



**Rubberex**

RUBBEREX CORPORATION (M) BERHAD

**annual** report 2004

**Rubberex**  
SILVERS  
Size 8  
CE  
[Logos: CE mark, ISO 9001, ISO 14001, and a person icon]

**Rubberex**

RUBBEREX CORPORATION (M) BERHAD **ANNUAL REPORT 2004**

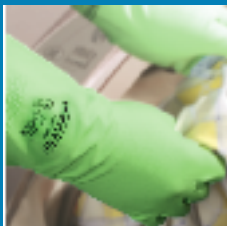


Silvers - Low Allergy Rubber Glove



ISO 9001

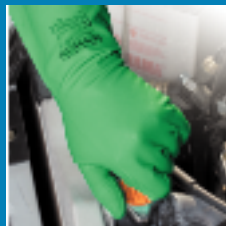
ISO 14001



**Sofie Skin**  
- Latex Protein Free Glove



**Sponge**  
- Sponge Lined  
Sweat Absorbent Glove



**Super Nitrile**  
- Solvent Resistant  
Environmental Friendly Glove



**Silvers**  
- Low Allergy Food Handler Glove



**Rubberex Corporation (M) Berhad** (Company No. 372642-U)  
Lot 138201, Off 3/4 Mile, Jalan Bercham, Kawasan Perindustrian Bercham,  
31400 Ipoh, Perak Darul Ridzuan, Malaysia.

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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Ninth Annual General Meeting of Rubberex Corporation (M) Berhad will be held at 10:00 a.m. on Wednesday, 20 April 2005 at Kinta Room, First 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 2004 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 the Articles of Association of the Company:-
  - (i) Ping Kok Koh (Resolution 3)
  - (ii) Dr. Nawawi bin Mat Awin (Resolution 4)
4. To appoint Auditors and to authorise the Directors to fix their remuneration. (Resolution 5)
5. To transact any other ordinary business of the Company for which due notice has been given.

By order of the Board

**CHAN CHEE KHEONG** (MAICSA 0810287)  
**CHANG POOI YEE** (MAICSA 7036213)

Secretaries

Ipoh  
28 March 2005

**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) Ping Kok Koh (retiring pursuant to the Articles of Association of the Company);  
and
- (ii) Dr. Nawawi bin Mat Awin (retiring pursuant to the Articles of Association of the Company)

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

Four Board Meetings were held during the financial year from 01 January 2004 to 31 December 2004. 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 Ninth Annual General Meeting of the Company will be held at 10:00 a.m. on Wednesday, 20 April 2005 at Kinta Room, First 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 has any conflict of interest with the Company.

### 8. Conviction of Offences:-

None of the Directors standing for re-election has 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  
*Chairman*

Ping Kok Koh  
*Managing Director*

Dr. Nawawi bin Mat Awin

Sharifuddin bin Shoib

Poh Choo Lim

Yap Jek Nan

Y. Bhg. Dato' Abdul Rahim bin Abdul Halim

Voon Chong Kian  
*Alternate to Ping Kok Koh*

### **SECRETARIES**

Chan Chee Kheong, MAICSA 0810287

Chang Pooi Yee, MAICSA 7036213

### **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**

Bursa Malaysia Securities Berhad  
(Second Board)

### **HOMEPAGE**

[www.rubberex.com.my](http://www.rubberex.com.my)

## Directors' Profile

### **Dato' Mohamed bin Hamzah**

Aged 63, 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 52, 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 Ipmuda Berhad and IJM Corporation Berhad.

### **Mr. Voon Chong Kian**

Aged 47, 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 67, 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 57, 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 (formerly known as Jasa Megah Industries Berhad) 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 non-executive Chairman of OKA Corporation Berhad and the non-executive Chairman of Rubber Thread Industries (M) Sdn Bhd. The principal activities of Rubber Thread Industries (M) Sdn Bhd are the manufacture and export of extruded rubber threads.

### **Mr. Poh Choo Lim**

Aged 54, 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 39, 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 56, 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 by profession. He holds a Bachelor of Economics (Honours) degree from the University of Malaya and has served in several senior positions in the Ministry of International Trade and Industry (MITI). 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 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 am pleased to present the Annual Report of the Company for the financial year ended 31 December 2004.

Global economic growth in 2004 was indeed encouraging with East Asia economies (excluding Japan) topping 7% while growth rates in OECD economies reached 3.5%. Growth was particularly robust in the first nine months of the year especially in Europe and the United States where business sentiment improved significantly after the gloomy year of 2003 marked by the war in Iraq and the sudden SARS outbreak. Towards the last quarter of 2004 however the world economy encountered a challenging period when oil prices started to spiral out of control with rising prices breaching new levels causing much uncertainty and volatility. Energy costs and oil dependent product prices and service charges quickly soared pushing operating costs higher and higher.

Given the somewhat unsteady business conditions, Group performance for the year was deemed satisfactory but could have been better. Turnover for the year increased from RM98.5 million in 2003 to RM113.2 million in 2004, breaching the RM100 million mark for the first time. Operating profit before interest, depreciation and taxes was also higher at RM22.9 million from RM19.9 million previously. It could have been higher but for the sudden rise in oil prices and the consequent increase in other costs. Raw latex material cost for the year also remained very high at RM4.90 per kilo in December 2004 which was about the same as last year.

### FINANCIAL RESULTS

Group turnover for the year increased substantially by 14.9% from RM98.5 million in 2003 to RM113.2 million in 2004. This came about through volume growth especially in the sales of the new range of gloves. In response to the rising costs of raw materials and fuel, the market also accepted a price increase of the existing products.

Group pretax profit also increased significantly by 33.7% to RM13.1 million from RM9.8 million previously. The rapid rise of direct and indirect material costs especially latex, chemicals and fuel oil capped the profitability of the Group. Still, this is a positive development continuing the rising trend of profits over the previous year.

Profit after tax was RM10.7 million compared to RM7.6 million in 2003 while Group's basic earnings per share was 15.7 sen as against 12.1 sen in the previous year after adjusting for the bonus issue of shares.

### DIVIDENDS

The Board is pleased to be able to continue with its policy of giving good dividends as in prior years. A total gross annual dividend of 20% less tax was paid for the financial year ended 31 December 2004, the same rate as in the previous year. The quantum was however higher as the second interim dividend entitlement also covered the bonus shares. The first interim dividend of 10 sen less tax (2003: 10 sen less tax) was paid on 15 July 2004 while the second interim dividend of 10 sen less tax (2003: 10 sen less tax) was paid on 15 January 2005.

## Chairman's Statement

As a matter of record, between 1998 and 2004 the Company has paid an average net dividend of more than 16 sen a year. During the period a total of 28.4 million new ordinary shares were also issued as bonus shares. The dividend declared for 2004 was its eighth consecutive year of dividend payment. In addition, since its listing in 1997 the Company has paid in total a net cash dividend of RM49.4 million to its shareholders.

### **CORPORATE EXERCISES**

During the financial year, the following corporate proposals were completed:-

- (a) A bonus issue of 1 for 3 ordinary shares of RM1.00 each in the Company in which 16,079,933 new bonus shares were created and credited to shareholders' account on 29 November 2004;
- (b) A new executive share option scheme upon expiry of the existing share option scheme in which a total of 6,840,000 options were allotted to eligible executives on 08 July 2004;
- (c) A share placement exercise in the last quarter of 2004 in which a total of 2,350,000 shares representing approximately 5% of the issued and paid-up share capital of the Company was placed out to investors through RHB Securities at an offer price of RM2.15 per share raising about RM5 million. The exercise was undertaken to fund the acquisition of all the remaining minority shares in its 80% subsidiary, Diamond Grip (M) Sdn Bhd for a cash consideration of RM4.8 million.

### **TRANSFER TO THE MAIN BOARD**

Subsequent to the financial year, in February 2005 the Company made an application to the Securities Commission and Bursa Malaysia Securities Berhad to transfer the listing and quotation of the Company shares from the Second Board to the Main Board. A transfer to the Main Board is an obvious step as it will better reflect the current status of the operation of the Group and enhance its standing and attractiveness amongst investors. The approval from the relevant authorities is expected to be obtained by the early second quarter of 2005.

### **WARRANTS EXPIRING IN 2005**

Shareholders who are also warrant holders may be aware of the looming deadline to convert the warrants into ordinary shares on the basis of one ordinary share for every warrant held. The warrants which were first listed on 08 February 2001 will expire on 27 May 2005. The exercise price was originally fixed at RM2.42 per share but following the bonus issue of 1 for 3 in November 2004 and the consequent issue of an additional 4.1 million free warrants to the then existing warrant holders, the exercise price has been revised to RM1.82 per share. Warrant holders who wish to convert their warrants into ordinary shares immediately may do so in a prescribed form complete with the relevant remittance to the Company Secretary. In any event, a notice of the expiry date of the warrants was advertised in a national newspaper and a notice to warrant holders in relation to the expiry date and the last date for the exercise of the warrants was despatched on 02 March 2005.



