

annual report

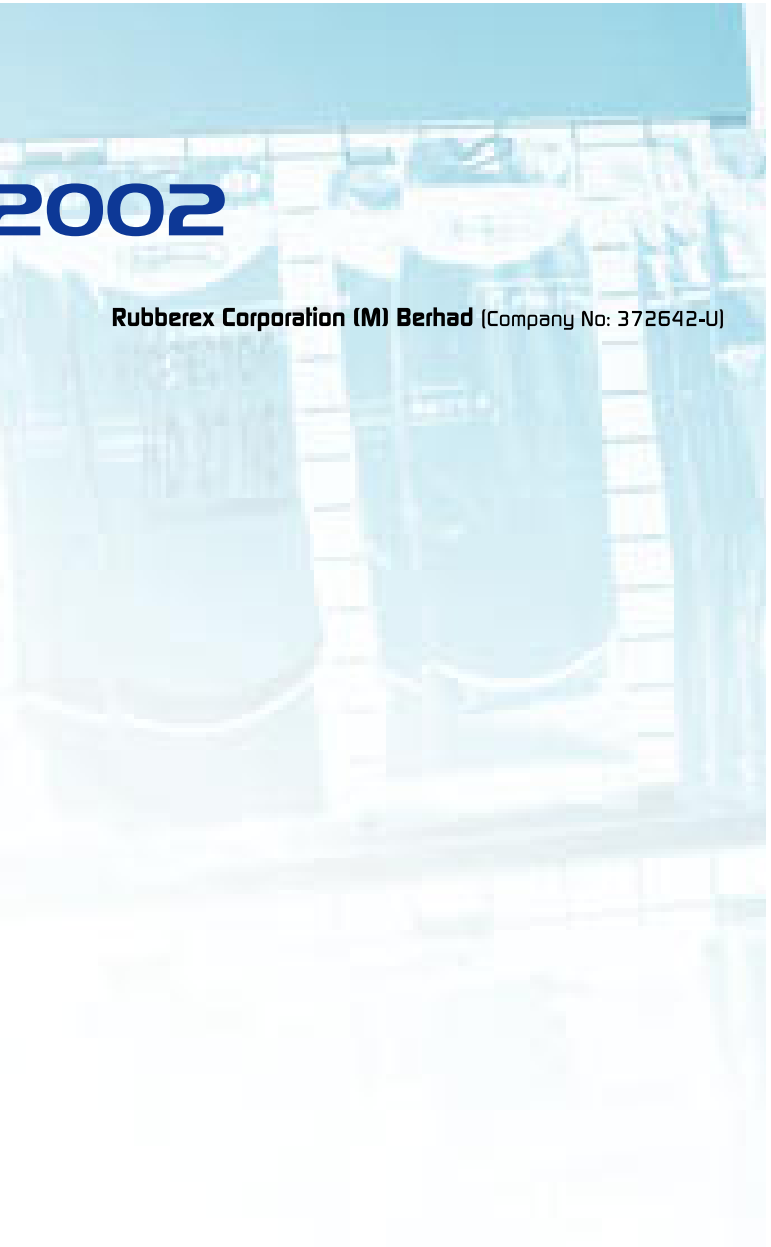
2002

Rubberex

rubberex corporation (m) berhad

Annual Report 2002

Rubberex Corporation (M) Berhad (Company No: 372642-U)



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proxy form

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Rubberex Corporation (M) Berhad will be held at 10:00 a.m. on Thursday, 24 April 2003 at Crystal 1, Ground Floor, Casuarina Ipoh Hotel, 18, Jalan Gopeng, 30250 Ipoh, Perak Darul Ridzuan for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2002 and the Reports of the Directors and the Auditors thereon. [Resolution 1]
2. To approve the payment of Directors' fees. [Resolution 2]
3. To re-elect the following Directors retiring in accordance with Article 101 of the Company's Articles of Association:-
 - (i) Mr. Yap Jek Nan [Resolution 3]
 - (ii) En. Sharifuddin bin Shoib [Resolution 4]
4. To re-elect the following Director retiring in accordance with Article 108 of the Company's Articles of Association:-
 - (i) Dato' Abdul Rahim bin Abdul Halim [Resolution 5]
5. To appoint Auditors and to authorise the Directors to fix their remuneration. [Resolution 6]
6. To transact any other ordinary business of the Company for which due notice has been given.

By order of the Board

CHAN CHEE KHEONG
WONG MEE KAM @ WONG MEI CHIN

Secretaries

Ipoh
02 April 2003

Note:

A member of the Company entitled to attend and vote at the above-mentioned Meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one Proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each Proxy. The instrument appointing a Proxy must be deposited at the Company's registered office at 5, Persiaran Greentown 8, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

statement accompanying the notice of annual general meeting

1. Names of Directors who are standing for re-election:-

- (i) Mr. Yap Jek Nan [retiring pursuant to Article 101 of the Company's Articles of Association];
- (ii) En. Sharifuddin bin Shoib [retiring pursuant to Article 101 of the Company's Articles of Association]; and
- (iii) Dato' Abdul Rahim bin Abdul Halim [retiring pursuant to Article 108 of the Company's Articles of Association].

2. Details of attendance of Directors at Board Meetings:-

Five Board Meetings were held during the financial year from 01 January 2002 to 31 December 2002. Details of attendance of Directors at Board Meetings are stated in the Statement of Corporate Governance on page 15 of the Annual Report.

3 Date, time and venue of the Annual General Meeting:-

The Seventh Annual General meeting of the Company will be held at 10:00 a.m. on Thursday, 24 April 2003 at Crystal 1, Ground Floor, Casuarina Ipoh Hotel, 18, Jalan Gopeng, 30250 Ipoh, Perak Darul Ridzuan.

4. Profile of Directors standing for re-election:-

Please refer to page 5 of the Annual Report.

5 Securities Holdings in the Company and its Subsidiaries:-

The Company:-
Please refer to page 21 of the Annual Report.

Subsidiary Companies:-
None of the directors have any shareholdings in the subsidiary companies.

6. Family Relationships:-

None of the Directors standing for re-election have any family relationship with the other Directors or major shareholders of the Company.

7. Conflict of Interest:-

None of the Directors standing for re-election have any conflict of interest with the Company.

8. Conviction of Offences:-

None of the Directors standing for re-election have been convicted of any offences for the past 10 years, other than traffic offences, if any.

corporate information

DIRECTORS

Y. Bhg. Dato' Mohamed bin Hamzah
[Independent Non-Executive Chairman]

Ping Kok Koh
[Non-Independent Managing Director]

Dr. Nawawi bin Mat Awin
[Independent Non-Executive Director]

Sharifuddin bin Shoib
[Non-Independent Non-Executive Director]

Poh Choo Lim
[Non-Independent Non-Executive Director]

Yap Jek Nan
[Independent Non-Executive Director]

Dato' Abdul Rahim bin Abdul Halim
[Non-Independent Non-Executive Director]

Voon Chong Kian
[Alternate Director to Ping Kok Koh]

SECRETARIES

Chan Chee Kheong, MAICSA 0810287
Wong Mee Kam @ Wong Mei Chin, LS 01045

AUDITORS

Deloitte KassimChan
Chartered Accountants

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
RHB Bank Berhad
Malayan Banking Berhad

REGISTERED OFFICE

5, Persiaran Greentown 8,
Greentown Business Centre,
30450 Ipoh, Perak Darul Ridzuan.
Tel: 605 241 8787
Fax: 605 243 2397

REGISTRARS

PFA Registration Services Sdn. Bhd.
5, Persiaran Greentown 8,
Greentown Business Centre,
30450 Ipoh, Perak Darul Ridzuan.

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange [Second Board]

HOMPAGE

www.rubberex.com.my

directors' profile

Dato' Mohamed bin Hamzah, aged 61, a Malaysian, is the independent non-executive Chairman of the Company. He was appointed to the Board of the Company on 24 October 1996 and assumes his current position on 30 November 1998. He is also the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of the Board. Dato' Mohamed bin Hamzah obtained a Bachelor of Arts [Economics] degree from University of Malaya in 1965 and a Masters degree in Business Administration from University of Edinburgh, United Kingdom in 1975. He was appointed to the Board of Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, on 15 June 1991. Dato' Mohamed bin Hamzah spent 25 years of his career as a Government officer in the Diplomatic and Administrative Service. He served as the Deputy-Secretary General of the Ministry of Transport and Director of Land and Mines, Perak from 1984 to 1991. He was also on the Board of Perak State Development Corporation from 1984 to 1990. He also served as Deputy Chairman of Klang Port Commission, Director of Penang Port and Klang Container Terminal from 1990 to 1991.

In 1991, Dato' Mohamed bin Hamzah retired optionally from the government service to join IGB Corporation Berhad as the Chief Operating Officer for the Perak operations of its property related business. He is currently the Chairman of Clearwater Sanctuary Golf Resort Sdn. Bhd which owns and operates a recreational resort for golf.

Mr. Ping Kok Koh, aged 50, a Malaysian, is a non-independent Managing Director of the Company. He is a Fellow Member of the Association of Chartered Certified Accountants. He joined Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, in 1994 as the Financial Controller and was appointed to the Board of Rubberex (M) Sdn Berhad on 06 September 1995. Mr. Ping Kok Koh was subsequently appointed to the Board of the Company on 19 March 1998 and assumes his present position on 01 January 1999. He is a member of the Audit Committee. He was previously attached to IGB Corporation Berhad where he worked as the Accountant and later as Group Accountant from 1981 to 1994. He was also formerly a director of Ip Muda Berhad and IJM Corporation Berhad.

Mr. Voon Chong Kian, aged 45, a Malaysian, is the alternate director to the Managing Director, Mr. Ping Kok Koh. Mr. Voon is presently the Senior Group General Manager responsible for the Group's manufacturing operations. Prior to joining Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, in 1987, Mr. Voon was attached to Ansell (M) Sdn Bhd for 9 years, his last position as the Quality Assurance Manager. The principal activities of Ansell (M) Sdn Bhd are the manufacture and export of household and surgical gloves.

