	-	(274,294)	-	-	(274,294)
At 31 January 2006	17,103,012	73,088,822	2,844,316	1,590,387	94,626,537
Accumulated Depreciation					
At 1 February 2005	5,046,148	16,720,009	1,522,979	786,642	24,075,778
Charge for the year	729,596	4,167,931	372,568	119,475	5,389,570
Disposals	-	(82,502)	(837,749)	-	(920,251)
At 31 January 2006	5,775,744	20,805,438	1,057,798	906,117	28,545,097
Net Book Value					
At 31 January 2006	11,327,268	52,283,384	1,786,518	684,270	66,081,440
At 31 January 2005	9,632,887	30,891,119	542,927	620,777	41,687,710
Depreciation charge for the period ended 31 January 2005	202,200	1,908,385	100,023	62,252	2,272,860

2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY	Land and buildings (Note 2.1) RM	Plant, machinery, formers and capital work-in-progress RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
At Cost					
At 1 February 2005	2,875,812	534,706	138,847	218,092	3,767,457
Disposals	-	(42,393)	-	-	(42,393)
At 31 January 2006	2,875,812	492,313	138,847	218,092	3,725,064
Accumulated Depreciation					
At 1 February 2005	2,556,548	493,476	125,908	204,888	3,380,820
Charge for the year	-	360	8,172	10,222	18,754
Disposal	-	(39,158)	-	-	(39,158)
At 31 January 2006	2,556,548	454,678	134,080	215,110	3,360,416
Net Book Value					
At 31 January 2006	319,264	37,635	4,767	2,982	364,648
At 31 January 2005	319,264	41,230	12,939	13,204	386,637
Depreciation charge for the period ended 31 January 2005	-	360	8,172	13,413	21,945

2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2.1 Land and buildings

GROUP	Freehold land RM	Short term leasehold land RM	Buildings RM	Total RM
At Cost				
At 1 February 2005	3,621,941	167,669	10,889,425	14,679,035
Additions	-	-	110,953	110,953
Fair value adjustment (Note 3)	(900,000)	-	3,213,024	2,313,024
At 31 January 2006	2,721,941	167,669	14,213,402	17,103,012
Accumulated Depreciation				
At 1 February 2005	-	167,669	4,878,479	5,046,148
Charge for the year	-	-	729,596	729,596
At 31 January 2006	-	167,669	5,608,075	5,775,744
Net Book Value				
At 31 January 2006	2,721,941	-	8,605,327	11,327,268
At 31 January 2005	3,621,941	-	6,010,946	9,632,887
Depreciation charge for the period ended 31 January 2005	-	-	202,200	202,200

2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2.1 Land and buildings (cont'd)

COMPANY	Freehold land RM	Short term leasehold land RM	Buildings RM	Total RM
At Cost				
At 1 February 2005 and 31 January 2006	121,941	167,669	2,586,202	2,875,812
Accumulated Depreciation				
At 1 February 2005 and 31 January 2006	-	167,669	2,388,879	2,556,548
Net Book Value				
At 31 January 2006	121,941	-	197,323	319,264
At 31 January 2005	121,941	-	197,323	319,264
Depreciation charge for the period ended 31 January 2005	-	-	-	-

The titles of properties of a subsidiary with net book value of RM163,159 (2005: RM174,571) and RM2,750,000 (2005: RM2,750,000) respectively are still in the process of being transferred to the name of the subsidiary company.

3. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2006 RM	2005 RM
Unquoted shares at cost	90,300,001	90,300,001

The subsidiary companies are incorporated in Malaysia and are as follows:-

Name of company	Effective ownership interest		Principal activities
	2006	2005	
Comfort Rubber Gloves Industries Sdn Bhd ("CRG")	100%	100%	Manufacturing and trading of latex gloves
Quality Gallant Sdn Bhd ("QG") (wholly owned subsidiary of CRG)	100%	100%	Trading of latex gloves in 2006 Dormant in 2005
PBT Sdn Bhd ("PBT")	100%	100%	Dormant

3. INVESTMENT IN SUBSIDIARIES (cont'd)

Amounts due from/(to) a subsidiary

The amounts due from/(to) a subsidiary are unsecured, interest free and have no fixed terms of repayment.