Heveaprene - Palm Protection & Fat Resistant Glove

## Chairman's Statement

### **FUTURE PROSPECTS**

Going forward the outlook for 2005 is one of caution amid concerns on the steep spike in oil prices, downturns in the high-tech industry and major global macroeconomic imbalances to be addressed among other factors. Economic growth in the developed world is expected to be moderate and at a slower pace than around the 3.5% recorded last year while in East Asia, China's growth might slow gradually to a more sustainable level providing a measure of stability to the regional economy.

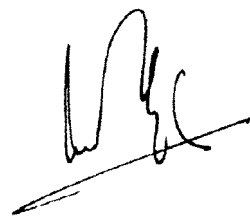
Prospects for the Group in 2005 will continue to hinge on the pace of growth of the world economy. While the Board is cautiously optimistic about the year ahead, it is nevertheless mindful that the Group's performance will continue to be affected by the level of raw material prices and the rise in the prices of oil and chemicals. In addition, should any re-pegging of the Ringgit to the US Dollar occur, this will affect its profitability.

In the meantime, to fuel growth and enhance profitability, efforts are continuing within the Group to develop new products and promote our own product branding. Energy costs in 2005 will begin to come down with the recent installation of equipment to provide alternative energy apart from oil source. Markets that have shown potential are now given greater focus and priority to enlarge them further. In addition, factory expansion and plant rationalisation will soon commence to secure the Group's future and business viability for the longer term. These measures we believe will help the Group to remain competitive and propel it to another level of growth.

### **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.

Thank you.



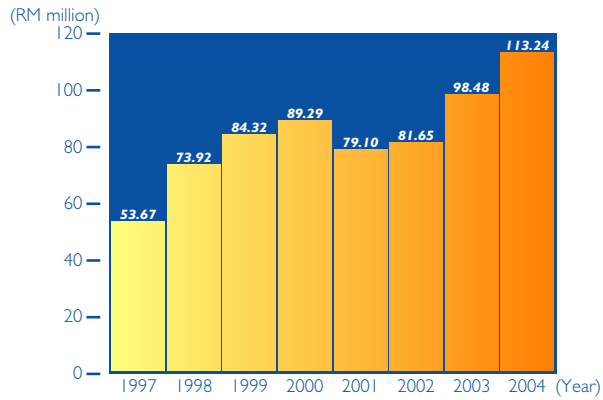
**Dato' Mohamed bin Hamzah**  
Chairman



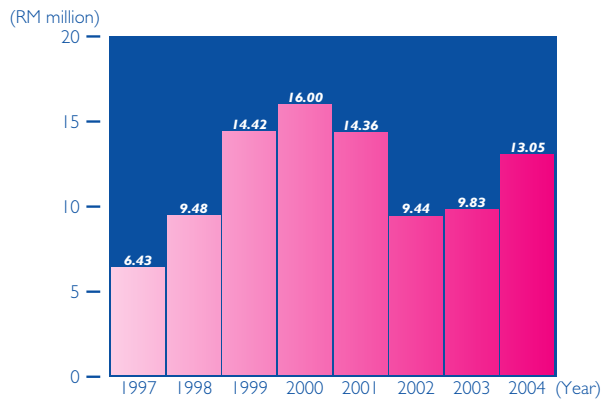


Work Master - Extra Long Professionals Glove

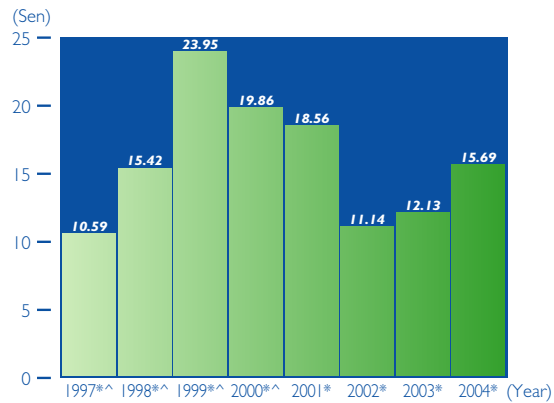
## Financial Highlights



**Sales Turnover**

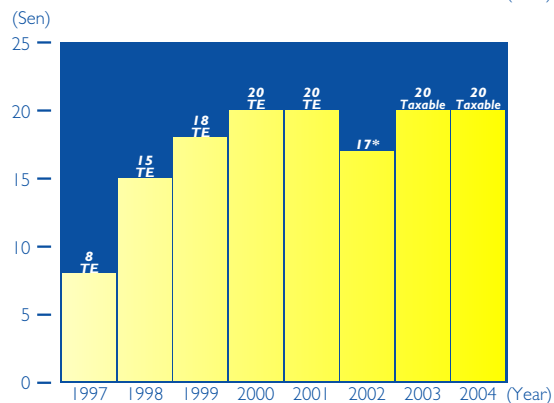


**Profit Before Tax**



**Earnings Per Share (Basic)**

\* Adjusted for Bonus Issue of 1 for 3 completed in 2004  
 ^ Adjusted for Bonus Issues of 2 for 5 completed in 2000 and 1 for 3 completed in 2004



**Dividend Per Share**

TE : Tax-exempt  
 \* TE 10 sen, Taxable 7 sen

## 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)

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 Bursa Malaysia Securities Berhad 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

Four audit committee meetings were held during the financial year ended 31 December 2004. The attendance record of each member is as follows:-

<b>Audit committee members:-</b>	<b>Attendance</b>
Dato' Mohamed bin Hamzah	4/4
Ping Kok Koh	4/4
Dr. Nawawi bin Mat Awin	4/4

## 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, 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 Bursastra Sdn Bhd.

Four Board Meetings were held during the financial year ended 31 December 2004. The attendance record of each director is as follows:

Name	Attendance
Dato' Mohamed bin Hamzah	4/4
Dr. Nawawi bin Mat Awin	4/4
Sharifuddin bin Shoib	3/4
Poh Choo Lim	4/4
Yap Jek Nan	3/4
Dato' Abdul Rahim bin Abdul Halim	4/4
Ping Kok Koh	4/4
Voon Chong Kian (alternate to Ping Kok Koh)	4/4

## Statement of Corporate Governance

The Board composition in respect of the ratio of independent directors is more than one-third of the Board, in compliance with Bursa Malaysia Securities Berhad's 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 operational 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 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:

Poh Choo Lim (Chairman)  
Dato' Mohamed bin Hamzah  
Dr. Nawawi bin Mat Awin

## Statement of Corporate Governance

### 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.

### Directors' Remuneration

The Company's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities. The Remuneration Committee of the Company comprises the following directors:

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 2004 are as follows:-

1. Aggregate remuneration of directors categorised into appropriate components:

	Emoluments (RM)	Fees (RM)	Total (RM)
Executive Directors	304,800	-	304,800
Non-executive Directors	-	122,500	122,500

2. 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	-	-
Above RM300,000	1	-

## Statement of Corporate Governance

### 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.

#### 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 Group. On a quarterly basis, the Company also releases to Bursa Malaysia Securities Berhad, details of the Group's performance for the information of the public and shareholders.

#### Shareholders

Shareholders are kept informed of all material business matters affecting the Group through disclosures to Bursa Malaysia Securities Berhad and press releases where appropriate. The Annual General Meeting 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 72 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 Bursa Malaysia Securities Berhad's 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.

During the financial year, the Audit Committee has also verified that the allotment of options under the Company's Executive Share Option Scheme (ESOS) is in accordance with the conditions set out in the ESOS bye-laws.

