


Annual Report **2007**



RUBBEREX CORPORATION (M) BERHAD

Rubberex



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Rubberex Corporation (M) Berhad will be held at 10:00 a.m. on Monday, 26 May 2008 at Crystal 2, Ground Floor, Impiana Casuarina Hotel, 18, Jalan Raja Dr. Nazrin Shah, 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 2007 and the Reports of the Directors and the Auditors thereon. (Resolution 1)
2. To approve the payment of Directors' fees. (Resolution 2)
3. To re-elect the following Directors retiring in accordance with Article 91 of the Articles of Association of the Company:-
 - (i) Ping Kok Koh (Resolution 3)
 - (ii) Poh Choo Lim (Resolution 4)
4. To re-elect Mustapha bin Mohamed retiring in accordance with Article 98 of the Articles of Association of the Company. (Resolution 5)
5. To appoint Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)
6. As Special Business to consider and, if thought fit, to pass the following Ordinary Resolution:-

Ordinary Resolution

Proposed Renewal of Authority for RUBBEREX CORPORATION (M) BERHAD to purchase its own ordinary shares of RM1.00 each representing up to 10% of the issued and paid-up share capital of the Company.

"THAT, subject to the provisions of the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad and any applicable laws, rules, orders, requirements, regulations and guidelines for the time being in force or as may be amended, modified or re-enacted from time to time and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back) as may be determined by the Directors of the Company ("Directors") from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company provided that the total aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time of the said purchase(s); and that the Directors of the Company shall allocate an amount of funds which will not be more than the aggregate sum of the retained profits and share premium of the Company for the Proposed Share Buy-Back;

AND THAT upon completion of the purchase by the Company of its own shares, the Directors are authorised to decide at their discretion to cancel all the shares so purchased and/or to retain the shares so purchased as treasury shares of which may be distributed as dividends to shareholders and/or to resell on the market of Bursa Malaysia Securities Berhad and/or to retain part thereof as treasury shares and cancel the remainder;

AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, as may be required or imposed by any relevant authority or authorities;

AND THAT the Directors be and are hereby empowered immediately upon the passing of this Ordinary Resolution until the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either unconditionally or subject to conditions; or the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or the earlier revocation or variation of their authority through a general meeting whichever is the earliest, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date”
(Resolution 7)

7. 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
02 May 2008

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 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

Ordinary Resolution

Proposed Renewal of Authority for RUBBEREX CORPORATION (M) BERHAD to purchase its own ordinary shares of RM1.00 each representing up to 10% of the issued and paid-up share capital of the Company

The resolution, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained profits and share premium of the Company. Please refer to the Share Buy-Back Statement dated 02 May 2008, which is dispatched together with the Company's Annual Report 2007.

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 Article 91 of the Articles of Association of the Company);
- (ii) Poh Choo Lim (retiring pursuant to Article 91 of the Articles of Association of the Company);
and
- (iii) Mustapha bin Mohamed (retiring pursuant to Article 98 of 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 2007 to 31 December 2007. Details of attendance of Directors at Board Meetings are stated in the Statement of Corporate Governance on page 12 of the Annual Report.

3. Date, time and venue of Board Meeting:-

The Twelfth Annual General Meeting of the Company will be held at 10:00 a.m. on Monday, 26 May 2008 at Crystal 2, Ground Floor, Impiana Casuarina Hotel, 18, Jalan Raja Dr. Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan.

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

Please refer to page 6 of the Annual Report.

5. Securities Holdings in the Company and its Subsidiaries:-

The Company:-
Please refer to page 17 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.

Corporate Information

DIRECTORS

Y. Bhg. Dato' Mohamed bin Hamzah
Chairman

Ping Kok Koh
Managing Director

Dr. Nawawi bin Mat Awin (deceased on 14 March 2008)

Sharifuddin bin Shoib

Poh Choo Lim

Yap Jek Nan

Y. Bhg. Dato' Abdul Rahim bin Abdul Halim

Mustapha bin Mohamed (appointed on 11 April 2008)

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

41, Jalan Medan Ipoh 6,
Bandar Baru Medan Ipoh,
31400 Ipoh,
Perak Darul Ridzuan.
Tel no.: 605 545 1222
Fax no.: 605 545 9222

REGISTRAR

PFA Registration Services Sdn Bhd
41, Jalan Medan Ipoh 6,
Bandar Baru Medan Ipoh,
31400 Ipoh,
Perak Darul Ridzuan.

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Board)

WEBSITES

www.rubberex.com.my
www.rubberex-spain.es
www.condomfactory.biz

Directors' Profile

Dato' Mohamed bin Hamzah

Aged 66, 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 55, 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 Ipunda Berhad and IJM Corporation Berhad.

En. Sharifuddin bin Shoib

Aged 60, 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 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 57, 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.

Directors' Profile

Mr. Yap Jek Nan

Aged 42, 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 director of Gunung Lang Development Sdn Bhd, a property development company.

Dato' Abdul Rahim bin Abdul Halim

Aged 58, 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. Prior to this, he was the Managing Director of MBM Resources Berhad. He is also currently on the Board of Intelligent Edge Technologies Berhad, Central Cables Berhad, Colonial Motors Company Limited and several private companies including Perusahaan Otomobil Kedua Sdn Bhd ("Perodua"), and Daihatsu Malaysia Sdn Bhd, where he is presently the Chairman.

Mr. Voon Chong Kian

Aged 50, 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.

En. Mustapha bin Mohamed

Aged 62, a Malaysian, is a newly appointed independent non-executive director of the Company since 11 April 2008. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. He is a Fellow Member of the Association of Chartered Certified Accountants, a Chartered Accountant with the Malaysian Institute of Accountants and Certified Public Accountants (Malaysia). En. Mustapha bin Mohamed was previously with Coopers & Lybrand Malaysia (now known as Pricewaterhouse Coopers) for 22 years from 1971 to 1993 of which he was a Partner from 1987 to 1993. He previously served as director of Gadek Berhad, Gadek Capital Berhad, Ipunda Berhad and Credit Corporation of Malaysia Berhad. He is currently a director of public listed Ho Hup Construction Company Berhad and MHC Plantations Berhad and is also involved in his own business, providing advisory services in relation to his own profession.

Chairman's Statement

Introduction

On behalf of the Board I present the Annual Report of the Company for the financial year ended 31 December 2007.

The global economy continued to expand in 2007 at 4.9% p.a. albeit at a slower pace than the 5.1% recorded for 2006. Although growth in the United States slowed considerably with the onset of the now infamous sub-prime residential mortgages financial crisis in August 2007, activities in emerging market countries continued to expand robustly led by rapid growth in China, India and Russia.

The year under review also saw oil prices spiraling to record highs against the backdrop of high demand outstripping limited supply. Prices of bulk latex similarly remained high because of sustained demand for the raw material and its link to oil prices.

Against this backdrop, the Group's operating profit before interest, depreciation and taxes decreased by 37% from RM20.9 million in 2006 to RM13.1 million in 2007. Margins were battered mainly because of the spiraling raw material cost of latex. Product prices to customers had to be increased on several occasions during the year to cushion the impact.