Revision of fair value adjustment on acquisition

In the financial year ended 31 January 2006, the Group received a valuation report on the major landed properties of CRG acquired in its acquisition of CRG completed on 22 July 2004. The report was not complete at the time of publishing the 2005 financial statements. As a result of the valuation, the value attributed to property, plant and equipment has been increased by RM2,313,024 (refer Note 2). A corresponding adjustment has been made to reduce goodwill by RM1,665,377 (refer Note 6) and increasing deferred taxation by RM647,647 (refer Note 16).

The adjustments have been made effective at the date of acquisition, and the consequent amendments to depreciation and deferred taxation have been recognised in the current year.

If 2005 financial statements had been restated, the net profit for 2005 would have been reduced by RM82,754 comprising a decrease of RM103,646 relating to increased depreciation and an increase of RM20,892 relating to reversal of deferred tax liabilities.

4. INVESTMENT IN ASSOCIATE

Name of Company	Effective ownership interest		Country of incorporation	Principal activity
	31.1.2006	31.1.2005		
Wangsa Struktur Sdn Bhd*	-	49%	Malaysia	Dormant

On 21 February 2005, the Company had effectively disposed its interest in this associate for a total cash consideration of RM4,900.

* Not audited by KPMG

5. OTHER INVESTMENTS

	GROUP/COMPANY	
	2006 RM	2005 RM
At Directors' valuation:- Quoted shares in Malaysia	1,245,000	1,245,000

The market value of the quoted investments is shown in Note 30.

6. GOODWILL ON CONSOLIDATION

	GROUP	
	2006 RM	2005 RM
Balance at 1 February/1 May	44,393,070	-
Acquisition of CRG and its subsidiary	-	44,393,070
Fair value adjustment (Note 3)	(1,665,377)	-
	42,727,693	44,393,070

7. INVENTORIES

	GROUP	
	2006 RM	2005 RM
At cost:-		
Finished goods	1,189,017	1,618,317
Work-in-progress	11,845,521	4,805,122
Raw materials	1,917,254	1,484,612
Packing materials	319,949	285,952
Treatment plant chemicals	17,101	5,827
	15,288,842	8,199,830

8. AMOUNTS DUE FROM/(TO) HOLDING COMPANY

The holding company is Chip Lam Seng Berhad ("CLS"), a company incorporated in Malaysia. The amounts due from/(to) CLS arises from trade and non-trade transactions are as follows:-

	GROUP	
	2006 RM	2005 RM
Trade	(32,178)	417,665
Non-trade	74,548	(80,677)
	42,370	336,988

The amounts due from/(to) holding company arise from non-trade transactions are unsecured and have no fixed terms of repayment.

9. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company consists of trade and non-trade transactions of RM178,935 (2005: RM75,549) and RM1,265,131 (2005: RM1,461,119) respectively. For the non-trade balance, the company is charged an interest rate of 8% per annum but the amount is unsecured and has no fixed terms of repayment.

10. FIXED DEPOSITS

	GROUP/COMPANY	
	2006 RM	2005 RM
Fixed deposits are placed with:		
Licensed bank	73,448	70,924
Finance company	583,946	-
	657,394	70,924

Included in the fixed deposits is RM73,448 (2005: RM70,924) pledged for bank guarantee facilities granted to the Company.

11. TRADE PAYABLES

Included in the Group's trade payables is an amount arising from trade in the normal course of business of RM606,486 (2005: RM1,861,873) due to a company which is a sub-sub-sidiary of a substantial corporate shareholder of the Company.

12. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals for the Group as at 31 January 2006, is a provision for retrenchment benefits of the Company of RM150,000 (2005: RM150,000) and a provision for retirement benefits of a subsidiary of RM76,000 (2005: RM76,000).

13. HIRE PURCHASE CREDITOR

Hire purchase liabilities as at 31 January 2006 are payable as follows:

	<----- GROUP ----->		
	Payments RM	Interest RM	Principal RM
Less than one year	269,736	40,584	229,152
Between one and five years	1,078,944	162,336	916,608
More than five years	302,206	45,462	256,744
	1,381,150	207,798	1,173,352
	1,650,886	248,382	1,402,504

14. SHORT TERM BORROWINGS (UNSECURED)

	GROUP	
	2006 RM	2005 RM
Bankers' acceptance	22,238,000	12,080,000
Short term revolving credit	7,838,000	-
	30,076,000	12,080,000

The bankers' acceptance and short term revolving credit form part of banking facilities in a subsidiary which are supported by corporate guarantees by the Company of RM46.86 million.

The bankers' acceptance and short term revolving credit interest rates charged range between 2.57% - 3.55% (2005: 2.57% - 3.15%) and 4.15% - 4.66% (2005: NIL) respectively per annum.

