



annual report
2009

**INTEGRATED
RUBBER
CORPORATION
BERHAD**

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Chairman's Statement

On behalf of the Board of Directors, I present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 January 2009.

FINANCIAL PERFORMANCE

Over the course of the last financial year we were faced with a lot of challenges with the turbulence in the price of raw latex, fuel cost and the current uncertainty in the global economy. We focused on staying competitive in an increasingly tough business environment with effective cost cutting measures and product diversification.

The abovementioned factors throughout the financial period of 2009 have caused the Group to record a pre-tax loss of RM 5.07 million as compared to a pre-tax loss of RM20.20 million, with a much higher turnover of RM 136.4 million compared to RM 101.39 million in the previous financial year.

OPERATIONS REVIEW

We are still driven by expansion in the production capacity to cater for the strong demand for our gloves to better achieve economies of scale. I am happy to share with you that we are able to produce consistent quality gloves at very efficient cost with better technology. We have completed our expansion and modification plans to produce on line chlorinated and polymer gloves. Our production capacity stands now at 180 million gloves per month. The additional lines will allow us to have a better product mix to meet the requirements of different export markets.

The Board will continue with its present effort to expand current core business by improving our product mix that will allow us to further penetrate into existing and high end markets, and to establish new markets for our products.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to record our sincere appreciation and gratitude to our shareholders, customers, business associates, bankers and relevant authorities for their invaluable trust and support.

Last but not least, due recognition must also be given to management and our staff at all levels for their commitment and dedication.

I look forward for the continued support of all shareholders of the Company.

Thank you.

Dato' Hilmi bin Mohd Noor

Chairman

Corporate Information

DIRECTORS

Dato' Hilmi bin Mohd Noor
(Chairman)
Tan Keng Beng
(Managing Director)
Dato' Daniel Tay Kwan Hui
(Senior Independent Non-Executive Director)
Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii
(Independent Non-Executive Director)
Tan Koon Poon @ Tan Koon Pun
(Non-Independent Non-Executive Director)
Yoong Nim Chee
(Non-Independent Non-Executive Director)
Tan Loon Guan
(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii *(Chairman)*
Dato' Daniel Tay Kwan Hui
Tan Loon Guan

NOMINATION COMMITTEE

Dato' Daniel Tay Kwan Hui *(Chairman)*
Dato' Hilmi bin Mohd Noor
Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii

REMUNERATION COMMITTEE

Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii *(Chairman)*
Dato' Hilmi bin Mohd Noor
Dato' Daniel Tay Kwan Hui

OPERATIONAL OFFICE

Comfort Rubber Gloves Industries Sdn Bhd
Lot 821, Jalan Matang,
34750 Matang
Taiping, Perak
Tel No : 05 8472 777
Facsimile No : 05 8472 650

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
55 Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh, Perak
Tel No : 05 5474 833
Facsimile No : 05 5474 363

REGISTERED OFFICE

55 Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh, Perak
Tel No : 05 5474 833
Facsimile No : 05 5474 363

SECRETARIES

Chan Yoke Yin (Ms)
Lai Mei Mei (Ms)

AUDITORS

Baker Tilly Monteiro Heng
Chartered Accountants
22-1 Monteiro & Heng Chambers
Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Tel No : 03 2274 8988
Facsimile No : 03 2260 1708

PRINCIPAL BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
AmBank Berhad

STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia Securities Berhad

Profile of Directors

DATO' HILMI BIN MOHD NOOR

Dato' Hilmi bin Mohd Noor, a Malaysian, aged 67, is the Non-Independent Non-Executive Chairman of the Company and was appointed to the Board on 16 October 2008. He is a member of the Nomination Committee and Remuneration Committee.

He graduated with a Bachelor of Arts (Hons.) degree from the University of Malaya in 1966 and obtained his MBA from Marshall University, USA. In addition, he is presently a member of the Chartered Institute of Purchasing and Supply (United Kingdom). Upon graduation, he held the position of Assistant Secretary/Principal Assistant Secretary in the Administration Division of the Finance Division, Ministry of Finance until 1977, after which he was appointed as a Deputy Secretary (Contract and Supply Management Division) in the same Ministry until 1980. Between 1981 and 1982 he served as a Director of the Economic Planning Unit, Prime Minister's Department. Subsequently, he was Secretary (Contract and Supply Division), Ministry of Finance between 1982 and 1986. Thereafter, he served as the Deputy Director General of the Economic Planning Unit, Prime Minister's Department between 1987 and 1989, as Secretary General, Ministry of Energy, telecommunications and Post between 1989 and 1994, and as Secretary General, Ministry of Rural Development from 1994, until his retirement in May 1997. Between 1970 and 1997, he served as a Board Member of several companies/organisations such as Bank Pertanian Malaysia Berhad, Keretapi Tanah Melayu, Lembaga Pelabuhan Bintulu, Heavy Industries Corporation of Malaysia Berhad, Tenaga Nasional Berhad (Founder Director) and Telekom Malaysia Berhad.

Currently he is also a Board Member of CN Asia Corporation Bhd, Crimson Land Bhd and Kramat Tin Dredging Berhad.

TAN KENG BENG

Mr. Tan Keng Beng, a Malaysian, aged 47, was appointed as the Managing Director on 22 July 2004.

He has been with Chip Lam Seng Berhad for the past fourteen 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.

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 Practising Accountants.

Profile of Directors (cont'd)

DATO' HAJI AHMAD KAMAL BIN ABDULLAH AL-YAFII

Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii, a Malaysian, aged 71, was appointed to the Board as an Independent Non-Executive Director on 16 July 2007. He is the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

Dato' Haji Ahmad Kamal is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. From 1966 to 1967 he was the Chief Accountant of the Federal Agricultural Marketing Authority. He then served as Financial Controller of Malayawata Steel Berhad from 1968 to 1970 before becoming a partner at Hanafiah Raslan & Mohamad where he served at various branches of the firm and the Head Office in Kuala Lumpur until his retirement in 1999. While pursuing his profession, Dato' Haji Ahmad Kamal also contributed his experience to many organizations, among others, for many years he was Malaysia's representative on the Asean Federation of Accountants and from 1970 to 2002 was a council member of the Malaysian Institute of Certified Public Accountants. He was also an Adjunct Professor at University Utara Malaysia.

Dato' Haji Ahmad Kamal also sits on the boards of Chase Perdana Berhad, Kramat Tin Dredging Berhad and Sit Tatt Berhad.

YOONG NIM CHEE

Mr. Yoong Nim Chee, a Malaysian, aged 50, was appointed as a Non-Independent Non-Executive Director on 26 December 2007.

Mr. Yoong Nim Chee holds a Bachelor of Economics in Business Administration from University Malaya. He has extensive experience in corporate finance and has worked in senior positions for several merchant banks as well as public companies. He is currently an Executive Director of Zelan Berhad.

Mr. Yoong Nim Chee is also a board member of Zelan Berhad, Malakoff Corporation Berhad and Kramat Tin Dredging Berhad.

TAN KOON POON @ TAN KOON PUN

Mr. Tan Koon Poon @ Tan Koon Pun, a Malaysian, aged 83, was appointed as a Non-Independent Non-Executive Director on 22 July 2004.

He is the founder of Chip Lam Seng Berhad 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.

Profile of Directors (cont'd)

TAN LOON GUAN

Mr. Tan Loon Guan, a Malaysian, aged 31, was appointed as a Non-Independent Non-Executive Director on 22 July 2004. He was appointed as a member of the Audit Committee on 16 October 2008.

He is also the Marketing Manager in Chip Lam Seng Berhad, specializing 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, a Malaysian, aged 54, was appointed as an Independent Non-Executive Director and a member of the Audit Committee on 22 July 2004. He was appointed as Senior Independent Non-Executive Director on 28 May 2008. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee.

Dato' Daniel Tay is currently the President of the YMCA of Ipoh and the Vice-President of the National Council of YMCAs, Malaysia at the national level. He sits on the Board of two schools in Ipoh namely Sekolah Kebangsaan Methodist and Sekolah Menengah Kebangsaan Methodist.

He has served as the President of the Perak Lawn Tennis Association and continues to serve as its Vice-President. He has been the Secretary of the Council of Justices of the Peace, Perak and continues to serve as its committee member. He has also served as a council of Majlis Bandaraya Ipoh, Majlis Perbandaran Manjung and a member of the Perak Bar.

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. He was appointed a Magistrate at Ipoh in 1980 and resumed legal practice in 1982. He is currently a consultant to a legal firm. He remains a legal adviser to several companies.

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 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 emphasized 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 discuss new policies and strategies. During the year ended 31 January 2009, a total of six 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.

Clear demarcation of duties and authority are being practiced by the Board. 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 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 utilization 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.

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.

Statement on Corporate Governance (cont'd)

Supply of Information

The Board has a formal schedule of matter 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, agendas of the meeting and board papers are 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 finalized 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 and comprises mainly independent Directors. Their function is to propose new nominees to the Board and Board committees and to assess Directors within the Group in 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 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 attended and completed the Mandatory Accreditation Programme and most of the Directors have attended various other accredited Continuing Education Programmes conducted by various course of leaders. All Directors receives updates from time to time, on relevant new laws and regulations to enhance their business acumen and skills to meet the changing commercial challenges.

Following the repeal of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") pertaining to Continuing Education Programme, the Board will evaluate and determine the training needs of Directors on a continuous basis.

During the financial year, the Directors attended the following training programmes:

- Blue Ocean Strategy
- Latest Emerging Issues for Public Companies
- The EVA Approach to Value Creation

Statement on Corporate Governance (cont'd)

DIRECTORS' REMUNERATION**The Level and Make-up of Remuneration**

The Board, through the Remuneration Committee ("RC"), reviews and assesses the remuneration packages of the Managing Director and the Board in all forms 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.

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 categorized into appropriate component for the financial year ended 31 January 2009 is as follows:

	Fee (RM)	Salary (RM)	Allowances (RM)	Benefits-in-Kind (RM)
Executive Director	-	567,200	7,500	35,200
Non-Executive Director	205,500	-	43,725	-

The number of Directors of the Company whose total remuneration falls within the following band for the financial year ended 31 January 2009 is as follows:

Range of Remuneration	No. of Directors	
	Executive	Non-Executive
0 - RM50,000	-	6
RM50,001 – RM100,000	-	1
RM700,001 – RM750,000	1	-

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 11 of Listing Requirements of Bursa Securities. 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 evaluate the Company. As we report new developments and financial results, investors assess how each piece of information fits into the Company's overall strategy.

Statement on Corporate Governance (cont'd)

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.