Financial Results

The Group achieved a sales turnover of RM144.9 million in 2007 compared to RM121.4 million in 2006. This represented an increase of 19%, with contribution coming from our China operations. However, Group loss after tax attributable to shareholders was RM1.7 million, compared to a profit of RM6.9 million in 2006. This loss was recorded for the first time owing to the persistently high latex cost that eroded our profit margins and the need to support our China expansion during this gestation period. The drastic strengthening of the Ringgit throughout the year aggravated the situation further.

Nevertheless, we are optimistic that a turnaround can be expected in 2008 when our production lines in China begin to significantly increase and better product prices are obtained from customers to reflect the increase in raw materials and other costs.

Dividends

The Board will continue with its policy of paying dividends as long as Group performance is satisfactory. The first interim dividend of 6 sen tax-exempt in respect of the financial just ended was paid on 25 May 2007 and the Company also paid another dividend of 5 sen tax-exempt in February 2008 in respect of financial year 2008.

Corporate exercise

Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

During the year, the Company completed a renounceable Rights Issue of 4% irredeemable convertible unsecured loan stocks ("ICULS") 2007/2012 with proceeds raised of RM53.0 million primarily used to fund capital expenditure in China. The ICULS were issued to shareholders and listed on Bursa Malaysia Securities Berhad in August 2007 together with 26,491,809 free Warrants.

Future prospects

The financial year 2007 had been a very challenging year for the Group in terms of managing high raw materials costs and rising crude oil prices that impacted on our costs of doing business. Coupled with the Ringgit's strengthening against the U.S. Dollar during the year, we saw our profitability suffered for the first time in more than ten years since listing.

The new financial year 2008 will see further sales growth and better operating margins when our plant in China comes on full stream and more phases of factory expansion gaining higher productivity and efficiencies. Our entry into the disposable glove market via gloves produced in China has put us in a stronger position in the market through the diversified product ranges. Moreover our trading and marketing offices in Europe and Hong Kong have showed positive returns and making increasing profit contributions to the Group.

Despite the slowdown in the U.S. economy, the Group is confident of positive earnings and revenue in the new financial year as we see our various marketing plans bear fruit and witness returns from our investments overseas.

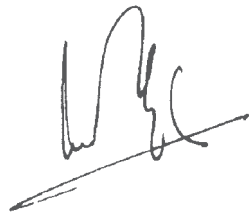
Appreciation and acknowledgment

First of all, we are sad to report that our director, Dr. Nawawi bin Mat Awin, passed away on 14 March 2008. His demise is deeply felt by the directors and staff of the Group. We place on record our deepest sympathy and heartfelt condolence to his family.

On another note, we welcome to the Board En. Mustapha bin Mohamed, a new independent director of the Company who was appointed on 11 April 2008.

Last but not least, on behalf of the Board I wish to express our sincere 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.

A handwritten signature in black ink, appearing to be 'M. Hamzah', written over a horizontal line.

Dato' Mohamed bin Hamzah
Chairman

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, deceased on 14 March 2008)
Ping Kok Koh	(Non-independent Managing Director, resigned on 09 November 2007)
Dato' Abdul Rahim bin Abdul Halim	(Independent Non-Executive Director, appointed on 09 November 2007)
Mustapha bin Mohamed	(Independent Non-Executive Director, appointed on 11 April 2008)

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 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 2007. The attendance record of each member is as follows:-

Audit committee members:-	Attendance
Dato' Mohamed bin Hamzah	4/4
Dr. Nawawi bin Mat Awin	4/4
Ping Kok Koh (resigned on 09 November 2007)	3/4
Dato' Abdul Rahim bin Abdul Halim (appointed on 09 November 2007)	1/4

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 Bursatra Sdn Bhd, and complied with the Continuous Education Programme requirements.

Four Board Meetings were held during the financial year ended 31 December 2007. The attendance record of each director since the date of appointment is as follows:

Name	Attendance
Dato' Mohamed bin Hamzah	4/4
Dr. Nawawi bin Mat Awin	4/4
Sharifuddin bin Shoib	4/4
Poh Choo Lim	4/4
Yap Jek Nan	2/4
Dato' Abdul Rahim bin Abdul Halim	4/4
Ping Kok Koh	4/4
Voon Chong Kian (alternate to Ping Kok Koh)	4/4
Mustapha bin Mohamed (appointed on 11 April 2008)	-

The Board composition in respect of the ratio of independent directors is two or 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.

Statement Of Corporate Governance

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 (deceased on 14 March 2008)
Mustapha bin Mohamed (appointed on 11 April 2008)

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 (deceased on 14 March 2008)
Mustapha bin Mohamed (appointed on 11 April 2008)

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 directors of the Company comprising remuneration received or receivable from the Company and subsidiary companies during the financial year ended 31 December 2007 are as follows:-

1. Aggregate remuneration of directors categorised into appropriate components:

	Emoluments RM	Fees RM	Total RM
Executive Directors	287,112	-	287,112
Non-executive Directors	-	127,500	127,500

2. Number of Directors whose remuneration falls into the following bands:

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

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

Statement Of Corporate Governance

Shareholders

Shareholders are kept informed of all material business matters affecting the Company 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(s):-

Chan Chee Kheong, Company Secretary
Chang Pooi Yee, Company Secretary
Tel no.: 605 548 0888
Fax no.: 605 545 9222

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.

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

Audit Committee

The Company has an Audit Committee whose composition meets the 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 by-laws.

OTHER INFORMATION

Utilisation of Proceeds

- (1) Medium Term Notes (MTN) Programme
During the current financial year, the Company issued an additional RM8.0 million medium term notes for the purpose as set out below:

	RM'000	Purpose	Interest rate(s)
Total MTN Programme	50,000	Capital expenditure in China and Malaysia and working capital of the Group	7.5% - 7.7% per annum payable semi-annually
Issued in 2006	(35,000)		
Issued in 2007	(8,000)		
Balance un-issued	<u>7,000</u>		

- (2) Irredeemable Convertible Unsecured Loan Stocks (ICULS) with free Warrants
A total of RM52,984,386 was raised from the completion of the ICULS exercise during the financial year and the proceeds have been utilised as follows:

	RM	Coupon rate
Capital expenditure in China	50,000,000	4.0% per annum
Defray estimated expenses	1,300,000	payable semi-annually
Working capital of the Group	<u>1,684,386</u>	
	<u>52,984,386</u>	

Upon the issuance of the ICULS, a total of 26,491,809 free Warrants were distributed to ICULS holders.

Statement Of Corporate Governance

Share Buy-backs

A total of 53,000 shares were bought back and retained as treasury shares during the financial year as set out below:

Month	No. of shares purchased and retained as Treasury Shares	Lowest price paid RM	Highest price paid RM	Average price paid # RM	Total consideration paid RM
November 2007	53,000	1.16	1.19	1.20	63,447

inclusive of brokerage, commission, clearing house fee and stamp duty

None of the treasury shares held were resold or cancelled during the financial year.