In the previous financial period ended 31 January 2005, the bankers' acceptance was also supported by joint and several guarantee of Tan Koon Poon @ Tan Koon Pun and Tan Keng Beng for RM15.5 million, which has been discharged during the current financial year.

15. TERM LOAN (SECURED)

	GROUP	
	2006 RM	2005 RM
Repayable under 1 year	314,000	-
Repayable between 2 to 5 years	8,326,000	-
	8,640,000	-

The secured term loan is subject to fixed interest rates of 6.22% per annum. This forms part of the total term loan of RM26.4 million which is repayable over 84 equal monthly instalments commencing 1 January 2007.

The term loan is secured as follows:-

- (i) Fresh Corporate Guarantee by the Company for RM26,400,000;
- (ii) Fresh Negative Pledge; and
- (iii) Fresh Debenture of RM26,400,000 over the assets purchased/financed.

There are no major loan covenants for the term loans outstanding as at 31 January 2006.

16. DEFERRED TAXATION

	GROUP	
	2006 RM	2005 RM
(i) Balance at 1 February/1 May	4,485,000	-
Acquisition of a subsidiary	-	4,416,585
Arising from fair value adjustment (Note 3)	647,647	-
Origination and reversal of temporary differences (Note 21)	26,142	68,415
Balance at 31 January	5,158,789	4,485,000

16. DEFERRED TAXATION (cont'd)

The recognised deferred tax liabilities are as follows:

	GROUP	
	2006 RM	2005 RM
Capital allowances on property, plant and equipment	4,594,818	4,506,000
Taxable temporary differences	584,971	-
Other deductible temporary differences	(21,000)	(21,000)
Deferred tax liabilities	5,158,789	4,485,000

(ii) Deferred tax assets have not been recognised in respect of the following items:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Unutilised tax losses	12,378,000	12,047,000	12,216,000	12,065,000

The unutilised tax losses as disclosed above does not expire under the current legislation and is subject to agreement by the Inland Revenue Board. The deferred tax asset has not been recognised in respect to the unutilised tax losses because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

17. SHARE CAPITAL

	----- GROUP/COMPANY ----->			
	2006	2005	2006	2005
	<-- Number of shares -->		<----- RM ----->	
Authorised:-				
Ordinary shares				
Balance at 1 February/May at RM0.50 each	400,000,000	35,000,000	200,000,000	35,000,000
Created during the year/period	-	365,000,000	-	165,000,000
Balance at 31 January at RM0.50 each	400,000,000	400,000,000	200,000,000	200,000,000

17. SHARE CAPITAL (cont'd)

	<----- GROUP/COMPANY ----->			
	2006	2005	2006	2005
	<-- Number of shares -->		<----- RM ----->	
Issued and fully paid:-				
Ordinary shares				
Balance at 1 February/May at RM0.50 each	236,810,480	30,526,200	118,405,240	30,526,200
Capital reduction and consolidation	-	(18,315,720)	-	(24,420,960)
Allotted during the year	-	224,600,000	-	112,300,000
Balance at 31 January at RM0.50 each	236,810,480	236,810,480	118,405,240	118,405,240

18. CAPITAL RESERVE

Capital reserve relates to a revaluation carried out in 1993 of the Group's quoted investments based on the prevailing market value.

19. OPERATING PROFIT/(LOSS)

	GROUP		COMPANY	
	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM
Revenue - sales of latex gloves*	91,262,680	53,309,998	-	-
- dividend income	42,000	35,000	42,000	4,273,000
Cost of sales	91,304,680 (82,663,857)	53,344,998 (42,395,703)	42,000 -	4,273,000 -
Gross profit	8,640,823	10,949,295	42,000	4,273,000
Administrative expenses	(6,356,781)	(3,314,824)	(1,285,792)	(1,212,056)
Selling expenses	(1,888,421)	(882,656)	-	-
Other operating expenses	(113,954)	(19,805)	-	-
Other operating income	769,813	579,543	616,964	498,816
Operating profit/(loss)	1,051,480	7,311,553	(626,828)	3,559,760

* Revenue represents dividend income and sales of latex gloves at gross invoiced values net of discount and returns.