Dr. Nawawi bin Mat Awin, aged 65, a Malaysian, is an independent non-executive director of the Company. He was appointed to the Board on 18 June 2001 and is also a member of the Audit Committee and Remuneration Committee of the Board. A Chartered Accountant by profession, he has also had experience in the banking sector and served on several public and professional bodies, national and international, including as Chairman or President of, inter alia, the Asian Productivity Organisation, the National Productivity Council of Malaysia, ASEAN Chambers of Commerce and Industry, the National Chamber of Commerce and Industry of Malaysia, the Malaysian Institute of Certified Public Accountants and as a Member, inter alia, of the National Economic Consultative Committee, of the Panel on Takeovers and Mergers, of Parliament and of its Public Accounts Committee. He is currently the Chairman of Kennedy Burkill & Company Berhad and a director of MBM Resources Berhad, Perak Corporation Berhad, Clearwater Golf Sanctuary Management Berhad and Clearwater Sanctuary Golf Resort Sdn. Bhd.

directors' profile

En. Sharifuddin bin Shoib, aged 55, a Malaysian, is a non-independent non-executive director of the Company. He was appointed to the Board of the Company on 24 October 1996. He is also the Chairman of the Remuneration Committee of the Board. He holds a Bachelor of Engineering [Mechanical] degree from Australia which was obtained in 1974 and became a registered Professional Engineer of Malaysia. He has been a board member of Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, since inception. En. Sharifuddin had previously joined Dijaya Corporation Bhd ("Dijaya") [formerly known as Jasa Megah Industries Berhad ("JMI")] as Factory Manager in July 1983 and was promoted to General Manager and subsequently to Executive Director from August 1991 to June 1994. Prior to joining Dijaya, he held various positions in UAC Berhad from 1970 to 1983. He was the Deputy Manager in Heavy Industries Corporation of Malaysia Berhad (HICOM) from January 1983 to July 1983. Currently, En. Sharifuddin is a director of OKA Corporation Berhad and the non-executive Chairman of Rubber Thread Industries (M) Sdn Bhd ("RTI"). The principal activities of RTI are the manufacture and export of extruded rubber threads.

Mr. Poh Choo Lim, aged 52, a Malaysian, is a non-independent non-executive director of the Company. He was appointed to the Board on 18 June 2001. He is the Chairman of the Nomination Committee. Currently, Mr. Poh is actively involved in the housing and development industry as well as the hotel management business. He is also the Executive Director of Aun Huat & Brothers Sdn Bhd and Grand View Hotel in Ipoh, Perak.

Mr. Yap Jek Nan, aged 37, a Malaysian, is an independent non-executive director of the Company. He was appointed to the Board of the Company on 24 October 1996. Mr. Yap Jek Nan was also appointed as a member of the Audit Committee on 25 November 1998 but resigned on 09 August 2001. After completing his studies in the United States in 1988, he spent 10 years working in manufacturing and property development companies within the IGB Corporation Berhad group of companies. He is currently the Executive Director of Malayan Building Development Sdn Bhd, a property development company.

Dato' Abdul Rahim bin Abdul Halim, aged 53, a Malaysian, is a non-independent non-executive director of the Company and was appointed to the Board on 09 August 2002. Dato' Abdul Rahim bin Abdul Halim is a qualified economist holding a Bachelor of Economics [Honours] degree from the University of Malaya. He has served in several senior positions in the Ministry of International Trade and Industry (MITI) and Daihatsu Malaysia Sdn. Bhd. (DMSB). In 1978, Dato' Abdul Rahim joined Med-Bumikar Mara Sdn. Bhd. as the Director/General Manager and he has extensive experience in the motor vehicle industry where he was also involved in the formation of Daihatsu Malaysia Sdn. Bhd., the sole franchise holder for Daihatsu motor vehicles in Malaysia. Dato' Abdul Rahim is presently the Managing Director of MBM Resources Berhad. He is also currently on the Board of Intelligent Edge Technologies Berhad, Central Cables Berhad, Colonial Motors Company Limited and several private companies including Perusahaan Otomobil Kedua Sdn Bhd ("Perodua"), Hino Motor Malaysia Sdn. Bhd. and Daihatsu Malaysia Sdn. Bhd., where he is presently the Chairman.

chairman's statement

INTRODUCTION

On behalf of the Board, I present herewith the Annual Report of the Company for the financial year ended 31 December 2002.

The year started with some anticipation that the world economy would turn for the better after encountering a recession and shaken business confidence because of the September 11 tragedy in the previous year. The promising economic outlook in the first quarter showing tentative signs of a recovery however faded with time and growth in the global economy ultimately ended the year with a dismal increase. Business environment during the period actually became even more difficult with further terrorist attacks in Bali amidst continuing concerns over the geopolitical situation in the Middle East and the alarming reports of impending war in Iraq.

Given the unstable economic and political conditions around the globe, it became a major task of the Group to defend market share and there was little inclination towards capacity expansion. Volume however was not the only difficulty it had to contend with. Raw material prices also began to increase steeply in the volatile and sensitive commodity market. Rubber prices took off from about RM2.00 per kilo in early January 2002 to about RM3.12 per kilo at the end of the year, an increase of 56%. Fuel costs also shot up alarmingly when oil prices went from about USD18 a barrel to USD30 a barrel in December 2002, an increase of 67%. Meanwhile, the household and industrial rubber glove markets were stagnant and not showing any sign of growth in an environment of uncertainty. Customers were also not receptive to any price increase in a market where China was allegedly offering glove prices at below production costs.

Consequently, Group performance for the year was significantly affected. Turnover increased marginally from RM79.1 million in 2001 to RM81.7 million in 2002. Operating profit before interest, depreciation and taxes however declined from RM22.7 million in 2001 to RM20.2 million in 2002. Margins were down substantially because of the rising raw material and fuel costs. Although measures had been taken to reduce production costs through cost saving programs and production efficiency, it was insufficient to cushion the impact. Further costs saving measures have therefore been taken to overcome this situation.

chairman's statement

FINANCIAL RESULTS

Group turnover for the year increased marginally by 3.3% from RM79.1 million in 2001 to RM81.7 million in 2002. Unit sales of household gloves were lower with increasing competition whereas industrial glove sales reported an increase through sales from additional product lines.

Group pretax profit also decreased by 34.7% to RM9.4 million from RM14.4 million in the previous year. Overall unit costs, with the increased depreciation charge, was much higher due to the continuing low capacity utilisation of the new production line and the rising direct and indirect material costs especially latex, chemicals and fuel oil. It was therefore necessary to implement very strict control of costs and expenses to sustain the profitability of the Group.

Profit attributable to shareholders was RM6.7 million compared to RM10.7 million recorded previously. Group's earnings per share were 15.2 sen against 24.8 sen in the previous year. The performance of the Group could not be said to be satisfactory although it was best achieved under the circumstances.

DIVIDENDS

Taking into account Group earnings for the year, the Board has declared in total a net dividend of 15 sen per share for the financial year ended 31 December 2002 as compared to 20 sen in the previous year. The first interim of 10 sen tax exempt dividend was paid on 15 July 2002 while the second interim dividend of 7 sen less tax was paid on 28 January 2003.

FUTURE PROSPECTS

Prospects for the year 2003 remain unclear with the lingering uncertainty over the health of world major economies and the heightened political tensions in the Middle East. Moreover, the Group is mindful of the continuing rise in raw material prices, particularly latex and fuel, which will affect its performance.



Rubberex

branded *gloves* for the

C O N S U M E R

market



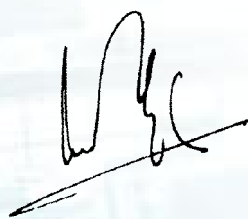
chairman's statement

Given that over 98% of the Group's business is in the export market, the management is monitoring the trend closely in its strategic planning. The way forward lies in the Group's ability to continue to expand its niche markets and forego segments of the market offering lower quality products that are selling at prices below production costs. Through stringent cost control and enhancing productivity, the Group would attempt to at least maintain the performance as in the previous year.

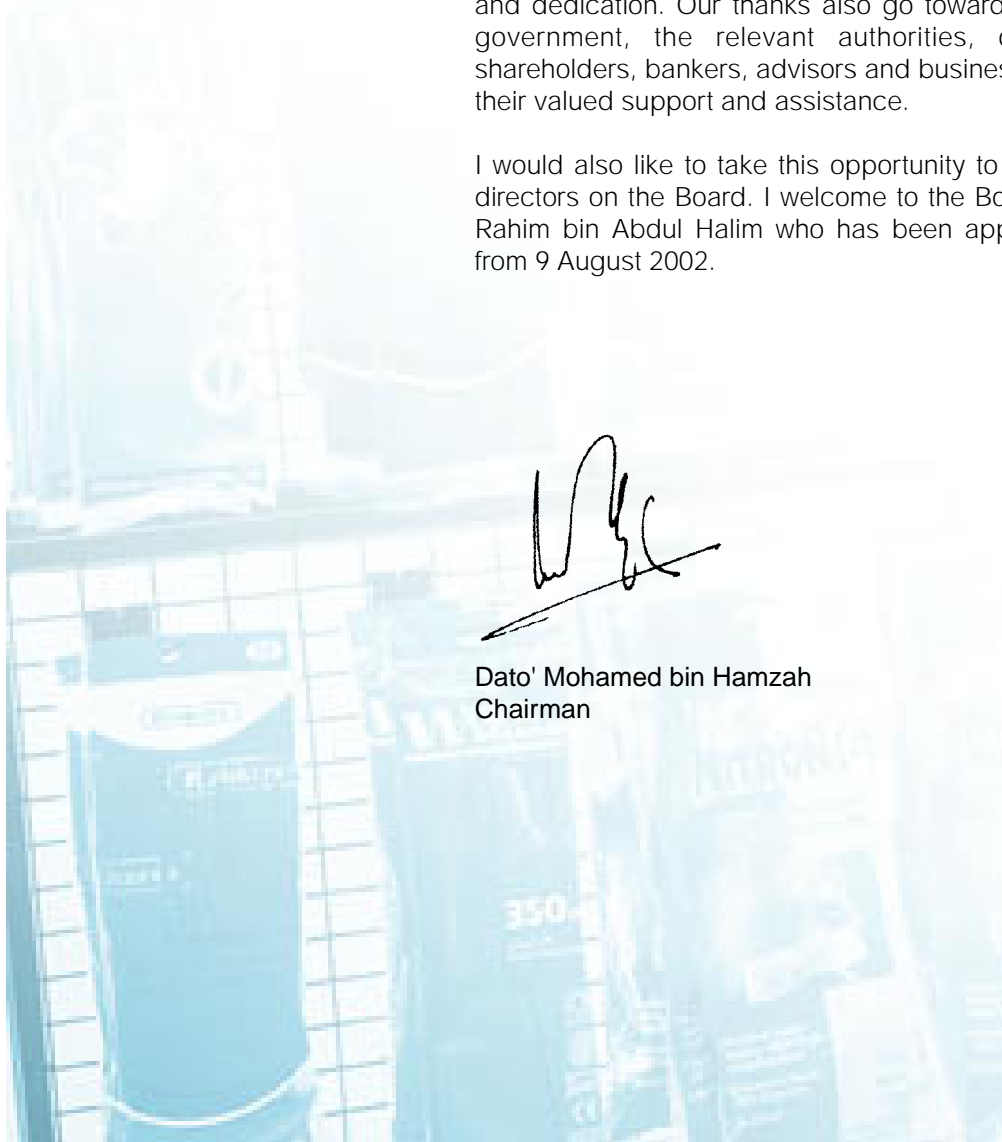
APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our appreciation to the management and staff of the Group for their hard work and dedication. Our thanks also go towards the Malaysian government, the relevant authorities, our customers, shareholders, bankers, advisors and business associates for their valued support and assistance.