Annual General Meeting

The Annual General Meeting ("AGM") remains the principal forum for communication and dialogue with shareholders. The AGM provides the opportunity for interaction amongst Shareholder, Directors and Management, where the shareholders are at liberty to raise questions on the AGM agenda.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible to ensure that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by Malaysian Accounting Standards Board.

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 Group and Company for the financial year ended 31 January 2009, the foreseeable future, 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 enquiries that the Group 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 Group and Company and to prevent and detect fraud and other irregularities.

Internal Control

The Board is responsible for maintaining a sound system of internal controls to review the adequacy and integrity of the Group's internal control system. The Board 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 Statement on Internal Control appears on pages 15 to 16 of the Annual Report.

Statement on Corporate Governance (cont'd)

Relationship with Auditors

The Board has established a formal and transparent arrangement to meet the auditors' professional requirements. 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 exist between the Audit Committee and the external auditors.

Board Meeting

During the financial year, the Board met 6 times and the attendance record for each Director is as follows :

No	Name	Total Meetings Attended
1.	Dato' Shahabudin bin Shafie (<i>Resigned on 1 September 2008</i>)	4/4
2.	Tan Keng Beng	6/6
3.	Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	6/6
4.	Dato' Daniel Tay Kwan Hui	6/6
5.	Yoong Nim Chee	5/6
6.	Tan Koon Pon @ Tan Koon Pun	5/6
7.	Tan Loon Guan	6/6
8.	Dato' Hilmi bin Mohd Noor (<i>Appointed on 16 October 2008</i>)	1/1

BOARD COMMITTEES

The Audit Committee ("AC")

The Audit Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director and is chaired by Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii. The committee meets routinely four times a year with additional meetings held where necessary. During the financial year, the Audit Committee met twice with the external auditors in private, in the absence of the other Directors and employees.

The full details of the composition, completed terms of reference and the activities of the Audit Committee during the financial year are set out under the Audit Committee Report on pages 17 to 20.

Nomination Committee ("NC")

The members of the Nomination Committee, composed wholly of non-executive Directors, a majority of whom are independent, are as follows:

Name of member

Dato' Daniel Tay Kwan Hui – Senior Independent Non-Executive Director (Chairman)

Dato' Hilmi bin Mohd Noor – Non-Independent Non-Executive Director

Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii – Independent Non-Executive Director

Statement on Corporate Governance (cont'd)

The terms of reference of the Nomination Committee include the following:

- Consider suitable persons for appointment as Board Members;
- Review the performance of Board members;
- Consider and recommend a policy regarding the period of service of Executive and Non-Executive Directors;
- Consider and recommend any other measures to upgrade the effectiveness of the Board;
- Consider and recommend solutions on issues of conflict of interest affecting directors;
- Recommend the appointment of nominees of the Company to the Boards of subsidiaries; and
- Carry out such other assignments as may be delegated by the Group.

The Nomination Committee had met once during the financial year under review.

Remuneration Committee ("RC")

The members of the Remuneration Committee, composed wholly of non-executive Directors, a majority of whom are independent, are as follows:

Name of member

Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii – Independent Non-Executive Director (Chairman)

Dato' Hilmi bin Mohd Noor – Non-Independent Non-Executive Director

Dato' Daniel Tay Kwan Hui – Senior Independent Non-Executive Director

The terms of reference of the Nomination Committee include the following:

- Review and recommend the general remuneration policy of the Group;
- Plan for succession to the position of Chairman of the Board and Managing Director as well as certain other senior management position in the Group;
- Review the performance of the Managing Director and Executive Directors within the Group;
- Recommend the appointment and promotion of top executives (General Manager and above) within the Group, determine their salaries and recommend salary revisions and improvements as are considered necessary together with fringe benefits, perquisites and bonus programmes;
- Review annually the compensation of Directors;
- Recommend suitable short and long-term incentive plans including the setting of appropriate performance targets as well as a programme for management development; and
- Carry out such other assignments as may be delegated by the Board.

The Remuneration Committee had met once during the financial year under review.

CORPORATE SOCIAL RESPONSIBILITY

Looking after the community where we operate is a key area for us. Our aim is to integrate ourselves into the local communities and contribute to their development. In order to do so, we have made contributions to the "Anggota Bomba" in Taiping.

Additional Compliance Statement

CONFLICT OF INTEREST

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 @ Tan Koon Pun and is deemed interested in the Company by way of him being a beneficiary to 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 RM3,000.00.

PROFIT ESTIMATE, FORECAST OR PROJECTION

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

Additional Compliance Statement (cont'd)

PROFIT GUARANTEE

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

VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 31 January 2009 and unaudited results previously released for the financial quarter ended 31 January 2009.

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 previous financial year:

Date	Parties	General Nature of Contract	Consideration (RM)	Relationship
5/12/2007 – 23/7/2008	CLS and CRG	Purchase of latex from CLS from February 2008 – January 2009	72,810,225	As per disclosure in the "Conflict of Interest" above
12/4/2005	GMSB and CRG	Purchase of natural gas for 5 years commencing July 2005	15,240,299	MMC is a major shareholder of IRCB and GMSB

Abbreviations:-

CLS – Chip Lam Seng Berhad

CRG – Comfort Rubber Gloves Industries Sdn. Bhd.

GMSB – Gas Malaysia Sdn. Bhd.

CONTRACTS RELATING TO LOAN

There were no contracts relating to loans by the Group.

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 acknowledges its responsibility of the importance of sound internal controls and risk management practices to good corporate governance and safeguarding shareholders' investments and assets. 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 identify and manage, rather than eliminate, the risk of failure to achieve corporate objectives and only provide reasonable but not absolute assurance against material misstatements or loss. The system of internal control currently covers financial, organisational and compliance control.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

With the initial Enterprise Risk Management review performed in the financial year ended 31 January 2006, the management has monitored the Group's control processes after taking into consideration the significant risk. The Group key risk profile will continue to be regularly reviewed by the Board and will be used in the ongoing process of identifying, evaluating and managing significant risks.

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM

Internal Audit Function

The Group's internal audit function is currently outsourced to a professional services firm, Messrs Deloitte KassimChan Management Consultants Sdn Bhd who report on the system of financial accounting and operational controls to provide reasonable assurance that the internal control system is satisfactory. The internal auditor had carried out two internal audit visits over the financial year in accordance with the Internal Audit Plan approved by the Audit Committee. Results of internal audit review and recommendations for improvement were presented to the Audit Committee on a half yearly basis. Follow up visits were performed subsequently by the internal auditor to determine the extent to which the recommendations have been implemented.

Statement on Internal Control (cont'd)

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 reports, 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 materials 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 21 May 2009.

Audit Committee Report

1. MEMBERSHIP AND MEETINGS

1.1 Membership

The Audit Committee comprises the following members:

- Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii, Chairman (Independent Non-Executive Director)
- Dato' Daniel Tay Kwan Hui (Senior Independent Non-Executive Director)
- Tan Loon Guan (Non-Independent Non-Executive Director)

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

1.2 Meetings

The Audit Committee convened a total of five (5) meetings during the financial year ended 31 January 2009. Representatives of the external and internal auditors were present by invitation at the meetings.

Audit Committee Members	Number of Meetings Attended
Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	5 of 5
Dato' Daniel Tay Kwan Hui	5 of 5
Tan Keng Beng (Resigned on 16 October 2008)	4 of 4
Tan Loon Guan (Appointed on 16 October 2008)	1 of 1

2. TERMS OF REFERENCE

2.1 Membership

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:

- (a) the audit committee must be composed of no fewer than three (3) members;
- (b) all the audit committee members must be non-executive directors, with a majority of them being independent directors; and
- (c) at least one member of the audit committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (iii) fulfils such other requirements as prescribed by the Exchange.

Audit Committee Report (cont'd)

2.2 Meeting and Minutes

Meetings are scheduled at least four (4) 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 twice a year the Audit Committee shall meet with the External Auditors without the attendance of other directors and employees of the Company. 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

A quorum shall consist of a minimum of two (2) members, both of whom must be independent non-executive directors.

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:

- To investigate any matters within its terms of reference;
- To have the resources which are required to perform its duties;
- To have full and unrestricted access to any information, records, properties and personnel of the Group;
- To have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- To be able to obtain independent professional or any other advice, and
- To be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

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. To ensure the independence of the External and Internal Auditors, the integrity of management and the adequacy of disclosures to shareholders.
- iii. To review the quality and effectiveness of the entire accounting and internal control system of the Company.
- iv. Discuss the impact of any proposed changes in accounting principles on future financial statements.

Audit Committee Report (cont'd)

- v. Review the results and findings of the audit and monitor the implementation of any recommendations made therein.
- vi. 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.
- vii. 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).
- viii. Ensure the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- ix. 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.
- x. 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.
- xi. Consider any related party transactions that may arise within the Group.
- xii. Carry out such other assignments as defined by the Board.
- xiii. To review 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 Securities' Listing Requirements.
- xiv. To review arrangement established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Group.

Audit Committee Report (cont'd)

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 2009 were as follows:

- Reviewed the External Auditors' audit strategy and scope for the statutory audit of the Company's financial year ended 31 January 2009.
- Reviewed the un-audited 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 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.
- Reviewed the resignation of KPMG as External Auditors and the nomination of appointment of Baker Tilly Monteiro Heng as External Auditors in place of KPMG. Recommended the appointment of Baker Tilly Monteiro Heng as External Auditors for approval by the Board.

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

- Statement on Internal Control and Audit Committee Report for inclusion in the Annual Report; and
- The disclosure requirements in accordance with the Bursa Securities' Revamped Listing Requirements.

4. INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Internal Audit function has been outsourced to Messrs Deloitte KassimChan Management Consultants Sdn. Bhd. ("Deloitte"). During the year, the Committee reviewed Deloitte's Internal Audit Review Report, its findings and emphasized on follow-up audits to ensure that appropriate corrective actions are taken and that the audit recommendations are implemented. The costs incurred for the Internal Audit function for the financial year ended 31 January 2009 were RM45,000.00.

5. EMPLOYEES' SHARE OPTION SCHEME

There is no employees' share option scheme for the Audit Committee to review and verify.