## 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 23-2-2005)

Authorised Share Capital	: RM100,000,000
Issued and Paid up Capital	: RM65,352,733
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 23 FEBRUARY 2005 ORDINARY SHARES OF RM1.00 EACH

Size of Shareholdings as at 23 February 2005	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	35	1.14	1,679	0.00
100 - 1,000	220	7.14	159,869	0.24
1,001 - 10,000	2,415	78.38	7,819,151	11.97
10,001 - 100,000	366	11.88	8,282,746	12.67
100,001 to less than 5% of issued shares	40	1.30	17,350,451	26.55
5% and above of issued shares	5	0.16	31,738,837	48.57
<b>TOTAL</b>	<b>3,081</b>	<b>100.00</b>	<b>65,352,733</b>	<b>100.00</b>

### 30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES as at 23 February 2005

No.	Name	No. of Shares	%
1	Duvest Holdings Sdn Bhd	9,175,601	14.04
2	Med-Bumikar Mara Sdn Bhd	8,465,533	12.95
3	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Med-Bumikar Mara Sdn Bhd	6,666,667	10.20
4	Aun Huat & Brothers Sdn Bhd	4,017,427	6.15
5	Teng Cheng Bon @ Teng Kim Tee	3,413,609	5.22
6	Sumbang Permai Sdn Bhd	2,291,300	3.51
7	Aun Huat & Brothers Sdn Bhd	1,925,000	2.95
8	A.A. Assets Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Fantastic Synergy Sdn Bhd	1,333,333	2.04
9	Ping Kok Koh	1,273,676	1.95
10	Sharifuddin bin Shoib	1,082,271	1.66
11	Kon Choi Ying	917,319	1.40
12	Employees Provident Fund Board	723,269	1.11
13	Tok Peck Hong	700,667	1.07
14	Amanah Raya Berhad - SBB Dana Al-Faiz	688,300	1.05
15	Opulent Base Sdn Bhd	600,067	0.92
16	Wong Kit Peng	400,000	0.61
17	Teng Cheng Bon @ Teng Kim Tee	388,049	0.59
18	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin	335,000	0.51
19	Woi Yoon Kim	304,667	0.47
20	A.A. Assets Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Voon Chong Kian	296,000	0.45
21	HSBC Nominees (Asing) Sdn Bhd - Msc Ny for Liberty Square Strategic Partners IV (Asia) Offshore, L.P.	250,000	0.38
22	A.A. Assets Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Khoo Chin Leng	241,867	0.37
23	Khoo Thiam Chye	239,587	0.37
24	Diamond Silk International Sdn Bhd	238,933	0.37
25	Dato' Mohamed bin Hamzah	225,747	0.35
26	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ping Kok Koh	223,200	0.34
27	Wee Guek Choo	200,000	0.31
28	Foo Siew Yoong	192,000	0.29
29	Yeo King Kang	180,000	0.28
30	Soo Soon Yew	173,623	0.27
	<b>TOTAL</b>	<b>47,162,712</b>	<b>72.17</b>

## Statement of Shareholdings (as at 23-2-2005)

### SUBSTANTIAL SHAREHOLDERS AS AT 23 FEBRUARY 2005 ORDINARY SHARES OF RMI.00 EACH

	No. of shares held			
	Direct	%	Indirect	%
Med-Bumikar Mara Sdn Bhd	15,132,200	23.15	-	-
Duvest Holdings Sdn Bhd	9,175,601	14.04	-	-
Teng Cheng Bon @ Teng Kim Tee	3,792,758	5.80	9,175,601	14.04*
Aun Huat & Brothers Sdn Bhd	5,942,494	9.09	-	-
Ping Kok Koh	1,273,676	1.95	10,458,387	16.00\\
Sharifuddin bin Shoib	1,109,328	1.70	9,175,601	14.04*
Poh Chee Meng @ Fook Fatt	-	-	6,073,427	9.29^
P & F Holdings Sdn Bhd	169,333	0.26	5,942,494	9.09++
Poh Cheong Meng & Sons Sdn Bhd	169,333	0.26	5,942,494	9.09++
Poh Yin Hoe & Sons Holding Sdn Bhd	-	-	5,942,494	9.09++
Poh Chee Meng & Sons Holdings Sdn Bhd	130,933	0.20	5,942,494	9.09++

\* Deemed interest through Duvest Holdings Sdn Bhd

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

++ Held directly by Aun Huat & Brothers Sdn Bhd

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

### DIRECTORS' INTEREST AS AT 23 FEBRUARY 2005 ORDINARY SHARES OF RMI.00 EACH

	No. of shares held			
	Direct	%	Indirect	%
Dato' Mohamed bin Hamzah	225,747	0.35	-	-
Dr. Nawawi bin Mat Awin	-	-	-	-
Sharifuddin bin Shoib	1,109,328	1.70	9,175,601	14.04
Poh Choo Lim	-	-	-	-
Yap Jek Nan	-	-	-	-
Dato' Abdul Rahim bin Abdul Halim	-	-	-	-
Ping Kok Koh	1,273,676	1.95	10,458,387	16.00
Voon Chong Kian (Alternate Director)	296,074	0.45	-	-



## Statement of Shareholdings (as at 23-2-2005)

Total warrants Issued	: 16,411,199
No. of warrants exercised into new ordinary shares	: 25,000
Total number of warrants	: 16,386,199
Class of securities	: Warrants (Year 2000/2005, expiring 27/05/2005)

### DISTRIBUTION OF WARRANT HOLDERS AS AT 23 FEBRUARY 2005

Size of Holdings as at 23 February 2005	No. of Holders	% of Holders	No. of Securities	% of Securities
Less than 100	76	6.41	3,609	0.02
100 - 1,000	81	6.84	45,901	0.28
1,001 - 10,000	794	67.00	2,331,704	14.23
10,001 - 100,000	217	18.31	5,756,127	35.13
100,001 to less than 5% of issued warrants	15	1.27	3,989,924	24.35
5% and above of issued warrants	2	0.17	4,258,934	25.99
<b>TOTAL</b>	<b>1,185</b>	<b>100.00</b>	<b>16,386,199</b>	<b>100.00</b>

### 30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS

as at 23 February 2005

No.	Name	No. of Securities	%
1	Duvest Holdings Sdn Bhd	2,621,600	16.00
2	Aun Huat & Brothers Sdn Bhd	1,637,334	9.99
3	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Neoh Khek Koun	585,934	3.58
4	Aun Huat & Brothers Sdn Bhd	573,334	3.50
5	Sumbang Permai Sdn Bhd	357,000	2.18
6	Teng Cheng Bon @ Teng Kim Tee	315,952	1.93
7	Kon Choi Ying	309,784	1.89
8	Sharifuddin bin Shoib	309,220	1.89
9	Ping Kok Koh	234,256	1.43
10	Teng Cheng Bon @ Teng Kim Tee	229,983	1.40
11	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kon Hing	205,800	1.26
12	Yap Kuan Fah	172,000	1.05
13	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sim Kay Eng	169,800	1.04
14	Tan Peng Nguang	148,000	0.90
15	Wong Fay Ling	126,860	0.77
16	Yow Meng Hua	126,667	0.77
17	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Teck Wee	125,334	0.76
18	Tan Peng Nguang	100,000	0.61
19	Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Looi Lee Yee	98,900	0.60
20	Wong Kit Peng	93,334	0.57
21	Tan Sri Dato' Haji Ahmad Azizuddin bin Haji Zainal Abidin	89,527	0.55
22	Kuan Kok Heng	85,451	0.52
23	T.A. Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Soon Yong	84,000	0.51
24	Yeo Sick Tuaw	83,167	0.51
25	Wong Wei Khin	82,600	0.50
26	Koh Pee Han	79,900	0.49
27	Loo Hooi Keow	75,000	0.46
28	How Beik Tin	73,334	0.45
29	Kong Kee Sang	69,334	0.42
30	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Nyuk Yong	69,334	0.42
	<b>TOTAL</b>	<b>9,332,739</b>	<b>56.95</b>

## Financial Statements

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## DIRECTORS' REPORT

for the financial year ended 31 December 2004

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 2004.

### 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	13,052,988	26,430,914
Income tax expense	(2,366,111)	(6,741,443)
Profit after tax	10,686,877	19,689,471
Minority interest	(882,580)	-
Net profit for the year	9,804,297	19,689,471

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%, less tax, amounting to RM3,234,557 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 2004:

- (a) A first interim dividend of 10%, less tax, amounting to RM3,304,065 was paid on 15 July 2004; and
- (b) A second interim dividend of 10%, less tax, amounting to RM4,702,156 was paid on 15 January 2005.

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

### 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

As approved by the shareholders at the Extraordinary General Meeting held on 24 May 2004, the issued and paid-up ordinary share capital of the Company was increased from RM44,924,400 to RM65,307,733 by way of:

- (a) a bonus issue of 16,079,933 new ordinary shares of RM1.00 each through capitalisation of an amount of RM5,473,556 from the share premium account and RM10,606,377 from the unappropriated profit account on the basis of one (1) new ordinary share of RM1.00 each for three (3) existing ordinary shares of RM1.00 each held;
- (b) a private placement of 2,350,000 new ordinary shares of RM1.00 each at an issue price of RM2.15 per ordinary share; and
- (c) an issue of 965,400 and 988,000 new ordinary shares of RM1.00 each at an exercise price of RM1.64 and RM1.49 per ordinary share respectively for cash pursuant to the Executive Share Option Scheme of the Company.

The resulting premium arising from the shares issued in (b) and (c) of RM2,702,500 and RM1,101,976 respectively have 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 new ordinary shares issued under the bonus issue were listed and quoted on Bursa Malaysia Securities Berhad with effect from 10 November 2004.

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

## DIRECTORS' REPORT

for the financial year ended 31 December 2004

### 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. RM12,500,000 nominal value of the Bonds were redeemed on 06 October 2003 by the Company.