I would also like to take this opportunity to thank my fellow directors on the Board. I welcome to the Board Dato' Abdul Rahim bin Abdul Halim who has been appointed effective from 9 August 2002.



Dato' Mohamed bin Hamzah
Chairman



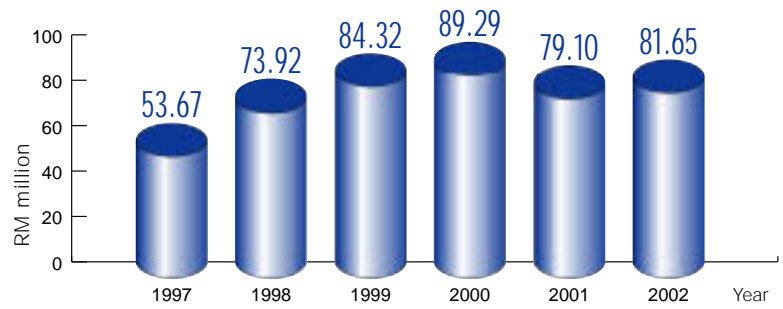
Rubberex

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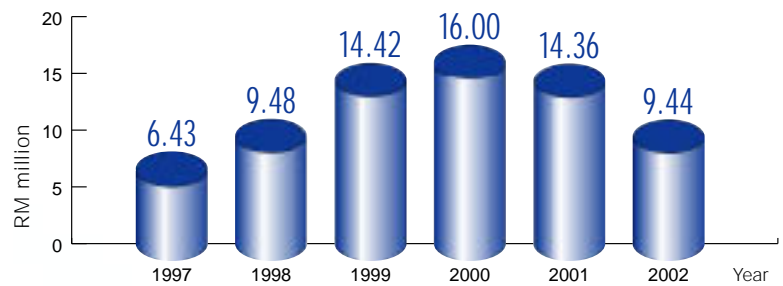


financial highlights

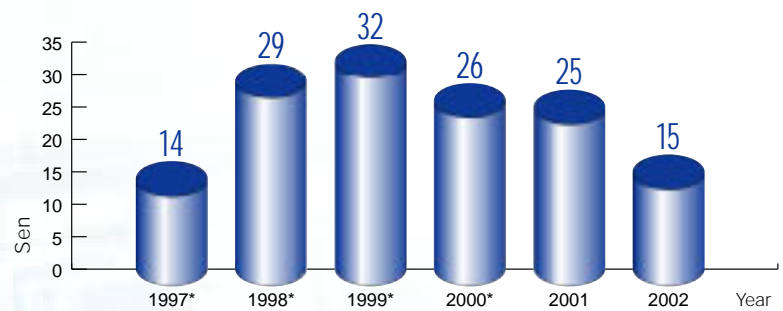
sales revenue



profit before taxation

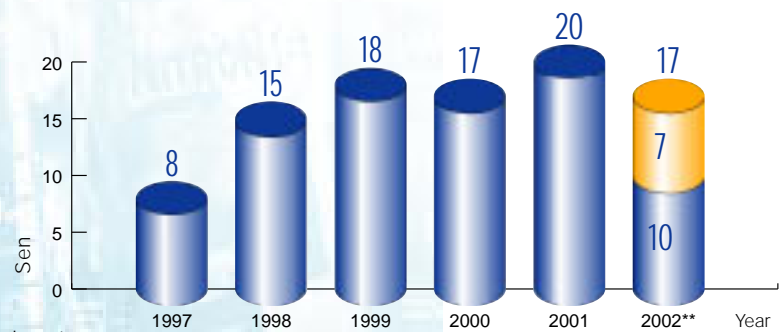


earnings per share (basic)



*Adjusted for Bonus Issue of 2 for 5

dividend per share



**All dividends were tax-exempt except for financial year 2002 of 7 sen less tax

terms of reference of the audit committee

MEMBERS OF THE AUDIT COMMITTEE

Dato' Mohamed bin Hamzah [Chairman, Independent Non-Executive Director]
Dr. Nawawi bin Mat Awin [Independent Non-Executive Director]
Mr. Ping Kok Koh [Non-independent Managing Director]

COMPOSITION OF THE AUDIT COMMITTEE

The Committee shall be appointed by the Board of Directors from amongst their members and shall consist of not less than 3 members, of whom a majority shall not be executive directors of the Company or any related corporation.

The members of the Committee shall elect a Chairman from among their members who is not an executive director or employee of the Company or any related corporation.

FUNCTIONS OF THE AUDIT COMMITTEE

The functions of the Audit Committee include the following:-

1. Review of the external auditors' scope of work and their audit plan.
2. Reviewing with the external auditors on the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit.
3. Reviewing the audited financial statements before recommending for the Board of Directors' approval.
4. Reviewing the Company's compliance with the Revamped Listing Requirements of the Kuala Lumpur Stock Exchange and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
5. Review of the quarterly unaudited financial results announcements and recommending for the Board of Directors' approval.
6. Review of the Internal Audit Department's staffing needs, programs and plans for the financial year under review and regular assessment of the Internal Audit Department's performance.
7. Review of the audit reports presented by Internal Audit Department on findings and recommendations with regards to systems and controls weaknesses noted in the course of their audit and management's response thereto and ensuring material findings are adequately addressed by management.
8. Review of the Company's status of compliance with the Malaysian Code on Corporate Governance for the purpose of the issuing of a Corporate Governance statement.

terms of reference of the audit committee

MEETINGS OF THE AUDIT COMMITTEE

1. Meetings shall be held not less than four times a year. The external auditor may request a meeting if he considers that one is necessary.
2. The quorum necessary for the transaction of the business of the Committee shall be two.
3. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee.
4. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
5. The Committee may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereof, the keeping of minutes and the custody, production and inspection of such minutes.
6. The company secretary shall be the secretary of the Committee.

NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

Five audit committee meetings were held during the financial year ended 31 December 2002. The attendance record of each member is as follows:-

Audit committee members:- Attendance

Dato' Mohamed bin Hamzah	5/5
Dr. Nawawi bin Mat Awin	5/5
Mr. Ping Kok Koh	5/5

statement of corporate governance

Rubberex believes in good corporate governance in the conduct of its operations, dealings with third parties and financial management of the organisation and recognises its importance to protect the interests of the Company's shareholders, including those of the minority shareholders.

The following are statements on application of the principles laid down in the Malaysian Code on Corporate Governance.

THE BOARD OF DIRECTORS

Principal Duties

The Board takes full responsibility for the overall performance of the Company and the Group by setting the vision and objectives and by directing the policies, strategic action plans and stewardship of the Group's resources. It focuses mainly on strategies, financial performance and critical business issues.

Composition of the Board

The Board is made up of one executive director and six non-executive directors, three of which are independent directors. The Managing Director, Mr. Ping Kok Koh has many years of experience in the Group's core businesses. The Group is focused on businesses it is good at and the intimate knowledge and vast experiences of the management team in the business has enabled the Group to achieve leadership positions in its chosen industry.

The non-executive directors are individuals of calibre and credibility, including some with vast varied experiences and seniority. The non-executive directors are actively involved in various Board committees. They provide a broader view, independent assessment and opinions on management proposals.

Although a relatively small Board, it provides an effective blend of entrepreneurship, business and professional expertise. The Board has at least four regularly scheduled meetings annually. Board meetings bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

In order to be kept abreast of new regulatory development and listing requirements, all directors have attended the Mandatory Accreditation Program conducted by the Research Institute of Investment Analysts Malaysia (RIIAM).

Five Board Meetings were held during the financial year ended 31 December 2002. The attendance record of each director is as follows:

Name	Attendance
Dato' Mohamed bin Hamzah	5/5
Dr. Nawawi bin Mat Awin	5/5
En. Sharifuddin bin Shoib	4/5
Mr. Poh Choo Lim	5/5
Mr. Yap Jek Nan	5/5
Dato' Abdul Rahim bin Abdul Halim [appointed on 09 August 2002]	1/5
Mr. Ping Kok Koh	5/5
Mr. Voon Chong Kian [alternate to Mr. Ping Kok Koh]	5/5

statement of corporate governance

The Board composition in respect of the ratio of independent directors is three or one-third of the Board, in compliance with the KLSE Listing Requirements.

The roles of the Chairman and the Managing Director are distinct and separate, with responsibilities clearly drawn out to ensure a balance of power and authority. Generally, executive directors are responsible for making and implementing operation decisions. Non-executive directors play a key supporting role, contributing their knowledge and experience towards the formulation of policies and in the decision making process.

There is also balance in the Board with the presence of independent directors who are individuals of credibility and repute and who demonstrate objectivity and clear independence of judgement.

Supply of information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to the Board Meetings to enable the directors to obtain further information and explanation, where necessary, before the meetings.

The Board reports provide, amongst others, periodical financial and corporate information, significant operational, financial and corporate issues, performance of business units and management proposals that require Board's approval, including the annual group budget.

The Board has the service of two Company Secretaries who ensure that all appointments are properly made, that all necessary information is obtained from the directors, both for the Company's own records and for the purposes of meeting statutory requirements as well as obligations arising from the Listing Requirements or other regulatory requirements. The Company Secretaries are also charged with highlighting all issues that they feel ought to be brought to the Board's attention.

Besides Company Secretaries, independent directors also have unfettered access to the financial officers and internal auditors of the Company.

In exercising their duties, Board committees are entitled to obtain professional opinions or advice from external consultants such as merchant bankers, valuers, human resource consultants, etc.

Appointment of Directors

The Nomination Committee of the Company was established in the previous financial year. The Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience that the directors should bring to the Board. Any new nomination received is forwarded to the full Board for assessment and endorsement.

The Nomination Committee comprises the following directors:

Mr. Poh Choo Lim [Chairman]
Dato' Mohamed bin Hamzah
Dr. Nawawi bin Mat Awin

Re-election

Under the existing provisions of the Company's Articles of Association, one third of the directors are required to retire from office by rotation annually and subject to re-election at each Annual General Meeting.

statement of corporate governance

Directors' Remuneration

The Company's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities. The Remuneration Committee of the Company, which was established in the previous financial year, comprises the following directors:

En. Sharifuddin bin Shoib [Chairman]
Dato' Mohamed bin Hamzah
Dr. Nawawi bin Mat Awin

The Committee ascertains and approves remuneration packages of executive directors in accordance with the Company's policy guidelines and with reference to external benchmark reports.

Fees for non-executive directors are determined by the full Board with the approval from shareholders at the Annual General Meeting. Individual directors affected are not involved in the approval of their own packages.