19. OPERATING PROFIT/(LOSS) (cont'd)

	GROUP		COMPANY	
	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM
Operating profit/(loss) is arrived after charging/(crediting):-				
Allowance for doubtful debts	500,000	-	-	-
Auditors' remuneration				
- current year/period	37,500	32,990	25,000	25,000
- overprovision in prior period	(300)	-	-	-
- non-audit work	57,500	-	57,500	-
Depreciation of property, plant and equipment	5,389,570	2,272,860	18,754	21,945
Company Directors' emoluments				
- remuneration				
- current year/period	672,104	220,400	338,304	80,000
- overprovision in prior period	(40,000)	-	(40,000)	-
- fees	188,000	110,382	128,000	80,382
- allowances	45,750	27,750	45,750	27,750
Other directors' emoluments				
- fees	60,000	30,000	-	-
- others	12,800	-	-	-
Director's fee payable to a previous Director of the Company	-	2,696	-	2,696
(Gain)/Loss on disposal of equipment and motor vehicles	(84,581)	13,405	3,235	(6,400)
Formers written off	274,294	190,365	-	-
Gain on disposal of investment in associate	(4,851)	-	(4,851)	-
Rental expense	109,890	59,090	-	6,000
Restructuring expenses	56,434	373,474	56,434	373,474
Lease rental	650,000	-	-	-
Loss/(Gain) on foreign exchange (realised)	21,701	(44,143)	-	-
Loss on foreign exchange (unrealised)	92,253	-	-	-
Weighing bridge rental	6,636	3,069	-	-
Rental income	(89,060)	(70,840)	(89,060)	(70,840)
Interest income on amount due from related company	(58,364)	-	-	-

The estimated monetary values of benefits-in-kind received by the Directors of the Group is RM55,663 (period ended 31.1.2005: RM23,125).

20. FINANCING COSTS

	GROUP	
	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM
Interest charges:-		
- bankers' acceptance	567,365	223,262
- bank overdraft	15,899	14
- letter of credit	32,418	9,349
- hire purchase	35,686	-
- term loan	14,723	-
- short term revolving credit	142,503	-
	808,594	232,625

21. TAXATION

	GROUP		COMPANY	
	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM
(i) The taxation charge comprises:				
Current taxation	149,374	942,549	-	5,880
Deferred taxation:-				
- Originating and reversal of temporary difference (Note 16)	26,142	68,415	-	-
	175,516	1,010,964	-	5,880
(Over)/Under provision of taxation in previous year	(38,896)	(12,267)	(56,799)	11,760
	136,620	998,697	(56,799)	17,640

21. TAXATION (cont'd)

- (ii) A numerical reconciliation between the tax expense and the accounting profit multiplied by the applicable tax rate, is as follows:-

	GROUP		COMPANY	
	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM
Profit/(Loss) before taxation	276,921	7,128,565	(617,659)	3,559,760
Income tax using Malaysian tax rates	77,000	1,996,000	(173,000)	997,000
Effect of lower tax rate	700	8,000	-	-
Effect of non-taxable dividend income	-	-	-	(1,186,000)
Tax effect on expenses that are not deductible in determining taxable profit	221,700	213,000	16,000	139,000
Deferred tax asset not recognised	159,000	55,000	157,000	55,000
Effect of tax incentive	(332,000)	(1,092,000)	-	-
Others	49,116	(169,036)	-	880
	175,516	1,010,964	-	5,880
(Over)/Under provision of taxation in previous year	(38,896)	(12,267)	(56,799)	11,760
	136,620	998,697	(56,799)	17,640

22. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM140,301 (period ended 31.1.2005: net profit of RM6,129,868) and the weighted average number of ordinary shares outstanding during the year of 236,810,480 (period ended 31.1.2005: 170,081,494).

Weighted average number of ordinary shares

	2006	2005
Issued ordinary shares at beginning of the year/period	236,810,480	30,526,200
Capital reduction and consolidation of shares	-	(18,315,720)
Restated issued ordinary shares	236,810,480	12,210,480
Effect of new ordinary shares issued	-	157,871,014
Weighted average number of ordinary shares	236,810,480	170,081,494

23. DIVIDEND

The proposed final dividend of 1.5 sen tax exempt per share totalling RM3,552,157 in respect of the financial period ended 31 January 2005 had not been accounted for in the financial statements of the said period. The net dividend per ordinary share as disclosed in the income statement takes into account the final proposed dividend for the financial year/period.

24. EMPLOYEE INFORMATION

	GROUP		COMPANY	
	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM
Staff costs	10,786,313	5,414,144	442,645	339,995

The average number of employees of the Group and of the Company (including directors) for the year was 828 (period ended 31.1.2005: 820) and 5 (period ended 31.1.2005: 6) respectively.

