INTEGRATED RUBBER CORPORATION BERHAD

ANNUAL REPORT 2012

Contents

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 2012.

Industry Overview

2011 remained a challenging and tough year for the rubber glove industry. Overall, the high raw material price in particular for natural latex (the major cost component of glove production) and the weakening of USD against RM were major concerns. With the relatively higher natural latex price, we see a switch of demand from natural latex glove to nitrile glove to continue in North America. On the longer term outlook of the rubber glove industry, the demand for gloves is expected to grow at about 10% per annum due to increase usage of medical gloves in developing and emerging countries.

Operation Review

The nine production lines in Factory 2 which were stopped for modification at the beginning of 3rd quarter of 2011 have been completed. However, due to the shortage of manpower, the lines can only resume in the second half of 2012. With the new modification lines, our product mix will now be more concentrated towards powder free gloves which is in line with the overall market demand.

For the financial year under review, the Group recorded a sales turnover of RM117.8 million compared to RM139.5 million in the previous financial year. The drop in sales performance was attributed to slower demand of natural rubber gloves as natural latex price was at a record high price and the stoppage of production lines in Factory 2. The Group recorded a net loss of RM21.4 million compared to a net loss of RM37.9 million in the previous financial year. The current year's loss was mainly due to the drop in sales value, high raw material costs and provision for doubtful debts.

Moving Forward

Moving into 2012, we anticipate the glove manufacturing operating environment will remain tough and challenging. The production cost is expected to increase as a result of the introduction of minimum wage in Malaysia expecting to create a negative financial impact to the Group. Nevertheless, with the additional production output from the nine production lines of Factory 2, we expect a positive contribution to the Group sales turnover in the second half of 2013.

With the rights issue proceeds, the Group will continue to carry out its capacity expansion programme which is to build additional eight double formers lines with the production capacity of 1.2 billion pieces of glove per annum in financial year 2013.

Corporate Social Responsibility

The Group has always recognized the importance of good corporate social responsibility ("CSR") and corporate citizenship. During the financial year ended 31 January 2012, the Group has made contributions to various local communities in order to help those who are less fortunate.

In Appreciation

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

Chairman's Statement (cont'd)

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 – Non-Independent Non-Executive Director)

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)

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

CORPORATE OFFICE
No. 82, Hala Bercham Timur 11
31400 Ipoh, Perak
Tel No : 05 5486 398
Facsimile No : 05 5481 198

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 (MAICSA 7043743)
Chiew Cindy (MAICSA 7057923)

AUDITORS
Baker Tilly Monteiro Heng
Chartered Accountants
22 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 (M) Berhad

STOCK EXCHANGE LISTING
Main Market
Bursa Malaysia Securities Berhad

Profile of Directors

DATO' HILMI BIN MOHD NOOR

Dato' Hilmi bin Mohd Noor, a Malaysian, aged 70, was appointed to the Board on 16 October 2008 as Non-Independent Non-Executive Chairman of the Company. 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.

TAN KENG BENG

Mr. Tan Keng Beng, a Malaysian, aged 50, was appointed to the Board as Managing Director on 22 July 2004.

He has been with Chip Lam Seng Berhad for the past twenty five years and has vast working experience in the 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 2001. He is involved in policy planning and charactering the future course of CRG.

Mr. Tan Keng Beng is also the President of the Malaysia Latex Concentrate Producers Association since 1996, Secretary of Malaysia SMR Rubber Processors Association, Treasurer of The Federation of the Rubber Trade Associations of Malaysia and President of Perak Rubber Trade Association.

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

Profile of Directors (cont'd)

DATO' HAJI AHMAD KAMAL BIN ABDULLAH AL-YAFII

Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii, a Malaysian, aged 74, 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 Amanah Raya Berhad group.

TAN KOON POON @ TAN KOON PUN

Mr. Tan Koon Poon @ Tan Koon Pun, a Malaysian, aged 86, 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 50 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 runner dealing, processing, packaging, importing and exporting of rubber products.

TAN LOON GUAN

Mr. Tan Loon Guan, a Malaysian, aged 34, was appointed as a Non-Independent Non-Executive Director on 22 July 2004. He is a member of the Audit Committee.

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 Hertforshire, United Kingdom.

Profile of Directors (cont'd)

DATO' DANIEL TAY KWAN HUI

Dato' Daniel Tay, a Malaysian, aged 57, 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 Ipoh Swimming Club and the YMCA of Ipoh. 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. Currently a councillor of Majlis Bandaraya Ipoh, he has also served as councilor of 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.

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 REPONSIBILITY 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 financial year ended 31 January 2012, a total of five (5) board meetings were held. Each Director, during their term of office, has attended at least 50% of these meetings to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

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 five 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.

Statement on Corporate Governance (cont'd)

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

Supply of Information

The Board has a formal schedule of matters reserved specifically for its decision. It meets at least four 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 confirmed at the next Board meeting.

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 on an ongoing basis.

Re-election

All Directors are required to submit themselves for re-election by shareholders at least once in every three years in accordance with 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 at every annual 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 are aware of the importance to continue attending relevant training programmes to further enhance their skills and knowledge and fully equip themselves to effectively discharge their duties. All Directors receive updates from time to time, on relevant new laws and regulations to enhance their business acumen and skills to meet the changing commercial challenges.

During the financial year, the following training programmes/seminars were attended by the Directors:
- The Importance of Planning to Avoid Mistakes
- The Roles to Care for the Aging
- Modern Companies – Nurturing the Creative Organisation

The Board will continue to evaluate and determine the training needs of Directors on a continuous basis.

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 by the Company and its subsidiary company categorized into appropriate components for the financial year ended 31 January 2012 is as follows:

	Fee (RM)	Salary (RM)	Allowances (RM)	Benefits in Kind (RM)
Executive Director	-	240,000	29,863	44,325
Non Executive Director	200,500	-	36,327	-

The number of Directors of the Company whose total remuneration falls within the following bands for the financial year ended 31 January 2012 is as follows:

	No. of Directors	
Range of Remuneration	**Executive**	**Non Executive**
RM0 - RM50,000	-	5
RM300,000 – RM350,000	1	-

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 11 of Bursa Securities' Main Market Listing Requirements. Due to confidentiality, remuneration of individual Director has not been disclosed. The Board 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.

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 the financial statements are drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

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

In preparing the Financial Statements of the Company for the financial year ended 31 January 2012, 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 Company has adequate resources to continue in operational existence for the foreseeable future.

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

Internal Control

The Board is responsible 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 Internal Control Statement appears on pages 17 to 18 of the Annual Report.

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 5 times and the attendance record for each Director is as follows :

No	Name	Total Meetings Attended
1.	Dato' Hilmi bin Mohd Noor	4/5
2.	Tan Keng Beng	5/5
3.	Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	5/5
4.	Dato' Daniel Tay Kwan Hui	5/5
5.	Tan Loon Guan	5/5
6.	Tan Koon Poon @ Tan Koon Pun	5/5

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 three (3) times with the external auditors in private, in the absence of the management.

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 19 to 20.

Nomination Committee ("NC")

The members of the Nomination Committee during the financial year, composed wholly of non-executive Directors, a majority of whom are independent, were 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

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

i) Consider suitable persons for appointment as Board Members of IRCB and its subsidiary and associate companies;
ii) Review the performance of Board Members of IRCB and its subsidiary and associate companies;
iii) Consider and recommend a policy regarding the period of service of Executive and Non-Executive Directors of IRCB and its subsidiary and associate companies;
iv) Consider and recommend any other measures to upgrade the effectiveness of the IRCB Board and Boards subsidiary and associate companies;
v) Consider and recommend solutions on issues of conflict of interest affecting directors of IRCB and subsidiary and associate companies;
vi) Recommend the appointment of nominees of IRCB to the Boards of subsidiary and associate companies; and
vii) Carry out such other assignments as may be delegated by the IRCB Group.

The Nomination Committee did not hold any meeting during the financial year under review.

Remuneration Committee ("RC")

The members of the Remuneration Committee during the financial year, composed wholly of non-executive Directors, a majority of whom are independent, were 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 Remuneration Committee include the following:

i) Review and recommend the general remuneration policy of the IRCB Group;
ii) Plan for succession to the position of Chairman of the Board and Managing Director as well as certain other senior management position in the IRCB Group. The Managing Director annually provides the Committee with an assessment of senior managers and their potential;
iii) Review the performance of the Managing Director and Executive Directors within the IRCB Group including those Chief Executive Officers who are members of the Board of the respective companies;
iv) Recommend the appointment and promotion of top executives (General Manager and above) within the IRCB Group, determine their salaries and recommend salary revisions and improvements as are considered necessary together with fringe benefits, prequisites and bonus programmes;
v) Review annually the compensation of Directors;
vi) Recommend suitable short and long-term incentive plans including the setting of appropriate performance targets as well as a programme for management development; and
vii) Carry out such other assignments as may be delegated by the IRCB Board.

The Remuneration Committee did not hold any meeting during the financial year under review.

CORPORATE SOCIAL RESPONSIBILITIES

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 following:

Mouth & Foot Painting Corporate
Pusat Harian Kanak-kanak
Pusat Sektor Rukun Tetangga – carry out "gotong-royong" activities in Taman Merdeka
Yayasan Sultan Idris Shah – building fund for the Jayaratnam Campus
National Kidney Foundation of Malaysia
Tetuan Surau Al-Falah Mosque at Simpang Halt
Montfort Boys Town – upheld all the projects for youth
Ray of Hope – helping people with learning disabilities

Additional Compliance Statement

CONFLICT OF INTEREST

Tan Keng Beng is deemed interested in the Company through his spouse and by virtue of his interest in Chip Lam Seng Enterprise Berhad ("CLSE") and also in Chip Lam Seng Berhad ("CLS") via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Companies Act, 1965.

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

Tan Loon Guan is deemed interested in the Company by virtue of his interest in Tan Keng Boon & Sons Sdn Bhd, Chip Lam Seng Enterprise Berhad ("CLSE") and also in Chip Lam Seng Berhad ("CLS") via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Companies Act, 1965.

Tan Keng Beng is the son of Tan Koon Poon @ Tan Koon Pun while Tan Loon Guan is the nephew of Tan Keng Beng and grandson of Tan Koon Poon @ Tan Koon Pun.

In addition to the above, Tan Koon Poon @ Tan Koon Pun, Tan Keng Beng and 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

The status of utilisation of proceeds from the Corporate Proposals is as follows:

	Proceeds raised (RM)	Amount Utilised (RM)	Balance yet to be utilised (RM)
Purchase of new machineries and other ancillary facilities	33,000,000	-	33,000,000
Construction of factory building	5,000,000	1,000,000	4,000,000
Construction of effluent treatment plant	2,000,000	-	2,000,000
Purchase of raw materials	19,043,144	11,826,222	7,216,922
Repayment of bank borrowings	10,000,000	10,000,000	-
Estimated expenses in relation to Corporate Exercise	2,000,000	2,000,000	-
	71,043,144	**24,826,222**	**46,216,922**

SHARE BUYBACKS

The Group has no share buyback programme.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company had issued 236,810,480 Warrants 2010/2015 during the financial year ended 31 January 2011 as a result of the Rights Issue with Warrants. However, no warrants were exercised during the financial year.

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

Additional Compliance Statement (cont'd)

DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Group did not sponsor any Depository Receipt 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 RM6,500.

PROFIT ESTIMATE, FORECAST OR PROJECTION

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

PROFIT GUARANTEE

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

VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 31 January 2012 and unaudited results previously released for the financial quarter ended 31 January 2012.