The details of the remuneration of the directors of the Company comprising remuneration received or receivable from the Company and subsidiary companies during the financial year ended 31 December 2022 are as follows:-

- Aggregate remuneration of directors categorised into appropriate components:

	Emoluments [RM]	Fees [RM]	Total [RM]
Executive Directors	253,195	-	253,195
Non-executive Directors	-	98,000	98,000

- Number of Directors whose remuneration falls into the following bands:

Range of remuneration	Executive	Non-executive
Below RM50,000	-	6
RM50,000 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	-
Above RM300,000	-	-

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Annual Audited Financial Statements

The Directors are responsible for ensuring that the Company keeps proper accounting records and that the accounts and other financial reports are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

statement of corporate governance

Financial Reporting

A comprehensive annual report is published and sent to all shareholders at the end of each financial year. Through the Chairman's Statement, Directors' Report, financial highlights and key performance indicators, the shareholders are informed about the operations of the Company. On a quarterly basis, the Company also releases to the KLSE details of the Company's performance for the information of the public and shareholders.

Shareholders

Shareholders are kept informed of all material business matters affecting the Company through disclosures to the KLSE and press releases where appropriate. The Annual General Meeting, usually held in April each year is also a means of communicating with shareholders. At the meeting, members of the Board as well as the Auditors of the Company are present to answer questions raised by the shareholders.

Any queries or concerns with regards to the Rubberex Group may be addressed to the following person:-

Mr. Chan Chee Kheong, Company Secretary
Tel no.: 605 241 8787
Fax no.: 605 243 2397

Internal Control

The Internal Audit department has been established to assist the Audit Committee in discharging its duties and responsibilities. The role of the Internal Audit department is to provide the Committee with independent and objective reports on the state of internal controls of the various operating functions within the Group and the extent of compliance of the functions with established policies and procedures.

During the financial year, a total of 36 audit assignments were carried out and completed by the Internal Audit department. Audit reports were issued with regard to system and control weaknesses noted in the course of the audit and management's responses on the audit findings. The Internal Audit department also followed up on implementation and disposition of all findings and recommendations.

Audit Committee

The Company has an Audit Committee whose composition meets the KLSE Listing Requirements i.e. two independent directors forming the majority and a member that is a qualified accountant. The Audit Committee meets periodically to carry out its functions and duties pursuant to its terms of reference. Other Board members also attend meetings upon the invitation of the Audit Committee.

statement of internal control

The Board of Directors is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The Group's system of internal control includes controls of an operational and compliance nature, as well as internal financial controls. The system is designed to identify and manage risks in the pursuit of the Group's business objectives as well as to safeguard shareholders' investments and the Group's assets.

The salient features of the Group's internal control system are:-

1. clearly defined delegation of responsibilities to the Audit Committee, management and operating units;
2. clearly defined authority limits for management;
3. written communication of company values, expected code of conduct and discipline to which employees have acknowledged at the time of employment;
4. a reporting system where information on financial performance and key business indicators are regularly provided to management;
5. a budgeting process where budgets are prepared by operating units for the coming year and approved at the operating units level;
6. monitoring of results against budget, with major variances being reviewed and management action taken, where necessary;
7. an internal audit function to assess the internal controls and integrity of financial information provided and to monitor compliance with procedures;
8. visits to operating units by Board members and senior management.

There is an on-going process for identifying, assessing and managing the risks faced by the Group and this process has operated during the year under review and up to date of approval of the annual report. The Board, with the assistance of the internal audit function, continuously reviews the adequacy and integrity of the Group's system of internal control and management information systems, and compliance with laws, regulations, rules, directives and guidelines. Internal audit reports are tabled in Audit Committee meetings which are held every quarter. Control deficiencies and issues highlighted are addressed or rectified by management. Internal control procedures and security measures are introduced where necessary. There were no control deficiencies noted during the year which had a material impact on the Company's financial performance or operations.

The Board is of the view that the monitoring arrangements in place provide reasonable assurance that the structure of controls and operations is adequate and appropriate to the Company and the Group.

statement of shareholdings

as at 06 March 2003

Authorised Share Capital	: RM100,000,000
Issued and Paid up Capital	: RM44,168,200
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	
On show of hands	: 1 vote
On a poll	: 1 vote for each share held

DISTRIBUTION OF SHAREHOLDERS AS AT 06 MARCH 2003 ORDINARY SHARES OF RM1.00 EACH

Size of Shareholdings as at 06 March 2003	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 1,000	124	4.04	49,675	0.11
1,000 - 10,000	2,704	88.02	6,882,352	15.58
10,001 - 100,000	219	7.13	5,475,214	12.40
100,001 to less than 5% of issued shares	22	0.71	11,969,901	27.10
5% and above of issued shares	3	0.10	19,791,058	44.81
TOTAL	3,072	100.00	44,168,200	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES as at 06 March 2003

No.	Name	Shares	%
1	Med-Bumikar Mara Sdn Bhd	10,349,150	23.43
2	Duvest Holdings Sdn Bhd	6,881,701	15.58
3	Teng Cheng Bon @ Teng Kim Tee	2,560,207	5.80
4	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Aun Huat & Brothers Sdn Bhd	1,750,000	3.96
5	Aun Huat & Brothers Sdn Bhd	1,705,570	3.86
6	Aun Huat & Brothers Sdn Bhd	1,470,000	3.33
7	Teng Cheng Bon @ Teng Kim Tee	1,135,737	2.57
8	Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Aun Huat & Brothers Sdn Bhd	840,000	1.90
9	Sharifuddin bin Shoib	811,703	1.84
10	Kon Choi Ying	687,989	1.56
11	Ping Kok Koh	564,657	1.28
12	Khoo Thiam Chye	553,935	1.25
13	Employees Provident Fund Board	364,000	0.82
14	Wong Kit Peng	300,000	0.68
15	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ping Kok Koh	213,400	0.48
16	Foo Siew Yoong	187,000	0.42
17	Ng Tiong Seng Corporation Sdn Bhd	182,000	0.41
18	Opulent Base Sdn Bhd	171,600	0.39
19	Dato' Mohamed bin Hamzah	169,310	0.38
20	Papan Granite Sdn Bhd	168,800	0.38
21	Yeo King Kang	155,000	0.35
22	Tasec Nominees (Asing) Sdn Bhd - Meespierson Asia Limited for Savern Finance Limited	154,000	0.35
23	Woi Yoon Kim	138,400	0.31
24	Yeoh Kean Hua	125,000	0.28
25	PRT Capital Pte Ltd	121,800	0.28
26	Chew Gaik Teang	99,082	0.22
27	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kon Choi Ying	96,600	0.22
28	Poh Chai Hoon	85,400	0.19
29	Jurutama Holdings Sdn Bhd	83,000	0.19
30	Goh Swee Yin	82,000	0.19
	TOTAL	32,207,041	72.90

statement of shareholdings

as at 06 March 2003

SUBSTANTIAL SHAREHOLDERS AS AT 06 MARCH 2003

ORDINARY SHARES OF RM1.00 EACH

	Direct	No. of shares held		%
		%	Indirect	
Med-Bumikar Mara Sdn Bhd	10,349,150	23.43	-	-
Duvest Holdings Sdn Bhd	6,881,701	15.58	-	-
Teng Cheng Bon @ Teng Kim Tee	3,695,944	8.37	6,881,701	15.58*
Aun Huat & Brothers Sdn Bhd	3,231,570	7.32	2,590,000	5.86+
Ping Kok Koh	564,657	1.28	7,878,690	17.84\\
Sharifuddin bin Shoib	831,996	1.88	6,881,701	15.58*
Poh Chee Meng @ Fook Fatt	25,200	0.06	5,849,570	13.24^
P & F Holdings Sdn Bhd	42,000	0.10	5,821,570	13.18++
Poh Cheong Meng & Sons Sdn Bhd	42,000	0.10	5,821,570	13.18++
Poh Yee in Hoe & Sons Holding Sdn Bhd	-	-	5,821,570	13.18++
Poh Chee Meng & Sons Holdings Sdn Bhd	28,000	0.06	5,821,570	13.18++

* Deemed interest through Duvest Holdings Sdn Bhd

\\ Deemed interest through Duvest Holdings Sdn Bhd, Mayban Nominees (Tempatan) Sdn Bhd and Kon Choi Ying

+ Held by Mayban Nominees (Tempatan) Sdn Bhd and Malaysia Nominees (Tempatan) Sendirian Berhad

++ Held directly and indirectly by Aun Huat & Brothers Sdn Bhd

^ Held directly by Aun Huat & Brothers Sdn Bhd and indirectly by Aun Huat & Brothers Sdn Bhd and Poh Chee Meng & Sons Holdings Sdn Bhd

DIRECTORS' INTEREST AS AT 06 MARCH 2003

ORDINARY SHARES OF RM1.00 EACH

	Direct	No. of shares held		%
		%	Indirect	
Dato' Mohamed bin Hamzah	169,310	0.38	-	-
Dr. Nawawi bin Mat Awlin	-	-	-	-
Sharifuddin bin Shoib	831,996	1.88	6,881,701	15.58
Poh Choo Lim	-	-	-	-
Yap Jek Nan	-	-	-	-
Dato' Abdul Rahim bin Abdul Halim	-	-	-	-
Ping Kok Koh	564,657	1.28	7,878,690	17.84
Voon Chong Kian [Alternate Director]	16,056	0.04	-	-

statement of shareholdings

as at 06 March 2003

Total warrants Issued : 12,308,400
Class of securities : Warrants [Year 2000/2005]

DISTRIBUTION OF WARRANT HOLDERS AS AT 06 MARCH 2003

Size of Holdings as at 06 March 2003	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 1,000	86	6.59	39,950	0.33
1,000 - 10,000	1077	82.59	2,665,247	21.65
10,001 - 100,000	121	9.28	3,129,426	25.43
100,001 to less than 5% of issued warrants	19	1.46	4,507,577	36.62
5% and above of issued warrants	1	0.08	1,966,200	15.97
TOTAL	1,304	100.00	12,308,400	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS

as at 06 March 2003

Name	Shares	%
1 Duvest Holdings Sdn Bhd	1,966,200	15.97
2 Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Aun Huat & Brothers Sdn Bhd	500,000	4.06
3 Aun Huat & Brothers Sdn Bhd	488,000	3.96
4 Aun Huat & Brothers Sdn Bhd	430,000	3.49
5 Loh Sau Khen	398,000	3.23
6 United Overseas Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Soon Yeow	297,000	2.41
7 Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Aun Huat & Brothers Sdn Bhd	240,000	1.95
8 Kon Choi Ying	232,338	1.89
9 Sharifuddin bin Shoib	231,915	1.88
10 Tan Bee Choo	213,000	1.73
11 Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Soon Yeow	189,000	1.54
12 Ping Kok Koh	175,692	1.43
13 Teng Cheng Bon @ Teng Kim Tee	172,487	1.40
14 Wong Fay Ling	166,145	1.35
15 Wong Wei Khin	163,000	1.32
16 Lee Soon Chin	155,000	1.26
17 Lee Soon Yeow	124,000	1.01
18 Bong Huan Chion	123,000	1.00
19 Yow Meng Hua	107,000	0.87
20 Tham Ah See	102,000	0.83
21 TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Soon Yeow	74,000	0.60
22 Wong Kit Peng	70,000	0.57
23 Tan Sri Dato' Haji Ahmad Azizuddin bin Haji Zainal Abidin	67,145	0.55
24 Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Soon Keat	66,000	0.54
25 TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Soon Yong	63,000	0.51
26 Lee Shon Kong	60,000	0.49
27 Lee Soon Yong	58,000	0.47
28 Lim Ai Seng	55,000	0.45
29 Tan Poo Lian	53,000	0.43
30 Tan Seng Leong	52,000	0.42
TOTAL	7,091,922	57.61

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DIRECTORS' REPORT

for the financial year ended 31 December 2002

The directors of **RUBBEREX CORPORATION (M) BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 12 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

RESULTS OF OPERATIONS

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

	Group RM	Company RM
Profit before tax	9,442,849	7,661,628
Income tax (expense)/credit	(2,993,291)	9,163
Profit after tax	6,449,558	7,670,791
Minority interest	216,751	-
Net profit for the year	6,666,309	7,670,791

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

DIVIDENDS

A second interim dividend of 10%, tax-exempt, amounting to RM4,339,580 proposed in respect of ordinary shares in the previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year.