Options, Warrants and Convertible Securities

Other than the exercise of options under the Company's Executive Share Option Scheme (ESOS) disclosed in the Directors' Report, there were no other issues of options, warrants or convertible securities during the financial year.

American Depository Receipt (ADR)/Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR Programmes during the financial year.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any local or foreign regulatory bodies during the financial year.

Non-audit fees

The non-audit fees paid to the external auditors for the financial year amounted to RM46,300.

Variation in results

There was no material variance between the audited results of the Group for the financial year ended 31 December 2007 and unaudited results previously released on 25 February 2008.

Profit Estimate, Forecast of Projection and/or Profit Guarantee

The Company did not release any profit estimate, forecast, projection or guarantee for the financial year just ended.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the directors and/or substantial shareholders or contracts relating to loans entered into by the Company and its subsidiaries during the financial year ended 31 December 2007.

Revaluation Policy on landed properties

There was no revaluation of landed properties during the financial year ended 31 December 2007.

Corporate Social Responsibility (CSR)

The Company did not carry out any CSR activities during the financial year ended 31 December 2007.

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 of 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 31 March 2008

Authorised Share Capital	: RM200,000,000
Issued and Paid up Capital	: RM79,483,702
Treasury Shares	: RM81,588
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 31 MARCH 2008 (Excluding 69,200 Treasury Shares)

Size of Shareholdings as at 31 March 2008	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	194	5.63	9,512	0.01
100 – 1,000	398	11.55	323,288	0.41
1,001 – 10,000	2,347	68.10	8,544,389	10.76
10,001 – 100,000	451	13.09	11,444,419	14.41
100,001 to less than 5% of issued shares	52	1.51	29,285,093	36.88
5% and above of issued shares	4	0.12	29,807,801	37.53
Total	3,446	100.00	79,414,502	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES (Excluding 69,200 Treasury Shares)

No.	Name	Shares	%
1	Med-Bumikar Mara Sdn Bhd	9,965,533	12.55
2	Duvest Holdings Sdn Bhd	9,175,601	11.55
3	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Med-Bumikar Mara Sdn Bhd	6,666,667	8.39
4	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Morgan Stanley & Co Incorporated	4,000,000	5.04
5	Teng Cheng Bon @ Teng Kim Tee	3,444,592	4.34
6	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Aun Huat & Brothers Sdn Bhd	3,000,000	3.78
7	Aun Huat & Brothers Sdn Bhd	2,654,761	3.34
8	Aun Huat & Brothers Sdn Bhd	2,498,334	3.15
9	Kon Choi Ying	1,467,319	1.85
10	Kurnia Insurans (Malaysia) Berhad	1,400,000	1.76
11	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Ping Kok Koh	1,273,676	1.60
12	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Sharifuddin bin Shoib	1,082,271	1.36
13	Malaysian Reinsurance Berhad	997,000	1.26
14	ECML Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Voon Chong Kian	800,083	1.01
15	Amanah Raya Nominees (Tempatan) Sdn Bhd – Public Islamic Opportunities Fund	724,100	0.91
16	Koh Yit Ming @ Quek Yit Ming	712,100	0.90
17	Tok Peck Hong	685,167	0.86
18	Malaysian Reinsurance Berhad	606,700	0.76
19	TA Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Liew Yam Fee	600,000	0.76
20	MNRB Holdings Berhad	500,000	0.63
21	Teng Cheng Bon @ Teng Kim Tee	448,066	0.56
22	Wong Kit Peng	400,300	0.50
23	Rampai Dedikasi Sdn Bhd	400,000	0.50
24	Sumbang Permai Sdn Bhd	361,900	0.46
25	Woi Yoon Kim	332,667	0.42
26	Dato' Mohamed bin Hamzah	290,246	0.37
27	Shum Yoke Chee	278,703	0.35
28	Dato' Yap Lim Sen	241,700	0.30
29	Chow Song Kuang	226,800	0.29
30	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Ping Kok Koh	223,200	0.28
Total		55,457,486	69.83

Statement Of Shareholdings

as at 31 March 2008

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2008 ORDINARY SHARES OF RM1.00 EACH (Excluding 69,200 Treasury Shares)

	No. of shares held			
	Direct	%	Indirect	%
Med-Bumikar Mara Sdn Bhd	16,632,200	20.94	-	-
Duvest Holdings Sdn Bhd	9,175,601	11.55	-	-
Teng Cheng Bon @ Teng Kim Tee	3,892,658	4.90	9,175,601	11.55 *
Aun Huat & Brothers Sdn Bhd	8,174,496	10.29	-	-
Ping Kok Koh	-	-	12,182,363	15.34 \\\
Sharifuddin bin Shoib	27,057	0.03	10,257,872	12.92 **
Poh Chee Meng @ Fook Fatt	26,000	-	8,312,096	10.47 ^
P & F Holdings Sdn Bhd	185,333	0.23	8,174,496	10.29 ++
Poh Cheong Meng & Sons Sdn Bhd	185,333	0.23	8,174,496	10.29 ++
Poh Yin Hoe & Sons Holding Sdn Bhd	-	-	8,174,496	10.29 ++
Poh Chee Meng & Sons Holdings Sdn Bhd	137,600	0.17	8,174,496	10.29 ++

* Deemed interest through Duvest Holdings Sdn Bhd

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

** Deemed interest through Duvest Holdings Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd

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

++ Held directly by Aun Huat & Brothers Sdn Bhd

DIRECTORS' INTERESTS AS AT 31 MARCH 2008 ORDINARY SHARES OF RM1.00 EACH (Excluding 69,200 Treasury Shares)

	No. of shares held			
	Direct	%	Indirect	%
Dato' Mohamed bin Hamzah	290,246	0.37	-	-
Sharifuddin bin Shoib	27,057	0.03	10,257,872	12.92
Poh Choo Lim	-	-	-	-
Yap Jek Nan	-	-	-	-
Dato' Abdul Rahim bin Abdul Halim	-	-	-	-
Ping Kok Koh	-	-	12,182,363	15.34
Voon Chong Kian (Alternate Director)	800,157	1.01	56,00	0.07

Statement Of Shareholdings

as at 31 March 2008

SUBSTANTIAL ICULS HOLDERS AS AT 31 MARCH 2008

	Direct	No. of ICULS held		%
		%	Indirect	
Med-Bumikar Mara Sdn Bhd	11,088,132	20.93	-	-
Duvest Holdings Sdn Bhd	6,117,067	11.55	-	-
Teng Cheng Bon @ Teng Kim Tee	76,800	0.14	6,117,067	11.55 *
Aun Huat & Brothers Sdn Bhd	5,449,663	10.29	-	-
Ping Kok Koh	-	-	6,867,067	12.96 \\\
Sharifuddin bin Shoib	-	-	6,117,067	11.55 *
Poh Chee Meng @ Fook Fatt	17,333	0.03	5,541,396	10.46 ^
P & F Holdings Sdn Bhd	-	-	5,449,663	10.29 ++
Poh Cheong Meng & Sons Sdn Bhd	123,555	0.23	5,449,663	10.29 ++
Poh Yin Hoe & Sons Holding Sdn Bhd	-	-	5,449,663	10.29 ++
Poh Chee Meng & Sons Holdings Sdn Bhd	91,733	0.17	5,449,663	10.29 ++
RHB Investment Bank Berhad	6,322,751	11.93	-	-