Shareholders' Information

Authorised Share Capital	:	RM200,000,000.00
Issued & Paid-up Capital	:	RM118,405,240.00
Class of Shares	:	Ordinary Shares of RM0.50 each fully paid
Voting Rights	:	1 vote per share (on a poll) 1 vote per shareholder (on show of hands)

The Company has 5,389 shareholders as at 1 June 2009

ANALYSIS OF SHAREHOLDINGS AS AT 1 JUNE 2009

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	245	4.55	9,265	0.00
100 to 1,000	3,105	57.62	1,605,142	0.68
1,001 to 10,000	1,788	33.18	5,149,735	2.17
10,001 to 100,000	212	3.93	5,677,538	2.40
100,001 to 11,840,523 (*)	37	0.69	53,267,754	22.49
11,840,524 and above (**)	2	0.04	171,101,046	72.25
Total	5,389	100.00	236,810,480	100.00

Note: * - Less than 5% of issued holdings

** - 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES) AS AT 1 JUNE 2009

Name of Substantial Shareholders	Direct		Deemed	
	No. of shares	%	No. of shares	%
Chip Lam Seng Berhad ("CLS")	127,101,046	53.67	-	-
Chip Lam Seng Enterprise Berhad ("CLSE")	-	-	(1)127,101,046	53.67
Tan Koon Poon @ Tan Koon Pun	-	-	(2)127,101,046	53.67
Tan Keng Beng	-	-	(2)127,101,046	53.67
The Estate of Tan Keng Boon	-	-	(2)127,101,046	53.67
Tan Loon Guan	-	-	(3)127,681,046	53.91
MMC Corporation Berhad ("MMC")	44,000,000	18.58	(4)3,497,154	1.48
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) Anglo-Oriental (Malaya) Sdn Bhd, a wholly-owned subsidiary of MMC which holds 3,497,154 IRCB shares (1.48%)
- (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 this Act.
- (7) Deemed interested by virtue of his major shareholdings in Indra Cita pursuant to Section 6A of the Act.

Shareholders' Information (cont'd)

DIRECTORS' INTERESTS AS AT 1 JUNE 2009**INTEGRATED RUBBER CORPORATION BERHAD**

Name of Directors	Ordinary Shares of RM0.50 each			
	Direct		Deemed	
	No. of shares	%	No. of shares	%
Dato' Hilmi bin Mohd Noor	-	-	-	-
Tan Keng Beng	-	-	127,101,046	53.67
Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	-	-	-	-
Dato' Daniel Tay Kwan Hui	-	-	-	-
Yoong Nim Chee	-	-	-	-
Tan Koon Poon @ Tan Koon Pun	-	-	127,101,046	53.67
Tan Loon Guan	-	-	127,681,046	53.91

Holding Company

CHIP LAM SENG BERHAD

Name of Directors	Ordinary Shares of RM1.00 each			
	Direct		Deemed	
	No. of shares	%	No. of shares	%
Tan Keng Beng	-	-	16,000,000	100.00
Tan Koon Poon @ Tan Koon Pun	-	-	16,000,000	100.00

Ultimate Holding Company

CHIP LAM SENG ENTERPRISE BERHAD

Name of Directors	Ordinary Shares of RM1.00 each			
	Direct		Deemed	
	No. of shares	%	No. of shares	%
Tan Keng Beng	1,600,000	10.00	-	-
Tan Koon Poon @ Tan Koon Pun	7,179,520	44.87	-	-

By virtue of their interest in the ultimate holding company, Tan Keng Beng, Tan Koon Poon @ Tan Koon Pun and Tan Loon Guan are also deemed to have interests in the shares of all the subsidiaries to the extent that the Company has an interest.

Other than as disclosed above, none of the other Directors have any direct or deemed interest in the shares of the related companies.

Shareholders' Information (cont'd)

30 LARGEST SHAREHOLDERS as at 1 JUNE 2009

No.	Name	No. of Shares	%
1	Chip Lam Seng Berhad	127,101,046	53.67
2	MMC Corporation Berhad	44,000,000	18.58
3	Panduan Jitu Sdn Bhd	10,687,700	4.51
4	Warisan Diprima Sdn Bhd	10,000,000	4.22
5	Melati Angsana Sdn Bhd	10,000,000	4.22
6	Anglo-Oriental (Malaya) Sdn Berhad	3,497,154	1.48
7	Impian Semarak Sdn Bhd	3,000,000	1.27
8	Rampai Dedikasi Sdn Bhd	2,700,000	1.14
9	Impian Semarak Sdn Bhd	1,896,000	0.80
10	Tan Loon Hean	1,122,500	0.47
11	Gulamoydeen Bin Mohamed Haniffa	612,300	0.26
12	Tan Keng Boon & Sons Sdn Bhd	580,000	0.24
13	Lim Ho Peng	572,600	0.24
14	Lee Eng Kwen	541,600	0.23
15	Chai Sing Kee	500,000	0.21
16	Tham Yoke Cheong	500,000	0.21
17	Ooi Siew Suan	500,000	0.21
18	Lee Sim Hak	500,000	0.21
19	Universal Fisheries (M) Holdings Sdn Berhad	500,000	0.21
20	Ng Siyu Lian	500,000	0.21
21	Koh Chong Wan	500,000	0.21
22	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sandana Dass	498,600	0.21
23	Moo Sing Hoe	489,300	0.21
24	Ong Lock Hoo	450,000	0.19
25	Ng Lai Chiek	334,000	0.14
26	Tan Bee Yong	310,000	0.13
27	Lee Chee Ming	307,700	0.13
28	Tan Loon Synn	292,500	0.12
29	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ng Cheng Kuai	218,600	0.09
30	Lee Bee Seng	200,000	0.08
	TOTAL	222,911,600	94.13

List of Properties Held as at 31 January 2009

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 - 39	1957 & 1960
Lot No. 4162 Batu Caves Gombak	Freehold	0.47	-	Laboratory	84,318	25 - 32	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	3,568,010	13	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	4,096,373	13	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	128,921	10	2000

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Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was that of investment holding. The principal activities of the Company's subsidiaries are stated in Note 7 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net loss for the financial year	(4,959,836)	(5,633,161)

DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 January 2009.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statement and balance sheet of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Directors' Report (cont'd)

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

OPTIONS GRANTED OVER UNISSUED SHARES

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

Directors' Report (cont'd)

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:-

Tan Keng Beng
 Tan Koon Poon @ Tan Koon Pun
 Tan Loon Guan
 Dato' Daniel Tay Kwan Hui
 Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii
 Yoong Nim Chee
 Dato' Hilmi bin Mohd. Noor - appointed on 16.10.2008
 Dato' Shahabudin bin Shafie - resigned on 01.09.2008

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company and or its related corporations during the financial year ended 31 January 2009 are as follows:-

	Number of ordinary shares of RM0.50 each			At 31.1.2009
	At 1.2.2008	Bought	Sold	
The Company				
Integrated Rubber Corporation Berhad				
Indirect interest				
Tan Keng Beng	130,101,046	-	(3,000,000)	127,101,046
Tan Koon Poon @ Tan Koon Pun	130,101,046	-	(3,000,000)	127,101,046
Tan Loon Guan	130,430,046	251,000	(3,000,000)	127,681,046
The Immediate Holding Company				
Chip Lam Seng Berhad				
Indirect interest				
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				
Direct interest				
Tan Keng Beng	1,600,000	-	-	1,600,000
Tan Koon Poon @ Tan Koon Pun	7,179,520	-	-	7,179,520

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

By virtue of their interests in the shares of the Company, 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.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit 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, except as disclosed in Note 32 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANIES

The Directors regard Chip Lam Seng Enterprise Berhad and Chip Lam Seng Berhad, both of which are incorporated in Malaysia, as the ultimate holding company and immediate holding company respectively.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

TAN KENG BENG

Director

TAN KOON POON @ TAN KOON PUN

Director

Ipoh

Date: 21 May 2009

Balance Sheets as at 31 January 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	69,557,395	69,057,381	115,609	347,410
Prepaid lease payment	5	-	-	-	-
Goodwill on consolidation	6	33,727,693	33,727,693	-	-
Investment in subsidiaries	7	-	-	65,300,001	70,300,001
Other investments	8	177,857	177,857	177,857	177,857
Total non-current assets		103,462,945	102,962,931	65,593,467	70,825,268
Current assets					
Inventories	9	33,886,763	25,939,465	-	-
Trade receivables	10	17,870,687	13,773,344	-	-
Other receivables, deposits and prepayments	11	717,684	416,036	123,652	102,196
Amount due by immediate holding company	12	-	443,648	-	-
Amount due by subsidiaries	13	-	-	675,726	811,116
Amount due by related companies	14	1,000	829,685	1,000	500
Tax recoverable		9,634	2,669,804	3,076	2,440
Cash and bank balances	15	2,490,897	3,045,342	112,440	580,415
Total current assets		54,976,665	47,117,324	915,894	1,496,667
Non-current asset classified as held for sale	16	234,946	-	234,946	-
TOTAL ASSETS		158,674,556	150,080,255	66,744,307	72,321,935

Balance Sheets as at 31 January 2009 (cont'd)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	17	118,405,240	118,405,240	118,405,240	118,405,240
Capital reserve	18	17,143	17,143	17,143	17,143
Accumulated losses		(53,165,615)	(48,205,779)	(52,067,121)	(46,433,960)
Total equity		65,256,768	70,216,604	66,355,262	71,988,423
Non-current liabilities					
Borrowings	19	19,178,995	22,831,896	-	-
Deferred taxation	21	459,619	572,136	-	-
Total non-current liabilities		19,638,614	23,404,032	-	-
Current liabilities					
Trade payables	22	4,331,073	4,037,953	-	-
Other payables and accruals	23	8,759,335	5,730,719	389,045	333,512
Amount due to immediate holding company	12	8,999,831	31,926	-	-
Amount due to related companies	14	131,853	-	-	-
Borrowings	19	51,557,082	46,659,021	-	-
Total current liabilities		73,779,174	56,459,619	389,045	333,512
Total liabilities		93,417,788	79,863,651	389,045	333,512
TOTAL EQUITY AND LIABILITIES		158,674,556	150,080,255	66,744,307	72,321,935

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

Income Statements for the financial year ended 31 January 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Continuing Operations					
Revenue	24	136,418,429	101,393,036	10,000	3,472,554
Cost of sales		(133,271,701)	(100,143,397)	-	-
Gross profit		3,146,728	1,249,639	10,000	3,472,554
Other operating income		3,504,213	1,554,443	2,575	55,489
Selling expenses		(2,489,925)	(2,536,992)	-	-
Administrative expenses		(5,741,051)	(15,861,477)	(5,645,736)	(21,002,532)
Other operating expenses		-	(1,471,552)	-	-
Operating loss	25	(1,580,035)	(17,065,939)	(5,633,161)	(17,474,489)
Finance costs	26	(3,492,318)	(3,131,149)	-	-
Loss before taxation		(5,072,353)	(20,197,088)	(5,633,161)	(17,474,489)
Taxation	27	112,517	2,736,489	-	(4,320)
Loss for the financial year		(4,959,836)	(17,460,599)	(5,633,161)	(17,478,809)
Attributable to:					
Equity holders of the Company		(4,959,836)	(17,460,599)	(5,633,161)	(17,478,809)
		(4,959,836)	(17,460,599)	(5,633,161)	(17,478,809)
Loss per ordinary share (sen)					
- Basic	28	(2.09)	(7.37)		
- Diluted	28	(2.09)	(7.37)		