In respect of the year ended 31 December 2002:

- (a) A first interim dividend of 10%, tax-exempt, amounting to RM4,402,760 was paid on 15 July 2002; and
- (b) A second interim dividend of 7%, less tax, amounting to RM2,226,077 was paid on 28 January 2003.

No final dividend is proposed in respect of the current financial year.

DIRECTORS' REPORT(continued)

for the financial year ended 31 December 2002

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM43,434,800 to RM44,168,200 by way of an issue of 733,400 new ordinary shares of RM1.00 each for cash pursuant to the Executive Share Option Scheme of the Company at an exercise price of RM1.64 per ordinary share.

The resultant premium arising from the above shares issued of RM469,376 has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

ISSUE OF BONDS WITH DETACHABLE WARRANTS

The RM25,000,000 5% Redeemable Unsecured Bonds 2000/2005 was issued with 12,308,400 detachable Warrants on a "bought deal" basis at 100% nominal value. The Warrants were listed on the Kuala Lumpur Stock Exchange on 08 February 2001.

The salient features of the Bonds are as follows:

- (a) the Bonds bear a fixed interest rate of five percent (5%) per annum on the nominal amount of the Bonds and the interest is payable semi-annually on 28 May and 28 November of each year during the five (5) years in which they remain outstanding. The first interest payment was made on 28 May 2001. The last payment of interest shall be made on the maturity date of the Bonds;
- (b) the Bonds will be fully redeemed by the Company at 100% of its nominal value upon maturity unless previously purchased, redeemed or cancelled. All Bonds purchased by the Company will be cancelled and may not be resold or reissued; and
- (c) the Bonds are direct, unconditional and unsecured obligations of the Company and rank pari passu in all respects without priority amongst itself and with all other present and future unsecured and unsubordinated indebtedness or other obligations of the Company, except for indebtedness preferred by mandatory provisions of laws.

The salient features of the Warrants are as follows:

- (a) the Warrants will be constituted under a Deed Poll to be executed by the Company;
- (b) the Warrants will be immediately detached from the Bonds upon issue and traded separately;
- (c) each Warrant gives the registered holder the right to subscribe for one (1) new ordinary share of RM1.00 each in the Company at an exercise price of RM2.42 per ordinary share

DIRECTORS' REPORT(continued)

for the financial year ended 31 December 2002

within the exercise period of four and a half (4 1/2) years commencing from the date of issue thereof. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid; and

- (d) the new ordinary shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares, except that they shall not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of exercise of the Warrants.

The Company has utilised RM19,600,000 of the proceeds of the Bonds issue as at 31 December 2002. The said RM19,600,000 was utilised to part finance the construction of one industrial glove plant and to part finance another industrial glove plant, auxiliary equipment and to defray expenses.

There were no Warrants exercised during the financial year.

SHARE OPTIONS

Under the Company's Executive Share Option Scheme (ESOS) which became effective on 30 March 1999, options to subscribe for unissued new ordinary shares of RM1.00 each in the Company were granted to eligible executive employees including executive directors of the Company and its subsidiary companies.

The salient features of the ESOS are as follows:

- (a) The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors;
- (b) The total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;
- (c) The ESOS shall be in force for a period of five (5) years from 30 March 1999 to 29 March 2004;
- (d) The option price for each share shall be the average of the mean market quotation of the share of the Company as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five (5) market days immediately preceding the date of offer or the mean market quotation on the market day immediately preceding the date of offer or at the par value of the shares, whichever is the higher; and
- (e) No option shall be granted for less than 1,000 shares nor more than 279,000 shares to any eligible executive employees.

The share options exercised and lapsed during the financial year are as follows:-

Exercisable from	Exercise price per ordinary share RM	Number of ordinary shares of RM1.00 each under options			
		Balance as at 01.01.2002 RM	Exercised RM	Lapsed RM	Balance as at 31.12.2002 RM
30.03.1999	1.64	2,517,400	(733,400)	(62,000)	1,722,000
25.07.2000	3.03	247,800	-	(51,800)	196,000
		<u>2,765,200</u>	<u>(733,400)</u>	<u>(113,800)</u>	<u>1,918,000</u>

DIRECTORS' REPORT(continued)

for the financial year ended 31 December 2002

OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- (a) which would render the amount written off as bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, 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 operations of the Group and of the Company for the succeeding financial year.

DIRECTORS' REPORT(continued)
for the financial year ended 31 December 2002

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Dato' Mohamed bin Hamzah
Mr. Ping Kok Koh
En. Sharifuddin bin Shoib
Mr. Yap Jek Nan
Mr. Poh Choo Lim
Dr. Nawawi bin Mat Awin
Mr. Voon Chong Kian (alternate to Mr. Ping Kok Koh)
Dato' Abdul Rahim bin Abdul Halim (appointed on 09 August 2002)

In accordance with Article 101 of the Company's Articles of Association, Mr. Yap Jek Nan and En. Sharifuddin bin Shoib retire by rotation and, being eligible, offer themselves for re-election.

Dato' Abdul Rahim bin Abdul Halim who was appointed to the Board since the last Annual General Meeting, retires under Article 108 of the Company's Articles of Association and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM1.00 each			Balance as at 31.12.2002
	Balance as at 01.01.2002	Bought	Sold	
Shares in the Company				
Registered in the name of directors				
Dato' Mohamed bin Hamzah	169,310	-	-	169,310
Mr. Ping Kok Koh	564,657	-	-	564,657
En. Sharifuddin bin Shoib	831,996	-	-	831,996
Mr. Yap Jek Nan	480,000	-	(480,000)	-
Mr. Voon Chong Kian (alternate to Mr. Ping Kok Koh)	56	79,000	(63,000)	16,056
Indirect interest				
Mr. Ping Kok Koh	7,878,690	-	-	7,878,690
En. Sharifuddin bin Shoib	6,881,701	-	-	6,881,701

DIRECTORS' REPORT(continued)*for the financial year ended 31 December 2002*

In addition to the above, the following directors are deemed to have interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS of the Company which was implemented on 30 March 1999:

	Number of options over ordinary shares of RM1.00 each			Balance as at 31.12.2002
	Balance as at 01.01.2002	Granted	Exercised	
Mr. Ping Kok Koh	390,600	-	-	390,600
Mr. Voon Chong Kian (alternate to Mr. Ping Kok Koh)	157,200	-	(79,000)	78,200

By virtue of their interests in the Company, Mr. Ping Kok Koh and En. Sharifuddin bin Shoib are also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has interest.

None of the other directors in office at the end of the financial year, held shares or have beneficial interest in the shares of the Company or its subsidiary companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 14 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options granted to certain directors pursuant to the Company's ESOS as disclosed above.

AUDITORS

The auditors, Messrs. Deloitte KassimChan have indicated their willingness to continue in office.

**Signed on behalf of the Board
in accordance with a resolution of the Directors,**

MR. PING KOK KOH

DATO' MOHAMED BIN HAMZAH

Ipoh, 20 February 2003

**REPORT OF THE AUDITORS
TO THE MEMBERS OF RUBBEREX CORPORATION (M) BERHAD**

We have audited the accompanying balance sheets as at 31 December 2002 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

**DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants**

**WONG GUANG SENG
787/3/03(J/PH)
Partner**

Ipoh, 21 February 2003

INCOME STATEMENTS*for the financial year ended 31 December 2002*

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue	4	81,652,010	79,086,249	8,050,000	9,775,000
Other operating income	7	3,508	37,143	-	-
Changes in inventories of finished goods and work-in-progress		1,723,022	6,782,072	-	-
Purchase of finished goods		(27,420)	-	-	-
Raw materials and consumables used		(37,472,474)	(37,492,718)	-	-
Directors' remuneration	6	(1,094,236)	(1,177,234)	(98,000)	(86,000)
Staff costs		(12,830,185)	(12,560,953)	-	-
Depreciation of property, plant and equipment	11	(9,534,941)	(7,642,744)	-	-
Other operating expenses	7	(11,766,959)	(11,987,242)	(200,201)	(183,534)
Profit from operations		10,652,325	15,044,573	7,751,799	9,505,466
Interest on fixed deposits		14,366	69,838	14,366	69,838
Finance costs	8	(1,223,842)	(693,725)	(104,537)	(274,164)
Bonds issue expenses		-	(57,206)	-	(57,206)
Profit before tax		9,442,849	14,363,480	7,661,628	9,243,934
Income tax (expense)/credit	9	(2,993,291)	(3,964,286)	9,163	(19,480)
Profit after tax		6,449,558	10,399,194	7,670,791	9,224,454
Minority interest		216,751	274,624	-	-
Net profit for the year		6,666,309	10,673,818	7,670,791	9,224,454
Earnings per ordinary share:					
Basic (sen)	10	15.2	24.8		
Fully diluted (sen)	10	15.1	24.5		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS

as at 31 December 2002

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
ASSETS					
Property, plant and equipment	11	61,518,954	67,168,195	-	-
Investments in subsidiary companies	12	-	-	22,553,102	22,553,102
Current Assets					
Inventories	13	20,072,799	19,573,115	-	-
Trade receivables	15	15,783,222	15,445,418	-	-
Amount owing by subsidiary companies	14	-	-	47,102,053	42,942,590
Other receivables, deposits and prepayments	15	789,227	768,129	1,000	43,133
Tax recoverable		779,793	-	39,386	-
Fixed deposits, cash and bank balances	16	8,801,647	11,258,794	5,748,083	9,723,965
		46,226,688	47,045,456	52,890,522	52,709,688
Current Liabilities					
Trade payables	17	4,126,321	4,140,304	-	-
Other payables and accruals	17	3,619,638	4,330,390	329,736	263,475
Bank overdrafts	18	332,953	3,294,131	-	-
Tax liabilities		573,000	2,606,090	-	16,654
Dividend payable		2,226,077	4,339,580	2,226,077	4,339,580
		10,877,989	18,710,495	2,555,813	4,619,709
Net Current Assets		35,348,699	28,334,961	50,334,709	48,089,979
Long term and Deferred Liabilities					
Deferred tax liabilities	19	3,331,000	2,990,000	-	-
Bonds		25,000,000	25,000,000	25,000,000	25,000,000
		(28,331,000)	(27,990,000)	(25,000,000)	(25,000,000)
Minority Interest		(623,970)	(840,721)	-	-
Net Assets		67,912,683	66,672,435	47,887,811	45,643,081
Represented by:					
Issued Capital	20	44,168,200	43,434,800	44,168,200	43,434,800
Reserves	21	23,744,483	23,237,635	3,719,611	2,208,281
Shareholders' Equity		67,912,683	66,672,435	47,887,811	45,643,081