Included in staff cost for the year are the Group's and Company's contributions to the Employees Provident Fund of RM590,509 (period ended 31.1.2005: RM248,113) and RM68,734 (period ended 31.1.2005: RM8,865) respectively.

25. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Approved but not contracted for Property, plant and equipment	14,550,000	31,879,000	-	-
Investments	7,200,000	7,200,000	7,200,000	7,200,000
Contracted but not provided for	3,360,000	-	-	-
	25,110,000	39,079,000	7,200,000	7,200,000

26. CONTINGENT LIABILITY (UNSECURED)

The Company has issued a corporate guarantee for the sum of RM73.26 million in favour of two banks for the banking facilities extended to a subsidiary company. The banking limit and amount of the banking facilities utilised as at 31 January 2006 is RM73,200,000 and RM41,907,500 respectively.

27. RELATED PARTIES

The Company has related party relationships with:-

- (i) the holding company as disclosed in Note 8 to the financial statements and its related companies; and
- (ii) the substantial shareholder of the Company and certain of its subsidiaries.

27.1 Significant inter-company transaction of the Company is as follows:-

	COMPANY	
	2006 RM	2005 RM
Ordinary dividend receivable from Comfort Rubber Gloves Industries Sdn Bhd	-	4,238,000

27.2 Significant non-trade related party balances:-

Outstanding significant non-trade related party balances at year/period end are as follows:-

	COMPANY	
	2006 RM	2005 RM
Amount owing to a subsidiary Comfort Rubber Gloves Industries Sdn Bhd	1,892,507	1,660,572

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount owing to a substantial corporate shareholder				
MMC Corporation Berhad	39,062	-	39,062	-
Amount owing to wholly-owned subsidiaries of a substantial corporate shareholder				
Pernas Charter Management Sdn Bhd	24,240	-	24,240	-
MMC Engineering and Construction Sdn Bhd	6,497	6,497	6,497	6,497
Amount owing by/(to) related companies				
Chip Lam Seng Berhad (holding company)	74,548	(80,677)	-	-
PT Abbergummi Medical (related company)	1,265,131	1,461,119	-	-

The above amounts are interest free, unsecured and have no fixed terms of repayment except for the non-trade amount owing by PT Abbergummi Medical which is charged interest at a rate of 8% per annum.

27. RELATED PARTIES (cont'd)

27.3 Significant related party transactions:-

Significant related party transactions of the Group and of the Company are as follows:-

	GROUP		COMPANY	
	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM	Year ended 31.1.2006 RM	Period ended 31.1.2005 RM
Transactions with a substantial corporate shareholder				
MMC Corporation Berhad				
- Reimbursable expenses	89,460	-	89,460	-
- Professional services	18,000	-	18,000	-
Transactions with wholly-owned subsidiaries of a substantial corporate shareholder				
Pernas Charter Management Sdn Bhd				
- Professional services	36,000	15,000	36,000	15,000
- Reimbursable expenses	-	71,644	-	71,644
MMC Marketing Sdn Bhd				
- Rental	-	6,000	-	6,000
Transactions with a sub-subsidiary of a substantial corporate shareholder				
Gas Malaysia Sdn Bhd				
- Purchases of gas	8,960,183	4,149,421	-	-
Transactions with related companies				
Chip Lam Seng Berhad (holding company)				
- Purchases of latex	46,876,812	20,744,577	-	-
PT Abbergummi Medical (related company)				
- Interest charged on outstanding amount	58,364	30,665	-	-
- Sales - trade	178,935	-	-	-
- non-trade	3,685	117,820	-	-

The Directors of the Group are of the opinion that the above transactions have been entered into in the normal course of business and have been established based on contracted rates that are agreed between the above parties and the Group.

28. SEGMENTAL INFORMATION - GROUP

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.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue and interest bearing financial instruments and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:-

Manufacturing Manufacture and trading of latex gloves.

Investment holding Investment of ordinary and quoted shares.

The activities of the Group are carried out solely in Malaysia. The United States of America, Canada, Japan and Europe are the major export markets for the manufacturing division while the major market for the other divisions is principally in Malaysia.