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

Statements of Changes in Equity for the financial year ended 31 January 2009

Group	← Attributable to Equity Holders of the Company →			
	Share Capital RM	<u>Non- distributable</u>	<u>Distributable</u>	Total RM
		Capital reserve RM	Accumulated Losses RM	
At 1 February 2007	118,405,240	120,000	(30,745,180)	87,780,060
Reversal of capital reserve	-	(102,857)	-	(102,857)
Net loss for the financial year	-	-	(17,460,599)	(17,460,599)
At 31 January 2008	118,405,240	17,143	(48,205,779)	70,216,604
Net loss for the financial year	-	-	(4,959,836)	(4,959,836)
As at 31 January 2009	118,405,240	17,143	(53,165,615)	65,256,768

Company	← Attributable to Equity Holders of the Company →			
	Share Capital RM	<u>Non- distributable</u>	<u>Distributable</u>	Total RM
		Capital reserve RM	Accumulated Losses RM	
At 1 February 2007	118,405,240	120,000	(28,955,151)	89,570,089
Reversal of capital reserve	-	(102,857)	-	(102,857)
Net loss for the financial year	-	-	(17,478,809)	(17,478,809)
At 31 January 2008	118,405,240	17,143	(46,433,960)	71,988,423
Net loss for the financial year	-	-	(5,633,161)	(5,633,161)
As at 31 January 2009	118,405,240	17,143	(52,067,121)	66,355,262

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

Cash Flow Statements for the financial year ended 31 January 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES:					
Loss before taxation		(5,072,353)	(20,197,088)	(5,633,161)	(17,474,489)
Adjustments for:					
Allowance for diminution in value of investment in subsidiaries		-	-	5,000,000	20,000,000
Depreciation	25	6,257,553	6,237,489	350	490
Dividend income		(10,000)	(18,000)	(10,000)	(18,000)
Gain on disposal of quoted investments	25	-	(3,454,554)	-	(3,454,554)
Impairment loss on goodwill	25	-	9,000,000	-	-
Interest expenses	26	3,492,318	3,131,149	-	-
Interest income	25	(23,727)	(21,952)	(2,575)	(3,337)
Property, plant and equipment written off	25	699,456	368,051	-	-
		5,343,247	(4,954,905)	(645,386)	(949,890)
Changes in Working Capital:					
Inventories		(7,947,298)	(899,159)	-	-
Receivables		(4,398,991)	2,333,471	(21,456)	(21,920)
Payables		12,738,170	(4,722,304)	55,533	(54,555)
Net Cash From Operations		5,735,128	(8,242,897)	(611,309)	(1,026,365)
Dividend received		9,480	18,000	9,480	18,000
Interest paid		(2,031,249)	(1,753,888)	-	-
Taxation refunded/(paid)		2,660,690	693,726	(116)	7,798
Net Operating Cash Flow		6,374,049	(9,285,059)	(601,945)	(1,000,567)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	4	(7,691,969)	(6,701,406)	(3,495)	-
Proceeds from disposal of quoted investment		-	4,418,840	-	4,418,840
Interest received		23,727	21,952	2,575	3,337
Increase in short term deposit pledged		(2,376)	(2,425)	(2,376)	(2,425)
Net Investing Cash Flow		(7,670,618)	(2,263,039)	(3,296)	4,419,752

Cash Flow Statements for the financial year ended 31 January 2009 (cont'd)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net change in non-trade amount due to immediate holding company		(4,881)	31,926	-	-
Net change in amount due to subsidiaries		-	-	135,390	(3,230,421)
Net change in amount due by a related party		960,538	40,943	(500)	500
Proceeds from short term borrowings		4,177,000	4,428,000	-	-
Proceeds from term loans		-	5,279,947	-	-
Payments to hire purchase payables		(229,152)	(229,152)	-	-
Repayment of term loans		(2,748,869)	-	-	-
Interest paid on term loans		(1,420,485)	(1,336,677)	-	-
Interest paid on hire purchase		(40,584)	(40,584)	-	-
Net Financing Cash Flow		693,567	8,174,403	134,890	(3,229,921)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(603,002)	(3,373,695)	(470,351)	189,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,967,062	6,340,757	502,135	312,871
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		2,364,060	2,967,062	31,784	502,135
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Cash and bank balances	15	2,410,241	2,967,062	31,784	502,135
Short term deposits	15	80,656	78,280	80,656	78,280
Bank overdraft	19	(46,181)	-	-	-
		2,444,716	3,045,342	112,440	580,415
Less : deposits pledged to licensed banks	15	(80,656)	(78,280)	(80,656)	(78,280)
		2,364,060	2,967,062	31,784	502,135

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

Notes to the Financial Statements

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company during the financial year was that of investment holding. The principal activities of the Company's subsidiaries were stated in the Note 7 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 55, Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at Lot 821 Mk Jebong, Jalan Matang, 34750 Ara Matang, Perak Darul Ridzuan.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 May 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3.3 to the financial statements.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Notes to the Financial Statements (cont'd)

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

2.2 New FRSs, Revised FRSs and IC Interpretations

(a) Adoption of Revised FRSs and IC Interpretations

The Group and the Company had adopted the following revised FRSs and IC Interpretations ("IC Int") that are relevant to their operations and are mandatory for the current financial year:-

Revised FRSs

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

IC Interpretations

IC Int 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
IC Int 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment
IC Int 7	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economics
IC Int 8	Scope of FRS 2

The adoption of the above revised FRSs and IC Int did not result in any substantial changes in the Group and the Company's accounting policies, and have any material impact on the results and the financial positions of the Group and of the Company.

(b) FRSs and IC Interpretations that are issued, not yet effective and have not been early adopted

The Group and the Company have not adopted the following new FRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
<u>New FRSs</u>		
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
<u>IC Int</u>		
IC Int 9	Reassessment of Embedded Derivatives	1 January 2010
IC Int 10	Interim Financial Reporting and Impairment	1 January 2010

Notes to the Financial Statements (cont'd)

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

2.2 New FRSs, Revised FRSs and IC Interpretations (cont'd)

Other than FRS 139, the directors do not anticipate that the application of the above new FRSs and IC Int, when they are effective, will have a material impact on the results and the financial position of the Group and of the Company.

The Group and the Company has applied the transitional provision in FRS 139.103AB which exempts entities from disclosing the possible impact arising from the initial recognition of this standard on the financial statements of the Group and of the Company as required by paragraph 30(b) of FRS 108.

2.3 Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:-

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest.

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

Intra-group transactions and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as write downs or impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

(b) Subsidiaries

Subsidiaries are those corporations in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such powers over another entity.

Notes to the Financial Statements (cont'd)

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

2.3 Significant Accounting Policies (cont'd)

(b) Subsidiaries (cont'd)

In the Company's separate financial statements, investment in the subsidiaries is stated at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(h). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in the income statement.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets together with any unamortised goodwill is reflected as a gain or loss on disposal in the consolidated income statement.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(h).

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable in bringing the assets to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets include the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement as incurred.

Freehold land is not amortised as it has an infinite life. Capital work in progress are stated at cost and are not depreciated until it is ready for its intended use. Upon completion, capital work in progress are transferred to categories of property, plant and equipment, depending on the nature of the assets.

All property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The principal annual rates used are as follows:-

Factory and office buildings	5% - 10%
Plant and machinery	6% - 10%
Motor vehicles	16% - 25%
Office equipment, furniture and fittings	8% - 15%

Notes to the Financial Statements (cont'd)

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

2.3 Significant Accounting Policies (cont'd)

(c) Property, Plant and Equipment and Depreciation (cont'd)

No depreciation is provided for formers but they are written off at cost as and when damaged.

The depreciable amount is determined after deducting the residual value.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date. The effects of any revisions of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the financial year the asset is derecognised.

(d) Prepaid Lease Payment

Leasehold land that normally has a indefinite economic life and title is not expected to pass to the lessee by the end of lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the non-current assets are measured in accordance with applicable FRSS. On initial classification as held for sale, non-current assets are measured at the lower of the carrying amount immediately before the initial classification as held for sale and the fair value less costs to sell. The differences, if any, are recognised in the profit or loss as an impairment loss.

If the Group has classified an asset as held for sale but subsequently the criteria for classification is no longer met, the Group ceases to classify the asset as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale at the lower of:

- (i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale; and
- (ii) its recoverable amount at the date of the subsequent decision not to sell.

Notes to the Financial Statements (cont'd)

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

2.3 Significant Accounting Policies (cont'd)

(f) Goodwill

Goodwill represents the excess of the cost of business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Following the initial recognition, goodwill is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(h).

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity being sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

(g) Investments

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value, and all current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

Where in the opinion of the directors, there is a decline other than temporary in the value of non-current equity securities other than investments in subsidiaries, the allowance for diminution in value is recognized as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

All investment in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to the recognition of an asset on the day it is received by the entity, and the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(h) Impairment of Assets

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

For goodwill that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

Notes to the Financial Statements (cont'd)

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

2.3 Significant Accounting Policies (cont'd)

(h) Impairment of Assets (cont'd)

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

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

An impairment loss is recognised in the income statement in the period in which it arises.

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out basis for manufacturing and trading inventories.

The costs comprise the purchase price plus costs incurred to bring the inventories to their present locations and conditions. The cost of manufactured finished goods and work-in-progress consist of raw materials, direct labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Receivables

Receivables are carried at anticipated realisable values. In estimating the realisable values, an allowance is made for doubtful receivables based on a review of all outstanding amounts as at the balance sheet date. Bad debts are written off to the income statement during the financial year in which they are identified.

Notes to the Financial Statements (cont'd)

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

2.3 Significant Accounting Policies (cont'd)

(k) Equity Instruments

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date.

Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(l) Borrowings

(i) Classification

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In the subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional rights to defer settlement of the liability for at least 12 months after the balance sheet date.

(ii) Capitalisation of borrowing costs

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed to the income statement.

(m) Hire Purchase

Assets financed by hire purchase arrangements, which transfer substantially all the risks, and rewards of ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment. Finance charges are charged to the income statements over the periods of the respective agreements.