The Warrants were listed on Bursa Malaysia Securities Berhad on 08 February 2001. Pursuant to the bonus issue, an additional 4,102,799 Warrants were issued and listed on Bursa Malaysia Securities Berhad on 15 December 2004. The exercise price of the Warrants has been revised downwards from RM2.42 to RM1.82 after the bonus issue.

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 within the exercise period of four and a half (4 ½) 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.

There were no Warrants exercised during the financial year.

### SHARE OPTIONS

Following the expiration of the Company's First Executive Share Option Scheme (ESOS) on 29 March 2004, the Company established the Second ESOS, which had been approved by the shareholders of the Company at the Extraordinary General Meeting held on 24 May 2004. The Second ESOS came into effect on 08 July 2004.

The salient features of the Second ESOS are as follows:

- (a) eligible persons are confirmed executives and full time Executive Directors of the Group, who have served for at least 12 continuous months and at least 18 years of age prior to the date of offer. The eligibility for participation in the ESOS and the allotment of shares shall be at the discretion of the option committee appointed by the Board of Directors;
- (b) the total number of shares to be offered shall not exceed 15% of the issued and paid-up capital of the Company at any point of time during the duration of the ESOS provided always that the Company does not purchase its own shares and thereby diminishing its issued and paid-up capital, in such an event, the ESOS shall remain valid and exercisable in accordance with the Bye-Laws of the ESOS;
- (c) the maximum number of shares allocated to the Executive Directors and Senior Management in aggregate shall not exceed 50% of the shares available under the ESOS;
- (d) the maximum number of shares allocated to any individual Executive Director or executive who, either singly or collectively through persons connected with such Executive Director or executive, holds 20% or more of the issued and paid-up capital of the Company, shall not exceed 10% of the shares available under the ESOS. The phrase "persons connected" shall have the same meaning given in relation to persons connected with a director or major shareholder as defined in the Listing Requirements of Bursa Malaysia Securities Berhad;
- (e) the option price of each share shall be the higher of the average of the mean market quotation shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five market days preceding the date of offer, subject always to a maximum of 10% discount or the par value of the shares;
- (f) no offer shall be made for less than 100 shares nor more than the maximum allowable allotment as set out in the Bye-Laws 4 of the ESOS to any eligible persons and the shares shall be exercised in the multiple of and not less than 100 shares; and
- (g) the ESOS shall be in force for a period of five (5) years from 08 July 2004 to 07 July 2009.

## DIRECTORS' REPORT

for the financial year ended 31 December 2004

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 31.12.2004
		Balance as at 01.01.2004	Entitlement during the year	Adjustment for bonus issue	Exercised	Lapsed	
30.03.1999	1.64	965,800	-	-	(965,400)	(400)	-
25.07.2000	3.03	196,000	-	-	-	(196,000)	-
08.07.2004	1.49*	-	6,840,000	2,280,000	(988,000)	-	8,132,000
		1,161,800	6,840,000	2,280,000	(1,953,400)	(196,400)	8,132,000

\* The exercise price has been revised downwards from RM1.98 to RM1.49 after the bonus issue.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, who have been granted options under the Second ESOS for less than 260,000 ordinary shares each.

Eligible executives, other than the Executive Directors whose interest are disclosed separately in Directors' Interests, who have been granted options under the Second ESOS for and in excess of 260,000 ordinary shares each are as follows:

	Number of options over ordinary shares of RM1.00 each				
	Balance as at 01.01.2004	Granted	Adjustment for bonus issue	Exercised	Balance as at 31.12.2004
Khoo Thiam Chye	-	420,000	140,000	-	560,000
Khoo Chin Leng	-	420,000	140,000	-	560,000
Soo Soon Yew	-	420,000	140,000	-	560,000
Chin Jow Foong	-	260,000	86,667	-	346,667
Sabri bin Abd. Hamid	-	420,000	140,000	(150,000)	410,000
Foong Chee Kong	-	420,000	140,000	(243,000)	317,000
Lee Fen Nee	-	420,000	140,000	(213,000)	347,000
Kuan Kok Heng	-	420,000	140,000	(146,000)	414,000

## 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:

- 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 had been made for doubtful debts; and
- 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:

- which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- 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
- 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:

- 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
- 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.

## DIRECTORS' REPORT

for the financial year ended 31 December 2004

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 other than those disclosed in Note 27 to the Financial Statements.

### DIRECTORS

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

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

In accordance with Article 101 of the Company's Articles of Association, Ping Kok Koh and Dr. Nawawi bin Mat Awin retire by rotation and, being eligible, offer themselves 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:

	Balance as at 01.01.2004	Number of ordinary shares of RM1.00 each			Balance as at 31.12.2004
		Bought	Adjustment for bonus issue	Sold	
<b>Shares in the Company</b>					
<b>Registered in the name of directors</b>					
Dato' Mohamed bin Hamzah	169,310	-	56,437	-	225,747
Ping Kok Koh	564,657	390,600	318,419	-	1,273,676
Sharifuddin bin Shoib	831,996	-	277,332	-	1,109,328
Voon Chong Kian (alternate to Ping Kok Koh)	125,256	396,800	174,018	(200,000)	496,074
<b>Indirect interest</b>					
Ping Kok Koh	7,888,690	1,100	2,614,597	(46,000)	10,458,387
Sharifuddin bin Shoib	6,881,701	-	2,293,900	-	9,175,601

In addition to the above, the following directors are deemed to have interests 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 08 July 2004:

	Balance as at 01.01.2004	Number of options over ordinary shares of RM1.00 each			Balance as at 31.12.2004
		Granted	Adjustment for bonus issue	Exercised	
Ping Kok Koh	390,600	680,000	226,667	(390,600)	906,667
Voon Chong Kian (alternate to Ping Kok Koh)	-	680,000	226,667	-	906,667

By virtue of their interests in the Company, Ping Kok Koh and 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 had 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 16 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 and in Note 22 to the Financial Statements.

**DIRECTORS' REPORT**

*for the financial year ended 31 December 2004*

**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,

**PING KOK KOH****SHARIFUDDIN BIN SHOIB**

Ipoh, 07 February 2005

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

We have audited the accompanying balance sheets as at 31 December 2004 and the related statements of income, changes in equity and cash flows 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 2004 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**

**YEOH SIEW MING**  
**2421/05/05(J)**  
**Partner**

Ipoh, 07 February 2005



**INCOME STATEMENTS**

for the financial year ended 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	4	113,243,572	98,478,938	27,042,720	13,016,720
Other operating income	7	19,088	5,052	-	-
Changes in inventories of finished goods and work-in-progress		6,349,851	2,641,261	-	-
Purchase of finished goods		(6,925,548)	(2,279,147)	-	-
Raw materials and consumables used		(56,789,775)	(50,405,917)	-	-
Directors' remuneration	6	(1,336,119)	(1,152,888)	(122,500)	(98,000)
Staff costs	7	(16,429,435)	(13,998,399)	-	-
Depreciation of property, plant and equipment	11	(9,250,631)	(9,245,006)	-	-
Amortisation of goodwill	13	(121,453)	-	-	-
Other operating expenses	7	(15,141,817)	(13,430,694)	(510,204)	(181,149)
<b>Profit from operations</b>		<b>13,617,733</b>	<b>10,613,200</b>	<b>26,410,016</b>	<b>12,737,571</b>
Interest on fixed deposits		89,023	202,029	20,898	5,653
Finance costs	8	(653,768)	(984,708)	-	(88,970)
<b>Profit before tax</b>		<b>13,052,988</b>	<b>9,830,521</b>	<b>26,430,914</b>	<b>12,654,254</b>
Income tax expense	9	(2,366,111)	(2,239,969)	(6,741,443)	(3,632,415)
<b>Profit after tax</b>		<b>10,686,877</b>	<b>7,590,552</b>	<b>19,689,471</b>	<b>9,021,839</b>
Minority interest		(882,580)	(257,122)	-	-
<b>Net profit for the year</b>		<b>9,804,297</b>	<b>7,333,430</b>	<b>19,689,471</b>	<b>9,021,839</b>
<b>Earnings per ordinary share:</b>					
Basic (sen)	10	15.69	12.13		
Fully diluted (sen)	10	15.04	12.10		