* Deemed interest through Duvest Holdings Sdn Bhd

\\ Deemed interest through Duvest Holdings Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd

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

++ Held directly by Aun Huat & Brothers Sdn Bhd

DIRECTORS' INTERESTS FOR ICULS AS AT 31 MARCH 2008

	Direct	No. of ICULS held		%
		%	Indirect	
Dato' Mohamed bin Hamzah	193,497	0.37	-	-
Sharifuddin bin Shoib	-	-	6,117,067	11.55
Poh Choo Lim	-	-	-	-
Yap Jek Nan	-	-	-	-
Dato' Abdul Rahim bin Abdul Halim	-	-	-	-
Ping Kok Koh	-	-	6,867,067	12.96
Voon Chong Kian (Alternate Director)	33	-	-	-

Statement Of Shareholdings

as at 31 March 2008

Total Warrants issued : 26,491,809
Class of Securities : Warrants

DISTRIBUTION OF WARRANTS HOLDERS AS AT 31 MARCH 2008

Size of Shareholdings as at 31 March 2008	No. of Holders	% of Holders	No. of Warrants	% of Warrants
Less than 100	29	1.95	1,647	0.01
100 – 1,000	563	37.76	429,407	1.62
1,001 – 10,000	721	48.35	2,622,027	9.90
10,001 – 100,000	152	10.19	4,537,116	17.13
100,001 to less than 5% of issued shares	22	1.48	7,137,762	26.94
5% and above of issued shares	4	0.27	11,763,850	44.40
Total	1,491	100.00	26,491,800	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS

No.	Name	Shares	%
1	Med-Bumikar Mara Sdn Bhd	3,321,844	12.54
2	RHB Investment Bank Berhad	3,161,251	11.93
3	Duvest Holdings Sdn Bhd	3,058,533	11.55
4	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Med-Bumikar Mara Sdn Bhd	2,222,222	8.39
5	ECML Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Voon Chong Kian	1,000,066	3.78
6	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Aun Huat & Brothers Sdn Bhd	1,000,000	3.77
7	Aun Huat & Brothers Sdn Bhd	884,920	3.34
8	Aun Huat & Brothers Sdn Bhd	832,778	3.14
9	Sumbang Permai Sdn Bhd	553,998	2.09
10	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Ping Kok Koh	375,000	1.42
11	Kurnia Insurans (Malaysia) Berhad	350,000	1.32
12	Ng Ho Fatt	250,400	0.95
13	ECML Nominees (Tempatan) Sdn Bhd – Kestrel Capital Partners (M) Sdn Bhd for Ee Wee Lee	250,000	0.94
14	Eu Mui @ Ee Soo Mei	201,000	0.76
15	Tay Soo Cheng	175,000	0.66
16	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Tan Sun Ping	150,000	0.57
17	Rampai Dedikasi Sdn Bhd	150,000	0.57
18	Chua Chung Ban	126,000	0.48
19	Sia Tong Sea	115,500	0.44
20	Chern Tee Song	108,000	0.41
21	Ooi Chee Min	106,600	0.40
22	Ee Soh Lan @ Ee Mee Lan	105,000	0.40
23	Adrian Tan Wei Sern	101,000	0.38
24	Ee Boon Kin	101,000	0.38
25	Tan Ah Kow @ Tan Chee Lin	101,000	0.38
26	Er Kim See	100,500	0.38
27	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities A/C for Wong Kwee Fong	100,000	0.38
28	Dato' Mohamed bin Hamzah	96,748	0.37
29	Shum Yoke Chee	95,000	0.36
30	Sia Ban Loong	95,000	0.36
Total		19,288,360	72.81

Statement Of Shareholdings

as at 31 March 2008

SUBSTANTIAL WARRANTS HOLDERS AS AT 31 MARCH 2008

	Direct	No. of Warrants held		%
		%	Indirect	
Med-Bumikar Mara Sdn Bhd	5,544,066	20.93	-	-
Duvest Holdings Sdn Bhd	3,058,533	11.55	-	-
Teng Cheng Bon @ Teng Kim Tee	57,500	0.22	3,058,533	11.55 *
Aun Huat & Brothers Sdn Bhd	2,724,831	10.29	-	-
Ping Kok Koh	-	-	3,433,533	12.96 \\\
Sharifuddin bin Shoib	-	-	3,058,533	11.55 *
Poh Chee Meng @ Fook Fatt	8,666	0.03	2,770,697	10.46 ^
P & F Holdings Sdn Bhd	-	-	2,724,831	10.29 ++
Poh Cheong Meng & Sons Sdn Bhd	61,777	0.23	2,724,831	10.29 ++
Poh Yin Hoe & Sons Holding Sdn Bhd	-	-	2,724,831	10.29 ++
Poh Chee Meng & Sons Holdings Sdn Bhd	45,866	0.17	2,724,831	10.29 ++

* Deemed interest through Duvest Holdings Sdn Bhd

\\ Deemed interest through Duvest Holdings Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd

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

++ Held directly by Aun Huat & Brothers Sdn Bhd

DIRECTORS' INTERESTS FOR WARRANTS AS AT 31 MARCH 2008

	Direct	No. of Warrants held		%
		%	Indirect	
Dato' Mohamed bin Hamzah	96,748	0.37	-	-
Sharifuddin bin Shoib	-	-	3,058,533	11.55
Poh Choo Lim	-	-	-	-
Yap Jek Nan	-	-	-	-
Dato' Abdul Rahim bin Abdul Halim	-	-	-	-
Ping Kok Koh	-	-	3,433,533	12.96
Voon Chong Kian (Alternate Director)	1,000,066	3.78	-	-

Financial Statements

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Directors' Report

The directors of RUBBEREX CORPORATION (M) BERHAD hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 15 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.

SIGNIFICANT EVENT

During the financial year, the Company undertook a renounceable Rights Issue exercise of RM52,984,386 nominal value of 4%, 5-year irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value together with 26,491,809 free warrants ("Warrants"), on the basis of 2 ICULS of RM1.00 nominal value each with 1 free detachable warrant for every 3 existing ordinary shares held by entitled shareholders.

The proceeds from the issuance of ICULS were utilised for further capital expenditure in China, for working capital of the Group and to defray estimated expenses.

The Rights Issue exercise was completed with the listing of the ICULS and Warrants on Bursa Malaysia Securities Berhad on 22 August 2007.

Details of the ICULS are set out in Note 25 to the Financial Statements.

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
(Loss)/Profit before tax	(4,484,638)	6,747,862
Income tax expense	(230,437)	(2,353,503)
(Loss)/Profit for the year	<u>(4,715,075)</u>	<u>4,394,359</u>
Attributable to:		
Equity holders of the Company	(1,626,446)	4,394,359
Minority interests	(3,088,629)	-
	<u>(4,715,075)</u>	<u>4,394,359</u>

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 other than the change in accounting policies arising from the adoption of all the new and revised Standards and Interpretations issued by the Malaysian Accounting Standards Board ("MASB") as disclosed in Note 2 to the Financial Statements.