MATERIAL CONTRACTS

Save as disclosed below, there were no other materials 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
01/02/2011 – 31/01/2012	CLS and CRG	Rental expenses to CLS from February 2011 – January 2012	144,000	As per disclosure in the "Conflict of Interest" above

Abbreviations:-

CLS – Chip Lam Seng Berhad
CRG – Comfort Rubber Gloves Industries Sdn. Bhd.

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 (revised 2007) and the Companies (Amendment) Act 2007 requires the Board of Directors of public listed companies to maintain a sound system of internal control to safeguard the shareholders' investments and the Group's assets. The Listing Requirements, paragraph 15.26(b) of the Bursa Malaysia Securities Berhad also requires the Board of Directors of public listed companies to include in its annual report a statement on the state of their internal controls.

The Board is responsible to maintain a sound system of internal control in the Group and is pleased to provide the Statement on Internal Control, which outlines the nature and scope of internal control of the Group during the year under review.

Board of Directors' Responsibility

The Board of Directors recognises the importance of sound internal controls and risk management practices for good corporate governance and safeguarding shareholders' investments and assets. The Board affirms its overall responsibility for the Group's system of internal control and risk management, which includes the continual review of the adequacy and effectiveness of this system. However, in view of the inherent limitations in any internal control system, the system is designed to identify and manage, rather than to eliminate the risks of doing business and risk of failure to achieve corporate objectives. It can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control currently covers financial, organisational and compliance control.

Enterprise Risk Management Framework

An independent external consultant was engaged in financial year 2006 to assist the Board to conduct a review on the initial Enterprise Risk Management. As a result of the review, an Enterprise Risk Management framework was established. The management have 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 on-going process of identifying, evaluating and managing significant risk.

Other Key Components of Internal Control System

Internal Audit Function

The Group outsourced its internal audit function to a professional services firm to provide the Audit Committee and the Board that the internal control system is adequate and reliable. During the financial year, the internal audit function reviewed internal controls in key activities of the Group according to the risk-based annual internal audit plan approved by the Audit Committee. Independent and objective reports of internal audit review and recommendations for improvement were presented to the Audit Committee, whilst Management formulated the relevant action plans to implement them. Follow up visits were performed subsequently by the internal auditor to ensure recommendations for improvement on the internal control system are satisfactorily 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 elements of the Group's internal control system are as follow:

- The major subsidiary will prepare budgets for every financial year, which are approved at Board level.
- Quarterly financial management report, which includes key financial indicators are provided to the Audit Committee for deliberation and thereafter recommended to the Board for its approval.
- Major capital expenditures are subjected to appropriate approval process.
- The active subsidiary of the Group has ISO 9001:2008 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 9001:2008.

Weaknesses In Internal Controls That Results in Material Losses

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

Audit Committee Report

TERMS OF REFERENCE

Membership and Meetings

The Audit Committee comprised 3 members all of whom are Non-Executive Directors with a majority being independent.

- 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 Audit Committee convened a total of five (5) meetings during the financial year ended 31 January 2012. 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 Loon Guan	5 of 5

The Chairman of the Audit Committee meets the requirement of paragraph 15.09(c)(i) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in that he is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

Other Board Members may attend meetings upon invitation by the Audit Committee. Minutes of each meeting shall be distributed to each Board member. The Company Secretary is also the Secretary of the Audit Committee.

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

Duties

The primary duties of the Audit Committee are as follows:

- to consider the appointment of External and Internal Auditors, the audit fee and review resignation (if any) or dismissed.
- to ensure the adequacy of disclosures to shareholders and the independence and integrity of the Auditors and management.
- to review the audit plan and report, management's response, evaluation of the system of internal controls with external auditors and report the same to the Board.
- to review the adequacy of the scope, functions, competency and resources of the internal audit function, including the internal audit programme, processes and the results of the internal audit processes and/or investigation undertaken to ensure that the recommended actions were being carried out.
- to review the quarterly results and year end financial statements, particularly on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements.
- to monitor and determine related party transactions and conflict of interest situations.

Audit Committee Report (cont'd)

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 2012 were as follows:

- Reviewed the External Auditors' audit strategy and scope for the statutory audit of the Company's financial statements for the year ended 31 January 2012.

- Reviewed the un-audited quarterly financial statements and the annual audited financial statements of the Group before recommending the same for approval by the Board.

- Reviewed the findings of the External and Internal Auditors and followed up on the recommendations.

- Reviewed the Audit Review Memorandum for the year ended 31 January 2011.

- Reviewed and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.

- Reviewed the Circular to Shareholders on recurrent related party transactions and recommended the same 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 Bursa Securities' Main Market Listing Requirements.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

The Internal Audit function has been outsourced to Star-Aim Sdn Bhd who reports to the Audit Committee. The role of the Internal Audit function is to review the adequacy and integrity of the internal control systems to manage risks within the Group. The cost incurred for the Internal Audit function for the financial year ended 31 January 2012 was RM45,000.

During the financial year, the following activities were carried out by the internal audit function:

- Presented the internal audit plan to the Audit Committee for approval
- Reviewed the adequacy and integrity of the internal control systems of the major subsidiary
- Reported on audit findings and recommended improvements to the weaknesses found
- Reviewed and reported on follow-up of previous audit findings

Shareholders' Information

Authorised Share Capital	:	RM200,000,000.00
Issued & Paid-up Capital	:	RM118,405,240.00
Class of Shares	:	Ordinary Shares of RM0.20 each fully paid
Voting Rights	:	1 vote per share (on a poll)
		1 vote per shareholder (on show of hands)

The Company has 10,582 shareholders as at 4 June 2012

ANALYSIS OF SHAREHOLDINGS AS AT 4 JUNE 2012

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	239	2.26	8,867	0.00
100 to 1,000	2,225	21.03	1,247,857	0.21
1,001 to 10,000	3,611	34.12	19,047,705	3.21
10,001 to 100,000	3,890	36.76	143,853,871	24.30
100,001 to 29,601,309 (*)	616	5.82	277,342,900	46.85
29,601,310 and above (**)	1	0.01	150,525,000	25.43
Total	**10,582**	**100.00**	**592,026,200**	**100.00**

Note: * - Less than 5% of issued holdings
** - 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES) AS AT 4 JUNE 2012

Name of Substantial Shareholders	Direct		Deemed	
	No. of shares	%	No. of shares	%
Chip Lam Seng Berhad ("CLS")	150,525,000	25.43	-	-
Chip Lam Seng Enterprise Berhad ("CLSE")	10,000	0.002	150,525,000[1]	25.43
Tan Koon Poon @ Tan Koon Pun	-	-	150,535,000[2]	25.43
Tan Keng Beng	-	-	150,560,000[3]	25.43
Tan Loon Guan	-	-	150,565,750[4]	25.43

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 CLSE and also in CLS via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Act.
(3) Deemed interested through his spouse and by virtue of his interest in CLSE and also in CLS via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Act.
(4) Deemed interested by virtue of his interest in Tan Keng Boon & Sons Sdn Bhd, CLSE and also in CLS via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Act.

Shareholders' Information (cont'd)

DIRECTORS' INTERESTS IN SHARES AS AT 4 JUNE 2012

Name of Directors	Ordinary Shares of RM0.20 each			
	Direct		Deemed	
	No. of shares	%	No. of shares	%
Dato' Hilmi bin Mohd Noor	-	-	-	-
Tan Keng Beng	-	-	150,560,000[1]	25.43
Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	-	-	-	-
Dato' Daniel Tay Kwan Hui	-	-	-	-
Tan Koon Poon @ Tan Koon Pun	-	-	150,535,000[2]	25.43
Tan Loon Guan	-	-	150,565,750[3]	25.43

Notes:

(1) Deemed interested through his spouse and by virtue of his interest in CLSE and also in CLS via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Act.
(2) Deemed interested by virtue of his interest in CLSE and also in CLS via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Act.
(3) Deemed interested by virtue of his interest in Tan Keng Boon & Sons Sdn Bhd, CLSE and also in CLS via CLSE, which holds 100% interest in CLS pursuant to Section 6A of the Act.

By virtue of their interests in the 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 4 JUNE 2012

No.	Name	No. of Shares	%
1	OSK Nominees (Tempatan) Sdn Berhad (Pledged Securities A/C for Chip Lam Seng Berhad)	150,525,000	25.43
2	Warisan Diprima Sdn Bhd	25,000,000	4.22
3	Melati Angsana Sdn Bhd	25,000,000	4.22
4	Panduan Jitu Sdn Bhd	25,000,000	4.22
5	Impian Semarak Sdn Bhd	12,240,000	2.07
6	Soo Wing Ching	10,782,100	1.82
7	Kamarudin Bin Meranun	6,500,000	1.10
8	Maybank Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Raziah Binti Mohamed Jakel)	4,425,300	0.75
9	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Yap Loong Eng)	3,138,600	0.53
10	Rampai Dedikasi Sdn Bhd	2,500,000	0.42
11	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB Bank for Chung Mui Nyok)	2,238,100	0.38
12	Panduan Jitu Sdn Bhd	1,771,250	0.30
13	Lee Bee Seng	1,700,000	0.29
14	Maldex Marketing Sdn Bhd	1,580,000	0.27
15	Maybank Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Manoharan A/L Subramaniam)	1,360,000	0.23
16	Nor Ashikin Binti Khamis	1,250,000	0.21
17	CIMB Commerce Trustee Berhad (Exempt An for EPF Investment for Member Savings Scheme)	1,212,750	0.20
18	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Amir Hamzah Bin Mohd Kushairi)	1,200,000	0.20
19	PM Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Mohd Yasin Bin Mohd Said)	1,180,000	0.20
20	Muhammad Nasir Bin Hanifah	1,154,000	0.19
21	HLG Nominee (Tempatan) Sdn Bhd (Hong Leong Bank Bhd for Pong Yoong Onn)	1,150,000	0.19
22	Chia Tee Peng	1,105,100	0.18
23	Ho Swee Choon	1,062,000	0.18
24	Loh Choon Hock	1,000,000	0.17
25	Moo Sing Hoe	1,000,000	0.17
26	TA Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Gurjeet Singh A/L Chanan Singh)	1,000,000	0.17
27	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt An For OCBC Securities Private Limited)	1,000,000	0.17
28	OSK Nominees (Tempatan) Sdn Berhad (Pledged Securities A/C for Ong Keng Teong)	1,000,000	0.17
29	Muhammad Syafiq Baljit Bin Abdullah	997,500	0.17
30	Public Nominees (Tempatan) Sdn Bhd (Lee Chee Kok)	930,000	0.16
	TOTAL	290,001,700	48.98

Shareholders' Information (cont'd)

Class of Securities : Warrants 2010/2015
No. of Warrants Issued : 236,810,480
Voting Rights : 1 vote per warrant holder (on a poll) and 1 vote per warrant holder (on show of hands) in respect of a meeting of warrant holders

ANALYSIS OF WARRANT HOLDINGS AS AT 4 JUNE 2012

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrant Issued
Less than 100	154	3.62	7,273	0.00
100 to 1,000	583	13.71	359,990	0.15
1,001 to 10,000	1,493	35.11	8,101,199	3.42
10,001 to 100,000	1,613	37.94	68,847,178	29.07
100,001 to 11,840,523 (*)	409	9.62	159,494,840	67.36
11,840,524 and above (**)	0	0.00	0	0.00
Total	**4,252**	**100.00**	**236,810,480**	**100.00**

Note: * - Less than 5% of issued holdings
** - 5% and above of issued holdings

DIRECTORS' INTERESTS IN WARRANTS AS AT 4 JUNE 2012

Name of Directors	Direct		Deemed	
	No. of Warrants	%	No. of Warrants	%
Dato' Hilmi bin Mohd Noor	-	-	-	-
Tan Keng Beng	-	-	10,000[1]	0.00
Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	-	-	-	-
Dato' Daniel Tay Kwan Hui	-	-	-	-
Tan Koon Poon @ Tan Koon Pun	-	-	-	-
Tan Loon Guan	-	-	12,300[2]	0.00

Notes:

(1) Deemed interested through his spouse pursuant to Section 6A of the Act.
(2) Deemed interested by virtue of his interest in Tan Keng Boon & Sons Sdn Bhd pursuant to Section 6A of the Act.