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2002

Group	Note(s)	Issued Capital RM	Non-distributable Reserves		Distributable Reserve Unappropriated Profit RM	Total Shareholders' Equity RM
			Reserve on Consolidation RM	Share Premium RM		
Balance as at 01 January 2001						
As previously stated		43,079,400	-	972,400	20,013,181	64,064,981
Prior year adjustment	22	-	3,721,757	-	(3,721,757)	-
As restated		43,079,400	3,721,757	972,400	16,291,424	64,064,981
Net profit for the year		-	-	-	10,673,818	10,673,818
Exercise of options under ESOS	20 & 21	355,400	-	227,456	-	582,856
Dividends	23	-	-	-	(8,649,220)	(8,649,220)
Balance as at 31 December 2001						
As previously stated		43,434,800	-	1,199,856	22,037,779	66,672,435
Prior year adjustment	22	-	3,721,757	-	(3,721,757)	-
As restated		43,434,800	3,721,757	1,199,856	18,316,022	66,672,435
Net profit for the year		-	-	-	6,666,309	6,666,309
Exercise of options under ESOS	20 & 21	733,400	-	469,376	-	1,202,776
Dividends	23	-	-	-	(6,628,837)	(6,628,837)
Balance as at 31 December 2002						
		44,168,200	3,721,757	1,669,232	18,353,494	67,912,683

The accompanying Notes form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY*for the year ended 31 December 2002*

Company	Note(s)	Issued Capital RM	Non- Distributable Reserve Share Premium RM	Distributable Reserve Unappropriated Profit RM	Total Shareholders' Equity RM
Balance as at 01 January 2001		43,079,400	972,400	433,191	44,484,991
Net profit for the year		-	-	9,224,454	9,224,454
Exercise of options under ESOS	20 & 21	355,400	227,456	-	582,856
Dividends	23	-	-	(8,649,220)	(8,649,220)
Balance as at 31 December 2001		43,434,800	1,199,856	1,008,425	45,643,081
Net profit for the year		-	-	7,670,791	7,670,791
Exercise of options under ESOS	20 & 21	733,400	469,376	-	1,202,776
Dividends	23	-	-	(6,628,837)	(6,628,837)
Balance as at 31 December 2002		44,168,200	1,669,232	2,050,379	47,887,811

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENT*for the year ended 31 December 2002*

Group	Note	2002 RM	2001 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		9,442,849	14,363,480
Adjustments for:			
Depreciation of property, plant and equipment		9,534,941	7,642,744
Finance costs		1,223,842	693,725
Interest income		(14,366)	(69,838)
Gain on disposal of property, plant and equipment		(3,508)	(35,633)
		<hr/>	
Operating Profit Before Working Capital Changes		20,183,758	22,594,478
Increase in:			
Inventories		(499,684)	(7,544,512)
Trade receivables		(337,804)	(1,704,345)
Other receivables, deposits and prepayments		(21,102)	(388,328)
Increase/(Decrease) in:			
Trade payables		(13,983)	737,298
Other payables and accruals		(717,927)	(2,360,137)
		<hr/>	
Cash From Operations		18,593,258	11,334,454
Income tax paid		(5,465,174)	(4,207,717)
Interest on bank overdrafts paid		(139,301)	(39,483)
		<hr/>	
Net Cash From Operating Activities		12,988,783	7,087,254
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		51,353	72,000
Interest on fixed deposits received		179,825	69,838
Purchase of property, plant and equipment		(3,933,545)	(14,118,661)
Refund of import duty on plant and machinery		-	152,360
		<hr/>	
Net Cash Used In Investing Activities		(3,702,367)	(13,824,463)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares		1,202,776	582,856
Dividends paid		(8,735,165)	(8,617,580)
Interest on bonds paid		(1,249,996)	(537,126)
Proceeds from issuance of bonds		-	3,938,688
		<hr/>	
Net Cash Used In Financing Activities		(8,782,385)	(4,633,162)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		504,031	(11,370,371)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		<hr/>	
		7,964,663	19,335,034
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	25	<hr/> <hr/>	<hr/> <hr/>
		8,468,694	7,964,663

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENT*for the year ended 31 December 2002*

Company	Note	2002 RM	2001 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		7,661,628	9,243,934
Adjustments for:			
Finance cost		104,537	274,164
Dividend income		(8,050,000)	(9,775,000)
Interest income		(14,366)	(69,838)
		<hr/>	<hr/>
Operating Loss Before Working Capital Changes		(298,201)	(326,740)
(Increase)/Decrease in other receivables, deposits and prepayments		42,133	(43,133)
Increase/(Decrease) in other payables and accruals		59,082	(235,551)
		<hr/>	<hr/>
Cash Used In Operations		(196,986)	(605,424)
Income tax paid		(46,877)	(25,125)
		<hr/>	<hr/>
Net Cash Used In Operating Activities		(243,863)	(630,549)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Repayment of advances to subsidiary companies		23,957,778	20,880,045
Dividends received from subsidiary companies		4,600,000	9,775,000
Interest on advances to subsidiary company received		980,004	-
Interest on fixed deposits received		179,825	69,838
Advances granted to subsidiary companies		(24,667,241)	(36,550,096)
		<hr/>	<hr/>
Net Cash From/(Used In) Investing Activities		5,050,366	(5,825,213)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares		1,202,776	582,856
Dividends paid		(8,735,165)	(8,617,580)
Interest on bonds paid		(1,249,996)	(157,048)
Proceeds from issuance of bonds		-	3,938,688
		<hr/>	<hr/>
Net Cash Used In Financing Activities		(8,782,385)	(4,253,084)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(3,975,882)	(10,708,846)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		9,723,965	20,432,811
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	5,748,083	9,723,965
		<hr/>	<hr/>

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

1. GENERAL INFORMATION

The Company is a limited liability company, incorporated and domiciled in Malaysia and listed on the Second Board of the Kuala Lumpur Stock Exchange.

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 12.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

The total number of employees of the Group at year end were 812 (2001: 900). The Company has no employee as at the end of the current and previous financial year.

The registered office of the Company is located at 5, Persiaran Greentown 8, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at Lot 138201, Off 3/4 Mile, Jalan Bercham, Kawasan Perindustrian Bercham, 31400 Ipoh, Perak Darul Ridzuan.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on 20 February 2003.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

Income Recognition

Sales of goods are recognised upon delivery of products and when the risks and rewards of ownership have transferred to the buyer. Sales represent gross invoiced value of goods sold net of sales tax, trade discounts and returns.

Dividend income represents gross dividends from unquoted investments and is recognised when the shareholder's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

Deferred Taxation

The tax effects of transactions are generally recognised, using the "liability" method, when such transactions enter into the determination of net income regardless of when they are recognised for tax purposes. However, where timing differences give rise to net deferred tax assets, the tax effects are recognised generally on actual realisation.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements.

Freehold land and capital work-in-progress are not depreciated. Long-term leasehold land is amortised evenly over the remaining period of the lease of 54 years. All other property, plant and equipment are depreciated on a straight-line method to their residual values at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Factory buildings	5%
Plant and machinery	10% to 25%
Factory and office equipment, furniture and fittings	20% to 25%
Motor vehicles	20%

The annual depreciation rate of certain office equipment of a subsidiary company was changed during the financial year from 10% to 25% to be consistent with the depreciation rate of the Group. The effect of this change in accounting estimate on the Group's profit before tax for the current financial year was a decrease of RM20,107.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary companies controlled by the Company made up to 31 December 2002.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

A subsidiary is a company in which the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

With effect from 01 January 2002, the Group changed the basis of consolidation for certain subsidiary companies from merger method of accounting to acquisition method of accounting to conform with the requirements of MASB 21, Business Combinations. This change in accounting policy has been applied retrospectively and the effects on prior financial years have been taken up as prior year adjustment in the financial statements. The effect of this change in accounting policy on the current and prior financial years are disclosed in Note 22.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances are eliminated on consolidation.

Reserve on consolidation represents the excess of the share of the fair values of the identifiable net assets of subsidiary companies over the purchase consideration as at the date of acquisition.

Investments

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investments is assessed and written down immediately to its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the "weighted average" method. The cost of raw materials, packing materials, parts and consumables comprise the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. REVENUE

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Sales of household and industrial rubber gloves	81,652,010	79,086,249	-	-
Dividends (gross) received from subsidiary companies	-	-	8,050,000	9,775,000
	81,652,010	79,086,249	8,050,000	9,775,000

5. SEGMENTAL REPORTING

Business Segments

For management purposes, the Group is organised into the following operating divisions:-

- investment holding; and
- manufacturing and sales of household and industrial rubber gloves

The directors are of the opinion that the inter-segment transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

Group 2002	Investment holding RM	Manufacturing and sales of household and industrial rubber gloves RM	Eliminations RM	Consolidated RM
Revenue				
External sales	-	81,652,010	-	81,652,010
Inter-segment sales	8,050,000	20,245,880	(28,295,880)	-
Total revenue	<u>8,050,000</u>	<u>101,897,890</u>	<u>(28,295,880)</u>	<u>81,652,010</u>
Results				
Profit from operations	<u>7,751,799</u>	<u>10,950,526</u>	<u>(8,050,000)</u>	10,652,325
Interest on fixed deposits				14,366
Finance costs				<u>(1,223,842)</u>
Profit before tax				9,442,849
Income tax expense				<u>(2,993,291)</u>
Profit after tax				<u>6,449,558</u>
Other Information				
Capital additions	-	3,933,545	-	3,933,545
Depreciation	-	9,534,941	-	9,534,941
Consolidated Balance Sheet				
Assets				
Segment assets	5,788,469	101,957,173	-	<u>107,745,642</u>
Liabilities				
Segment liabilities	27,555,813	11,653,176	-	<u>39,208,989</u>

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2002

Group 2001	Investment holding RM	Manufacturing and sales of household and industrial rubber gloves RM	Eliminations RM	Consolidated RM
Revenue				
External sales	-	79,086,249	-	79,086,249
Inter-segment sales	9,775,000	11,682,990	(21,457,990)	-
Total revenue	9,775,000	90,769,239	(21,457,990)	79,086,249
Results				
Profit from operations	9,505,466	15,314,107	(9,775,000)	15,044,573
Interest on fixed deposits				69,838
Finance costs				(693,725)
Bonds issue expenses				(57,206)
Profit before tax				14,363,480
Income tax expense				(3,964,286)
Profit after tax				10,399,194
Other Information				
Capital additions	-	14,118,661	-	14,118,661
Depreciation	-	7,642,744	-	7,642,744
Consolidated Balance Sheet				
Assets				
Segment assets	9,767,098	104,446,553	-	114,213,651
Liabilities				
Segment liabilities	29,619,709	17,080,786	-	46,700,495

Geographical Segments

The Group's operations are principally located in Malaysia.