DIVIDENDS

A second interim dividend of 5%, tax-exempt, amounting to RM3,965,135 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 2007, a first interim dividend of 6%, tax-exempt, amounting to RM4,764,522 was paid on 25 May 2007.

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.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

At an Extraordinary General Meeting held on 31 May 2007, the shareholders approved an increase in the authorised share capital of the Company from RM100,000,000 to RM200,000,000 by the creation of 100,000,000 new ordinary shares of RM1.00 each.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM79,287,702 to RM79,483,702 by way of an issue of 196,000 new ordinary shares of RM1.00 each for cash pursuant to the ESOS of the Company at an exercise price of RM1.49 per ordinary share.

The resulting premium arising from the shares issued of RM96,040 has been credited to the share premium account.

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

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

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on 31 May 2007, approved the Company's plan to repurchase its own shares. Details of the shares bought back and held as Treasury Shares are as follows:

Month	No. of shares repurchased	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share (including incidental costs) RM	Total consideration RM
November 2007	53,000	1.19	1.16	1.20	63,447

The mandate given by the shareholders will expire at the forthcoming AGM and an ordinary resolution will be tabled at the AGM for shareholders to grant a fresh mandate for another year.

SHARE OPTIONS

Under the Company's Executive Share Option Scheme ("ESOS") which became effective on 08 July 2004, options to subscribe for unissued new ordinary shares of RM1.00 each in the Company were granted to eligible executive employees including executive directors of the Company and its subsidiary companies.

The salient features of the ESOS are as follows:

- (a) 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 By-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 By-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

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

Exercisable from	Exercise price per Ordinary share RM	Number of ordinary shares of RM1.00 each under options			
		Balance as at 01.01.2007	Exercised	Lapsed due to resignation	Balance as at 31.12.2007
08.07.2004	1.49	4,197,331	(196,000)	-	4,001,331

OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there are no bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

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

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

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

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made other than the change in accounting policies arising from the adoption of all the new and revised Standards and Interpretations issued by the MASB as disclosed in Note 2 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
Voon Chong Kian (alternate to Ping Kok Koh)
Dato' Abdul Rahim bin Abdul Halim
Mustapha bin Mohamed (appointed on 11 April 2008)
Dr. Nawawi bin Mat Awin (deceased on 14 March 2008)

In accordance with Article 91 of the Company's Articles of Association, Ping Kok Koh and Poh Choo Lim retire by rotation and, being eligible, offer themselves for re-election.

Mustapha bin Mohamed who was appointed to the Board since the last Annual General Meeting, retires under Article 98 of the Company's Articles of Association and, being eligible, offers himself for re-election.

Directors' Report

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:

Shares in the Company	Number of ordinary shares of RM1.00 each			Balance as at 31.12.2007
	Balance as at 01.01.2007	Bought	Sold	
Registered in the name of directors				
Dato' Mohamed bin Hamzah	290,246	-	-	290,246
Ping Kok Koh	1,273,676	-	(1,273,676)	-
Sharifuddin bin Shoib	1,109,328	-	(1,082,271)	27,057
Voon Chong Kian (alternate to Ping Kok Koh)	201,357	200,000	-	401,357
Indirect interest				
Ping Kok Koh	10,908,387	1,273,676	-	12,182,063
Sharifuddin bin Shoib	9,175,601	1,082,271	-	10,257,872

In addition to the above, the following director is deemed to have interest in the shares of the Company to the extent of options granted to him pursuant to the ESOS of the Company:

Number of options over ordinary shares of RM1.00 each

Ping Kok Koh	906,667
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By virtue of their interests in the shares of 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 19 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.

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

DATO' MOHAMED BIN HAMZAH

Ipoh,
11 April 2008

**Report Of The Auditors To The Members Of
Rubberex Corporation (M) Berhad**
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as at 31 December 2007 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. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain 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 Malaysian Accounting Standards Board 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 31, 2007 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 Companies Act, 1965 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 Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors, have been properly kept in accordance with the provisions of the Companies Act, 1965.

We have considered the financial statements of the subsidiary companies, of which we have not acted as auditors, as mentioned under Note 15 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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 Companies Act, 1965.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

YEOH SIEW MING
2421/05/09(J/PH)
Partner

11 April 2008

Income Statements

For The Financial Year Ended 31 December 2007

		Group		Company	
	Note	2007 RM	2006 RM	2007 RM	2006 RM
Revenue	4	144,929,207	121,389,527	11,500,000	13,396,700
Investment revenue	6	97,558	86,546	794,026	38,922
Other gains and losses	7	(520,939)	113,155	(4,628,817)	(1,045,198)
Other operating income	9	68,215	-	1,410	-
Changes in inventories of finished goods, trading goods and work-in-progress		2,203,540	8,844,497	-	-
Purchase of finished goods and trading goods		(12,621,199)	(10,173,206)	-	-
Raw materials and consumables used		(68,960,183)	(62,922,434)	-	-
Directors' remuneration	8	(989,724)	(1,046,554)	(127,500)	(122,500)
Employee benefits expense	9	(23,362,929)	(17,927,088)	-	-
Depreciation expense	13	(11,919,876)	(10,378,654)	-	-
Amortisation of prepaid lease payments	14	(216,465)	(27,300)	-	-
Finance costs	10	(5,451,143)	(2,329,559)	(291,207)	(140,803)
Other expenses	9	(27,740,700)	(17,420,932)	(500,050)	(600,752)
(Loss)/Profit before tax		(4,484,638)	8,207,998	6,747,862	11,526,369
Income tax expense	11	(230,437)	(1,625,174)	(2,353,503)	(1,996,176)
(Loss)/Profit for the year		(4,715,075)	6,582,824	4,394,359	9,530,193
Attributable to:					
Equity holders of the Company		(1,626,446)	6,878,533	4,394,359	9,530,193
Minority interests		(3,088,629)	(295,709)	-	-
		(4,715,075)	6,582,824	4,394,359	9,530,193
Earnings per share					
Basic (sen per share)	12	(2.05)	8.72		
Diluted (sen per share)	12	(2.05)	8.56		