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 WARRANT HOLDERS as at 4 JUNE 2012

No.	Name	No. of Warramts	%
1	Warisan Diprima Sdn Bhd	10,000,000	4.22
2	Melati Angsana Sdn Bhd	10,000,000	4.22
3	Panduan Jitu Sdn Bhd	10,000,000	4.22
4	Impian Semarak Sdn Bhd	4,896,000	2.07
5	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Koh Tip Pee)	4,000,000	1.69
6	Chia Tee Peng	2,036,733	0.86
7	SJ SEC Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Seo Cheng Gaok)	1,850,000	0.78
8	Chia Chu Foo	1,750,000	0.74
9	Chia Chu Foo	1,600,000	0.67
10	HLG Nominee (Tempatan) Sdn Bhd (Pledged Securities A/C for Mow Kin Weng)	1,600,000	0.67
11	OSK Nominees (Tempatan) Sdn Berhad (Pledged Securities A/C for Kee Ku Huak)	1,500,000	0.63
12	Zarah Binti Yusof	1,300,000	0.55
13	Lim Hun Guan	1,201,600	0.51
14	Loh Chiew Heoon	1,200,000	0.51
15	Toh Tee Kwang @ Chew Tee Kwong	1,200,000	0.51
16	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB Bank for Christopher Lim Kim Teck)	1,180,000	0.50
17	Chew Ti Ming	1,055,000	0.45
18	Rampai Dedikasi Sdn Bhd	1,000,000	0.42
19	HLG Nominee (Tempatan) Sdn Bhd (Hong Leong Bank Bhd for Teh Aik Khoon)	991,600	0.42
20	ECML Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Yu Kuan Chon)	945,800	0.40
21	Sunny Foo	920,000	0.39
22	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB Bank for Len Book Learn)	872,900	0.37
23	Keh Ghee Seen	867,000	0.37
24	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Gan Bee Na)	841,800	0.35
25	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Yap Loong Eng)	800,000	0.34
26	Phoon Shuey Ming	800,000	0.34
27	Amsec Nominees (Tempatan) Sdn Bhd (Pledged Securities A/C for Chan Lam Sang @ Chan Lam)	798,267	0.34
28	Loh Choon Yow	790,000	0.33
29	Hooi Yen Peng	760,000	0.32
30	Ho Foo You	750,000	0.32
	TOTAL	67,506,700	28.51

List of Properties Held as at 31 January 2012

Location	Tenure	Area (Hectares)	Year Lease Expiry	Description/ Existing Use	Net Book Value (RM)	Age of Building (Years)	Year of Acquisition
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	2,294,028.00	16	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	3,716,387.00	16	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	94,683.00	13	2000
G.M. 1461 1874 Simpang Railway Station Asam Kumbang Larut & Matang Perak	Freehold	-	-	Double storey detached office block with an annexed single storey factory building currently used for production of gloves	8,715,000.00	11	2010

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 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed 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
Loss net of tax	(21,369,326)	(21,230,540)
Total comprehensive loss for the financial year	(21,369,326)	(21,230,540)
Loss attributable to:		
Owners of the parent	(21,369,326)	(21,230,540)
Total comprehensive loss attributable to:		
Owners of the parent	(21,369,326)	(21,230,540)

DIVIDENDS

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 2012.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position 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 allowances for impairment, and had satisfied themselves that all known bad debts had been written off and that allowances for impairment had been made.

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 allowances for impairment in respect of the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position 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 Group and 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.

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 liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

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, in the opinion of the directors, 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, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, except for the impairment loss on investment in subsidiaries of RM21,800,000 (2011: RM39,000,000) of the Company, the results of the operations of the Group and of the Company for the financial year were not 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 previous financial year, the Company had completed the following corporate proposals:-

(i) Share capital reduction by the cancellation of RM0.30 of the par value of every existing ordinary share of RM0.50 each to be off-set against the accumulated losses of the Company of RM49,114,804 as at 31 January 2010 and the remaining credit of RM21,928,340 is credited to the Company's other reserve ("Capital Reduction"). The Capital Reduction was completed on 11 November 2010; and

(ii) Renounceable rights issue up to 355,215,720 new ordinary shares of RM0.20 each ("Rights Shares") together up to 236,810,480 free detachable warrants ("Warrants") on the basis of three Rights Shares and two Warrants for every two existing ordinary shares of RM0.20 each held on the entitlement date, 26 November 2010 at an issue price of RM0.25 per Rights Share payable in full upon acceptance ("Rights Issue"). The Rights Issue was completed on 24 December 2010.

The new ordinary shares arising from the Rights Issue will rank pari passu in all respects with the existing issued and fully paid-up ordinary shares except that they shall not be entitled to any dividend, right, and/or other distribution that may be declared, made or paid prior to the date of issuance and relevant allotment date of the said ordinary shares.

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

WARRANTS

Detachable Warrants 2010/2015

By virtue of a Deed Poll executed on 3 September 2010 for the 236,810,480 Detachable Warrants 2010/2015 ("Warrants 2010/2015") issued in connection with the Rights Issue allotted and credited on 26 November 2010, each Warrant 2010/2015 entitles the registered holder the right at any time during the exercise period to subscribe in cash for one new ordinary share at an exercise price of RM0.25 each.

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

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
Dato' Hilmi bin Mohd. Noor

Directors' Report (cont'd)

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 and warrants in the Company and its related corporations during the financial year ended 31 January 2012 are as follows:-

	Number of ordinary shares of RM0.20/- each			
	At 1.2.2011	**Bought**	**Sold**	**At 31.1.2012**
The Company				
Integrated Rubber Corporation Berhad				
Indirect interest				
Tan Keng Beng *	167,660,000	10,000	(17,110,000)	150,560,000
Tan Koon Poon @ Tan Koon Pun *	167,625,000	10,000	(17,100,000)	150,535,000
Tan Loon Guan *	167,655,750	10,000	(17,100,000)	150,565,750

	Number of Warrants 2010/2015			
	At 1.2.2011	**Bought**	**Sold**	**At 31.1.2012**
The Company				
Integrated Rubber Corporation Berhad				
Indirect interest				
Tan Keng Beng *	5,060,000	-	-	5,060,000
Tan Koon Poon @ Tan Koon Pun *	5,050,000	-	-	5,050,000
Tan Loon Guan *	5,062,300	-	-	5,062,300

* Denote deemed interest which includes interest in shares held by close family members.

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 (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors or a full time employee of the Company as shown in Note 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than as disclosed in Note 34 to the financial statements.

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

Directors' Report (cont'd)

REMUNERATION COMMITTEE

The Remuneration Committee reviews and recommends to the Board of Directors, the Company's remuneration policy for Executive Directors to endure that they are appropriately rewarded for their contribution to the Group.

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

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

SIGNIFICANT EVENT

Significant event that occurred during the financial year is disclosed in Note 38 to the financial statements.

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: 28 May 2012

Statements of Financial Position as at 31 January 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	70,756,066	69,168,380	8,715,000	9,000,000
Goodwill on consolidation	6	-	-	-	-
Investment in subsidiaries	7	-	-	4,500,001	26,300,001
Investment securities	8	-	-	-	-
Total non-current assets		70,756,066	69,168,380	13,215,001	35,300,001
Current assets					
Inventories	9	36,367,936	37,493,433	-	-
Trade receivables	10	13,729,249	25,345,764	-	-
Other receivables, deposits and prepayments	11	7,422,618	1,361,091	1,188,465	37,558
Amount due by subsidiaries	12	-	-	26,376,594	9,896,119
Amount due by related companies	13	1,033,058	247,701	-	-
Derivatives	14	-	225,798	-	-
Tax recoverable		41,124	32,588	6,796	5,449
Cash and bank balances	15	48,646,249	65,203,422	46,535,976	64,230,957
Total current assets		107,240,234	129,909,797	74,107,831	74,170,083
TOTAL ASSETS		177,996,300	199,078,177	87,322,832	109,470,084

Statements of Financial Position as at 31 January 2012 (cont'd)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	16	118,405,240	118,405,240	118,405,240	118,405,240
Capital reserves	17	-	-	-	-
Warrant reserves	18	10,609,110	10,609,110	10,609,110	10,609,110
Other reserves	19	11,319,230	11,319,230	11,319,230	11,319,230
Accumulated losses		(58,143,026)	(36,773,700)	(57,714,547)	(36,484,007)
Total equity attributable to owners of the parent		82,190,554	103,559,880	82,619,033	103,849,573
Non-current liabilities					
Loans and borrowings	20	15,510,705	15,219,906	-	-
Deferred tax liabilities	21	334,269	376,053	-	-
Total non-current liabilities		15,844,974	15,595,959	-	-
Current liabilities					
Trade payables	22	9,336,616	8,821,733	-	-
Other payables and accruals	23	5,382,922	9,528,192	502,645	5,620,511
Loans and borrowings	20	65,241,234	61,342,413	4,201,154	-
Provisions	24	-	230,000	-	-
Total current liabilities		79,960,772	79,922,338	4,703,799	5,620,511
Total liabilities		95,805,746	95,518,297	4,703,799	5,620,511
TOTAL EQUITY AND LIABILITIES		177,996,300	199,078,177	87,322,832	109,470,084

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

Statements of Comprehensive Income for the financial year ended 31 January 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Continuing Operations					
Revenue	25	117,806,161	139,540,722	-	6,000
Cost of sales		(126,066,928)	(138,397,314)	-	-
Gross (loss)/profit		(8,260,767)	1,143,408	-	6,000
Other items of income					
Interest income	26	1,277,163	122,485	1,276,541	119,754
Other income	27	2,195,096	7,460,480	531,171	5,645,579
Other items of expense					
Selling and marketing expenses		(1,492,216)	(1,035,838)	-	-
Administrative expenses		(10,999,401)	(42,382,235)	(22,925,302)	(42,255,340)
Operating loss		(17,280,125)	(34,691,700)	(21,117,590)	(36,484,007)
Finance costs	28	(4,130,354)	(3,315,933)	(112,950)	-
Loss before tax	29	(21,410,479)	(38,007,633)	(21,230,540)	(36,484,007)
Income tax expense	30	41,153	41,783	-	-
Loss net of tax		(21,369,326)	(37,965,850)	(21,230,540)	(36,484,007)
Other comprehensive loss for the financial year, net of tax					
Net gain on available-for-sale financial assets					
- Transfer to profit or loss upon disposal		-	(305,286)	-	(305,286)
Total comprehensive loss for the financial year		(21,369,326)	(38,271,136)	(21,230,540)	(36,789,293)
Loss attributable to:					
Owners of the parent		(21,369,326)	(37,965,850)	(21,230,540)	(36,484,007)
Total comprehensive loss attributable to:					
Owners of the parent		(21,369,326)	(38,271,136)	(21,230,540)	(36,789,293)
Loss per ordinary share attributable to owners of the parent (sen)					
- Basic	31	(3.61)	(13.87)		
- Diluted	31	(3.61)	(13.68)		