The following is an analysis of the Group's sales by geographical market:-

	Sales revenue by geographical market	
	2002 RM	2001 RM
Europe	36,208,803	34,785,979
North America	20,148,224	18,192,629
South America	7,259,970	9,635,638
Rest of the World	18,035,013	16,472,003
	81,652,010	79,086,249

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

6. DIRECTORS' REMUNERATION

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Executive directors:				
Other emoluments	996,236	1,091,234	-	-
Non-executive directors:				
Fees	98,000	86,000	98,000	86,000
	1,094,236	1,177,234	98,000	86,000

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM3,000 (2001: RM3,000).

7. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Gain on disposal of property, plant and equipment	3,508	35,633	-	-
Rental of warehouses and premises	(74,262)	(14,592)	-	-
Audit fees	(65,750)	(55,500)	(11,500)	(6,000)

8. FINANCE COSTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest on:				
Bonds	1,084,541	654,242	104,537	274,164
Bank overdrafts	139,301	39,483	-	-
	1,223,842	693,725	104,537	274,164

NOTES TO THE FINANCIAL STATEMENTS*for the financial year ended 31 December 2002***9. INCOME TAX (EXPENSE)/CREDIT**

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Income tax:				
Current year	(2,681,500)	(3,701,418)	(3,500)	(19,480)
Prior years	29,209	371,132	12,663	-
	(2,652,291)	(3,330,286)	9,163	(19,480)
Deferred tax (Note 19)	(341,000)	(634,000)	-	-
	(2,993,291)	(3,964,286)	9,163	(19,480)

The effective tax rate of the Group in 2002 and 2001 is higher than the statutory income tax rate mainly due to reported loss of a subsidiary company not available for group relief in respect of profits reported by other subsidiary companies.

The income tax expense of the Company in 2002 and 2001 relate solely to interest income.

10. EARNINGS PER ORDINARY SHARE

Basic	Group	
	2002 RM	2001 RM
Net profit attributable to ordinary shareholders	6,666,309	10,673,818
	2002 Shares	2001 Shares
Number of ordinary shares in issue as at 01 January	43,434,800	43,079,400
Effect of the exercise of ESOS	417,417	44,033
Weighted average number of ordinary shares in issue	43,852,217	43,123,433
	2002	2001
Basic earnings per ordinary share (sen)	15.2	24.8

NOTES TO THE FINANCIAL STATEMENTS*for the financial year ended 31 December 2002*

Fully Diluted	Group	
	2002 RM	2001 RM
Net profit attributable to ordinary shareholders	6,666,309	10,673,818
	2002 Shares	2001 Shares
Weighted average number of ordinary shares in issue	43,852,217	43,123,433
ESOS:		
No. of unissued shares	1,918,000	2,765,200
No. of shares that would have been issued at fair value	(1,534,427)	(2,332,919)
Adjusted weighted average number of ordinary shares for calculating fully diluted earnings per ordinary share	44,235,790	43,555,714
	2002	2001
Fully diluted earnings per ordinary share (sen)	15.1	24.5

11. PROPERTY, PLANT AND EQUIPMENT

Group	At beginning of year RM	Additions RM	Cost Disposals RM	Transfer RM	At end of year RM
Freehold land	3,510,321	9,175	-	-	3,519,496
Long-term leasehold land	1,474,383	-	-	-	1,474,383
Factory buildings	15,005,471	86,537	-	-	15,092,008
Plant and machinery	84,909,975	3,289,714	(94,452)	527,975	88,633,212
Factory and office equipment, furniture and fittings	3,705,214	200,173	(8,379)	-	3,897,008
Motor vehicles	403,873	-	-	-	403,873
Capital work-in-progress	198,288	347,946	-	(527,975)	18,259
Total	109,207,525	3,933,545	(102,831)	-	113,038,239

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

	Accumulated depreciation			Net book value		
	At beginning of year	Charge for the year	Disposals	At end of year	2002	2001
	RM	RM	RM	RM	RM	RM
Freehold land	-	-	-	-	3,519,496	3,510,321
Long-term leasehold land	27,300	27,300	-	54,600	1,419,783	1,447,083
Factory buildings	2,536,854	752,848	-	3,289,702	11,802,306	12,468,617
Plant and machinery	36,204,905	8,313,286	(49,810)	44,468,381	44,164,831	48,705,070
Factory and office equipment, furniture and fittings	3,071,045	387,627	(5,176)	3,453,496	443,512	634,169
Motor vehicles	199,226	53,880	-	253,106	150,767	204,647
Capital work-in-progress	-	-	-	-	18,259	198,288
Total	42,039,330	9,534,941	(54,986)	51,519,285	61,518,954	67,168,195

Long-term leasehold land and factory buildings of a subsidiary company with carrying amounts of RM1,419,783 (2001: RM1,447,083) and RM5,746,401 (2001: RM6,004,928) respectively are pledged to a licensed bank as security for credit facilities granted to the subsidiary as mentioned in Note 18.

Included in property, plant and equipment of the Group are the following fully depreciated assets which are still in use:

	Group	
	2002 RM	2001 RM
At cost:		
Plant and machinery	12,609,986	12,324,213
Factory and office equipment, furniture and fittings	2,273,641	1,955,724
Motor vehicles	134,494	89,640
	15,018,121	14,369,577

12. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2002 RM	2001 RM
Unquoted shares, at cost	22,553,102	22,553,102

The subsidiary companies, all of which were incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2002 %	2001 %	
Rubberex (M) Sdn. Berhad	100	100	Manufacturing and sales of household and industrial rubber gloves.
Filrex (Malaysia) Sdn. Bhd.	100	100	Manufacturing and sales of industrial rubber gloves.
Diamond Grip (M) Sdn. Bhd.	80	80	Manufacturing and sales of industrial rubber gloves.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

13. INVENTORIES

	Group	
	2002 RM	2001 RM
At cost:		
Finished goods	7,337,153	10,172,694
Raw materials	6,071,116	7,843,361
Packing materials	1,908,297	1,327,670
Work-in-progress	205,748	160,056
Parts and consumables	37,614	69,334
At net realisable value:		
Finished goods	<u>4,512,871</u>	-
	<u>20,072,799</u>	<u>19,573,115</u>

14. RELATED PARTY TRANSACTIONS

The amount owing by subsidiary companies arose mainly from advances and expenses paid on behalf which are unsecured, interest-free and have no fixed terms of repayment except for certain advances granted to a subsidiary company which bear interest rate of 5% (2001: 5%) per annum.

During the financial year, significant related party transactions are as follows:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Subsidiary companies				
Advances granted	-	-	24,667,241	36,550,096
Dividend income	-	-	8,050,000	9,775,000
Interest on advances received	-	-	<u>980,004</u>	<u>714,252</u>

The transactions with subsidiary companies are aggregated as these transactions are similar in nature and also no single transaction is significant enough to be disclosed separately in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables comprise amounts receivable for the sale of goods. Other receivables comprise mainly advances granted to employees and payment in advance to a supplier of the subsidiary companies.

Other receivables, deposits and prepayments consist of:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other receivables	618,817	649,958	-	-
Refundable deposits	74,200	117,013	-	42,133
Prepayments	96,210	1,158	1,000	1,000
	789,227	768,129	1,000	43,133

The credit period granted for sale of goods ranged from 30 to 180 days (2001: 30 to 180 days).

16. FIXED DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Fixed deposits with:				
Licensed merchant bank	-	5,400,000	-	5,400,000
Licensed banks	7,400,000	4,000,000	5,400,000	4,000,000
Cash and bank balances	1,401,647	1,858,794	348,083	323,965
	8,801,647	11,258,794	5,748,083	9,723,965

The effective interest rates of fixed deposits with licensed merchant bank and banks ranged from 2.75% to 3.20% (2001: 3.20% to 3.50%) per annum.

Deposits of the Group and of the Company have an average maturity of 30 days (2001: 30 to 120 days).

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group for trade purchases ranged from 30 to 60 days (2001: 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

Other payables and accruals consist of:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other payables for consumables, utilities, services, maintenance of property, plant and equipment and advances received	2,588,348	3,220,231	114,616	60,359
Accruals for directors' fees, salaries and related expenses	914,170	993,043	98,000	86,000
Accruals for bonds interest	117,120	117,116	117,120	117,116
	3,619,638	4,330,390	329,736	263,475

The amount owing to other payables is unsecured, interest-free and has no fixed terms of repayment.

18. BANK OVERDRAFTS

	Group	
	2002 RM	2001 RM
Bank overdrafts:		
Secured	283,539	859,847
Unsecured	49,414	2,434,284
	332,953	3,294,131

The bank overdraft of a subsidiary company amounting to RM2,500,000 (2001: RM2,500,000) is secured by a first legal charge over the subsidiary's long-term leasehold land and factory buildings as mentioned in Note 11 and a debenture incorporating fixed and floating charges over the subsidiary's assets. The balance of bank overdraft facilities of RM9,400,000 (2001: RM8,000,000) granted to other subsidiary companies are unsecured.

The bank overdrafts of the Group bear interest rates ranging from 0.50% to 0.80% (2001: 0.50% to 0.80%) per annum above the base lending rates of the lending banks.

NOTES TO THE FINANCIAL STATEMENTS*for the financial year ended 31 December 2002***19. DEFERRED TAX LIABILITIES**

	Group	
	2002 RM	2001 RM
At beginning of year	2,990,000	2,356,000
Transfer from income statements (Note 9)	<u>341,000</u>	<u>634,000</u>
At end of year	<u>3,331,000</u>	<u>2,990,000</u>

The deferred tax liabilities of the Group are in respect of timing differences between tax capital allowances and book depreciation of property, plant and equipment.

As mentioned in Note 3, the effects of timing differences which would give rise to net deferred tax assets are recognised generally on actual realisation. As at 31 December 2002, the amount of estimated net deferred tax assets of the Group calculated at applicable tax rate which is not recognised in the financial statements, is as follows:

	Group Deferred Tax Assets/(Liabilities)	
	2002 RM	2001 RM
Tax effects of:		
Timing differences between tax capital allowances and book depreciation of property, plant and equipment	(2,882,000)	(2,789,000)
Unutilised tax losses and unabsorbed tax capital allowances	<u>3,495,000</u>	<u>3,216,000</u>
Net	<u>613,000</u>	<u>427,000</u>

The unutilised tax losses and unabsorbed tax capital allowances are subject to agreement by the tax authorities.