(n) Payables

Payables are measured initially and subsequently at cost. Payables are recognized when there is a contractual obligation to deliver cash or another financial asset to another entity.

Notes to the Financial Statements (cont'd)

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

2.3 Significant Accounting Policies (cont'd)

(o) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

(p) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(q) Contingent liabilities

Where it is not probable that an outflow of economic benefit will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefit is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(r) Taxation

The tax expense in the income statements represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.3 Significant Accounting Policies (cont'd)****(r) Taxation (cont'd)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(s) Revenue recognition**(i) Sale of goods**

Revenue from the sale of goods is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been passed to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods.

(ii) Interest Income

Interest income is recognised on an accrual basis unless collectibility is in doubt in which recognition will be on a receipt basis.

(iii) Dividend Income

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

(t) Employee Benefits**(i) Short Term Employee Benefits**

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year 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. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-Employment Benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.3 Significant Accounting Policies (cont'd)****(t) Employee Benefits (cont'd)****(iii) Defined benefit plans**

The Group provides for retirement benefits for eligible employees on an unfunded retirement benefit plan. Full provision has been made for retirement benefits payable to all eligible employees based on the last drawn salaries at the year end and the length of services rendered. The present value of the defined benefit obligations as required by FRS 119, Employee Benefits has not been used in arriving at the provision, as the amount involved is insignificant to the Group. Accordingly, no further disclosure as required by the standard is made.

(u) Foreign Currencies**(i) Functional and presentation currency**

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair values was determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any corresponding exchange gain or loss is recognised in the income statement.

(v) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements (cont'd)

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

2.3 Significant Accounting Policies (cont'd)

(v) Financial Instruments (cont'd)

The Company uses derivative financial instruments, such as 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.

(w) Segment Reporting

Segment reporting is presented for enhanced assessments of the Group's risks and returns. A business segment is a group of assets and operation engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expenses, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between operating units within a single segment. Segment revenue and segment expense exclude dividends from within the Group.

All income, expenses, assets and liabilities are directly allocated to each reported segment. Interest income and other income and expenses which cannot be allocated to respective segments on a reasonable basis are disclosed as either unallocated income or unallocated expenses, while the related assets and liabilities are disclosed as unallocated assets and unallocated liabilities.

The accounting policies used in deriving the individual segment revenue, segment results, segment assets and segment liabilities are the same as those disclosed in the summary of significant accounting policies.

Transfers between segments are priced at the estimated fair value of the products or services as negotiated between the operating units.

(x) Earning Per Share

The Group present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(y) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Impairment of investment in subsidiaries

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries. In addition, the assessment of the net tangible assets of the subsidiaries also affects the result of the impairment test.

(iii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 January 2009 was RM33,727,693 (2008: RM33,727,693).

(iv) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)(v) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying values of unrecognised deductible temporary differences, tax losses and capital allowances of the Group and of the Company were RM15,100,529 (2008 : RM11,435,000) and RM10,968,268 (2008 : RM11,324,000) respectively.

(vi) Allowance for doubtful debts

The Company makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vii) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM	Factory and office buildings RM	Plant, machinery and formers RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Capital work- in-progress RM	Total RM
Group 2009							
Cost							
At 1 February 2008	2,721,941	14,230,152	63,405,895	3,005,316	1,705,887	24,033,033	109,102,224
Transfer	-	-	27,393,346	-	-	(27,393,346)	-
Additions	-	39,537	4,100,119	-	133,088	3,419,225	7,691,969
Written off	-	-	(699,456)	-	-	-	(699,456)
Reclassification as non-current asset held for sale	(73,893)	(2,205,926)	-	-	-	-	(2,279,819)
At 31 January 2009	2,648,048	12,063,763	94,199,904	3,005,316	1,838,975	58,912	113,814,918
Accumulated Depreciation							
At 1 February 2008	-	6,857,818	30,378,892	1,680,713	1,127,420	-	40,044,843
Depreciation for the financial year	-	629,621	5,204,260	307,410	116,262	-	6,257,553
Written off	-	-	-	-	-	-	-
Reclassification as non-current asset held for sale	-	(2,044,873)	-	-	-	-	(2,044,873)
At 31 January 2009	-	5,442,566	35,583,152	1,988,123	1,243,682	-	44,257,523
Net Carrying Amount at 31 January 2009	2,648,048	6,621,197	58,616,752	1,017,193	595,293	58,912	69,557,395

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

	Freehold Land RM	Factory and office buildings RM	Plant, machinery and formers RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Capital work- in-progress RM	Total RM
Group 2008							
Cost							
At 1 February 2007	2,721,941	14,230,152	62,135,782	2,879,316	1,669,872	19,150,712	102,787,775
Additions	-	-	1,632,886	126,000	60,199	4,882,321	6,701,406
Written off	-	-	(362,773)	-	(24,184)	-	(386,957)
At 31 January 2008	2,721,941	14,230,152	63,405,895	3,005,316	1,705,887	24,033,033	109,102,224
Accumulated Depreciation							
At 1 February 2007	-	6,236,256	25,186,318	1,374,283	1,029,403	-	33,826,260
Depreciation for the financial year	-	621,562	5,192,574	306,430	116,923	-	6,237,489
Written off	-	-	-	-	(18,906)	-	(18,906)
At 31 January 2008	-	6,857,818	30,378,892	1,680,713	1,127,420	-	40,044,843
Net Carrying Amount at 31 January 2008	2,721,941	7,372,334	33,027,003	1,324,603	578,467	24,033,033	69,057,381

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

	Freehold Land RM	Buildings RM	Plant, machinery and formers RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Company 2009						
Cost						
At 1 February 2008	121,941	2,586,202	370,435	138,847	218,092	3,435,517
Additions	-	-	-	-	3,495	3,495
Written off	-	-	-	-	-	-
Reclassification as non-current asset held for sale	(73,893)	(2,205,926)	-	-	-	(2,279,819)
At 31 January 2009	48,048	380,276	370,435	138,847	221,587	1,159,193
Accumulated Depreciation						
At 1 February 2008	-	2,388,879	342,307	138,846	218,075	3,088,107
Depreciation for the financial year	-	-	-	-	350	350
Written off	-	-	-	-	-	-
Reclassification as non-current asset held for sale	-	(2,044,873)	-	-	-	(2,044,873)
At 31 January 2009	-	344,006	342,307	138,846	218,425	1,043,584
Net Carrying Amount at 31 January 2009	48,048	36,270	28,128	1	3,162	115,609

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

	Freehold Land RM	Buildings RM	Plant, machinery and formers RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Company 2008						
Cost						
At 1 February 2007	121,941	2,586,202	370,435	138,847	218,092	3,435,517
Additions	-	-	-	-	-	-
Written off	-	-	-	-	-	-
At 31 January 2008	121,941	2,586,202	370,435	138,847	218,092	3,435,517
Accumulated Depreciation						
At 1 February 2007	-	2,388,879	342,307	138,846	217,585	3,087,617
Depreciation for the financial year	-	-	-	-	490	490
Written off	-	-	-	-	-	-
At 31 January 2008	-	2,388,879	342,307	138,846	218,075	3,088,107
Net Carrying Amount at 31 January 2008	121,941	197,323	28,128	1	17	347,410

Notes to the Financial Statements (cont'd)

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

The net carrying amount of motor vehicles of a subsidiary acquired under hire purchase arrangements were RM796,443 (2008: RM1,043,311)

The title of properties of a subsidiary with net carrying amounts of RM128,921 (2008: RM140,333) and RM2,750,000 (2008: RM2,750,000) respectively are still in the process of being transferred to the Company.

5. PREPAID LEASE PAYMENT

	Group / Company RM
2009	
Cost	
At 1 February 2008 / 31 January 2009	167,669
Accumulated Amortisation	
At 1 February 2008 / 31 January 2009	167,669
Net Carrying Amount at 31 January 2009	-
2008	
Cost	
At 1 February 2007 / 31 January 2008	167,669
Accumulated Amortisation	
At 1 February 2007 / 31 January 2008	167,669
Net Carrying Amount at 31 January 2008	-

6. GOODWILL ON CONSOLIDATION

	Group	
	2009 RM	2008 RM
At 1 February	33,727,693	42,727,693
Less: Impairment loss	-	(9,000,000)
At 31 January	33,727,693	33,727,693

Impairment test for goodwill

Goodwill has been allocated to the cash generating units of the subsidiaries acquired ("the CGU") at which the goodwill is monitored for internal management purposes.

The recoverable amount is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a ten-year period.

Notes to the Financial Statements (cont'd)

6. GOODWILL ON CONSOLIDATION (cont'd)

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the CGU and based on the following key assumptions:-

- (i) A ten-year cash flow was projected based on actual operating results and a business plan.
- (ii) Gross profit margins of 7% for the years ending 31 January 2010 to 2019.
- (iii) Revenue was projected by management at RM152 million in the first year in the year 2010. Revenue was anticipated to be increased to RM169 million from the second to the tenth year, i.e. for the years ending 2011 to 2019.
- (iv) A pre-tax discount rate of 4% was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the Unit's weighted average borrowing rate.

The values assigned to the key assumptions represent management's assessment of future trends in the Unit's principal activities and are based on internal sources (historical data).

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RM	2008 RM
Unquoted shares at cost	98,600,003	98,600,003
Less: Allowance for diminution in value	(33,300,002)	(28,300,002)
	65,300,001	70,300,001

The detail of the subsidiaries, incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interests		Principal Activities
	2009 %	2008 %	
Direct subsidiaries			
Comfort Rubber Gloves Industries Sdn. Bhd.	100	100	Manufacturing and trading of latex gloves
PBT Sdn. Bhd.	100	100	Dormant
Indirect subsidiary held through Comfort Rubber Gloves Industries Sdn. Bhd.			
Quality Gallant Sdn. Bhd.	100	100	Trading of latex gloves

Notes to the Financial Statements (cont'd)

8. OTHER INVESTMENTS

	Group / Company	
	2009 RM	2008 RM
At Directors' valuation:		
Quoted shares in Malaysia	177,857	177,857
Market value	266,000	816,000

Details of the disposed investment stated at Directors' valuation are as follows:

	Group / Company	
	2009 RM	2008 RM
Proceeds from disposal	-	4,418,840
Carrying amount of investments disposed	-	(1,067,143)
Reversal of capital reserves (Note 18)	-	102,857
Gain on disposal of investments	-	3,454,554

9. INVENTORIES

	Group	
	2009 RM	2008 RM
At cost:-		
Finished goods	1,137,906	1,462,279
Work-in-progress	29,353,138	21,622,437
Raw materials	3,080,382	2,596,794
Packing materials	302,065	237,450
Treatment plant chemicals	13,272	20,505
	33,886,763	25,939,465

10. TRADE RECEIVABLES

	Group	
	2009 RM	2008 RM
Trade receivables	20,230,366	16,133,023
Less: Allowance for doubtful debts	(2,359,679)	(2,359,679)
	17,870,687	13,773,344

The Group's normal trade credit terms range from 30 to 150 (2008: 30 to 150) days from the date of invoice.