28. SEGMENTAL INFORMATION - GROUP (cont'd)

For the year ended 31 January 2006:-

	Manufacturing RM	Investment holding RM	Others RM	Eliminations RM	Consolidated RM
Business segments					
Revenue from external customers	91,245,019	42,000	602,861	(585,200)	91,304,680
Segment results	1,686,941	(626,828)	(8,633)	-	1,051,480
Operating profit					1,051,480
Financing costs					(808,594)
Fixed deposit interest income					34,035
Profit before taxation					276,921
Taxation					(136,620)
Net profit for the year					140,301
Segment assets	103,657,692	45,272,641	56,875	-	148,987,208
Segment liabilities	49,575,254	834,395	7,650	-	50,417,299
Unallocated liability					5,158,789
					55,576,088
Capital expenditure	27,965,110	-	-	-	27,965,110
Depreciation	5,370,020	18,754	796	-	5,389,570
Non cash items other than depreciation	186,478	(1,616)	-	-	184,862
Geographical segments	Revenue from external customers by location of customers RM	Segment assets by location of assets RM	Capital expenditure by location of assets RM		
Malaysia	21,049,797	148,987,208	27,965,110		
United States of America and Canada	34,078,029	-	-		
Asia	24,380,567	-	-		
Europe	10,348,767	-	-		
Others	1,447,520	-	-		
Consolidated	91,304,680	148,987,208	27,965,110		

28. SEGMENTAL INFORMATION - GROUP (cont'd)

For the period ended 31 January 2005:-

	Manufacturing RM	Investment holding RM	Others RM	Eliminations RM	Consolidated RM
Business segments					
Revenue from external customers	53,309,998	4,273,000	-	(4,238,000)	53,344,998
Segment results					
	8,094,126	3,556,977	(101,550)	(4,238,000)	7,311,553
Operating profit					7,311,553
Financing costs					(232,625)
Fixed deposit interest income					49,637
Profit before taxation					7,128,565
Taxation					(998,697)
Net profit for the year					6,129,868
Segment assets					
	78,075,159	46,407,626	47,389	-	124,530,174
Segment liabilities					
Unallocated liabilities	22,559,046	655,060	3,212	-	23,217,318
					4,489,880
					27,707,198
Capital expenditure	6,534,311	-	-	-	6,534,311
Depreciation	2,250,781	21,945	134	-	2,272,860
Non cash items other than depreciation	210,170	(6,400)	-	-	203,770
Geographical segments	Revenue from external customers by location of customers RM	Segment assets by location of assets RM	Capital expenditure by location of assets RM		
Malaysia	25,382,788	124,530,174	6,534,311		
United States of America and Canada	10,600,961	-	-		
Asia	12,396,184	-	-		
Europe	3,460,082	-	-		
Others	1,504,983	-	-		
Consolidated	53,344,998	124,530,174	6,534,311		

29. OPERATING LEASE

Lease as lessee

Total future minimum lease payments under a non cancellable operating lease are as follows:-

	GROUP 2006 RM
Less than one year	600,000
Between one and five years	2,400,000
More than five years	600,000
	3,600,000

A subsidiary company leases a piece of industrial land together with a factory premise under an operating lease. The lease run for an initial period of three years, with an option to renew the lease or purchase the asset after five years at the total consideration of RM7,000,000 which purchase is subject to the term and conditions that will be mutually agreed upon. The lease do not include contingent rentals.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate, liquidity and currency risks arises in the normal course of the Group's business. The Group's normal practices for managing each of these risks are summarised below:-

Credit risk

Management has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Appropriate credit evaluation is performed on all major customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

At the balance sheet date, there were no significant concentration of credit risk except for amounts owing from 5 major customers of a subsidiary which made up 56% of total trade receivables, which are monitored closely by the Management. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

In respect of interest bearing financial liabilities and interest earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprise or mature, whichever is earlier.

30. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

	Effective interest rate %	Total RM	Within 1 year RM	2-5 years RM
GROUP				
2006				
Financial assets				
Fixed deposits with a licensed bank and financial institution	2.60 - 3.00	657,394	657,394	-
Financial liabilities				
Short term borrowings:				
- Bankers' acceptance	2.57 - 3.55	22,238,000	22,238,000	-
- Short term revolving credit	4.15 - 4.66	7,838,000	7,838,000	-
- Term loan	6.22	8,640,000	314,000	8,326,000
2005				
Financial assets				
Fixed deposits with a licensed bank	3.00	70,924	70,924	-
Financial liabilities				
Short term borrowings:				
- Bankers' acceptance	2.57 - 3.15	12,080,000	12,080,000	-
COMPANY				
2006				
Financial assets				
Fixed deposits with a licensed bank and financial institution	2.60 - 3.00	657,394	657,394	-
2005				
Financial assets				
Fixed deposits with a licensed bank	3.00	70,924	70,924	-

30. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk

The Group manages its liquidity risk through its management of working capital to ensure that cash flows within the operating cycle are sustainable and financing needs are met with minimum funding costs.