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

**BALANCE SHEETS**

as at 31 December 2004

		Group		Company	
	Note	2004 RM	2003 RM	2004 RM	2003 RM
<b>ASSETS</b>					
<b>Property, plant and equipment</b>	11	<b>57,797,998</b>	54,184,572	-	-
<b>Investments in subsidiary companies</b>	12	-	-	<b>27,353,102</b>	22,553,102
<b>Goodwill on consolidation</b>	13	<b>2,914,875</b>	-	-	-
<b>Current Assets</b>					
Inventories	14	<b>32,342,131</b>	22,321,351	-	-
Trade receivables	15	<b>19,881,685</b>	18,302,685	-	-
Amount owing by subsidiary companies	16	-	-	<b>61,455,001</b>	43,398,734
Other receivables, deposits and prepaid expenses	15	<b>1,716,251</b>	502,879	<b>1,000</b>	1,000
Tax recoverable		<b>1,478,836</b>	104,241	<b>121,919</b>	104,241
Fixed deposits, cash and bank balances	17	<b>2,633,794</b>	5,266,146	<b>187,020</b>	1,663,901
		<b>58,052,697</b>	46,497,302	<b>61,764,940</b>	45,167,876
<b>Current Liabilities</b>					
Trade payables	18	<b>7,898,168</b>	6,914,803	-	-
Other payables and accrued expenses	18	<b>6,683,858</b>	3,797,635	<b>407,969</b>	269,630
Short-term borrowings	19	<b>2,683,000</b>	226,173	-	-
Tax liabilities		-	101,709	-	-
Dividend payable	24	<b>4,702,156</b>	3,234,557	<b>4,702,156</b>	3,234,557
		<b>21,967,182</b>	14,274,877	<b>5,110,125</b>	3,504,187
<b>Net Current Assets</b>		<b>36,085,515</b>	32,222,425	<b>56,654,815</b>	41,663,689
<b>Long-term and Deferred Liabilities</b>					
Deferred tax liabilities	20	<b>4,602,333</b>	3,235,802	-	-
Bonds	21	<b>12,500,000</b>	12,500,000	<b>12,500,000</b>	12,500,000
		<b>(17,102,333)</b>	(15,735,802)	<b>(12,500,000)</b>	(12,500,000)
<b>Minority interest</b>		-	(881,092)	-	-
<b>Net Assets</b>		<b>79,696,055</b>	69,790,103	<b>71,507,917</b>	51,716,791
<b>Represented by:</b>					
Issued capital	22	<b>65,307,733</b>	44,924,400	<b>65,307,733</b>	44,924,400
Reserves	23	<b>14,388,322</b>	24,865,703	<b>6,200,184</b>	6,792,391
<b>Shareholders' Equity</b>		<b>79,696,055</b>	69,790,103	<b>71,507,917</b>	51,716,791

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

**STATEMENTS OF CHANGES IN EQUITY**  
for the financial year ended 31 December 2004

Group	Note	Non-distributable Reserves			Distributable Reserve	Total Shareholders' Equity RM
		Issued Capital RM	Reserve on Consolidation RM	Share Premium RM	Unappropriated Profit RM	
<b>Balance as at 01 January 2003</b>		44,168,200	3,380,178	1,669,232	18,431,922	67,649,532
Net profit for the year		-	-	-	7,333,430	7,333,430
Exercise of options under ESOS	22	756,200	-	483,968	-	1,240,168
Dividends	24	-	-	-	(6,433,027)	(6,433,027)
<b>Balance as at 31 December 2003</b>		44,924,400	3,380,178	2,153,200	19,332,325	69,790,103
Net profit for the year		-	-	-	9,804,297	9,804,297
Issue of shares:	22					
Bonus issue		16,079,933	-	(5,473,556)	(10,606,377)	-
Private placement		2,350,000	-	2,702,500	-	5,052,500
Exercise of options under ESOS		1,953,400	-	1,101,976	-	3,055,376
Dividends	24	-	-	-	(8,006,221)	(8,006,221)
<b>Balance as at 31 December 2004</b>		65,307,733	3,380,178	484,120	10,524,024	79,696,055
<b>Company</b>						
<b>Balance as at 01 January 2003</b>		44,168,200	-	1,669,232	2,050,379	47,887,811
Net profit for the year		-	-	-	9,021,839	9,021,839
Exercise of options under ESOS	22	756,200	-	483,968	-	1,240,168
Dividends	24	-	-	-	(6,433,027)	(6,433,027)
<b>Balance as at 31 December 2003</b>		44,924,400	-	2,153,200	4,639,191	51,716,791
Net profit for the year		-	-	-	19,689,471	19,689,471
Issue of shares:	22					
Bonus issue		16,079,933	-	(5,473,556)	(10,606,377)	-
Private placement		2,350,000	-	2,702,500	-	5,052,500
Exercise of options under ESOS		1,953,400	-	1,101,976	-	3,055,376
Dividends	24	-	-	-	(8,006,221)	(8,006,221)
<b>Balance as at 31 December 2004</b>		65,307,733	-	484,120	5,716,064	71,507,917

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

**CASH FLOW STATEMENT**

for the financial year ended 31 December 2004

Group	Note	2004 RM	2003 RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Profit before tax		13,052,988	9,830,521
Adjustments for:			
Depreciation of property, plant and equipment		9,250,631	9,245,006
Finance costs		653,768	984,708
Amortisation of goodwill		121,453	-
Interest income		(89,023)	(202,029)
Gain on disposal of property, plant and equipment		(19,088)	(5,052)
Allowance for doubtful debts		-	47,084
		<hr/>	
Operating Profit Before Working Capital Changes		22,970,729	19,900,238
Decrease/(Increase) in:			
Inventories		(10,020,780)	(2,248,552)
Trade receivables		(1,579,000)	(2,566,547)
Other receivables, deposits and prepaid expenses		(1,213,372)	286,342
Increase in:			
Trade payables		983,365	2,788,482
Other payables and accrued expenses		2,877,451	235,078
		<hr/>	
Cash From Operations		14,018,393	18,395,041
Income tax paid		(2,475,885)	(2,394,051)
		<hr/>	
Net Cash From Operating Activities		11,542,508	16,000,990
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Interest on fixed deposits received		89,023	320,154
Proceeds from disposal of property, plant and equipment		24,786	25,052
Purchase of property, plant and equipment		(12,869,755)	(1,930,624)
Acquisition of additional shares in a subsidiary company		(4,800,000)	-
		<hr/>	
Net Cash Used In Investing Activities		(17,555,946)	(1,585,418)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		8,107,876	1,240,168
Proceeds from bills payable		2,683,000	-
Dividends paid		(6,529,849)	(5,421,728)
Finance costs paid		(653,768)	(1,162,733)
Repayment of bonds		-	(12,500,000)
		<hr/>	
Net Cash From/(Used In) Financing Activities		3,607,259	(17,844,293)
		<hr/>	
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(2,406,179)	(3,428,721)
		<hr/>	
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		5,039,973	8,468,694
		<hr/>	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	26	2,633,794	5,039,973

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

**CASH FLOW STATEMENT**

for the financial year ended 31 December 2004

Company	Note	2004 RM	2003 RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Profit before tax		26,430,914	12,654,254
Adjustments for:			
Dividend income		(27,042,720)	(13,016,720)
Interest income		(20,898)	(5,653)
Finance cost		-	88,970
Operating Loss Before Working Capital Changes		<b>(632,704)</b>	(279,149)
Increase/(Decrease) in other payables and accrued expenses		<b>132,996</b>	(3,025)
Cash Used In Operations		<b>(499,708)</b>	(282,174)
Dividends received from subsidiary companies		<b>20,285,329</b>	9,372,038
Income tax paid		<b>(1,731)</b>	(52,588)
Net Cash From Operating Activities		<b>19,783,890</b>	9,037,276
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Interest on advances to subsidiary company received		<b>624,996</b>	892,252
Interest on fixed deposits received		<b>20,898</b>	123,778
Net advances granted to subsidiary companies		<b>(18,056,267)</b>	-
Acquisition of additional shares in a subsidiary company		<b>(4,800,000)</b>	-
Net repayment from subsidiary companies		-	3,703,319
Net Cash (Used In)/From Investing Activities		<b>(22,210,373)</b>	4,719,349
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		<b>8,107,876</b>	1,240,168
Dividends paid		<b>(6,529,849)</b>	(5,421,728)
Interest on bonds paid		<b>(628,425)</b>	(1,159,247)
Repayment of bonds		-	(12,500,000)
Net Cash From/(Used In) Financing Activities		<b>949,602</b>	(17,840,807)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,476,881)</b>	(4,084,182)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,663,901</b>	5,748,083
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	26	<b>187,020</b>	1,663,901

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

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the financial year ended 31 December 2004*

**I. GENERAL INFORMATION**

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

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 was 1,030 (2003: 934). 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.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 07 February 2005.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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 in Malaysia.

**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, unless otherwise indicated in the accounting policies stated below.

**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 2004.

A subsidiary company is a company where the Group has control through the power to govern the financial and operating policies of the subsidiary so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies more than one half of the voting rights of the subsidiary.

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.

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, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

**Revenue Recognition**

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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

**Foreign Currency**

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, the assets and liabilities are converted at approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the financial year ended 31 December 2004*

**Deferred Taxation**

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

**Property, Plant and Equipment**

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

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 the 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%

**Investments**

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost less accumulated impairment losses.

**Goodwill/Reserve on Consolidation**

Goodwill arising on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition.

Goodwill is recognised as an asset and amortised on a systematic basis following an assessment of the economic useful life of the asset, subject to a maximum of 25 years.