Notes to the Financial Statements (cont'd)

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other receivables	144,813	93,714	82,408	82,908
Deposits	263,764	264,964	41,244	16,888
Prepayments	309,107	57,358	-	2,400
	<u>717,684</u>	<u>416,036</u>	<u>123,652</u>	<u>102,196</u>

12. AMOUNT DUE BY/(TO) IMMEDIATE HOLDING COMPANY

	Group	
	2009 RM	2008 RM
Trade amount	(8,972,786)	443,648
Non-trade amount	(27,045)	(31,926)
	<u>(8,999,831)</u>	<u>411,722</u>

The trade amount due by/(to) immediate holding company is subject to normal trade terms.

The non-trade amount due to immediate holding company is unsecured, interest-free and has no fixed terms of repayment.

13. AMOUNT DUE BY SUBSIDIARIES

	Company	
	2009 RM	2008 RM
Non-trade amount	2,021,549	2,156,939
Less : Allowance for doubtful debts	(1,345,823)	(1,345,823)
	<u>675,726</u>	<u>811,116</u>

The amount due by subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14. AMOUNT DUE BY/(TO) RELATED COMPANIES

The amount due by/(to) related companies are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements (cont'd)

15. CASH AND BANK BALANCES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Short term deposits with:				
- a licensed bank	80,629	78,253	80,629	78,253
- a finance company	27	27	27	27
Cash and bank balances	2,410,241	2,967,062	31,784	502,135
	<u>2,490,897</u>	<u>3,045,342</u>	<u>112,440</u>	<u>580,415</u>

Included in the short term deposits of the Group and of the Company is a total of RM80,656 (2008: RM78,280) pledged for bank guarantee facilities granted to the Company.

16. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 29 April 2009, the Company announced that it had entered into a sale and purchase agreement to dispose of certain properties.

As at 31 January 2009, the asset classified as non-current asset classified as held for sale is as follows:

	Group / Company	
	2009 RM	2008 RM
PProperty, plant and equipment - at carrying amount	<u>234,946</u>	<u>-</u>

17. SHARE CAPITAL

	Group / Company			
	2009		2008	
	Number of Shares Unit	RM	Number of Shares Unit	RM
Ordinary shares of RM0.50 each				
Authorised:				
At the beginning/end of the financial year	<u>400,000,000</u>	<u>200,000,000</u>	<u>400,000,000</u>	<u>200,000,000</u>
Ordinary shares of RM0.50 each				
Issued and fully paid:				
At the beginning/end of the financial year	<u>236,810,480</u>	<u>118,405,240</u>	<u>236,810,480</u>	<u>118,405,240</u>

Notes to the Financial Statements (cont'd)

18. CAPITAL RESERVE

	Group / Company	
	2009 RM	2008 RM
At 1 February	17,143	120,000
Reversal during the financial year (Note 8)	-	(102,857)
At 31 January	17,143	17,143

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

19. BORROWINGS

	Group	
	2009 RM	2008 RM
Current liabilities		
Bank overdraft	46,181	-
Hire purchase payables (Note 20)	229,152	229,152
Short term bank borrowings	47,858,000	43,681,000
Term loans	3,423,749	2,748,869
	51,557,082	46,659,021
Non-current liabilities		
Hire purchase payables (Note 20)	485,896	715,048
Term loans	18,693,099	22,116,848
	19,178,995	22,831,896
Total borrowings		
Bank overdraft	46,181	-
Hire purchase payables (Note 20)	715,048	944,200
Short term bank borrowings	47,858,000	43,681,000
Term loans	22,116,848	24,865,717
	70,736,077	69,490,917

Short term bank borrowings mentioned in the foregoing consist mainly of bankers' acceptance and short term revolving credits.

Notes to the Financial Statements (cont'd)

19. BORROWINGS (cont'd)

The bank overdraft and short term bank borrowings are secured by way of:-

- (i) Corporate guarantee by the Company and ultimate holding company; and
- (ii) Negative pledge.

The term loans are secured by way of:-

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

The effective interest rates are disclosed in Note 34(i)(c) to the financial statements.

20. HIRE PURCHASE PAYABLES

	Group	
	2009 RM	2008 RM
Future minimum hire purchase payments:		
Not later than one year	269,736	269,736
Later than one year but not later than five years	571,942	841,678
	841,678	1,111,414
Less: Future finance charges	(126,630)	(167,214)
Present value of hire purchase payables (Note 19)	715,048	944,200
Analysis of present value of hire purchase payables:		
Current liabilities		
Not later than one year (Note 19)	229,152	229,152
Non-current liabilities		
Later than one year but not later than five years (Note 19)	485,896	715,048
	715,048	944,200

Notes to the Financial Statements (cont'd)

21. DEFERRED TAXATION

- (a) The deferred tax assets and liabilities are made up of the following:

	Group	
	2009 RM	2008 RM
At 1 February	572,136	3,307,256
Recognised in income statement (Note 27)	(112,517)	(2,735,120)
At 31 January	459,619	572,136
Presented after appropriate offsetting:		
Deferred tax asset, net	(7,501,991)	(4,883,123)
Deferred tax liabilities, net	7,961,610	5,455,259
	459,619	572,136

- (b) The component and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets

Group	Unutilised tax losses and unabsorbed capital allowances RM	Unabsorbed reinvestment allowances RM	Others RM	Total RM
At 1 February 2008	(4,755,697)	-	(127,426)	(4,883,123)
Recognised in income statement	(121,952)	(2,255,000)	(241,916)	(2,618,868)
At 31 January 2009	(4,877,649)	(2,255,000)	(369,342)	(7,501,991)
At 1 February 2007	(2,282,882)	-	(19,760)	(2,302,642)
Recognised in income statement	(2,472,815)	-	(107,666)	(2,580,481)
At 31 January 2008	(4,755,697)	-	(127,426)	(4,883,123)

The directors are of the opinion that, a subsidiary of the Company will produce taxable profit to realise the deferred tax assets based on a ten-year cash flow projection together with the understanding that the previous years' losses are an aberration, rather than a continuing condition.

Notes to the Financial Statements (cont'd)

21. DEFERRED TAXATION (cont'd)

Deferred tax liabilities

Group	Property, plant and equipment RM	Others RM	Total RM
At 1 February 2008	4,953,856	501,403	5,455,259
Recognised in the income statement	2,548,135	(41,784)	2,506,351
At 31 January 2009	7,501,991	459,619	7,961,610
At 1 February 2007	5,066,711	543,187	5,609,898
Recognised in the income statement	(112,855)	(41,784)	(154,639)
At 31 January 2008	4,953,856	501,403	5,455,259

(c) The temporary differences of which no deferred tax assets have been recognised in the balance sheet are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unused tax losses	12,802,123	11,320,000	10,956,907	11,312,000
Deductible temporary differences	2,298,406	115,000	11,361	12,000
	15,100,529	11,435,000	10,968,268	11,324,000

22. TRADE PAYABLES

Included in the Group's trade payables is an amount of RM1,240,853 (2008 : RM637,593) due to a company which is a sub-subsidiary of a substantial corporate shareholder of the Company. This amount is subject to normal trade terms.

The Group's normal trade credit terms range from 30 to 60 (2008 : 30 to 60) days from date of invoice.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other payables	4,619,096	4,290,982	43,161	47,324
Accruals	4,140,239	1,439,737	345,884	286,188
	8,759,335	5,730,719	389,045	333,512

Included in other payables and accruals for the Group is an amount accrued for retirement benefits of a subsidiary of RM76,000 (2008 : RM76,000).

Notes to the Financial Statements (cont'd)

24. REVENUE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Sales of latex gloves	136,408,429	97,920,482	-	-
Dividend income	10,000	18,000	10,000	18,000
Gain on disposal of quoted investments	-	3,454,554	-	3,454,554
	<u>136,418,429</u>	<u>101,393,036</u>	<u>10,000</u>	<u>3,472,554</u>

25. OPERATING LOSS

Operating loss has been arrived at:-

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
After charging:-				
Allowance for diminution in value of investment in subsidiaries	-	-	5,000,000	20,000,000
Allowance for doubtful debts	-	977,000	-	-
Auditors' remuneration				
- audit services	52,050	44,625	30,000	30,000
- other services	3,000	36,300	3,000	36,300
Depreciation	6,257,553	6,237,489	350	490
Impairment loss on goodwill	-	9,000,000	-	-
Loss on foreign exchange				
- realised	-	1,002,748	-	-
- unrealised	-	468,804	-	-
Lease rental	600,000	600,000	-	-
Property, plant and equipment written off	699,456	368,051	-	-
Rental expenses	217,278	184,350	-	-
Rental of weighing bridge	-	1,454	-	-
Staff cost:				
- salaries, wages and allowances	14,156,930	10,852,751	51,320	190,376
- defined contribution plan	451,668	460,821	8,572	20,120
And crediting:-				
Bad debts recovered	-	(5,300)	-	-
Gain on disposal of quoted investment (Note 8)	-	(3,454,554)	-	(3,454,554)
Insurance compensation	(2,353,290)	(1,474,989)	-	-
Gain on foreign exchange				
- realised	(3,257,481)	-	-	-
- unrealised	(220,605)	-	-	-
Interest income	(23,727)	(21,952)	(2,575)	(3,337)
Rental income	-	(51,000)	-	(51,000)

Notes to the Financial Statements (cont'd)

26. FINANCE COSTS

	Group	
	2009 RM	2008 RM
Interest expenses		
- bankers' acceptance	1,143,845	965,924
- bank guarantee	37,690	16,708
- bank overdrafts	2,877	38,574
- hire purchase	40,584	40,584
- letter of credit	104,355	127,346
- revolving credit	742,482	605,336
- term loan	1,420,485	1,336,677
	3,492,318	3,131,149

27. TAXATION

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Income tax				
- current year	-	(3,222)	-	(3,222)
- Over/(under) accrual in prior year	-	4,591	-	(1,098)
	-	1,369	-	(4,320)
Deferred taxation (Note 21)				
- reversal of temporary differences	137,491	2,729,981	-	-
- effect of changes in tax rates	(24,974)	5,139	-	-
	112,517	2,735,120	-	-
	112,517	2,736,489	-	(4,320)

The income tax is calculated at the Malaysian Statutory rate of 25% (2008 : 26%) of the estimated assessable profit for the year.