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

Balance Sheets

As At 31 December 2007

		Group		Company	
Note(s)	2007 RM	2006 RM	2007 RM	2006 RM	
ASSETS					
Non-current assets					
Property, plant and equipment	13	112,557,563	77,051,663	-	-
Prepaid lease payments (non-current)	14	13,667,634	9,655,498	-	-
Investments in subsidiary companies	15	-	-	39,364,760	36,713,102
Goodwill on consolidation	16	2,793,422	2,793,422	-	-
Deferred tax asset	11	116,109	-	116,109	-
Total non-current assets		129,134,728	89,500,583	39,480,869	36,713,102
Current assets					
Inventories	17	61,837,397	56,864,200	-	-
Trade and other receivables	18&19	28,467,958	25,139,709	-	-
Amount owing by subsidiary companies	19	-	-	144,139,275	92,312,734
Current tax assets	11	2,931,546	1,071,966	192,197	72,679
Other assets	20	5,158,252	3,617,113	1,000	1,000
Fixed deposits, cash and bank balances	21	12,639,507	9,857,084	1,811,218	164,548
Total current assets		111,034,660	96,550,072	146,143,690	92,550,961
Total assets		240,169,388	186,050,655	185,624,559	129,264,063
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	22	79,483,702	79,287,702	79,483,702	79,287,702
Treasury shares	22	(63,447)	-	(63,447)	-
Reserves	23	6,456,225	8,804,915	10,787,886	10,691,846
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	25	43,256,775	-	43,256,775	-
Retained earnings/(Accumulated loss)		5,182,557	11,573,525	(279,330)	90,833
Equity attributable to equity holders of the Company		134,315,812	99,666,142	133,185,586	90,070,381
Minority interest		7,639,425	7,146,795	-	-
Total equity		141,955,237	106,812,937	133,185,586	90,070,381
Non-current liabilities					
Deferred tax liabilities	11	4,690,063	5,284,665	-	-
Borrowings	27	52,898,965	38,546,131	51,245,569	35,000,000
Total non-current liabilities		57,589,028	43,830,796	51,245,569	35,000,000
Current liabilities					
Trade and other payables	19&28	21,519,614	12,296,376	54,455	106,047
Borrowings	27	15,219,527	17,528,406	-	-
Current tax liabilities	11	691,434	83,045	-	-
Other liabilities – accrued expenses		3,194,548	1,533,960	1,138,949	122,500
Dividend payable		-	3,965,135	-	3,965,135
Total current liabilities		40,625,123	35,406,922	1,193,404	4,193,682
Total liabilities		98,214,151	79,237,718	52,438,973	39,193,682
Total equity and liabilities		240,169,388	186,050,655	185,624,559	129,264,063

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

Statement Of Changes In Equity

For The Year Ended 31 December 2007

Group	Note	Attributable to Equity Holders of the Company								Total Equity RM
		Issued Capital RM	Treasury Shares RM	Irredeemable Convertible Unsecured Loan Stocks ("ICULS") RM	Share Premium RM	Non-distributable Reserves Translation Reserve RM	Distributable Reserve Retained Earnings RM	Subtotal RM	Minority Interest RM	
Balance as at 01 January 2006		78,059,368	-	-	10,089,963	102,988	14,337,088	102,589,407	5,192,121	107,781,528
Exchange differences arising on translation of foreign subsidiaries		-	-	-	-	(1,989,919)	-	(1,989,919)	10,383	(1,979,536)
Net income/(expense) recognised directly in equity		-	-	-	-	(1,989,919)	-	(1,989,919)	10,383	(1,979,536)
Profit for the year		-	-	-	-	-	6,878,533	6,878,533	(295,709)	6,582,824
Total recognised income and expense		-	-	-	-	(1,989,919)	6,878,533	4,888,614	(285,326)	4,603,288
Dividends	24	-	-	-	-	-	(9,642,096)	(9,642,096)	-	(9,642,096)
Issue of shares:										
Exercise of share options under ESOS	22	1,228,334	-	-	601,883	-	-	1,830,217	-	1,830,217
Issuance of shares to minority shareholders		-	-	-	-	-	-	-	2,240,000	2,240,000
Balance as at 31 December 2006		79,287,702	-	-	10,691,846	(1,886,931)	11,573,525	99,666,142	7,146,795	106,812,937
Balance as at 01 January 2007		79,287,702	-	-	10,691,846	(1,886,931)	11,573,525	99,666,142	7,146,795	106,812,937
Exchange differences arising on translation of foreign subsidiaries		-	-	-	-	(2,444,730)	-	(2,444,730)	1,813,487	(631,243)
Net income/(expense) recognised directly in equity		-	-	-	-	(2,444,730)	-	(2,444,730)	1,813,487	(631,243)
Loss for the year		-	-	-	-	-	(1,626,446)	(1,626,446)	(3,088,629)	(4,715,075)
Total recognised income and expense		-	-	-	-	(2,444,730)	(1,626,446)	(4,071,176)	(1,275,142)	(5,346,318)
Dividends	24	-	-	-	-	-	(4,764,522)	(4,764,522)	-	(4,764,522)
Issue of shares:										
Exercise of share options under ESOS	22	196,000	-	-	96,040	-	-	292,040	-	292,040
Issuance of shares to minority shareholders		-	-	-	-	-	-	-	1,767,772	1,767,772
Purchase of treasury shares		-	(63,447)	-	-	-	-	(63,447)	-	(63,447)
ICULS (equity component), net of tax		-	-	43,256,775	-	-	-	43,256,775	-	43,256,775
Balance as at 31 December 2007		79,483,702	(63,447)	43,256,775	10,787,886	(4,331,661)	5,182,557	134,315,812	7,639,425	141,955,237

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

Statement Of Changes In Equity

For The Year Ended 31 December 2007

Company	Note	Attributable to Equity Holders of the Company						Total Equity RM
		Issued Capital RM	Treasury Shares RM	Irredeemable Convertible Unsecured Loan Stocks ("ICULS") RM	Non- distributable Reserve Share Premium RM	(Accumulated Loss)/ Retained Earnings RM		
Balance as at 01 January 2006		78,059,368	-	-	10,089,963	202,736		88,352,067
Total recognised income and expense:								
Profit for the year		-	-	-	-	9,530,193		9,530,193
Issue of shares:								
Exercise of share options under ESOS	22	1,228,334	-	-	601,883	-		1,830,217
Dividends	24	-	-	-	-	(9,642,096)		(9,642,096)
Balance as at 31 December 2006		79,287,702	-	-	10,691,846	90,833		90,070,381
Total recognised income and expense:								
Profit for the year		-	-	-	-	4,394,359		4,394,359
Issue of shares:								
Exercise of share options under ESOS	22	196,000	-	-	96,040	-		292,040
Dividends	24	-	-	-	-	(4,764,522)		(4,764,522)
Purchase of treasury shares		-	(63,447)	-	-	-		(63,447)
ICULS (equity component), net of tax		-	-	43,256,775	-	-		43,256,775
Balance as at 31 December 2007		79,483,702	(63,447)	43,256,775	10,787,886	(279,330)		133,185,586