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

**Impairment of Assets**

At each balance sheet date, the Group and the Company review the carrying amounts of assets (other than inventories and financial assets, which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements. An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statements.

**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**

Receivables are 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 2004

**Employee Benefits**

**Defined Contribution Plan**

The Group is required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan for all its eligible employees based on certain prescribed rates of the employees' salaries. The Group's contribution to the EPF is disclosed separately. The employees' contribution to EPF are included in salaries.

**Employee Equity Compensation Benefits**

The Company has an Executive Share Option Scheme whereby options to subscribe for ordinary shares in the Company were granted to eligible executive employees, including executive directors of the Company and its subsidiary companies. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

**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	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of household and industrial rubber gloves	113,243,572	98,478,938	-	-
Dividends (gross) received from subsidiary companies	-	-	27,042,720	13,016,720
	<b>113,243,572</b>	<b>98,478,938</b>	<b>27,042,720</b>	<b>13,016,720</b>

**5. SEGMENT REPORTING**

Segmental information is presented in respect of the Group's business and geographical segments. The primary format, geographical segments by location of customers, is based on the Group's management and internal reporting structure.

**Geographical segments by location of customers**

Group 2004	Europe RM	North and South America RM	Rest of the world RM	Total RM
<b>Revenue</b>	62,996,556	32,369,515	17,877,501	113,243,572
<b>Results</b>				
Segment results	12,147,411	6,954,202	4,188,767	23,290,380
Unallocated expenses				(9,672,647)
Profit from operations				13,617,733
Interest on fixed deposits				89,023
Finance costs				(653,768)
Profit before tax				13,052,988
Income tax expense				(2,366,111)
Profit after tax				10,686,877



**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

<b>Group 2003</b>	<b>Europe RM</b>	<b>North and South America RM</b>	<b>Rest of the world RM</b>	<b>Total RM</b>
<b>Revenue</b>	51,650,313	24,625,111	22,203,514	98,478,938
<b>Results</b>				
Segment results	10,093,595	4,433,728	3,477,915	18,005,238
Unallocated expenses				(7,392,038)
Profit from operations				10,613,200
Interest on fixed deposits				202,029
Finance costs				(984,708)
Profit before tax				9,830,521
Income tax expense				(2,239,969)
Profit after tax				7,590,552

No disclosure is made for segment assets, liabilities, capital additions and depreciation and amortisation as the segments share significant common distribution network and resources and the directors are of the opinion that it is not meaningful and practical to allocate the above to the individual segments.

The Group operates predominantly in Malaysia and accordingly, the segment assets and capital additions are located in Malaysia.

**Business segments**

Information on the Group's operations by business segments has not been disclosed as the Group is principally involved in manufacturing and sales of household and industrial rubber gloves.

**6. DIRECTORS' REMUNERATION**

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	<b>2004 RM</b>	<b>2003 RM</b>
Executive directors:				
Salaries, allowances and bonuses	1,086,455	944,716	-	-
Contributions to EPF	127,164	110,172	-	-
	1,213,619	1,054,888	-	-
Non-executive directors:				
Fees	122,500	98,000	122,500	98,000
	1,336,119	1,152,888	122,500	98,000

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 (2003: RM3,000).

**7. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS**

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

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	<b>2004 RM</b>	<b>2003 RM</b>
Gain on disposal of property, plant and equipment	19,088	5,052	-	-
Auditors' remuneration:				
Statutory audit	(70,500)	(65,750)	(11,500)	(11,500)
Non-audit services	(9,800)	(3,800)	(6,800)	(2,000)
Preliminary expenses written off	(3,000)	-	-	-
Rental of warehouses and premises	-	(97,903)	-	-
Allowance for doubtful debts	-	(47,084)	-	-

Included in staff costs are contributions made by the Group to the EPF of RM1,102,841 (2003: RM999,063).

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

**8. FINANCE COSTS**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Interest on:				
Bonds	624,996	981,222	-	88,970
Bank overdrafts	28,526	3,486	-	-
Bankers' acceptance	246	-	-	-
	<b>653,768</b>	<b>984,708</b>	<b>-</b>	<b>88,970</b>

Interest on bonds which was borne by a subsidiary company, was set off against interest on advances received from the said subsidiary.

**9. INCOME TAX EXPENSE**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Income tax:				
Current year	(1,062,609)	(2,561,440)	(6,745,000)	(3,635,000)
Prior years	63,029	(36,878)	3,557	2,585
	<b>(999,580)</b>	<b>(2,598,318)</b>	<b>(6,741,443)</b>	<b>(3,632,415)</b>
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	(1,377,735)	347,145	-	-
Relating to crystallisation of deferred tax liability on revaluation surplus of freehold land and factory buildings of certain subsidiaries	11,204	11,204	-	-
	<b>(1,366,531)</b>	<b>358,349</b>	<b>-</b>	<b>-</b>
	<b>(2,366,111)</b>	<b>(2,239,969)</b>	<b>(6,741,443)</b>	<b>(3,632,415)</b>

A numerical reconciliation of income tax expense at the applicable income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before tax	13,052,988	9,830,521	26,430,914	12,654,254
Tax at the applicable income tax rate of 28%	(3,655,000)	(2,753,000)	(7,401,000)	(3,543,000)
Tax effects of:				
Income that are non-taxable for tax purposes	-	-	815,000	-
Expenses that are non-deductible for tax purposes	(215,140)	(187,796)	(159,000)	(92,000)
Expenses subject to double deduction	15,000	86,000	-	-
Temporary differences between tax capital allowances and book depreciation of property, plant and equipment	397,000	437,705	-	-
Utilisation of reinvestment allowances	990,000	206,000	-	-
Effect of difference in tax rate applicable to small and medium scale companies	39,000	8,000	-	-
Income tax - prior years	63,029	(36,878)	3,557	2,585
Income tax expense for the year	<b>(2,366,111)</b>	<b>(2,239,969)</b>	<b>(6,741,443)</b>	<b>(3,632,415)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

As at 31 December 2004, the Company has tax credits and tax-exempt accounts balances of approximately RM5,274,000 (2003: RM1,628,000) and RM13,239,000 (2003: RM10,330,000) respectively. The tax-exempt accounts arose from claims for abatement of statutory income for exports under Section 36 of the Promotion of Investment Act, 1986 and chargeable income waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999. The tax-exempt accounts, which are subject to approval by the tax authorities, are available for distribution as tax-exempt dividends to the shareholders of the Company.

As at 31 December 2004, certain subsidiary companies have tax credits and tax-exempt accounts balances of approximately RM4,568,000 (2003: RM9,201,000) and RM2,583,000 (2003: RM1,955,000) respectively. The tax-exempt accounts arose from reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967 and profits derived from the pioneer products during the pioneer period. The tax-exempt accounts, which are subject to approval by the tax authorities, are available for distribution as tax-exempt dividends to the shareholder of the subsidiary companies.

**10. EARNINGS PER ORDINARY SHARE**

**Basic**

	<b>Group</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Net profit attributable to ordinary shareholders	<b>9,804,297</b>	7,333,430
	<b>Shares</b>	<b>Shares</b>
Number of ordinary shares in issue as at 01 January	<b>44,924,400</b>	44,168,200
Effect of bonus issue	<b>16,079,933</b>	16,079,933
Effect of issue of shares	<b>587,500</b>	-
Effect of the exercise of ESOS	<b>901,467</b>	229,650
Weighted average number of ordinary shares in issue	<b>62,493,300</b>	60,477,783
	<b>Sen</b>	<b>Sen</b>
Basic earnings per ordinary share	<b>15.69</b>	12.13

**Fully Diluted**

	<b>Group</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Net profit attributable to ordinary shareholders	<b>9,804,297</b>	7,333,430
	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares in issue	<b>62,493,300</b>	60,477,783
ESOS:		
Number of unissued shares	<b>8,132,000</b>	1,161,800
Number of shares that would have been issued at fair value	<b>(5,457,966)</b>	(1,020,954)
Adjusted weighted average number of ordinary shares for calculating fully diluted earnings per ordinary share	<b>65,167,334</b>	60,618,629
	<b>Sen</b>	<b>Sen</b>
Fully diluted earnings per ordinary share	<b>15.04</b>	12.10

Comparative figures of the basic and fully diluted earnings per ordinary share have been restated to reflect the bonus issue during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

**11. PROPERTY, PLANT AND EQUIPMENT**

Group	Cost			At end of year RM
	At beginning of year RM	Additions RM	Disposals RM	
Freehold land	3,519,496	-	-	3,519,496
Long-term leasehold land	1,474,383	-	-	1,474,383
Factory buildings	15,105,708	206,070	-	15,311,778
Plant and machinery	90,409,764	10,834,057	(12,000)	101,231,821
Factory and office equipment, furniture and fittings	4,011,065	405,611	(1,078)	4,415,598
Motor vehicles	403,873	243,710	-	647,583
Capital work-in-progress	18,259	1,180,307	(3,500)	1,195,066
<b>Total</b>	<b>114,942,548</b>	<b>12,869,755</b>	<b>(16,578)</b>	<b>127,795,725</b>