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

Statements of Changes in Equity for the financial year ended 31 January 2012

	Attributable to Owners of the Parent					
	Distributable				Distributable	
Group	**Share Capital RM**	**Capital Reserves RM**	**Warrant Reserves RM**	**Other Reserves RM**	**Accumulated Losses RM**	**Total Equity RM**
At 1 February 2010	118,405,240	305,286	-	-	(47,922,654)	70,787,872
Net gain on fair value changes on available-for-sale financial asset - transfer to profit or loss upon disposal	-	(305,286)	-	-	-	(305,286)
Total other comprehensive loss for the financial year, net of tax	-	(305,286)	-	-	-	(305,286)
Loss net of tax	-	-	-	-	(37,965,850)	(37,965,850)
Total comprehensive loss for the financial year	-	(305,286)	-	-	(37,965,850)	(38,271,136)
Transactions with owners:						
Capital Reduction	(71,043,144)	-	-	21,928,340	49,114,804	-
Rights issue with warrants	71,043,144	-	10,609,110	(10,609,110)	-	71,043,144
Total transactions with owners:	-	-	10,609,110	11,319,230	49,114,804	71,043,144
At 31 January 2011	118,405,240	-	10,609,110	11,319,230	(36,773,700)	103,559,880
Loss net of tax	-	-	-	-	(21,369,326)	(21,369,326)
Total comprehensive loss for the financial year	-	-	-	-	(21,369,326)	(21,369,326)
At 31 January 2012	118,405,240	-	10,609,110	11,319,230	(58,143,026)	82,190,554

Statements of Changes in Equity for the financial year ended 31 January 2012 (cont'd)

	Attributable to Owners of the Parent					
	Distributable				*Distributable*	
Company	**Share Capital RM**	**Capital Reserves RM**	**Warrant Reserves RM**	**Other Reserves RM**	**Accumulated Losses RM**	**Total Equity RM**
At 1 February 2010	118,405,240	305,286	-	-	(49,114,804)	69,595,722
Net gain on fair value changes on available-for-sale financial asset - transfer to profit or loss upon disposal	-	(305,286)	-	-	-	(305,286)
Total other comprehensive loss for the financial year, net of tax	-	(305,286)	-	-	-	(305,286)
Loss net of tax	-	-	-	-	(36,484,007)	(36,484,007)
Total comprehensive loss for the financial year	-	(305,286)	-	-	(36,484,007)	(36,789,293)
Transaction with owners:						
Capital Reduction	(71,043,144)	-		21,928,340	49,114,804	-
Right issue with warrants	71,043,144	-	10,609,110	(10,609,110)	-	71,043,144
Total transactions with owners:	-	-	10,609,110	11,319,230	49,114,804	71,043,144
At 31 January 2011	118,405,240	-	10,609,110	11,319,230	(36,484,007)	103,849,573
Loss net of tax	-	-	-	-	(21,230,540)	(21,230,540)
Total comprehensive loss for the financial year	-	-	-	-	(21,230,540)	(21,230,540)
At 31 January 2012	118,405,240	-	10,609,110	11,319,230	(57,714,547)	82,619,033

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

Statements of Cash Flows for the financial year ended 31 January 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
OPERATING ACTIVITIES:					
Loss before tax		(21,410,479)	(38,007,633)	(21,230,540)	(36,484,007)
Adjustments for:					
Allowance for impairment		2,572,982	323,750	-	-
Reversal of impairment loss		-	(22,733)	-	-
Bad debt written off		1,424,183	82,408	-	82,408
Dividend income		-	(6,000)	-	(6,000)
Gain on disposal of available-for-sale financial assets		-	(457,066)	-	(457,066)
Net fair value gains on derivatives		-	(225,798)	-	-
Impairment loss on goodwill		-	33,727,693	-	-
Impairment loss on investment in subsidiaries		-	-	21,800,000	39,000,000
Interest expense		4,130,354	3,315,933	112,950	-
Interest income		(1,277,163)	(122,485)	(1,276,541)	(119,754)
Property, plant and equipment					
- net gain on disposal		-	(5,088,782)	-	(5,087,783)
- depreciation		7,581,079	7,570,972	285,000	935
- written off		963,894	1,590,278	-	1,059
Provisions		(230,000)	230,000	-	-
Unrealised loss on foreign exchange		330,386	320,451	-	-
Operating cash flows before changes in working capital		(5,914,764)	3,230,988	(309,131)	(3,070,208)
Changes in Working Capital:					
Inventories		1,125,497	5,177,473	-	-
Receivables		1,438,274	(1,387,063)	(1,150,907)	1,730
Payables		(3,615,426)	(18,270,285)	(5,117,866)	332,495
Cash flows used in operations carried forward		(6,966,419)	(11,248,887)	(6,577,904)	(2,735,983)

Statements of Cash Flows for the financial year ended 31 January 2012 (cont'd)

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows used in operations brought forward		(6,966,419)	(11,248,887)	(6,577,904)	(2,735,983)
Dividend received		-	6,000	-	6,000
Interest received		1,277,163	122,485	1,276,541	119,754
Interest paid		(2,506,267)	(2,069,585)	(112,950)	-
Tax paid		(9,167)	(13,875)	(1,347)	(1,133)
Net cash flows used in operating activities		(8,204,690)	(13,203,862)	(5,415,660)	(2,611,362)
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	5	(10,132,659)	(4,230,965)	-	(900,000)
Proceeds from disposal of property, plant and equipment		-	5,201,000	-	5,200,000
Proceeds from disposal of investment securities		-	617,780	-	617,780
Net change in amount due by subsidiaries		-	-	(16,480,475)	(9,717,767)
Net change in amount due by related companies		(785,357)	896,145	-	1,000
(Increase)/Decrease in deposits pledged		(5,000,000)	82,420	(5,000,000)	82,420
Net cash flows (used in)/from investing activities		(15,918,016)	2,566,380	(21,480,475)	(4,716,567)

Statements of Cash Flows for the financial year ended 31 January 2012 (cont'd)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
FINANCING ACTIVITIES:					
Proceeds from rights issue		-	71,043,144	-	71,043,144
(Repayment of)/Proceeds from short term borrowings		(1,799,455)	7,337,000	-	-
Repayment of hire purchase liabilities		(248,292)	(243,514)	-	-
Repayment of term loans		(4,292,736)	(3,525,829)		
Drawdown of term loans		5,808,579	4,191,376	-	-
Interest paid on term loans		(1,579,672)	(1,202,900)	-	-
Interest paid on hire purchase		(44,415)	(43,448)	-	-
Net cash flow (used in)/from financing activities		(2,155,991)	77,555,829	-	71,043,144
NET CHANGE IN CASH AND CASH EQUIVALENTS		(26,278,697)	66,918,347	(26,896,135)	63,715,215
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		61,760,668	(5,157,679)	64,230,957	515,742
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	15	35,481,971	61,760,668	37,334,822	64,230,957

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

Notes to the Financial Statements

1. GENERAL INFORMATION

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed in 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 listed on the Main Market 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 28 May 2012.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are applicable to the Group and the Company as described fully in Note 2.1 to the financial statements.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the significant accounting policies in Note 3 to the financial statements.

The preparation of financial statements in conformity with FRSs, requires the directors to make certain 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 revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, 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 4 to the financial statements.

2. **BASIS OF PREPARATION** (cont'd)

2.1 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")**

a) **Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int**

The Group and the Company had adopted the following revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

Revised FRSs	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments/Improvements to FRSs	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement
New IC Int	
IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distribution of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
Amendments to IC Int	
IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

2. **BASIS OF PREPARATION** (cont'd)

2.1 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (cont'd)

a) **Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int** (cont'd)

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:

FRS 3 Business Combinations (Revised)

The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:

- All the acquisition-related costs incurred by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);

- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS139, FRS137 or other FRSs, as appropriate (rather than by adjusting goodwill);

- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;

- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;

- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and

- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

2. **BASIS OF PREPARATION** (cont'd)

2.1 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (cont'd)

a) **Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int** (cont'd)

FRS 127 Consolidated and Separate Financial Statements (Revised)

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

(b) **New FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early**

The Group and Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to 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
New FRSs		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013

2. **BASIS OF PREPARATION** (cont'd)

2.1 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (cont'd)

(b) **New FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early** (cont'd)

		Effective for financial periods beginning on or after
Revised FRS		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012/ 1 January 2013
FRS 7	Financial Instruments: Disclosures	1 January 2012/ 1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments: Presentation	1 January 2014
New IC Int		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

2. **BASIS OF PREPARATION** (cont'd)

2.1 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (cont'd)

(b) **New FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early** (cont'd)

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to of the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

2. **BASIS OF PREPARATION** (cont'd)

2.1 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (cont'd)

(b) **New FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early** (cont'd)

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

(c) **MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate ("Transitioning Entities")*. The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

2. **BASIS OF PREPARATION** (cont'd)

2.1 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (cont'd)

(c) **MASB Approved Accounting Standards, MFRSs** (cont'd)

As at 31 January 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2(b). The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS1 cannot be determined and estimated reliably until the process is completed.

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group does not expect any impact on the financial statements arising from the adoption of this standard.

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group does not expect any impact on the financial statements arising from the adoption of this standard.

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 and Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all 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 entities 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 power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(d) to the financial statements. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

The financial statements of the subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The accounting policy on goodwill is set out in Note 3(b) to the financial statements.

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

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

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through subsidiary. It is measured at the non-controlling share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the non-controlling's share of changes in the subsidiary's equity since that date.

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

(a) **Basis of Consolidation and Subsidiaries** (cont'd)

Where losses applicable to the non-controlling interest exceed the non-controlling's interest in the equity of a subsidiary, the excess and any further losses applicable to the non-controlling interest are charged against the Group's interest except to the extent that the non-controlling interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequent reports profits, the Group's interest is allocated all such profit until the non-controlling's share of losses previously absorbed by the Group has been recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences and carrying amount of goodwill that relate to the subsidiary and is recognised in the consolidated statement of comprehensive income.

In accordance with FRS 127, Consolidated and Separate Financial Statements (revised), upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) **Goodwill on Consolidation**

(i) Acquisition before 1 January 2011

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. 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 3(d) to the financial statements.

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. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity 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.

Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in the profit or loss.

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

(b) **Goodwill on Consolidation** (cont'd)

(ii) Acquisition on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and or future service.

(c) **Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(d) to the financial statements.

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 includes 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.

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

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

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 profit or loss as incurred

Freehold land is not amortised as it has an infinite life. Capital work-in-progress is stated at cost and is not depreciated until it is ready for its intended use. Upon completion, capital work-in-progress is 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, machinery and formers	6% - 10%
Motor vehicles	16% - 25%
Office equipment, furniture and fittings	8% - 15%

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, useful life and depreciation method are reviewed, and adjusted if appropriate, at each financial year end to ensure that the amounts, method and period of depreciation are consistent with previous estimates. The effects of any revisions of the residual values and useful lives are included in the profit or losses for the financial year in which the changes arise.

Fully depreciated assets are retained in the financial statements 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 profit or loss in the year the asset is derecognised.