Foreign currency risk

The Group's sales are priced in US dollar. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

Fair values:

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables, inter-company balances and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The fixed rate term loan is determined by discounting the relevant cash flows using current interest rates for similar financial instruments at the balance sheet date. Since the current interest rates do not differ significantly from the intrinsic rate of this financial instrument, the fair value of this financial instrument therefore, closely approximates its carrying value as at the balance sheet date.

The fair value of the quoted shares as disclosed in Note 5 to the financial statements is their market value price at the balance sheet date, which is RM1,505,000 (31.1.2005: RM1,479,000).

Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The contracted amount of financial instruments of a subsidiary, not recognised in the balance sheet as at 31 January is as follows:

	GROUP	
	2006 RM	2005 RM
Forward foreign exchange contracts	8,380,431	4,951,937

All the above forward foreign exchange contracts mature within 1 year.

In the opinion of the Directors, there is no significant difference between the fair values and the contracted amount of the forward foreign exchange contracts.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixty-Fifth Annual General Meeting (AGM) of members of Integrated Rubber Corporation Berhad will be held at Ballroom 3, 10th Floor, Crown Princess Kuala Lumpur, City-Square Centre, 182, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia on Tuesday, 18 July 2006, at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

ORDINARY BUSINESS

1. “**THAT** the Directors’ Report and Financial Statements for the year ended 31 January 2006 and the Auditors Report thereon be and are hereby received and adopted.”
2. “That the following Directors, who retire in accordance with Article 78 of the Articles of Association, be and are hereby re-elected Directors of the Company:
 - a) Mr. Tan Keng Beng;
 - b) Dato’ Daniel Tay Kwan Hui.
3. “**THAT** Mr. Tan Koon Poon @ Tan Koon Pun, who retires pursuant to Section 129(6) of the Companies Act, 1965 be and is hereby re-appointed a director of the Company to hold office until the conclusion of the next AGM.
4. “**THAT** the Directors’ fees for the year ended 31 January 2006 amounting to RM128,000 be and is hereby approved.”
5. “**THAT** Messrs KPMG, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed the Company’s Auditors for the period until the conclusion of the next AGM and that the remuneration to be paid to them be fixed by the Board.”

SPECIAL BUSINESS

6. **Proposed Shareholders’ Mandate for RRPT 1 as specified in Section 3 of the Circular to Shareholders of the Company dated 26 June 2006**

“**THAT** subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), approval be and is hereby given to the Company’s subsidiary company to enter into all arrangements and/or transactions under RRPT 1 as specified in Section 3 of the said Circular provided that such transactions are:

 - (i) recurrent transactions of a revenue or trading nature;
 - (ii) necessary for the day-to-day operations;
 - (iii) carried out in the ordinary course of business and are on terms that are not more favourable to the related parties than those generally available to the public; and
 - (iv) are not to the detriment of the minority shareholders of the Company;

AND THAT this Proposed Shareholders' Mandate shall take effect from the date of the passing of this Ordinary Resolution proposed at the forthcoming AGM and continue in force until:

- (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
 - (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
 - (iii) revoked or varied by a resolution passed by the shareholders in a general meeting before the next AGM.
- whichever is the earlier;

AND FURTHER THAT

- (i) disclosure is made in the annual report of the aggregate value of all the recurrent related party transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year in the manner required under the Listing Requirements of Bursa Securities; and
- (ii) the Directors be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the arrangements and/or transactions contemplated and/or authorized by this Ordinary Resolution."

7. **Proposed Shareholders' Mandate for RRPT 2 as specified in Section 3 of the Circular to Shareholders of the Company dated 26 June 2006**

"THAT subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company's subsidiary company to enter into all arrangements and/or transactions under RRPT 2 as specified in Section 3 of the said Circular provided that such transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business and are on terms that are not more favourable to the related parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders of the Company;

AND THAT this Proposed Shareholders' Mandate shall take effect from the date of the passing of this Ordinary Resolution proposed at the forthcoming AGM and continue in force until:

- (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
 - (iii) revoked or varied by a resolution passed by the shareholders in a general meeting before the next AGM.
- whichever is the earlier;

AND FURTHER THAT

- (i) disclosure is made in the annual report of the aggregate value of all the recurrent related party transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year in the manner required under the Listing Requirements of Bursa Securities; and
- (ii) the Directors be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the arrangements and/or transactions contemplated and/or authorized by this Ordinary Resolution."