Group	Accumulated Depreciation			Net Book Value		
	At beginning of year RM	Charge for the year RM	Disposals RM	At end of year RM	2004 RM	2003 RM
Freehold land	-	-	-	-	<b>3,519,496</b>	3,519,496
Long-term leasehold land	81,900	27,300	-	109,200	<b>1,365,183</b>	1,392,483
Factory buildings	4,044,474	756,433	-	4,800,907	<b>10,510,871</b>	11,061,234
Plant and machinery	52,695,082	8,189,312	(10,700)	60,873,694	<b>40,358,127</b>	37,714,682
Factory and office equipment, furniture and fittings	3,629,534	201,086	(180)	3,830,440	<b>585,158</b>	381,531
Motor vehicles	306,986	76,500	-	383,486	<b>264,097</b>	96,887
Capital work-in-progress	-	-	-	-	<b>1,195,066</b>	18,259
<b>Total</b>	<b>60,757,976</b>	<b>9,250,631</b>	<b>(10,880)</b>	<b>69,997,727</b>	<b>57,797,998</b>	<b>54,184,572</b>

Long-term leasehold land and factory buildings of a subsidiary company with carrying amounts of RM1,365,183 (2003: RM1,392,483) and RM5,143,551 (2003: RM5,445,075) respectively are pledged to a licensed bank as security for credit facilities granted to the subsidiary as mentioned in Note 19.

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

	Group	
	2004 RM	2003 RM
At cost:		
Plant and machinery	<b>24,571,826</b>	24,266,931
Factory and office equipment, furniture and fittings	<b>3,240,311</b>	2,772,318
Motor vehicles	<b>218,675</b>	134,495
	<b>28,030,812</b>	<b>27,173,744</b>

**12. INVESTMENTS IN SUBSIDIARY COMPANIES**

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	<b>27,353,102</b>	22,553,102

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

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

Name of Company	Effective Equity Interest		Principal Activities
	2004 %	2003 %	
<b>Direct subsidiary companies</b>			
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.	100	80	Manufacturing and sales of industrial rubber gloves.
<b>Indirect subsidiary company</b>			
<b>Held through Rubberex (M) Sdn. Berhad</b>			
Rubberex Marketing (M) Sdn. Bhd.	100	-	Pre-operating.

During the financial year, the Group acquired 100% equity interest in Rubberex Marketing (M) Sdn. Bhd.. The acquisition was completed on 05 August 2004. As at the date of acquisition, the net asset acquired comprises cash on hand of RM2.

**13. GOODWILL ON CONSOLIDATION**

	Group	
	2004 RM	2003 RM
Goodwill arising from acquisition of additional shares in a subsidiary	3,036,328	-
Amortisation during the year	(121,453)	-
Net	<u>2,914,875</u>	<u>-</u>

**14. INVENTORIES**

	Group	
	2004 RM	2003 RM
At cost:		
Finished goods	20,275,473	14,183,517
Raw materials	9,763,879	6,357,676
Packing materials	1,199,115	1,190,949
Work-in-progress	771,411	513,516
Parts and consumables	332,253	75,693
	<u>32,342,131</u>	<u>22,321,351</u>

**15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted for sale of goods ranged from 30 to 180 days (2003: 30 to 180 days).

	Group	
	2004 RM	2003 RM
Trade receivables	19,913,581	18,349,769
Less: Allowance for doubtful debts	(31,896)	(47,084)
Net	<u>19,881,685</u>	<u>18,302,685</u>

The currency exposure profile of trade receivables is mainly in United States Dollars and Euro.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

Other receivables, deposits and prepaid expenses consist of:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables	1,612,813	410,034	-	-
Refundable deposits	82,980	74,020	-	-
Prepaid expenses	20,458	18,825	1,000	1,000
	<b>1,716,251</b>	<b>502,879</b>	<b>1,000</b>	<b>1,000</b>

Other receivables comprise advances granted to employees of the subsidiary companies and advance payments to suppliers which are unsecured and interest-free.

**16. 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% (2003: 5%) per annum.

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>Subsidiary companies</b>				
Advances granted	-	-	71,922,232	21,559,737
Dividend income	-	-	27,042,720	13,016,720
Interest on advances received	-	-	624,996	892,252

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.

**17. FIXED DEPOSITS, CASH AND BANK BALANCES**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Fixed deposits with licensed banks	-	4,000,000	-	1,500,000
Cash and bank balances	2,633,794	1,266,146	187,020	163,901
	<b>2,633,794</b>	<b>5,266,146</b>	<b>187,020</b>	<b>1,663,901</b>

The effective interest rates of fixed deposits with licensed banks ranged from 2.75% to 3.20% (2003: 2.75% to 3.20%) per annum.

Deposits of the Group and of the Company for 2003 have an average maturity of 30 days.

**18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES**

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 (2003: 30 to 60 days).

Other payables and accrued expenses consist of:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other payables for consumables, utilities, services, maintenance of property, plant and equipment and advances received	5,121,249	2,788,459	234,178	114,410
Accruals for directors' fees, salaries and related expenses	1,508,818	951,956	120,000	98,000
Accrual for interest on bonds	53,791	57,220	53,791	57,220
	<b>6,683,858</b>	<b>3,797,635</b>	<b>407,969</b>	<b>269,630</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

The amounts owing to other payables are unsecured and interest-free.

The currency exposure profile of trade and other payables is mainly in United States Dollars.

**19. SHORT-TERM BORROWINGS**

	Group	
	2004 RM	2003 RM
Unsecured:		
Bank overdrafts	-	226,173
Bills payable	<b>2,683,000</b>	-
	<b>2,683,000</b>	226,173

The bank overdraft facility of a subsidiary company amounting to RM2,500,000 (2003: 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 and other banking facilities of RM90,200,000 (2003: RM49,200,000) granted to other subsidiary companies are unsecured.

The bank overdrafts of the Group bear interest rates ranging from 0.50% to 0.80% (2003: 0.50% to 0.80%) per annum above the base lending rates of the lending banks.

**20. DEFERRED TAX LIABILITIES**

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority. The following amount determined after appropriate offsetting, is shown in the balance sheet:

	Group	
	2004 RM	2003 RM
Deferred tax assets	<b>2,119,000</b>	3,000,000
Deferred tax liabilities	<b>(6,721,333)</b>	(6,235,802)
	<b>(4,602,333)</b>	(3,235,802)

The movement of net deferred tax liabilities during the financial year (after offsetting) are as follows:

	Group	
	2004 RM	2003 RM
At beginning of year	<b>(3,235,802)</b>	(3,594,151)
Transfer (from)/to income statements (Note 9)	<b>(1,366,531)</b>	358,349
At end of year	<b>(4,602,333)</b>	(3,235,802)

**Represented by:**

	Group	
	2004 RM	2003 RM
Tax effects of:		
Temporary differences arising from:		
Property, plant and equipment	<b>(6,481,000)</b>	(5,983,855)
Revaluation surplus on freehold land and factory buildings	<b>(240,333)</b>	(251,947)
Unabsorbed tax capital allowances	<b>2,026,000</b>	3,000,000
Unutilised tax losses	<b>50,000</b>	-
Others	<b>43,000</b>	-
	<b>(4,602,333)</b>	(3,235,802)

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

As at 31 December 2004, deferred tax assets have not been recognised in respect of the following items:

	Group	
	2004 RM	2003 RM
Tax effects:		
Unabsorbed tax capital allowances	-	171,000
Unutilised tax losses	-	50,000
	-	<u>221,000</u>

**21. BONDS**

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. RM12,500,000 nominal value of the Bonds were redeemed on 06 October 2003 by the Company.

The Warrants were listed on Bursa Malaysia Securities Berhad on 08 February 2001. Pursuant to the bonus issue, an additional of 4,102,799 Warrants were issued and listed on Bursa Malaysia Securities Berhad on 15 December 2004. The exercise price of the Warrants has been revised downwards from RM2.42 to RM1.82 after the bonus issue.