Notes to the Financial Statements (cont'd)

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

(d) **Impairment**

(i) **Impairment of Financial Assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) **Impairment of Non-financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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.

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

(d) **Impairment** (cont'd)

(ii) **Impairment of Non-financial Assets** (cont'd)

An impairment loss is recognised in the profit or loss 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 profit or loss.

(e) **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.

(f) **Financial Instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise the financial instruments as follows:

(i) **Financial Assets**

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

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

(f) **Financial Instruments** (cont'd)

(i) **Financial Assets** (cont'd)

Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in statement of comprehensive income.

Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity Investments

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

(f) **Financial Instruments** (cont'd)

(ii) **Financial Liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention the marketplace concerned.

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

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

(f) **Financial Instruments** (cont'd)

(v) **Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

(g) **Leases**

(i) **Finance leases**

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) **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.

(h) **Hire Purchase**

Assets financed by hire purchase arrangements which transfer substantially all 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 profit or loss over the periods of the respective agreements.

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

(i) **Borrowings**

(i) **Classification**

Borrowings are initially recognised based on the proceeds received, net of transaction cost 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 profit or loss 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 profit or loss.

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

(ii) **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 charged to profit or loss as an expense in the period in which they are incurred.

(j) **Provisions**

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 reporting 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.

(k) **Ordinary shares**

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 reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost 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 profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

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

(l) **Foreign Currencies Transactions**

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

Transactions in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss.

Non-monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value 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 profit or loss, any corresponding exchange gain or loss is recognised in the profit or loss.

(m) **Revenue**

(i) **Sales of goods**

Revenue from the sale of goods is measured at fair value of the consideration received or receivable. Revenue is recognised upon delivery of products and customers' acceptance, net of discounts and returns when the significant risk and rewards of ownership have been passed to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding of the consideration due, associated costs or the possible return of goods.

(ii) **Interest income**

Interest income is recognised on an accrual basis unless collectability 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.

(n) **Income Taxes**

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax expense is the expected tax amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous year.

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

(n) **Income Taxes** (cont'd)

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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, unutilised tax losses and unutilised tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unutilised 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.

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 reporting date. Deferred tax is recognised in the profit or loss, 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.

(o) **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 profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(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 financial 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.

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

(p) **Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain events not wholly within the control of the Group,

Where it is not probable that an outflow of economic benefic 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.

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.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(q) **Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) **Cash and Cash Equivalents**

For the purpose of statements of cash flows, 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. Cash and cash equivalents are stated net of bank overdrafts and deposits pledged to the financial institution.

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

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.

4.1. **Judgements Made in Applying Accounting Policies**

There are no critical judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

4.2. Key Sources of Estimation Uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting 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 Company 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. The impairment made on investments in subsidiaries entails an allowance for impairment to be made to the amount owing by these subsidiaries.

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 Company's tests for impairment of investment in subsidiaries.

Based on management's estimation of the present value of future cash flows generated by the subsidiaries, the Company has impaired the investment in subsidiaries of RM21,800,000 during the financial year (2011: RM39,000,000).

(iii) **Impairment of Non-Current Assets**

The Group reviews the carrying amount of its non-current assets, which include property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

(iv) **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. Changes in assumptions could significantly affect the results of the Group's tests for impairment of goodwill. In addition, the assessment of the net tangible assets of the subsidiaries also affects the result of the impairment test. Based on management's estimation of the value-in-use of the goodwill, the Group has fully impaired the goodwill during the previous financial year.

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** (cont'd)

4.2. **Key Sources of Estimation Uncertainty** (cont'd)

(v) **Deferred Tax Assets**

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's 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.

(vi) **Allowance for Inventories**

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

(vii) **Allowance for Impairment of Receivables**

The Group makes allowances for impairment 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 credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables. During the financial year, the Group has provided allowance for impairment of RM2,572,982 (2011: RM323,750).

(viii) **Provisions**

The Group measures the provisions for claims from customers. The calculation of provisions for claims requires management to estimate the expected future cash outflows as a result of goods returns, and a suitable pre-tax discount rate that reflects current market assessments of the time value of money in order to calculate the present value of those future cash outflows. The Group has made assumptions in relation to provisions for claims based on historical experience and the expected claims from the customers.

(ix) **Income Taxes**

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.

(x) **Valuation of warrants**

The Group and the Company measures the value of the warrants by reference to the fair value at the date which they are granted. The estimation of fair value requires determining the most appropriate valuation model.

This estimate also requires the determination of the most appropriate inputs to the valuation model such as the volatility, risk free interest rate, option life and making assumptions about them as disclosed in Note 18 to the financial statements.

5. **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							
2012							
Cost							
At 1 February 2011	5,900,000	17,428,505	97,936,862	2,986,546	1,763,826	1,713,200	127,728,939
Additions	-	-	1,557,249	34,150	43,180	8,498,080	10,132,659
Written off	-	-	(957,892)	-	(15,502)	-	(973,394)
At 31 January 2012	5,900,000	17,428,505	98,536,219	3,020,696	1,791,504	10,211,280	136,888,204
Accumulated Depreciation							
At 1 February 2011	-	6,362,581	48,373,810	2,429,801	1,394,367	-	58,560,559
Depreciation for the financial year	-	917,859	6,243,603	306,370	113,247	-	7,581,079
Written off	-	-	-	-	(9,500)	-	(9,500)
At 31 January 2012	-	7,280,440	54,617,413	2,736,171	1,498,114	-	66,132,138
Net Carrying Amount at 31 January 2012	5,900,000	10,148,065	43,918,806	284,525	293,390	10,211,280	70,756,066

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

Group 2011	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
Cost							
At 1 February 2010	2,648,048	12,093,781	98,036,866	3,005,316	1,926,951	327,424	118,038,386
Additions	3,300,000	5,715,000	1,859,650	146,077	58,462	1,385,776	12,464,965
Disposal	(48,048)	(380,276)	(370,435)	(26,000)	(104,336)	-	(929,095)
Written off	-	-	(1,589,219)	(138,847)	(117,251)	-	(1,845,317)
At 31 January 2011	5,900,000	17,428,505	97,936,862	2,986,546	1,763,826	1,713,200	127,728,939
Accumulated Depreciation							
At 1 February 2010	-	6,073,789	42,205,954	2,285,735	1,496,025	-	52,061,503
Depreciation for the financial year	-	632,798	6,510,163	308,911	119,100	-	7,570,972
Disposal	-	(344,006)	(337,737)	(25,999)	(109,135)	-	(816,877)
Written off	-	-	(4,570)	(138,846)	(111,623)	-	(255,039)
At 31 January 2011	-	6,362,581	48,373,810	2,429,801	1,394,367	-	58,560,559
Net Carrying Amount at 31 January 2011	5,900,000	11,065,924	49,563,052	556,745	369,459	1,713,200	69,168,380

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

	Freehold Land RM	Buildings RM	Total RM
Company			
2012			
Cost			
At 1 February 2011	3,300,000	5,700,000	9,000,000
At 31 January 2012	3,300,000	5,700,000	9,000,000
Accumulated Depreciation			
At 1 February 2011	-	-	-
Depreciation for the financial year	-	285,000	285,000
At 31 January 2012	-	285,000	285,000
Net Carrying Amount at 31 January 2012	3,300,000	5,415,000	8,715,000

5. **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						
2011						
Cost						
At 1 February 2010	48,048	380,276	370,435	138,847	221,587	1,159,193
Additions	3,300,000	5,700,000	-	-	-	9,000,000
Disposal	(48,048)	(380,276)	(370,435)	-	(104,336)	(903,095)
Written off	-	-	-	(138,847)	(117,251)	(256,098)
At 31 January 2011	3,300,000	5,700,000	-	-	-	9,000,000
Accumulated Depreciation						
At 1 February 2010	-	344,006	342,307	138,846	219,823	1,044,982
Depreciation for the financial year	-	-	-	-	935	935
Disposal	-	(344,006)	(337,737)	-	(109,135)	(790,878)
Written off	-	-	(4,570)	(138,846)	(111,623)	(255,039)
At 31 January 2011	-	-	-	-	-	-
Net Carrying Amount at 31 January 2011	3,300,000	5,700,000	-	-	-	9,000,000

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

The net carrying amount of motor vehicles of a subsidiary acquired under hire purchase arrangements were RM161,281 (2011: RM428,008).

The title of properties of the Company and of a subsidiary with net carrying amounts of RM8,715,000 and RM94,683 (2011: RM9,000,000 and RM106,096) respectively were transferred to the name of the Company and the subsidiary during the current financial year.

The analysis of purchase of property, plant and equipment of the Group and the Company are as follows:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Other payables	-	8,100,000	-	8,100,000
Hire purchase payable	-	134,000	-	-
Cash payments	10,132,659	4,230,965	-	900,000
	10,132,659	12,464,965	-	9,000,000

6. GOODWILL ON CONSOLIDATION

	Group	
	2012 RM	**2011 RM**
Cost		
At 1 February/31 January	42,727,693	42,727,693
Accumulated impairment		
At 1 February	42,727,693	9,000,000
Impairment loss (Note 29)	-	33,727,693
At 31 January	42,727,693	42,727,693
Net carrying amount at 31 January	-	-

Notes to the Financial Statements (cont'd)

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2012 RM	2011 RM
Unquoted shares, at cost	98,600,003	98,600,003
Accumulated impairment		
At 1 February	72,300,002	33,300,002
Impairment loss (Note 29)	21,800,000	39,000,000
At 31 January	94,100,002	72,300,002
	4,500,001	26,300,001

Key assumptions used in impairment calculations

Management determined the recoverable amount of the investment in subsidiaries based on the individual assets' value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the assets is the asset's value in use, and it is assumed to be the same as the net worth of the asset as at reporting date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

As a result of the above, the Company recognised an impairment loss of RM21,800,000 (2011: RM39,000,000) during the financial year.