Notes to the Financial Statements (cont'd)

27. TAXATION (cont'd)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows:-

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Loss before taxation	(5,072,353)	(20,197,088)	(5,633,161)	(17,474,489)
Taxation at applicable statutory tax rate of 25% (2008 : 26%)	1,268,088	5,251,000	1,408,290	4,543,000
Tax effects arising from				
- non-deductible expenses	(265,549)	(2,881,000)	(1,409,550)	(5,258,000)
- non-taxable income	-	533,000	-	898,000
- deferred tax assets not recognised	(912,248)	(219,000)	-	(183,000)
- effect of change in tax rate	(24,974)	5,000	-	-
- effect of lower tax rate	-	(10,000)	-	-
- others	47,200	52,898	1,260	(3,222)
- Over/(under) accrual in prior year	-	4,591	-	(1,098)
	112,517	2,736,489	-	(4,320)

28. EARNINGS PER ORDINARY SHARE

Basic loss per ordinary share

	Group	
	2009 RM	2008 RM
Consolidated loss attributable to ordinary equity of the Company	(4,959,836)	(17,460,599)
Weighted average number of ordinary shares in issue	236,810,480	236,810,480
Basic loss per ordinary share (sen)	(2.09)	(7.37)

There is no diluted loss per share as the Company does not have any dilutive potential ordinary shares.

29. CAPITAL COMMITMENT

	Group	
	2009 RM	2008 RM
Property, plant and equipment		
- approved but not contracted for	-	5,081,758
- contracted but not provided for	1,037,809	3,216,837
	1,037,809	8,298,595

Notes to the Financial Statements (cont'd)

30. OPERATING LEASE

Total future minimum lease payments under a non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2009 RM	2008 RM
Future minimum lease payments		
Not later than one year	600,000	600,000
Later than one year but not later than five years	550,000	1,150,000
	1,150,000	1,750,000

A subsidiary leases a piece of industrial land together with a factory premise under an operating lease. The lease term is for an initial period of three years, with an option to renew the lease or purchase the asset after five years at a total consideration of RM 7,000,000, subject to the term and conditions that will be mutually agreed upon. The lease does not include contingent rentals.

31. CONTINGENT LIABILITIES

The Company has issued a corporate guarantee for the sum of RM65,700,000 (2008: RM82,200,000) in favour of three banks for the banking facilities extended to a subsidiary. The banking limit and amount of the banking facilities utilised as at financial year end are RM65,700,000 (2008: RM82,200,000) and RM58,812,848 (2008: RM70,924,244) respectively.

32. SIGNIFICANT RELATED PARTY DISCLOSURES**(a) Identification of related parties**

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its holding companies, direct and indirect subsidiaries, related companies, substantial corporate shareholder and directors and key management personnel.

(b) Significant related party transactions and balances

- (i) Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group	
	2009 RM	2008 RM
Purchases of latex from immediate holding company	72,810,225	58,901,481
Purchases of gas from Gas Malaysia Sdn. Bhd., which is a sub-subsidiary of MMC Corporation Berhad, a substantial corporate shareholder	15,240,299	8,925,880
	15,240,299	8,925,880

Notes to the Financial Statements (cont'd)

32. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)**(b) Significant related party transactions and balances** (cont'd)

The director of the Group are of the opinion that the related party transactions described above were entered into in the normal ordinary course of business and have been established based on contracted rates that are agreed between the above parties and the Group.

(ii) Outstanding significant non-trade related party balances as at financial year end are as follows:

	Group	
	2009	2008
	RM	RM
Amount due by/(to) related companies		
Immediate holding company	(27,045)	(31,926)
Related companies		
- PT Abbergummi Medical	(131,853)	829,185
- Seginiaga Sdn. Bhd.	1,000	500
	<u>1,000</u>	<u>500</u>
	Company	
	2009	2008
	RM	RM
Amount due by/(to) related companies		
Subsidiaries		
- Comfort Rubber Gloves Industries Sdn. Bhd.	656,600	796,792
- PBT Sdn. Bhd.	19,126	14,324
Related company		
- Seginiaga Sdn. Bhd.	1,000	500
	<u>1,000</u>	<u>500</u>

The above amounts are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements (cont'd)

32. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)**(c) Compensation of key management personnel**

The key management personnel compensation during the financial year were as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Company directors' emoluments:				
- fees				
- current year	205,500	207,000	145,500	147,000
- overaccrual in prior year	-	(19,000)	-	(19,000)
- remuneration	567,200	596,000	112,800	304,800
- allowances	51,225	53,250	51,225	53,250
Other directors' emoluments:				
- others	-	176,160	-	-
Short term employee benefits (including estimated monetary value of benefit-in-kind)	35,200	58,813	-	-

There is no disclosure for compensation to other key management personnel of the Group and of the Company as the authority and responsibility for planning, directing and controlling the activities of the entities are performed by the Board of Directors of the Group and of the Company.

33. SEGMENT INFORMATION**(a) Reporting format**

The primary segment reporting format is determined to be business segments which is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Secondary information is reported geographically.

(b) Business segments

The Group's operations comprise the following main business segments:

- Manufacturing : Manufacture and trading of latex gloves.
Investment holding : Investment of ordinary and quoted shares.

Notes to the Financial Statements (cont'd)

33. SEGMENT INFORMATION (cont'd)**(c) Geographical segments**

In determining the geographical segments of the Group, segment revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

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.

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 division is principally in Malaysia.

(d) Allocation basis and inter-segment pricing

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 comprise mainly corporate assets, liabilities and expenses.

Inter-segment pricing is determined based on negotiated terms. Segment revenue, expenses and results include transfer between business segments. These segments are eliminated on consolidation.

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Manufacturing RM	Investment holding RM	Others RM	Eliminations RM	Total RM
At 31 January 2009					
Revenue					
Revenue from external customers	127,553,635	10,000	8,854,794	-	136,418,429
Inter-segment sales	8,928,778	-	-	(8,928,778)	-
Total revenue	136,482,413	10,000	8,854,794	(8,928,778)	136,418,429

Notes to the Financial Statements (cont'd)

33. SEGMENT INFORMATION (cont'd)

Business Segments (cont'd)

	Manufacturing RM	Investment holding RM	Others RM	Eliminations RM	Total RM
At 31 January 2009 (cont'd)					
Results					
Segment results	(939,070)	(633,161)	(7,804)	-	(1,580,035)
Finance costs					(3,492,318)
Loss before taxation					(5,072,353)
Taxation					112,517
Loss for the financial year					<u>(4,959,836)</u>
Assets					
Segment assets	123,103,198	35,124,703	446,655	-	158,674,556
Liabilities					
Segment liabilities	92,551,439	389,045	17,685	-	92,958,169
Unallocated liabilities					459,619
Total liabilities					<u>93,417,788</u>
Other segment information					
Capital expenditure	7,688,474	3,495	-	-	7,691,969
Depreciation	6,256,407	350	796	-	6,257,553
Non-cash items other than depreciation	699,456	-	-	-	699,456

Notes to the Financial Statements (cont'd)

33. SEGMENT INFORMATION (cont'd)

Business Segments (cont'd)

	Manufacturing RM	Investment holding RM	Others RM	Eliminations RM	Total RM
At 31 January 2008					
Revenue					
Revenue from external customers	90,897,687	3,472,554	7,022,795	-	101,393,036
Inter-segment sales	7,000,932	-	-	(7,000,932)	-
Total revenue	97,898,619	3,472,554	7,022,795	(7,000,932)	101,393,036
Results					
Segment results	(10,381,889)	(6,474,789)	(209,261)	-	(17,065,939)
Finance costs					(3,131,149)
Loss before taxation					(20,197,088)
Taxation					2,736,489
Loss for the financial year					(17,460,599)
Assets					
Segment assets	112,815,836	35,624,690	1,639,729	-	150,080,255
Liabilities					
Segment liabilities	77,108,768	333,812	1,848,935	-	79,291,515
Unallocated liabilities					572,136
Total liabilities					79,863,651
Other segment information					
Capital expenditure	6,701,406	-	-	-	6,701,406
Depreciation	6,236,203	490	796	-	6,237,489
Non-cash items other than depreciation	1,345,051	-	-	-	1,345,051

Notes to the Financial Statements (cont'd)

33. SEGMENT INFORMATION (cont'd)

Geographical Segments

The following table provides an analysis of the Group's revenue, segment assets and capital expenditure by geographical segment:

	Segment revenue RM	Segment assets RM	Segment capital expenditure RM
At 31 January 2009			
Malaysia	26,152,873	158,674,556	7,691,969
United States of America and Canada	18,399,408	-	-
Asia	39,708,980	-	-
Europe	27,742,269	-	-
Others	24,414,899	-	-
	136,418,429	158,674,556	7,691,969
At 31 January 2008			
Malaysia	27,685,130	150,080,255	6,701,406
United States of America and Canada	22,756,384	-	-
Asia	24,223,249	-	-
Europe	24,470,883	-	-
Others	2,257,390	-	-
	101,393,036	150,080,255	6,701,406

34. FINANCIAL INSTRUMENTS

(i) Financial Risk Management Objectives and Policies

The Group is exposed to credit, foreign currency, liquidity and interest rate risks that arise in the normal course of business.

The Group's overall financial risk management objectives are to ensure that the Group creates and optimises value for its shareholders and to minimise any potential adverse effects on the financial performance and position based on its prevailing capacity.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and trades in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group's financial risk management policies.

Notes to the Financial Statements (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)**(i) Financial Risk Management Objectives and Policies** (cont'd)**(a) Credit risks**

The Group has an informal credit procedure in place to monitor and minimise the exposure of default. Cash deposits and trade receivables may lead to credit risks which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Company's policy to monitor the financial standing of these receivables on a regular and an ongoing basis to ensure that the Company is exposed to minimal credit risks. The Group does not require collateral in respect of financial assets.

As at balance sheet date, the Group has no major concentration of credit risks. The maximum exposures to credit risks are represented by the carrying amounts of the financial assets in the balance sheet.

(b) Foreign currency risks

The Group is exposed to foreign currency exchange risks as a result of the Company's transactions with foreign trade receivables and payables. The Company monitors the movement in foreign currency exchange rates closely to ensure its exposures are minimised.

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.