All timing differences of the Group have been accounted for as they are expected to reverse in the foreseeable future.

20. SHARE CAPITAL

	Group and Company			
	2002 Number of Shares	2001 Number of Shares	2002 RM	2001 RM
Authorised:				
Ordinary shares of RM1.00 each	<u>100,000,000</u>	100,000,000	<u>100,000,000</u>	100,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each:				
At beginning of year	43,434,800	43,079,400	43,434,800	43,079,400
Exercise of options under ESOS	<u>733,400</u>	<u>355,400</u>	<u>733,400</u>	<u>355,400</u>
At end of year	<u>44,168,200</u>	43,434,800	<u>44,168,200</u>	43,434,800

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM43,434,800 to RM44,168,200 by way of an issue of 733,400 new ordinary shares of RM1.00 each for cash pursuant to the ESOS of the Company at an exercise price of RM1.64 per ordinary share.

The resultant premium arising from the above shares issued of RM469,376 has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

Under the Company's ESOS which became effective on 30 March 1999, options to subscribe for unissued new ordinary shares of RM1.00 each in the Company were granted to eligible employees including executive directors of the Company and its subsidiary companies.

The share options exercised and lapsed during the financial year are as follows:-

Exercisable from	Exercise price per ordinary share RM	Number of ordinary shares of RM1.00 each under options			
		Balance as at 01.01.2002 RM	Exercised RM	Lapsed RM	Balance as at 31.12.2002 RM
30.03.1999	1.64	2,517,400	(733,400)	(62,000)	1,722,000
25.07.2000	3.03	247,800	-	(51,800)	196,000
		<u>2,765,200</u>	<u>(733,400)</u>	<u>(113,800)</u>	<u>1,918,000</u>

21. RESERVES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Non-distributable reserves:				
Reserve on consolidation	3,721,757	3,721,757	-	-
Share premium	1,669,232	1,199,856	1,669,232	1,199,856
	<u>5,390,989</u>	<u>4,921,613</u>	<u>1,669,232</u>	<u>1,199,856</u>
Distributable reserve:				
Unappropriated profit	18,353,494	18,316,022	2,050,379	1,008,425
	<u>23,744,483</u>	<u>23,237,635</u>	<u>3,719,611</u>	<u>2,208,281</u>

Reserve on consolidation

The Group

Reserve on consolidation represents the excess of the fair values of the identifiable net assets of the subsidiary companies over the purchase consideration as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS*for the financial year ended 31 December 2002***Share premium**

Share premium arose from the following:

	Group and Company	
	2002	2001
	RM	RM
Exercise of share options of 748,000 ordinary shares of RM1.00 each issued at a premium of RM1.30 per ordinary share in 2000	972,400	972,400
Exercise of share options of 355,400 ordinary shares of RM1.00 each issued at a premium of RM0.64 per ordinary share in 2001	227,456	227,456
Exercise of share options of 733,400 ordinary shares of RM1.00 each issued at a premium of RM0.64 per ordinary share in 2002	469,376	-
	1,669,232	1,199,856

Unappropriated profit**The Company**

Distributable reserves are those available for distribution by way of dividends. Based on the prevailing tax rate applicable to dividends and the estimated tax credits and the tax-exempt accounts balances, the unappropriated profit of the Company as at 31 December 2002 is available for distribution in full by way of cash dividends without additional tax liabilities being incurred. Dividends declared and proposed out of the aforesaid tax-exempt accounts will be tax exempted in the hands of the shareholders.

22. PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed the basis of consolidation for certain subsidiary companies from merger method of accounting to acquisition method of accounting to conform with the requirements of MASB 21, Business Combinations.

This change in accounting policy has been applied retrospectively and the effects on prior financial years have been taken up as prior year adjustment in the financial statements. Accordingly, the following accounts in prior financial years have been restated to reflect the effects of the change in accounting policy:

Group	As previously reported RM	Effect of change in accounting policy RM	As restated RM
As at 31 December 2001			
Reserve on consolidation	-	3,721,757	3,721,757
Unappropriated profit	22,037,779	(3,721,757)	18,316,022
As at 31 December 2000			
Reserve on consolidation	-	3,721,757	3,721,757
Unappropriated profit	20,013,181	(3,721,757)	16,291,424

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

23. DIVIDENDS

	Group and Company	
	2002 RM	2001 RM
First interim dividend - 10% (2001: 10%), tax-exempt	4,402,760	4,309,640
Second interim dividend - 7%, less tax (2001: 10%, tax-exempt)	2,226,077	4,339,580
	6,628,837	8,649,220

First interim dividend of 10%, tax-exempt, amounting to RM4,402,760 was paid on 15 July 2002 in respect of the current financial year.

Second interim dividend of 7%, less tax, amounting to RM2,226,077 was paid on 28 January 2003 in respect of the current financial year.

Net dividend per share during the financial year is 15 sen (2001: 20 sen).

24. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by the subsidiary companies in currencies other than their functional currency.

The Group enters into forward foreign currency exchange contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sales transactions denominated in foreign currencies.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

Market risk

The Group has in place policies to manage the Group's exposure to fluctuations in the prices of the key raw materials and commodities used in the operations.

Credit risk

Credit risk arises when derivative instruments are used or sales are made on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting sales limits and ensuring that sale of products are made to customers with an appropriate credit history. Credit risk from foreign customers is further mitigated as all overseas sales except for those sales where payments are on letter of credit term, are covered under export credit insurance.

Liquidity risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances and trade and other receivables.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities

The Group's principal financial liabilities are trade and other payables and bank overdrafts.

Bank overdrafts are recorded at proceeds received net of direct issue costs. Finance charges are accounted for on accrual basis.

Off Balance Sheet Derivative Financial Instruments

The Group enters into various financial derivative transactions to control and manage financial risks arising from its operations. The use of derivative instruments is to manage its exposure to fluctuations in foreign currency exchange rates. These instruments are not recognised in the financial statements on inception.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

Forward Foreign Currency Exchange Contracts

Forward foreign currency exchange contracts are entered into to limit the exposure of the Group to fluctuations in foreign currency exchange rates on foreign currency receipts.

As at 31 December 2002, the Group had contracted to sell the following amounts under forward contracts:

	2002 RM	2001 RM	Average Exchange Rate per unit of Ringgit Malaysia	
			2002	2001
Swiss Franc	243,930	7,045	0.3854	0.4279
Euro	6,755,916	1,905,161	0.2646	0.2956
Sterling Pound	1,702,038	2,947,243	0.1685	0.1830
US Dollar	18,179,283	19,633,379	0.2631	0.2630
	<u>26,881,167</u>	<u>24,492,828</u>		

All of these contracts mature within six months from the balance sheet date.

Credit Risk

The Group is exposed to credit risk with respect to forward foreign currency exchange contracts in the event of non-performance by the counterparties to these financial instruments which are major financial institutions. The directors are of the opinion that the risk of incurring material losses related to this credit risk is remote.

Fair Values

Cash and cash equivalents, trade and other receivables and trade and other payables

The carrying amounts approximate fair values because of the short maturity of these instruments.

Forward foreign currency exchange contracts

	Group RM
Off Balance Sheet Item:	
Carrying amount	<u>26,881,167</u>
Fair value	<u>27,296,155</u>

The fair value of forward foreign currency exchange contracts is calculated by reference to the current rate for contracts with similar maturity profiles.

NOTES TO THE FINANCIAL STATEMENTS*for the financial year ended 31 December 2002***25. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Fixed deposits	7,400,000	9,400,000	5,400,000	9,400,000
Cash and bank balances	1,401,647	1,858,794	348,083	323,965
Bank overdrafts	(332,953)	(3,294,131)	-	-
	8,468,694	7,964,663	5,748,083	9,723,965

26. CAPITAL COMMITMENTS

As at 31 December 2002, the Group has the following capital expenditure in respect of property, plant and equipment:

	Group	
	2002	2001
	RM	RM
Contracted but not provided for	82,900	-

LIST OF PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES*as at 31 December 2002*

Location	Tenure/ Expiry Date	Description of existing use	Land area (sq. m)	Age(years)/ Net book value (RM'000)
PT 138201, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan	Freehold/-	Manufacturing, warehouse and office	37,258	8.5/3,519
PT 218274, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan	Leasehold (60 years)/ 23 April 2055	Manufacturing, warehouse and office	32,382	7.0/1,420
Factory buildings located at PT 138201, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan.	-	Manufacturing, warehouse and office	12,620	8.5/6,056
Factory buildings located at PT 218274, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan.	-	Manufacturing, warehouse and office	10,860	7.0/5,746

STATEMENT BY DIRECTORS

The directors of **RUBBEREX CORPORATION (M) BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2002 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

MR. PING KOK KOH

DATO' MOHAMED BIN HAMZAH

Ipoh, 20 February 2003

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **MR. KHOO CHIN LENG**, the officer primarily responsible for the financial management of **RUBBEREX CORPORATION (M) BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MR. KHOO CHIN LENG

Subscribed and solemnly declared by the abovenamed **MR. KHOO CHIN LENG** at **IPOH** this 20th day of February, 2003.

Before me,
ABD. RAHIM B. HJ. MAT TAIB, AMN., AMP.
(A 010)

COMMISSIONER FOR OATHS



RUBBEREX CORPORATION (M) BERHAD
(Company no. 372642-U)

FORM OF PROXY

I/We.....
of.....
being a Member/Members of the abovenamed Company, hereby appoint.....
of.....

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Crystal 1, Ground Floor, Casuarina Ipoh Hotel, 18, Jalan Gopeng, 30250 Ipoh, Perak on Thursday, 24 April 2003 at 10:00 a.m. and at any adjournment thereof in respect of my/our holding of shares in the manner indicated below:-

My/our proxy is to vote as indicated below:

Resolution		For	Against
1.	Adoption of Audited Financial Statements and Reports for the financial year ended 31 December 2002		
2.	To approve the payment of Directors' fees		
3.	Re-election of Director – Mr. Yap Jek Nan		
4.	Re-election of Director – En. Sharifuddin bin Shoib		
5.	Re-election of Director – Dato' Abdul Rahim bin Abdul Halim		
6.	To appoint Auditors and to authorise the Directors to fix their remuneration		
7.	To transact any other ordinary business		

(Please indicate with a cross (x) in the space provided whether you wish your votes to be cast for or against the Resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit)

No. of Shares held

.....
Signature of Shareholder
or Common Seal

Dated this.....day of.....2003

Note:

A member of the Company entitled to attend and vote at the above-mentioned Meeting may appoint one or more proxies to attend and vote in his stead. A Proxy need not be a member of the Company. Where a member appoints more than one Proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each Proxy. The instrument appointing a Proxy must be deposited at the Company's registered office at 5, Persiaran Greentown 8, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

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STAMP

The Company Secretary
RUBBEREX CORPORATION (M) BERHAD
5, Persiaran Greentown 8,
Greentown Business Centre,
30450 Ipoh,
Perak Darul Ridzuan.

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