The Group's equity interest in the subsidiaries which are all incorporated in Malaysia and their respective principal activities are as stated below:-

Name of Company	Effective Equity Interests		Principal Activities
	2012 %	2011 %	
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

* *The Auditors' Report of these subsidiaries contains an emphasis of matter paragraph in relation to the going concern consideration.*

8. INVESTMENT SECURITIES

	Group / Company	
	2012 **RM**	**2011** **RM**
Available-for-sale financial asset		
- equity instruments (quoted in Malaysia)		
At 1 February	-	177,857
Effects of adopting FRS 139	-	288,143
Disposed of during the financial year	-	(466,000)
At 31 January	-	-

9. INVENTORIES

	Group	
	2012 **RM**	**2011** **RM**
At cost:-		
Finished goods	882,632	1,140,717
Work-in-progress	32,204,714	32,644,142
Raw materials	2,641,294	3,268,036
Packing materials	565,787	369,998
Chlorination chemicals	53,444	57,057
Treatment plant chemicals	20,065	13,483
	36,367,936	37,493,433

10. TRADE RECEIVABLES

	Group	
	2012 **RM**	**2011** **RM**
Trade receivables	17,889,813	26,933,346
Less: Allowance for impairment	(4,160,564)	(1,587,582)
	13,729,249	25,345,764

Trade receivables are non-interest bearing and the normal trade credit terms range from 30 to 150 days (2011: 30 to 150 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

10. TRADE RECEIVABLES (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012 RM	2011 RM
Neither past due nor impaired	6,781,860	10,027,828
Past due 1 - 30 days not impaired	4,772,953	9,102,177
Past due 31 - 120 days not impaired	2,174,436	5,281,022
Past due more than 120 days not impaired	-	934,737
	6,947,389	15,317,936
Impaired	4,160,564	1,587,582
	17,889,813	26,933,346

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2012 RM	2011 RM
Individually impaired		
Trade receivables (nominal amounts)	4,160,564	1,587,582
Less : Allowance for impairment	(4,160,564)	(1,587,582)
	-	-

10. TRADE RECEIVABLES (cont'd)

Movement in allowance accounts:

	Group	
	2012 RM	2011 RM
At 1 February	1,587,582	1,286,565
Charge for the financial year	2,572,982	323,750
Reversal of impairment losses	-	(22,733)
At 31 January	4,160,564	1,587,582

Trade receivables are individually determined to be impaired at the reporting date which are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The classification of financial assets is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables	13,729,249	25,345,764	-	-
Other receivables (Note 11)	1,307,160	89,968	1,186,065	-
Deposits (Note 11)	5,839,626	304,766	-	-
Amount due by subsidiaries (Note 12)	-	-	26,376,594	9,896,119
Amount due by related companies (Note 13)	1,033,058	247,701	-	-
Cash and bank balances (Note 15)	48,646,249	65,203,422	46,535,976	64,230,957
Total loans and receivables	70,555,342	91,191,621	74,098,635	74,127,076

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables	1,307,160	89,968	1,186,065	-
Deposits	5,839,626	304,766	-	-
Prepayments	275,832	966,357	2,400	37,558
	7,422,618	1,361,091	1,188,465	37,558

Included in deposits is an amount of RM5,513,000 which represents deposits paid for the installation and commissioning of plant and machineries.

12. AMOUNT DUE BY SUBSIDIARIES

	Company	
	2012 RM	2011 RM
Non-trade amounts	27,722,417	11,241,942
Less : Allowance for impairment	(1,345,823)	(1,345,823)
	26,376,594	9,896,119

The amounts due by subsidiaries are unsecured, interest free and repayable on demand.

13. AMOUNTS DUE BY RELATED COMPANIES

The amounts due by related companies are non-trade in nature, unsecured, interest free and repayable on demand.

14. DERIVATIVES

	Group			
	2012		2011	
	RM Contract/ Notional Amount	RM Assets	RM Contract/ Notional Amount	RM Assets
Non-hedging derivatives:				
Current				
Forward currency contracts	-	-	11,978,800	225,798

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in United States Dollar.

During the financial year, the Group recognised a gain of RM Nil (2011: RM225,798) arising from the fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method of valuation is disclosed in note 36 to the financial statements.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed deposits placed with a licensed bank	46,000,000	-	46,000,000	-
Short term deposits placed with a licensed bank	-	61,146,000	-	61,146,000
Cash at banks and on hand	2,646,249	4,057,422	535,976	3,084,957
Cash and bank balances	48,646,249	65,203,422	46,535,976	64,230,957
Bank overdrafts	(8,164,278)	(3,442,754)	(4,201,154)	-
	40,481,971	61,760,668	42,334,822	64,230,957
Less: deposits pledged to a licensed bank	(5,000,000)	-	(5,000,000)	-
Cash and cash equivalents	35,481,971	61,760,668	37,334,822	64,230,957

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for approximately 1 week depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

Fixed deposits placed with a licensed bank of RM5,000,000 of the Group and of the Company are pledged as securities for banking facilities granted to the Group.

The effective interest rates are disclosed in Note 37 to the financial statements.

16. SHARE CAPITAL

	2012		2011	
	Number of Shares Unit	RM	Number of Shares Unit	RM
Ordinary shares of RM0.20/- each				
Authorised:				
At 1 February	1,000,000,000	200,000,000	400,000,000	200,000,000
Created during the financial year	-	-	600,000,000	-
At 31 January	1,000,000,000	200,000,000	1,000,000,000	200,000,000
Issued and fully paid:				
At 1 February	592,026,200	118,405,240	236,810,480	118,405,240
Capital reduction	-	-	-	(71,043,144)
Rights issue with free warrants	-	-	355,215,720	71,043,144
of the financial year	592,026,200	118,405,240	592,026,200	118,405,240

During the previous financial year, the Company had completed the following corporate proposals:-

(i) Share capital reduction by the cancellation of RM0.30 of the par value of every existing ordinary share of RM0.50 each to be off-set against the accumulated losses of the Company of RM49,114,804 as at 31 January 2010 and the remaining credit of RM21,928,340 is credited to the Company's other reserve ("Capital Reduction"). The Capital Reduction was completed on 11 November 2010; and

Notes to the Financial Statements (cont'd)

16. SHARE CAPITAL (cont'd)

(ii) Renounceable rights issue up to 355,215,720 new ordinary shares of RM0.20 each ("Rights Share") together with up to 236,810,480 free detachable warrants ("Warrants") on the basis of three Rights Shares and two Warrants for every two existing ordinary shares of RM0.20 each held on the entitlement date, 26 November 2010 at an issue price of RM0.25 per Rights Share payable in full upon acceptance ("Rights Issue"). The Rights Issue was completed on 24 December 2010.

17. CAPITAL RESERVE

	Group / Company 2012 RM	2011 RM
At 1 February	-	17,143
Effects of adopting FRS 139	-	288,143
	-	305,286
Other comprehensive loss:		
Net gain on available-for-sale financial assets		
- Transfer to profit or loss upon disposal	-	(305,286)
At 31 January	-	-

Capital reserve relates to a revaluation carried out in 1993 of the Group's quoted investments based on the prevailing market values. The quoted investments had been disposed off during the previous financial year.

18. WARRANT RESERVES

	Group / Company 2012 RM	2011 RM
At 1 February	10,609,110	-
Recognition of the free warrants' fair value pursuant to the Rights Issue	-	10,609,110
At 31 January	10,609,110	10,609,110

The warrant reserves represent the fair value adjustment for the free detachable warrants issued pursuant to the rights issue. The fair value of the warrants is measured using Black Scholes model with the following inputs:-

Fair value of warrants and assumptions

Fair value of warrants at issue date (RM)	0.0578
Exercise price (RM)	0.2500
Expected volatility (weighted average volatility)	15.21%
Option life (expected weighted average life)	5 years
Risk-free interest rate (based on rates of 5 years Malaysian government bonds)	3.34%

Notes to the Financial Statements (cont'd)

19. OTHER RESERVE

	Group / Company 2012 RM	Group / Company 2011 RM
At 1 February	11,319,230	-
Arising from capital reduction	-	21,928,340
Right issue with free warrants (Note 18)	-	(10,609,110)
At 31 January	11,319,230	11,319,230

Other reserve arising from the excess of the capital reduction over the accumulated losses of the Company.

20. LOANS AND BORROWINGS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current				
Secured:				
Bank overdrafts	8,164,278	3,442,754	4,201,154	-
Hire purchase payables	46,741	248,304	-	-
Short term bank borrowings	51,583,545	53,383,000	-	-
Term loans	5,446,670	4,268,355	-	-
	65,241,234	61,342,413	4,201,154	-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-current				
Secured:				
Hire purchase payables	81,352	128,081	-	-
Term loans	15,429,353	15,091,825	-	-
	15,510,705	15,219,906	-	-
Total loans and borrowings	80,751,939	76,562,319	4,201,154	-

20. LOANS AND BORROWINGS (cont'd)

The maturities of the loans and borrowings as at 31 January 2012 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
On demand or within one year	65,241,234	61,342,416	4,201,154	-
More than 1 year and less than 2 years	5,665,154	4,553,322	-	-
More than 2 years and less than 5 years	8,103,347	8,668,588	-	-
5 years or more	1,742,204	1,997,993	-	-
	80,751,939	76,562,319	4,201,154	-

Hire purchase payables

	Group	
	2012 RM	2011 RM
Future minimum hire purchase payments:		
Not later than one year	55,450	292,707
Later than one year but not later than five years	97,571	153,009
	153,021	445,716
Less: Future finance charges	(24,928)	(69,331)
Present value of hire purchase payables	128,093	376,385
Analysis of present value of hire purchase payables:		
Current		
Not later than one year	46,741	248,304
Non-current		
Later than one year but not later than five years	81,352	128,081
	128,093	376,385

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

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

i) Corporate guarantee by the Company and a related company; and
ii) Negative pledge over present and future assets of a subsidiary.

The term loans are secured by way of:-

i) Corporate guarantee by the Company for RM36,400,000;
ii) Negative pledge over present and future asset of a subsidiary; and
iii) Debenture of RM36,400,000 over the assets purchased/financed.

The effective interest rates are disclosed in Note 37 to the financial statements.

21. DEFERRED TAX LIABILITIES

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

	Group 2012 RM	Group 2011 RM
At 1 February	376,053	417,836
Recognised in profit or loss (Note 30)	(41,784)	(41,783)
At 31 January	334,269	376,053
Presented after appropriate offsetting:		
Deferred tax assets	(8,002,277)	(8,052,412)
Deferred tax liabilities	8,336,546	8,428,465
	334,269	376,053

(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	Unabsorbed capital allowances RM	Unabsorbed reinvestment allowances RM	Other RM	Total RM
At 1 February 2010	(5,420,712)	(2,255,000)	(369,342)	(8,045,054)
Recognised in profit or loss	(241,616)	-	234,258	(7,358)
At 31 January 2011	(5,662,328)	(2,255,000)	(135,084)	(8,052,412)
Recognised in profit or loss	(3,831)	-	53,966	50,135
At 31 January 2012	(5,666,159)	(2,255,000)	(81,118)	(8,002,277)

Deferred tax liabilities

Group	Property, plant and equipment RM	Others RM	Total RM
At 1 February 2010	8,045,054	417,836	8,462,890
Recognised in profit or loss	7,358	(41,783)	(34,425)
At 31 January 2011	8,052,412	376,053	8,428,465
Recognised in profit or loss	(50,135)	(41,784)	(91,919)
At 31 January 2012	8,002,277	334,269	8,336,546

21. DEFERRED TAX LIABILITIES (cont'd)

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unutilised tax losses	16,392,898	12,917,026	10,956,907	10,956,907
Deductible temporary differences	9,318,997	8,076,087	11,361	11,361
	25,711,895	20,993,113	10,968,268	10,968,268

22. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 60 days (2011: 30 days to 60 days) from the date of invoice.

The classification of financial liabilities is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables	9,336,616	8,821,733	-	-
Other payables and accruals (Note 23)	5,382,922	9,528,192	502,645	5,620,511
Loans and borrowings (Note 20)	80,751,939	76,562,319	4,201,154	-
Total financial liabilities carried at amortised cost	95,471,477	94,912,244	4,703,799	5,620,511

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables	2,352,145	7,484,355	14,246	4,999,768
Accruals	3,030,777	2,043,837	488,399	620,743
	5,382,922	9,528,192	502,645	5,620,511

Included in accruals of the Group is an amount accrued for retirement benefits of a subsidiary of RM76,000 (2011: RM76,000).

Notes to the Financial Statements (cont'd)

24. PROVISIONS

	Group 2012 RM	Group 2011 RM
At 1 February	230,000	1,561,591
Arose during the financial year	-	230,000
Utilised	(230,000)	(1,561,591)
At 31 January	-	230,000

Provisions are in respect of claims from customers. The provisions are recognised based on the expected claims from the customers.