	Group and Company	
	2004 RM	2003 RM
At beginning of year	12,500,000	25,000,000
Redemption during the year	-	(12,500,000)
At end of year	<u>12,500,000</u>	<u>12,500,000</u>

**22. SHARE CAPITAL**

	Group and Company			
	2004 Number of shares	2003 Number of shares	2004 RM	2003 RM
<b>Authorised:</b>				
Ordinary shares of RM1.00 each	<u>100,000,000</u>	100,000,000	<u>100,000,000</u>	100,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1.00 each:				
At beginning of year	44,924,400	44,168,200	44,924,400	44,168,200
Issued during the year:				
Bonus issue	16,079,933	-	16,079,933	-
Private placement	2,350,000	-	2,350,000	-
Exercise of options under ESOS	1,953,400	756,200	1,953,400	756,200
At end of year	<u>65,307,733</u>	44,924,400	<u>65,307,733</u>	44,924,400

As approved by the shareholders at the Extraordinary General Meeting held on 24 May 2004, the issued and paid-up ordinary share capital of the Company was increased from RM44,924,400 to RM65,307,733 by way of:

- a bonus issue of 16,079,933 new ordinary shares of RM1.00 each through capitalisation of an amount of RM5,473,556 from the share premium account and RM10,606,377 from the unappropriated profit account on the basis of one (1) new ordinary share of RM1.00 each for three (3) existing ordinary shares of RM1.00 each held;
- a private placement of 2,350,000 new ordinary shares of RM1.00 each at an issue price of RM2.15 per ordinary share; and
- an issue of 965,400 and 988,000 new ordinary shares of RM1.00 each at an exercise price of RM1.64 and RM1.49 per ordinary share respectively for cash pursuant to the ESOS of the Company.

The resulting premium arising from the shares issued in (b) and (c) of RM2,702,500 and RM1,101,976 respectively have 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 new ordinary shares issued under the bonus issue were listed and quoted on Bursa Malaysia Securities Berhad with effect from 10 November 2004.

Under the Company's ESOS, options to subscribe for unissued new ordinary shares of RM1.00 each in the Company were granted to eligible executives including executive directors of the Company and its subsidiary companies.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

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 31.12.2004
		Balance as at 01.01.2004	Entitlement during the year	Adjustment for bonus issue	Exercised	Lapsed	
30.03.1999	1.64	965,800	-	-	(965,400)	(400)	-
25.07.2000	3.03	196,000	-	-	-	(196,000)	-
08.07.2004	1.49*	-	6,840,000	2,280,000	(988,000)	-	8,132,000
		<u>1,161,800</u>	<u>6,840,000</u>	<u>2,280,000</u>	<u>(1,953,400)</u>	<u>(196,400)</u>	<u>8,132,000</u>

\* The exercise price has been revised downwards from RM1.98 to RM1.49 after the bonus issue.

Details of share options exercised during the year and the fair values, at exercise date, of shares issued are as follows:

Exercise date	Exercise price	Consideration received RM	Number of share options	Fair values of shares issued
06.01.2004	1.64	16,400	10,000	2.04
09.01.2004	1.64	16,400	10,000	2.05
13.01.2004	1.64	14,432	8,800	2.05
11.02.2004	1.64	149,240	91,000	2.28
25.02.2004	1.64	44,280	27,000	2.27
03.03.2004	1.64	16,400	10,000	2.31
05.03.2004	1.64	82,000	50,000	2.33
10.03.2004	1.64	81,672	49,800	2.33
17.03.2004	1.64	42,640	26,000	2.44
23.03.2004	1.64	59,368	36,200	2.43
26.03.2004	1.64	1,060,424	646,600	2.42
20.12.2004	1.49	1,472,120	988,000	2.06
		<u>3,055,376</u>	<u>1,953,400</u>	

**23. RESERVES**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-distributable reserves:				
Reserve on consolidation	3,380,178	3,380,178	-	-
Share premium	484,120	2,153,200	484,120	2,153,200
	<u>3,864,298</u>	<u>5,533,378</u>	<u>484,120</u>	<u>2,153,200</u>
Distributable reserve:				
Unappropriated profit	10,524,024	19,332,325	5,716,064	4,639,191
	<u>14,388,322</u>	<u>24,865,703</u>	<u>6,200,184</u>	<u>6,792,391</u>

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 as mentioned in Note 9, the unappropriated profit of the Company as at 31 December 2004 is available for distribution in full by way of cash dividends without additional tax liabilities being incurred.

**24. DIVIDENDS**

	Group and Company			
	2004 RM	2003 RM	2004 Net dividend per share Sen	2003 Net dividend per share Sen
First interim dividend paid - 10%, less tax for 2004; 10%, less tax for 2003	3,304,065	3,198,470	7.2	7.2
Second interim dividend payable - 10%, less tax for 2004; 10%, less tax for 2003	4,702,156	3,234,557	7.2	7.2
	<u>8,006,221</u>	<u>6,433,027</u>	<u>14.4</u>	<u>14.4</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the financial year ended 31 December 2004*

**25. FINANCIAL INSTRUMENTS**

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

**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 foreign currency forward 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 enters into various interest rate risk management transactions for the purpose of reducing net interest costs and to achieve interest rates within predictable, desired ranges.

**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 terms, 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 Company's principal financial assets are cash and bank balances and amount owing by subsidiary companies.

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, short-term borrowings, dividend payable and bonds.

The Company's principal financial liabilities are other payables, dividend payable and bonds.

Short-term borrowings and bonds 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 exchange rates. These instruments are not recognised in the financial statements on inception.

**Foreign Currency Forward Contracts**

In order to hedge its exposure to foreign exchange risks, the Group enters into foreign currency forward contracts.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2004

As at 31 December 2004, the Group had contracted to sell the following under forward contracts:

	Contractual amount in Ringgit Malaysia	
	2004 RM	2003 RM
Swiss Franc	332,250	211,082
Euro	9,675,060	5,441,792
Sterling Pound	1,831,497	2,798,521
United States Dollar	24,725,839	17,094,539
	<b>36,564,646</b>	<b>25,545,934</b>

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

**Fair Values of Financial Assets and Liabilities**

**Cash and cash equivalents, trade and other receivables, trade and other payables, bills payable, dividend payable and bonds**

The carrying amounts of the short-term financial assets and liabilities approximate their fair values due to the short-term maturity of these instruments.

**Amount owing by subsidiary companies**

No disclosure is made as it is impractical to determine their fair values with sufficient reliability given these balances have no fixed terms of repayment.

**Foreign currency forward contracts**

	Group RM
<b>Off Balance Sheet Item:</b>	
Carrying amount	36,564,646
Fair value	37,668,704

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

**26. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Fixed deposits	-	4,000,000	-	1,500,000
Cash and bank balances	2,633,794	1,266,146	187,020	163,901
Bank overdrafts	-	(226,173)	-	-
	<b>2,633,794</b>	<b>5,039,973</b>	<b>187,020</b>	<b>1,663,901</b>

**27. SUBSEQUENT EVENTS**

Subsequent to the financial year end,

- On 28 January 2005, the Group subscribed for additional 699,998 ordinary shares of RM1.00 each representing 69.99% equity interest in Rubberex Marketing (M) Sdn. Bhd., a company incorporated in Malaysia for a total consideration of RM699,998. With this subscription, the Group's equity interest reduced from 100% to 70%;
- On 28 January 2005, the Group acquired 6 ordinary shares of HK1.00 each representing 60% equity interest in Pioneer Vantage Limited, a company incorporated in Hong Kong for a total consideration of HK6.00; and
- The Board of Directors of the Company proposes to transfer the listing of and quotation for the entire issued and paid-up share capital of the Company from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.

**PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES***as at 31 December 2004*

<b>Location</b>	<b>Tenure/ Expiry Date</b>	<b>Description of existing use</b>	<b>Land area (sq. m)</b>	<b>Age (years)/ Net Book Value (RM '000)</b>
PT 138201, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan.	Freehold/-	Manufacturing, warehouse and office	37,258	10.5/3,520
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	9.0/1,365
Factory buildings located at PT 138201, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan.	-	Manufacturing, warehouse and office	12,620	10.5/5,367
Factory buildings located at PT 218274, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan.	-	Manufacturing, warehouse and office	10,860	5.0/5,144

## **STATEMENT BY DIRECTORS**

The directors of **RUBBEREX CORPORATION (M) BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows 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 2004 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,

**PING KOK KOH**

**SHARIFUDDIN BIN SHOIB**

Ipoh,  
07 February 2005

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

I, **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 the related statements of income, changes in equity and cash flows 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.

**KHOO CHIN LENG**

Subscribed and solemnly declared by the abovenamed **KHOO CHIN LENG** at **IPOH** this 7th day of February, 2005.

Before me,

**NG HAI SENG, P.P.T.**  
**(A 083)**  
**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 Ninth Annual General Meeting of the Company to be held at Kinta Room, First Floor, Casuarina Ipoh Hotel, 18, Jalan Gopeng, 30250 Ipoh, Perak Darul Ridzuan, on Wednesday, 20 April 2005 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 for the financial year ended 31 December 2004		
2.	To approve the payment of Directors' fees		
3.	Re-election of Director – Ping Kok Koh		
4.	Re-election of Director – Dr. Nawawi bin Mat Awin		
5.	To appoint Auditors and to authorise the Directors to fix their remuneration		

(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.....2005

**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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**AFFIX  
STAMP**

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

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