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

Cash Flow Statements

For The Financial Year Ended 31 December 2007

Group	Note	2007 RM	2006 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
(Loss)/Profit for the year		(4,715,075)	6,582,824
Adjustments for:			
Depreciation of property, plant and equipment		11,919,876	10,378,654
Finance costs		5,451,143	2,329,559
Allowance for inventories obsolescence		533,515	-
Allowance for doubtful debts		476,382	1,082,608
Property, plant and equipment written off		304,711	-
Income tax expense recognised in profit or loss		230,437	1,625,174
Amortisation of prepaid lease payments		216,465	27,300
Tax penalty		13,000	(115)
Loss/(Gain) on disposal of property, plant and equipment		143	(810)
Investment revenue recognised in profit or loss		(97,558)	(86,546)
Allowance for doubtful debts no longer required		(39,253)	-
		14,293,786	21,938,648
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		(4,845,273)	(10,227,533)
Trade and other receivables		(3,570,494)	1,762,460
Other assets		(1,549,525)	(3,403,339)
Increase/(Decrease) in:			
Trade and other payables		9,096,184	(2,647,756)
Other liabilities		1,663,391	565,894
		15,088,069	7,988,374
Cash Generated From Operations		(2,080,936)	(1,491,828)
Income tax paid			
Net Cash Generated From Operating Activities		13,007,133	6,496,546
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest on short-term and fixed deposits received		97,558	86,546
Proceeds from disposal of property, plant and equipment		799	5,270
Purchase of property, plant and equipment	30(a)	(47,527,401)	(33,206,109)
Acquisition of subsidiary companies *		(2,651,211)	-
Placement of fixed deposits		(714,000)	-
Net Cash Used In Investing Activities		(50,794,255)	(33,114,293)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from ICULS - Net		51,965,803	-
Proceeds from Medium Term Notes		8,000,000	35,000,000
Proceeds from issuance of shares to equity holders of the Company		292,040	1,830,217
Dividends paid		(8,729,657)	(11,294,355)
Finance costs paid		(6,038,989)	(2,329,559)
Repayment of bills payable		(4,088,000)	(3,951,000)
(Repayment of)/Proceeds from term loan		(1,303,178)	4,609,970
Treasury Shares		(63,447)	-
Proceeds from issuance of shares to minority shareholders		-	2,240,000
Net Cash Generated From Financing Activities		40,034,572	26,105,273
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,247,450	(512,474)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,381,517	8,974,234
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,368,591)	(1,080,243)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30(b)	8,260,376	7,381,517

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

Cash Flow Statements

For The Financial Year Ended 31 December 2007

Company	Note	2007 RM	2006 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		4,394,359	9,530,193
Adjustments for:			
Unrealised loss on foreign exchange		4,628,817	1,045,198
Income tax expense recognised in income statement		2,353,503	1,996,176
Finance costs		291,207	140,803
Dividend income		(11,500,000)	(13,396,700)
Investment revenue recognised in profit or loss		(794,026)	(38,922)
		(626,140)	(723,252)
Movements in working capital: (Decrease)/Increase in:			
Trade and other payables		(51,592)	15,045
Other liabilities		836,289	1,500
		158,557	(706,707)
Cash Generated From/(Used In) Operations		9,016,000	11,400,524
Dividends received from subsidiary companies		19,257	32,895
Income tax refunded			
		9,193,814	10,726,712
Net Cash Generated From Operating Activities			
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest on advances to subsidiary companies received		3,884,417	800,000
Interest on fixed deposits received		21,133	38,922
Advances granted to subsidiary companies - Net		(56,455,358)	(38,595,289)
Acquisition of subsidiary companies *		(2,651,658)	-
Placement of fixed deposits		(714,000)	-
Acquisition of additional shares in a subsidiary company		-	(3,360,000)
		(55,915,466)	(41,116,367)
Net Cash Used In Investing Activities			
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from ICULS - Net		51,965,803	-
Proceeds from Medium Term Notes		8,000,000	35,000,000
Proceeds from issuance of shares to equity holders of the Company		292,040	1,830,217
Dividends paid		(8,729,657)	(11,294,355)
Finance costs paid		(3,810,417)	(940,803)
Treasury Shares		(63,447)	-
		47,654,322	24,595,059
Net Cash Generated From Financing Activities			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		932,670	(5,794,596)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		164,548	5,959,144
CASH AND CASH EQUIVALENTS AT END OF YEAR	30(b)	1,097,218	164,548

* **ANALYSIS OF ACQUISITION OF SUBSIDIARY COMPANIES**

During the financial year, the Group acquired Billion Day International Limited and its subsidiary company and Rubberex (Hong Kong) Limited (formerly known as South Billion Investment Limited). The fair value of the assets acquired and the liabilities assumed are as follows:

	Billion Day International Limited and subsidiary 31 January 2007 RM	Rubberex (Hong Kong) Limited (formerly known as South Billion Investment Limited) 09 August 2007 RM	Total RM
Net assets as of date of acquisition:			
Property, plant and equipment	4,483,837	-	4,483,837
Cash balance	-	447	447
Other payables	(64,854)	-	(64,854)
	<hr/>		
Net assets acquired	4,418,983	447	4,419,430
Minority interest	(1,767,593)	(179)	(1,767,772)
	<hr/>		
Group's share of net assets/Total cash outflow of the Company	2,651,390	268	2,651,658
Less: Cash and cash equivalent of subsidiary companies acquired	-	(447)	(447)
	<hr/>		
Cash flow on acquisition, net of cash acquired	<u>2,651,390</u>	<u>(179)</u>	<u>2,651,211</u>

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

1. GENERAL INFORMATION

The Company is a limited liability company, incorporated and domiciled in Malaysia and listed on the Main 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 15.

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

The registered office of the Company is located at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 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 11 April 2008.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs")

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

(a) New and revised Standards and Interpretations

During the financial year, the Group and the Company adopted all of the new and revised Standards and Interpretations issued by the MASB that are relevant to their operations and effective for accounting periods beginning on or after 01 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the accounting policies of the Group and of the Company except as follows:

FRS 117: Leases

The standard requires the classification of leasehold land as prepaid lease payments. The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The prepaid lease payments will be amortised evenly over the lease term of the land.

Prior to 01 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Upon the adoption of FRS 117 on 01 January 2007, the unamortised cost of leasehold land of RM9,655,498 will be retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117.

The reclassification of leasehold land as prepaid lease payments was accounted for retrospectively with certain comparative financial information of the balance sheet of the Group restated. The retrospective adjustments do not have a financial impact to profit or loss of the Group.

FRS 124: Related Party Disclosures

The adoption of the revised FRS 124 has affected the identification of related parties of the Group and of the Company and the disclosure of related party transactions and balances.

A summary of the impact of the new and revised standards on the financial statements of the Group is set out in Note 34.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

(b) New and revised Standards and Interpretations issued but not yet adopted

At the date of authorisation of these financial statements for issue, the following new and revised Standards and Interpretations were issued but were not yet adopted by the Group and by the Company:

	Effective for financial periods beginning on or after
FRS, Amendments to FRS and Interpretations ("Int.")	
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates - <i>Net Investment in a Foreign Operation</i>	01 July 2007
Int. 1: Changes in Existing Decommissioning, Restoration & Similar Liabilities	01 July 2007
Int. 2: Members' Shares in Co-operative Entities & Similar Instruments	01 July 2007
Int. 5: Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitations Funds	01 July 2007
Int. 6: Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment	01 July 2007
Int. 7: Applying the Restatement Approach under <i>FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies</i>	01 July 2007
Int. 8: Scope of FRS 2	01 July 2007
FRS 107: Cash Flow Statements	01 July 2007
FRS 111: Construction Contracts	01 July 2007
FRS 112: Income Taxes	01 July 2007
FRS 118: Revenue	01 July 2007
FRS 119: Employee Benefits	*
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	01 July 2007
FRS 126: Accounting and Reporting by Retirement Benefits Plan	*
FRS 129: Financial Reporting in Hyperinflationary Economies	*
FRS 134: Interim Financial Reporting	01 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	01 July 2007

* These revised FRSs have the same effective date as their original FRSs.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139. The other new and revised FRSs and interpretations are either not relevant to the Group's and the Company's operations or the application are not expected to have any material impact on the Group's and the Company's financial statements.