25. REVENUE

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Sales of latex gloves	117,806,161	139,534,722	-	-
Dividend income	-	6,000	-	6,000
	117,806,161	139,540,722	-	6,000

26. INTEREST INCOME

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Interest income from loans and receivables	1,277,163	122,485	1,276,541	119,754

27. OTHER INCOME

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Gain on disposal of property, plant and equipment	-	5,088,782	-	5,087,783
Gain on foreign exchange - realised	1,449,935	317,548	-	-
Insurance compensation	155,000	1,187,415	-	-
Gain on disposal of available-for-sale financial assets	-	457,066	-	457,066
Management fees	-	2,400	-	-
Rental income	-	85,818	-	85,818
Net fair value gains on derivatives	-	225,798	-	-
Miscellaneous	58,990	72,920	-	14,912
Surplus funds received from the closure of the Retirement Benefits Scheme	531,171	-	531,171	-
Reversal of impairment on receivables	-	22,733	-	-
	2,195,096	7,460,480	531,171	5,645,579

Notes to the Financial Statements (cont'd)

28. FINANCE COSTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expenses				
- bankers' acceptance	1,303,969	914,461	-	-
- bank guarantee	35,618	43,340	-	-
- bank overdrafts	421,065	420,855	112,950	-
- hire purchase	44,415	43,448	-	-
- letter of credit	18,048	14,835	-	-
- revolving credit	727,567	676,094	-	-
- term loan	1,579,672	1,202,900	-	-
	4,130,354	3,315,933	112,950	-

29. LOSS BEFORE TAX

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
After charging:-				
Allowance for impairment	2,572,982	323,750	-	-
Auditors' remuneration				
- audit services	58,800	59,350	33,000	30,000
- other services	-	3,000	3,000	3,000
Bad debts written off	1,424,183	82,408	-	82,408
Depreciation	7,581,079	7,570,972	285,000	935
Impairment loss on goodwill	-	33,727,693	-	-
Impairment loss on investment in subsidiaries	-	-	21,800,000	39,000,000
Loss on foreign exchange				
- realised	-	129,304	-	-
- unrealised	330,386	320,451	-	-
Lease rental	-	610,000	-	-
Property, plant and equipment written off	963,894	1,590,278	-	1,059
Rental expenses	284,494	302,760	-	-
Staff cost:				
- salaries, wages and allowances	11,538,977	12,236,177	174,574	80,630
- defined contribution plan	540,959	556,422	24,325	14,110

30. TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred taxation (Note 21)				
- reversal of temporary differences	41,784	41,783	-	-
- under accrual in prior year	(631)	-	-	-
	41,153	41,783	-	-

The income tax is calculated at the Malaysian Statutory rate of 25% of the estimated assessable profit for the financial year.

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Loss before tax	(21,410,479)	(38,007,633)	(21,230,540)	(36,484,007)
Taxation at applicable statutory tax rate 25%	5,352,620	9,501,908	5,307,635	9,121,002
Tax effects arising from				
- non-deductible expenses	(128,590)	(9,315,159)	(5,759,563)	(10,444,341)
- non-taxable income	132,793	1,379,788	451,928	1,323,339
- deferred tax assets not recognised	(5,356,823)	(1,566,537)	-	-
- others	41,784	41,783	-	-
- under accrual in prior year	(631)	-	-	-
	41,153	41,783	-	-

31. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing loss net of tax for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit net of tax for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the exercise of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share. Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share.

Notes to the Financial Statements (cont'd)

31. LOSS PER SHARE (cont'd)

The following tables reflect the loss and share date used in the computation of basic and diluted earnings per share for the financial ended 31 January:

	Group	
	2012 RM	2011 RM
Loss net of tax attributable to owners of the parent	(21,369,326)	(37,965,850)
	Number of Shares Unit	Number of Shares Unit
Weighted average number of ordinary shares for basic earnings per shares computation		
At 1 February	273,791,843	236,810,480
Add : Effect of issuance of shares via right issue	318,234,357	36,981,363
At 31 January	592,026,200	273,791,843
Effects of dilution:		
- warrants	-	3,796,169
Weighted average number of ordinary shares for diluted earnings per shares computation	592,026,200	277,588,012
Loss per ordinary share attributable to owners of the parent (sen)		
- Basic	(3.61)	(13.87)
- Diluted	(3.61)*	(13.68)

* During the financial year, no consideration is taken for warrants as the effect is antidilutive.

32. CAPITAL COMMITMENT

	Group	
	2012 RM	2011 RM
Property, plant and equipment - approved and contracted for but not provided in the financial statements	12,439,000	8,612,480

33. CONTINGENT LIABILITIES

	Company 2012 RM	Company 2011 RM
Unsecured		
Corporate guarantees given to licensed banks to secure banking facilities granted to a subsidiary	104,400,000	104,400,000

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantees is Nil.

34. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) **Identification of Related Parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or 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 Group or 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 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 during the financial year are as follows:

	Group 2012 RM	Group 2011 RM
Purchases of latex from a related company	-	5,328,737

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and the terms are no less favourable than those arranged with third parties.

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

	Group 2012 RM	Group 2011 RM
Amount due by related companies		
- Chip Lam Seng Berhad	1,033,058	247,701

	Company 2012 RM	Company 2011 RM
Amount due by related companies		
Subsidiries		
- Comfort Rubber Gloves Industries Sdn. Bhd.	26,345,317	9,870,963
- PBT Sdn. Bhd.	31,277	25,156

34. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

(c) **Compensation of Key Management Personnel**

The remuneration of the key management personnel during the financial year are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive:				
Salaries and other emoluments	240,000	478,589	48,000	51,358
Defined contribution plan	29,863	68,182	7,742	7,600
	269,863	546,771	55,742	58,958
Estimated money value of benefit-in-kind	44,325	23,965	-	-
Total executive directors' remuneration (including benefits-in-kind)	314,188	570,736	55,742	58,958
Non-executive:				
Fees	200,500	199,855	140,500	140,500
Other emoluments	36,327	33,450	36,327	33,450
Total non-executive directors' remuneration	236,827	233,305	176,827	173,950
Total directors' remuneration	551,015	804,041	232,569	232,908

35. OPERATING SEGMENTS

During the financial year, the Group adopted FRS 8 Operating Segments. FRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

General Information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the business segments of the Group. The Group's operating segments are as follows:

Manufacturing	:	Manufacture and trading of latex gloves.
Investment holding	:	Investment of ordinary and quoted shares.
Others	:	Trading of latex gloves and dormant.

Measurement of Reportable Segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Transactions between reportable segments are measured on an arm's length basis in a manner similar to transactions with third parties.

35. OPERATING SEGMENTS (cont'd)

Measurement of Reportable Segments (cont'd)

Segment profit or loss is measured based on segment profit before tax, interest, depreciation and other non-cash expenses that are reviewed by the Group's chief operating decision maker. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss.

The total of segment asset is measured based on all assets of a segment other than current and deferred tax assets.

The total of segment liability is measured based on all liabilities of a segment other than current and deferred tax liabilities.

Geographical Information

Revenue and non-current assets information on the basis of geographical segments information are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Major Customers

Major customers' information are revenues from transactions with a single external customer amounting to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer.

2012	Manufacturing RM	Investment holding RM	Others RM	Inter-segment Eliminations RM	Total RM
Revenue					
Revenue from external customers	117,806,161	-	-	-	117,806,161
Inter-segment sales	3,712,910	-	-	(3,712,910)	-
Total revenue	121,519,071	-	-	(3,712,910)	117,806,161
Results					
Segment loss	(10,907,788)	(422,081)	(41,758)	-	(11,371,627)
Interest income					622
Interest expense					(4,130,354)
Depreciation					(7,581,079)
Loss before tax					(21,410,479)
Income tax income					41,153
Loss net of tax					(21,369,326)
Assets					
Additions to non-current assets other than financial instruments and deferred tax assets	10,132,659	-	-	-	10,132,659
Segment assets	121,579,814	87,316,036	573,099	(31,513,773)	177,955,176
Liabilities					
Segment liabilities	116,753,714	4,703,799	3,829,948	(29,815,984)	95,471,477
Major customer	12,530,078	-	-	-	12,530,078

Notes to the Financial Statements (cont'd)

35. OPERATING SEGMENTS (cont'd)

2011	Manufacturing RM	Investment holding RM	Others RM	Inter-segment Eliminations RM	Total RM
Revenue					
Revenue from external customers	135,645,854	6,000	3,888,868	-	139,540,722
Inter-segment sales	3,921,937	-	-	(3,921,937)	-
Total revenue	139,567,791	6,000	3,888,868	(3,921,937)	139,540,722
Results					
Segment profit/(loss)	6,790,966	2,480,639	(234,897)	-	9,036,708
Interest income					122,485
Interest expense					(3,315,933)
Depreciation					(7,570,972)
Other non-cash expenses					(36,279,921)
Loss before tax					(38,007,633)
Income tax expense					41,783
Loss net of tax					(37,965,850)
Assets					
Additions to non-current assets other than financial instruments and deferred tax assets	3,464,965	9,000,000	-	-	12,464,965
Segment assets	125,589,159	148,464,635	684,904	(75,693,109)	199,045,589
Liabilities					
Segment liabilities	99,365,562	5,620,511	3,892,808	(13,736,637)	95,142,244
Major customers	15,680,353	-	-	-	15,680,353

Geographical Information

2012	Revenues RM	Non-current assets RM
Malaysia	28,961,648	70,756,066
United States of America and Canada	42,750,098	-
Asia	30,888,425	-
Europe	13,138,546	-
Others	2,067,444	-
	117,806,161	70,756,066

35. OPERATING SEGMENTS (cont'd)

	Revenues RM	Non-current assets RM
2011		
Malaysia	10,233,356	69,168,380
United States of America and Canada	68,920,031	-
Asia	40,640,687	-
Europe	17,876,112	-
Others	1,870,536	-
	139,540,722	69,168,380

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) **Determination of fair value**

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Financial Assets (current)	
Trade receivables	10
Other receivables and deposits	11
Amount due by subsidiaries	12
Amount due by related companies	13
Cash and bank balances	15
Financial Liabilities (non-current)	
Loans and borrowings	20
Financial Liabilities (current)	
Trade payables	22
Other payables, deposits and accruals	23
Loans and borrowings	20

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the reporting date.

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(b) Fair Value Hierarchy

As the financial assets and liabilities of the Group and the Company are not carried at fair value by any valuation method, the fair value hierarchy is not presented.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade receivables. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries and financial guarantees given.

Trade receivables

Risk management objective, policies and processes for managing the risk
The management has a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount.

Exposure to credit risk
At the reporting date, the Group's maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

Credit risk concentration profile
The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2012		2011	
	RM	% of total	RM	% of total
By country:				
Malaysia	2,587,214	18.8%	1,389,464	5.5%
United States of America and Canada	7,167,632	52.2%	8,009,159	31.5%
Asia	2,453,714	17.9%	15,373,401	60.7%
Europe	496,037	3.6%	573,740	2.3%
Others	1,024,652	7.5%	-	-
	13,729,249	100.0%	25,345,764	100.0%

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(i) Credit Risk (cont'd)

Trade receivables (cont'd)

Financial assets that are neither past due nor impaired
Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 10 to the financial statements. Deposits with banks and other financial institutions are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired
Information regarding financial assets that are either past due or impaired is disclosed in Note 10 to the financial statements.

Inter-company balances

Risk management objective, policies and processes for managing the risk
The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk
At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses
At the reporting date, there was no indication that the loans and advances to subsidiaries are not recoverable.