The net unhedged financial assets and liabilities of the Group that are not denominated in Ringgit Malaysia are as follows:

	Group	
	2009 RM	2008 RM
Trade receivables		
- Japanese Yen	587,647	-
- United State Dollar	14,648,510	11,482,795
	<hr/>	<hr/>
Trade payables		
- United State Dollar	679,836	59,376
	<hr/>	<hr/>

Notes to the Financial Statements (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(i) Financial Risk Management Objectives and Policies (cont'd)

(c) Interest rate risks

The Group's primary interest rate risks relates to interest-bearing debts as at 31 January 2009. Interest rate exposure arises from the Company's borrowings and is managed through the use of fixed and floating rate debts. The Company use derivate financial instruments to hedge its risk.

The following tables set out the carrying amounts, effective interest rates and the remaining maturities of the financial assets and liabilities of the Company are as follows:

	Effective interest rate per annum %	Within 1 Year RM	2 - 5 Years RM	More than 5 Years RM	Total RM
At 31 January 2009					
Group					
Fixed rate					
Short term deposits	3.00 - 3.15	80,656	-	-	80,656
Bank borrowings					
Bank overdraft	7.25	(46,181)	-	-	(46,181)
Hire purchase payables	4.74	(229,152)	(485,896)	-	(715,048)
Term loan	5.04 - 6.82	(3,423,749)	(15,781,515)	(2,911,584)	(22,116,848)
Floating rate					
Bank borrowings					
Short term bank borrowings	2.80 - 5.01	(47,858,000)	-	-	(47,858,000)
Company					
Fixed rate					
Short term deposits	3.00 - 3.15	80,656	-	-	80,656

Notes to the Financial Statements (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(i) Financial Risk Management Objectives and Policies (cont'd)

(c) Interest rate risks (cont'd)

	Effective interest rate per annum %	Within 1 Year RM	2 - 5 Years RM	More than 5 Years RM	Total RM
At 31 January 2008					
Group					
Fixed rate					
Short term deposits	2.50 - 3.30	78,280	-	-	78,280
Bank borrowings					
Hire purchase payables	4.74	(229,152)	(687,456)	(27,592)	(944,200)
Term loan	5.04 - 7.07	(2,748,869)	(14,984,357)	(7,132,491)	(24,865,717)
Floating rate					
Bank borrowings					
Short term bank borrowings	3.30 - 5.12	(43,681,000)	-	-	(43,681,000)
Company					
Fixed rate					
Short term deposits	2.50 - 3.30	78,280	-	-	78,280

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to secure the requisite funding at acceptable terms. It is the Group's policy to ensure continuity to service its cash obligation in the future by way of measures and forecasts of its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate for the Group's requirements. The Group also aims at maintaining flexibility in funding by keeping committed credit lines available.

(ii) Fair values

(a) Recognised financial instruments

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheet of the Group, except for non-trade amount due by immediate holding company, amount owing by subsidiaries and non-trade amount due by related companies.

Notes to the Financial Statements (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)**(ii) Fair values** (cont'd)**(a) Recognised financial instruments** (cont'd)

It is not practical to estimate the fair values of the non-trade amount due by immediate holding company, amount owing by subsidiaries and non-trade amount due by related companies due principally to the inability to estimate the settlement date without incurring excessive costs as these amounts lack a fixed repayment term. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually settled.

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 Company provides corporate guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It is not practicable to estimate the fair value of the Company's investment in subsidiaries amounting to RM70,300,001 (2008 : RM70,300,001) at the balance sheet date due to the lack of comparable quoted market prices and inability to estimate fair values with incurring excessive costs. However, the Directors believe that the carrying amounts recorded at balance sheet date approximate the corresponding fair values.

(b) 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 not recognised in the balance sheet as at 31 January are:-

	Group	
	2009	2008
	RM	RM
Forward foreign exchange contracts		
- contractual value	10,036,720	10,043,883
- unrecognised unrealised loss	(87,100)	(286,058)
Fair value	9,949,620	9,757,825

The fair value of the above financial instruments is determined after taking into consideration the unrealised foreign exchange losses of the contracts as a result of the movements in foreign exchange rates during the financial year.

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

35. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of Chartered Accountants other than Messrs Baker Tilly Monteiro Heng.

Statement by Directors

We, TAN KENG BENG and TAN KOON POON @ TAN KOON PUN being two directors of Integrated Rubber Corporation Berhad, do hereby state that in the opinion of the directors, the financial statements are properly drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2009 and of the results and cash flows of the Group and of the Company for the financial year ended on that date

On behalf of the Board,

TAN KENG BENG

Director

TAN KOON POON @ TAN KOON PUN

Director

Ipoh

Date: 21 May 2009

Statutory Declaration

I, TAN KENG BENG, being the director primarily responsible for the financial management of Integrated Rubber Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 30 to 76 are 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.

TAN KENG BENG

Subscribed and solemnly declared by the abovenamed at Ipoh in the State of Perak Darul Ridzuan on 21 May 2009.

Before me,

MOHD YUSOF BIN HARON, KPP, PNPBB, PJK

NO. A112

Commissioner for Oaths

Independent Auditors' Report

to the members of Integrated Rubber Corporation Berhad
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Integrated Rubber Corporation Berhad, which comprise the balance sheets as at 31 January 2009, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 76.

The financial statements of the Group and of the Company for the year ended 31 January 2008 were audited by another firm of chartered accountants whose report dated 28 May 2008 expressed an unqualified opinion on those financial statements.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the provisions of the Act in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2009 and of its financial performance and cash flows for the financial year on that date.

Independent Auditors' Report

to the members of Integrated Rubber Corporation Berhad (cont'd)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act;
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

BAKER TILLY MONTEIRO HENG

No. AF 0117
Chartered Accountants

HENG JI KENG

No. 578/05/10 (J/PH)
Partner

Kuala Lumpur
Date: 21 May 2009

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-Eighth Annual General Meeting (AGM) of the Company will be held at Bukit Kinding Resort, Lot 26302, Jalan Chemor, Bukit Kinding, 31250 Tanjung Rambutan, Perak Darul Ridzuan, Malaysia on Thursday, 23 July 2009 at 11.00 a.m.

A G E N D A	RESOLUTION NO.
1. To receive the Audited Financial Statements for the year ended 31 January 2009, together with the Directors' and Auditors' Reports thereon.	
2. To approve payment of Directors' fee.	1
3. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-	
Mr. Tan Keng Beng – Article 77	2
Dato' Daniel Tay Kwan Hui – Article 77	3
Dato' Hilmi bin Mohd Noor – Article 84	4
4. To consider and, if thought fit, to pass the following Resolutions pursuant to Section 129(6) of the Companies Act, 1965:	
a) "That Mr. Tan Koon Poon @ Tan Koon Pun who retires in accordance with 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."	5
b) "That Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii who retires in accordance with 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."	6
5. To appoint Auditors and authorise the Directors to fix their remuneration.	7
6. To transact any other business appropriate to an Annual General Meeting.	
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:-	
ORDINARY RESOLUTION NO. 1 – AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965	8
"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad, the Securities Commission and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next AGM of the Company."	

Notice of Annual General Meeting (cont'd)

RESOLUTION NO.

**ORDINARY RESOLUTION NO. 2 –
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RRPT 1 AS SPECIFIED IN
SECTION 3 OF THE CIRCULAR TO SHAREHOLDERS OF THE COMPANY DATED 30 JUNE
2009**

9

"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 general meeting before the next AGM.

whichever is 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 authorised 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 authorised by this Ordinary Resolution."

Notice of Annual General Meeting (cont'd)

RESOLUTION NO.

**ORDINARY RESOLUTION NO. 3 –
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RRPT 2 AS SPECIFIED IN
SECTION 3 OF THE CIRCULAR TO SHAREHOLDERS OF THE COMPANY DATED 30 JUNE
2009**

10

"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 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 general meeting before the next AGM.

whichever is 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 authorised 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 authorised by this Ordinary Resolution."

By Order of the Board

CHAN YOKE YIN

LAI MEI MEI

Company Secretaries

Ipoh, Perak Darul Ridzuan, Malaysia
30 June 2009

Notice of Annual General Meeting (cont'd)

NOTE:- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 55 Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting.

EXPLANATORY NOTES TO THE SPECIAL BUSINESS:

(a) **ORDINARY RESOLUTION NO. 1**

The above Ordinary Resolution if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting to allot and issue shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.

(b) **ORDINARY RESOLUTION NO. 2**

Further information on the above Ordinary Resolution is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2009 Annual Report.

(c) **ORDINARY RESOLUTION NO. 3**

Further information on the above Ordinary Resolution is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2009 Annual Report.

Statement Accompanying Notice of the Sixty-Eighth Annual General Meeting of Integrated Rubber Corporation Berhad

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Further details of individuals standing for re-election as Directors are set out in the Profile of Directors and Shareholders' Information on page 4 and 21 respectively in the Company's 2009 Annual Report.

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FORM OF PROXY

I/We,
(BLOCK LETTERS)

of

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

..... of OF

failing him, the Chairman of the meeting as my/our proxy, to vote for me/us on my/our behalf at the Sixty-Eighth Annual General Meeting of the Company to be held on 23 July 2009 and at any adjournments thereof, on the following resolutions referred to in the notice of the Sixty-Eighth Annual General Meeting:

Resolutions relating to:-	Resolution No.	For	Against
Payment of Directors' fee	1		
Re-election of Directors: Mr. Tan Keng Beng – Article 77 Dato' Daniel Tay Kwan Hui – Article 77 Dato' Hilmi bin Mohd Noor – Article 84	2		
	3		
	4		
Re-appointment of the following Directors under Section 129(6) Mr. Tan Koon Poon @ Tan Koon Pun Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	5		
	6		
Appointment of Auditors and their remuneration	7		
Ordinary Resolution No. 1 – Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965	8		
Ordinary Resolution No. 2 – Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT 1)	9		
Ordinary Resolution No. 3 – Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT 2)	10		

Please indicate with (✓) how you wish your vote to be cast

No. of shares held	
CDS A/C No.	

Date:

.....

Signature of Shareholder

NOTES

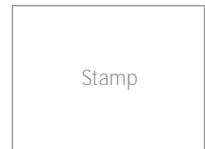
A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 55 Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting.

If this Form is signed and returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

In the case of a corporation, the proxy must be executed under its Common Seal, or under the hand of a duly authorized officer.



fold



The Company Secretary
INTEGRATED RUBBER CORPORATION BERHAD
55 Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh
Perak Darul Rizuan
Malaysia.

fold

INTEGRATED RUBBER CORPORATION BERHAD (852-D)
Lot 821, Jalan Matang, 34750 Taiping, Perak Darul Ridzuan.