8. **Proposed Shareholders' Mandate for RRPT 3 as specified in Section 3 of the Circular to Shareholders of the Company dated 26 June 2006**

"**THAT** subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company's subsidiary company to enter into all arrangements and/or transactions under RRPT 3 as specified in Section 3 of the said Circular provided that such transactions are:

- (v) recurrent transactions of a revenue or trading nature;
- (vi) necessary for the day-to-day operations;
- (vii) carried out in the ordinary course of business and are on terms that are not more favourable to the related parties than those generally available to the public; and
- (viii) are not to the detriment of the minority shareholders of the Company;

AND THAT this Proposed Shareholders' Mandate shall take effect from the date of the passing of this Ordinary Resolution proposed at the forthcoming AGM and continue in force until:

- (iv) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (v) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or

- (vi) revoked or varied by a resolution passed by the shareholders in a general meeting before the next AGM.

whichever is the earlier;

AND FURTHER THAT

- (i) disclosure is made in the annual report of the aggregate value of all the recurrent related party transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year in the manner required under the Listing Requirements of Bursa Securities; and
- (ii) the Directors be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the arrangements and/or transactions contemplated and/or authorized by this Ordinary Resolution.”

By Order of the Board

NANJAPPAN A/L VENGEDASALAM
CHAN YOKE YIN (Ms)

Secretaries

Kuala Lumpur
26 June 2006

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A proxy form is enclosed and to be valid must reach the Registrar's Office at Symphony Share Registrars Sendirian Berhad, Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the meeting.

Explanatory Notes to Special Business

3. **RESOLUTION NOS. 6, 7, AND 8 - PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS**

The proposed Resolutions 6, 7 and 8, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interested Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Appendix 8A

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF THE KUALA LUMPUR STOCK EXCHANGE

Day, Date, Time and Place of the Sixty-Fourth Annual General Meeting

Day and Date	Time	Place
Tuesday, 26 July 2005	10.00 a.m.	Imperial Room, Crown Princess Kuala Lumpur, 10th Floor, City-Square Centre, 182, Jalan Tun Razak, 50400 Kuala Lumpur

Directors seeking re-election pursuant to Article 78 of the Articles of Association (retirement by rotation)

- Mr. Tan Keng Beng
- Dato' Daniel Tay Kwan Hui

Director seeking re-appointment pursuant to Section 129(6) of the Companies Act, 1965

- Mr. Tan Koon Poon @ Tan Koon Pun

PROXY Form

I/We,
(BLOCK LETTERS)

of
being a member/members of **INTEGRATED RUBBER CORPORATION BERHAD** hereby appoint

of

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 18 July 2006 and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting:

NO.	RESOLUTION	FOR	AGAINST
1.	Adoption of Report and Financial Statements		
2.	Re-election of Directors		
	a. Mr. Tan Keng Beng		
	b. Dato' Daniel Tay Kwan Hui		
3.	Re-appointment of Mr. Tan Koon Poon @ Tan Koon Pun		
4.	Directors' Fees		
5.	Re-election of Auditors		
6.	Proposed Renewal of General Mandate for Recurrent Related Party Transactions (RRPT 1)		
7.	Proposed Renewal of General Mandate for Recurrent Related Party Transactions (RRPT 2)		
8.	Proposed General Mandate for Recurrent Related Party Transactions (RRPT 3)		

Number of shares held	
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Signature:

Dated:

NOTES:

1. This proxy form must be deposited at the Registrar's office at Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, No.8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia not less than forty eight (48) hours before meeting.
2. In the case of a corporation, this proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. A corporation may, by resolution of its directors or other governing body, if it is a member of the Company, authorise such person as it thinks fit to act as its representative and a person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member of the Company.
4. In case of joint holders, the signature of any of them will suffice.
5. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he/she thinks fit.

Please Fold Here

STAMP

The Registrar

INTEGRATED RUBBER CORPORATION BERHAD (852-D)

Level 26, Menara Multi Purpose

Capital Square

No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Please Fold Here

INTEGRATED RUBBER CORPORATION BERHAD

852-D

10th Floor, Block B, HP Towers

12, Jalan Gelengang, Bukit Damansara

50490 Kuala Lumpur