Financial guarantees

Risk management objective, policies and processes for managing the risk
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

At the reporting date, there was no indication that the subsidiary would default on repayment.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Risk management objective, policies and processes for managing the risk
The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(ii) Liquidity Risk (cont'd)

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

2012	On demand or within 1 Year RM	2 - 5 Years RM	More than 5 Years RM	Total RM
Financial Liabilities				
Group				
Trade payables	9,336,616	-	-	9,336,616
Other payables, deposits and accruals	5,382,922	-	-	5,382,922
Loans and borrowings	65,266,162	13,768,501	1,742,204	80,776,867
	79,985,700	13,768,501	1,742,204	95,496,405
Company				
Loan and borrowings	4,201,154	-	-	4,201,154
Other payables and accruals	502,645	-	-	502,645
	4,703,799	-	-	4,703,799
2011				
Financial Liabilities				
Group				
Trade payables	8,821,733	-	-	8,821,733
Other payables, deposits and accruals	9,528,192	-	-	9,528,192
Loans and borrowings	61,411,747	13,221,910	1,997,993	76,631,650
	79,761,672	13,221,910	1,997,993	94,981,575
Company				
Other payables and accruals	5,620,511	-	-	5,620,511

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flow.

Interest Rate Risk

Risk management objective, policies and processes for managing the risk
The Company and the Group manage the net exposure to interest rate risks by monitoring the exposure to such risks on an ongoing basis.

Exposure to interest rate risk
The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings and short term deposits classified as cash and cash equivalents. The Group and the Company do not use derivative financial instruments to hedge its risk.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, the carrying amounts at the reporting date 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 2012					
Group					
Fixed rate					
Financial asset					
Fixed deposits placed with a licensed bank	3.00 - 3.10	46,000,000	-	-	46,000,000
Financial liabilities					
Bank borrowings					
Hire purchase payables	2.53 - 2.85	(46,741)	(81,352)	-	(128,093)
Term loan	5.29 - 7.07	(5,446,670)	(13,687,149)	(1,742,204)	(20,876,023)
Floating rate					
Financial liabilities					
Bank borrowings					
Bank overdrafts	7.60	(8,164,278)			(8,164,278)
Short term bank borrowings	2.99 - 4.99	(51,583,545)	-	-	(51,583,545)
Company					
Fixed rate					
Financial asset					
Fixed deposits placed with a licensed bank	3.00 - 3.10	46,000,000	-	-	46,000,000

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) **Market Risk** (cont'd)

Interest Rate Risk (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 2011					
Group					
Fixed rate					
Financial asset					
Short term deposits	1.69 - 1.96	61,146,000	-	-	61,146,000
Financial liabilities					
Bank borrowings					
Hire purchase payables	4.74	(248,304)	(128,081)	-	(376,385)
Term loan	5.04 - 6.82	(4,268,358)	(13,093,829)	(1,997,993)	(19,360,180)
Floating rate					
Financial liabilities					
Bank borrowings					
Bank overdraft	5.55	(3,442,754)	-	-	(3,442,754)
Short term bank borrowings	3.06 - 4.41	(53,383,000)	-	-	(53,383,000)
Company					
Fixed rate					
Financial asset					
Short term deposits	1.69 - 1.96	61,146,000	-	-	61,146,000

Financial instruments subject to floating interest rates are re-priced regularly. Financial instruments at fixed rates are fixed until the maturity of the instruments.

Sensitivity analysis for interest rate risk

An increase in market interest rates by 0.1% on financial assets and liabilities of the Group and the Company which have variable interest rates at the reporting date would decrease and increase the Group's and Company's profit before tax by RM28,705/- and RM14,030/- respectively. This analysis assumes that all other variables remain constant.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Market Risk (cont'd)

Interest Rate Risk (cont'd)

A decrease in market interest rates by 0.1% on financial assets and liabilities of the Group and the Company which have variable interest rates at the reporting date would have had the equal but opposite effect on the profit before tax on the amounts shown above, on the basis that all other variables remain constant.

(iv) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Risk management objective, policies and processes for managing the risk
The Company and the Group manage the net exposure to foreign currency risks by monitoring the exposure to such risks on an ongoing basis. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk
The Group is exposed to foreign currency risk on sales, purchases and cash and bank balances that are denominated in a currency other than the functional currency of the Group. The foreign currencies giving rise to this risk are primarily United States Dollar ("USD") and Japanese Yen ("JPY").

The Group's exposure to foreign currency risks, based on carrying amounts at the reporting date are as follows:

	Group	
	2012	**2011**
	RM	**RM**
Financial assets and liabilities not held in functional currency		
United States Dollar		
Trade receivables	9,469,122	12,157,695
Cash and bank balances	1,426,190	890,528
Trade payables	962,520	562,907
Japanese Yen		
Trade receivables	1,737,439	3,274,515

Sensitivity analysis for foreign currency risk
A 1% strengthening of the USD and JPY against the Group's functional currency at the reporting date would have increase the profit net of tax by RM103,800 and RM17,374 respectively. This analysis assumes that all other variables remain constant.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Foreign Currency Risk (cont'd)

A 1% weakening of the USD and JPY against the Group's functional currency at the reporting date would have had equal but opposite effect on the profit net of tax on the amounts shown above, on the basis that all other variables remain constant.

(v) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group does not exposure to market price risk as at the reporting date.

38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Company had entered into a contract to install and commission plant and machineries for a total consideration of RM17,952,000 during the financial year of which RM5,513,000 representing a 30% deposit of the total contract sum has been paid to the contractor.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure by monitoring the capital and net debt on an ongoing basis.

There were no changes in the Group's approach to capital management during the financial year.

	Group	
	2012 **RM**	**2011** **RM**
Total borrowings (Note 20)	80,751,939	76,562,319
Less : Cash and bank balances (Note 15)	(48,646,249)	(65,203,422)
Net debt	32,105,690	11,358,897
Total equity attibutable to the owners of the parent	82,190,554	103,559,880
Capital and net debts	114,296,244	114,918,777
Gearing ratio	28%	10%

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Notes to the Financial Statements (cont'd)

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained earnings of the Group and the Company as at 31 January 2012 are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(60,434,619)	(17,436,535)	(57,714,547)	(36,484,007)
- Unrealised	(330,386)	(324,653)	-	-
	(60,765,005)	(17,761,188)	(57,714,547)	(36,484,007)
Less: consolidated adjustment	2,621,979	(19,012,512)	-	-
Total accumulated losses as per statements of financial position	(58,143,026)	(36,773,700)	(57,714,547)	(36,484,007)

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Statement by Directors

We, **TAN KENG BENG** and **TAN KOON POON @ TAN KOON PUN**, being two of the directors of Integrated Rubber Corporation Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 32 to 94 are properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 95 to the financial statements have been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

TAN KENG BENG
Director

TAN KOON POON @ TAN KOON PUN
Director

Ipoh
Date: 28 May 2012

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 32 to 94, and the supplementary information set out on page 95 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 28 May 2012.

Before me,

MOHD YUSOF BIN HARON KPP, PNPBB, PJK
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 statements of financial position as at 31 January 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 94.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of financial statements that give a true and fair view 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 the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2012 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(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.

(c) Other than those subsidiaries with emphasis of matter paragraphs in the auditors' reports as disclosed in Note 7 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiaries did not contain any qualification, or any adverse comments made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report

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

Other Reporting Responsibilities

The supplementary information set out in page 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/14 (J/PH)
Partner

Kuala Lumpur
Date: 28 May 2012

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventy-First Annual General Meeting ("71st 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, 26 July 2012 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 2012, together with the Directors' and Auditors' Reports thereon.	
2. To approve payment of Directors' fee.	**1**
3. To re-elect the following Director retiring in accordance with the Company's Articles of Association:-	
Tan Keng Beng – Article 77	**2**
4. To consider and, if thought fit, to pass the following Resolutions pursuant to Section 129(6) of the Companies Act, 1965:	
a) "That 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."	**3**
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."	**4**
c) "That Dato' Hilmi bin Mohd Noor 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**
5. To appoint Auditors and authorise the Directors to fix their remuneration.	**6**
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 1 – AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965	**7**

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from all relevant 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.

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares on Bursa Malaysia Securities Berhad 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 2 – **8**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"That, subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market 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 the Recurrent Related Party Transaction as specified in Part A Section 3 of the Circular to Shareholders dated 3 July 2012 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 Main Market 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."

SPECIAL RESOLUTION – **9**
PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

"That the proposed amendments to the Company's Articles of Association as set out in Appendix II of the Circular to Shareholders dated 3 July 2012 be and are hereby approved."

By Order of the Board
CHAN YOKE YIN
CHIEW CINDY
Company Secretaries

Ipoh, Perak Darul Ridzuan, Malaysia
3 July 2012

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 may but 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.

For the purpose of determining a member who shall be entitled to attend the 71st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54A of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 July 2012. Only a depositor whose name appears on the Record of Depositors as at 20 July 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES TO THE SPECIAL BUSINESS:

(a) **ORDINARY RESOLUTION 1**

The Ordinary Resolution 1 proposed under item 7 if passed, will empower the Directors of the Company, from the date of the above AGM until the next AGM 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 ("Share Mandate"). This Share Mandate will expire at the conclusion of the next AGM of the Company, unless revoked or varied at a general meeting. With this Share Mandate, the Company will be able to raise capital from the equity market in a shorter period of time compared to a situation without the Share Mandate. The Share Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment projects, working capital and / or acquisitions, or strategic opportunities involving equity deals, which may require the allotment and issuance of new shares. In addition, any delay arising from and cost involved in convening an extraordinary general meeting ("EGM") to approve such issuance of shares should be eliminated. The Company will have to seek shareholders' approval at an EGM to be convened in the event that the proposed issuance of shares exceeds the 10% threshold contained in the Share Mandate.

This Share Mandate is a renewal of the mandate obtained from the shareholders of the Company at the AGM held on 26 July 2011. The Company did not utilise the mandate obtained at the last AGM and thus no proceeds were raised from the previous mandate.

(b) **ORDINARY RESOLUTION 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 2012 Annual Report.

(c) **SPECIAL RESOLUTION**

This Special Resolution, if passed, will bring the Company's Articles of Association to be in line with the recent amendments prescribed under the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of the Seventy-First Annual General Meeting
of Integrated Rubber Corporation Berhad

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Further details of individuals standing for re-election and re-appointment as Directors are set out in the Profile of Directors and Analysis of Shareholdings on pages 5, 6, 15, 22 and 24 respectively in the Company's 2012 Annual Report.

FORM OF PROXY

I/We, ____ NRIC No. / Company No. ____________________
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

being a member(s) of **INTEGRATED RUBBER CORPORATION BERHAD** (852-D), hereby appoint the following person(s):

Name of proxy & NRIC No.	**No. of shares to be represented by proxy**
1. ____________________	____________
2. ____________________	____________

or failing him/her,

1. ____________________	____________
2. ____________________	____________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Seventy-First Annual General Meeting of the Company to be held on 26 July 2012 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:

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

Please indicate with (✓) how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

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 may but 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.

For the purpose of determining a member who shall be entitled to attend the 71st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54A of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 July 2012. Only a depositor whose name appears on the Record of Depositors as at 20 July 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

fold

AFFIX
80 SEN
STAMP
(within Malaysia)

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

fold

Integrated Rubber Corporation Berhad (852-D)
Lot 821, Jalan Matang
34750 Taiping
Perak Darul Ridzuan