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.

The principal accounting policies are set out 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 2007.

A subsidiary company is a company where the Group has control over 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.

Financial statements of subsidiary companies are consolidated with those of the Company 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 cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3, Business Combinations are recognised at their fair values at the acquisition date.

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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of amount of those interests at the date of the original business combination stated at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales tax, trade discounts and customer returns.

Sale of goods

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the customer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Commission income

Commission income from sale of goods is recognised when transfer of risk and rewards associated with goods sold have been completed.

Interest income

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

Dividend income

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

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of consolidation, the financial statements of the foreign subsidiaries have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate
Issued capital	- at historical rate
Revenue and expenses	- at average rate

Exchange differences arising on translation are taken up in foreign currency translation reserve under equity. On disposal of a foreign subsidiary, the accumulated translation differences are included in the determination of profit or loss on disposal.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

The principal closing rates used in the translation of foreign currency amounts are as follows:

<i>Foreign Currency</i>	31.12.2007	31.12.2006
	RM	RM
1 United States Dollar	3.3065	3.5298
1 Hong Kong Dollar	0.4238	0.4524
1 Chinese Renminbi	0.4527	0.4541
1 Euro	4.8756	4.5896
1 Sterling Pound	6.6070	6.8800

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Employee Benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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 contributions to the EPF are recognised as an expense when employees have rendered service entitling them to the contributions and are disclosed separately. The employees' contributions to EPF are included in salaries and wages. Foreign subsidiary companies make contributions to their own country's statutory defined contribution plan. Such contributions are recognised as an expense in the profit or loss as incurred.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

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 is recognised upon granting or the exercise of the options. When the options are exercised, the proceeds received net of any transaction costs are credited to the Company's share capital and share premium accordingly.

Property, Plant and Equipment

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

Depreciation is charged so as to write off the cost of assets, other than freehold land and capital work-in-progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are as follows:

Factory buildings	4.5% to 5%
Plant and machinery	9% to 25%
Factory and office equipment, furniture and fittings	18% to 25%
Electrical installation	10%
Motor vehicles	18% to 20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Leases

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease period is treated as an operating lease. The payment made on entering into or acquiring a leasehold interest is accounted for as prepaid lease payments at the balance sheet date. In the case of a lease of land and buildings, the prepaid lease payments are allocated whenever necessary, between the land element and buildings element of the lease at the inception of the lease in proportion to their relative fair value.

Prepaid lease payments on leasehold land are stated at surrogate cost less accumulated amortisation and accumulated impairment losses.

Long-term and Short-term Leasehold land are amortised over the lease period of 54 years and 50 years respectively.

Investments in Subsidiary Companies

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

Goodwill

Goodwill acquired in a business combination is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill arising on consolidation represents the excess of cost of business combination over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities recognised of the acquiree at the date of the combination.

Goodwill is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the consolidated profit or loss and any impairment loss recognised for goodwill is not subsequently reversed.

On disposal of an entity or operation, the goodwill associated with the entity or operation disposed of is included in the carrying amount of the entity or operation when determining the gain or loss on disposal.

Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of their tangible and intangible assets (other than inventories, goodwill and other 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 recoverable amount of the asset is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. 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, had no impairment loss had been recognised for the asset in prior years. A reversal is recognised immediately in profit or loss.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the "First-in, First-out" and "Weighted Average" methods. The cost of raw materials, packing materials, trading goods, 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 for inventories and all estimated costs of completion and costs necessary to make the sale.

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.

Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

ICULS are regarded as equity instruments. Under the effective interest rate method, the interest expense on the ICULS is computed by applying the prevailing market interest rate for a similar redeemable loan stock to the instrument. The difference between this amount and the interest paid is considered as the liability component of the ICULS.

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgements made by the management in the application of FRSs that have a significant effect on the financial statements and estimates with a significant risk or material adjustment in the next financial year include the estimation on useful life of property, plant and equipment, recoverability of receivables and impairment of goodwill. Note 16 to the Financial Statements contain information about the assumptions relating to goodwill impairment testing.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales of household and industrial rubber gloves	86,519,696	93,424,488	-	-
Trading of gloves, household items, kitchen items and personal protective products	41,665,205	27,595,020	-	-
Sales of disposable gloves	15,742,123	370,019	-	-
Sales of male latex condoms	1,002,183	-	-	-
Dividends (gross) received from subsidiary companies	-	-	11,500,000	13,396,700
	144,929,207	121,389,527	11,500,000	13,396,700

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 assets, is based on the Group's management and internal reporting structure.

Geographical segments by location of assets

Group 2007	Malaysia RM	People's Republic of China RM	Europe RM	Eliminations RM	Total RM
Revenue	143,922,490	34,021,379	32,580,481	(65,595,143)	144,929,207
Results					
Segment results	4,542,187	(9,156,305)	848,001	4,732,622	966,505
Finance costs					(5,451,143)
Loss before tax					(4,484,638)
Income tax expense					(230,437)
Loss for the year					(4,715,075)
Assets					
Segment assets	111,790,771	103,257,694	25,120,923	-	240,169,388
Liabilities					
Segment liabilities	84,130,957	12,137,654	1,945,540	-	98,214,151
Other Information					
Capital expenditure	4,226,287	43,292,971	55,843	-	47,575,101
Depreciation of property, plant and equipment	9,724,199	2,177,766	17,911	-	11,919,876
Group 2006	Malaysia RM	People's Republic of China RM	Europe RM	Eliminations RM	Total RM
Revenue	166,038,194	890,667	20,233,899	(65,773,233)	121,389,527
Results					
Segment results	21,854,812	(1,444,587)	(519,704)	(9,352,964)	10,537,557
Finance costs					(2,329,559)
Profit before tax					8,207,998
Income tax expense					(1,625,174)
Profit for the year					6,582,824
Assets					
Segment assets	124,397,290	45,182,065	16,471,300	-	186,050,655
Liabilities					
Segment liabilities	73,191,158	5,562,255	484,305	-	79,237,718
Other Information					
Capital expenditure	10,007,010	23,326,910	10,560	-	33,344,480
Depreciation of property, plant and equipment	10,261,999	134,057	2,380	-	10,398,436

Revenue from sales to external customers by location of customers:

	Group	
	2007 RM	2006 RM
Europe	81,583,922	78,506,176
North and South America	31,986,550	26,083,554
Rest of the world	31,358,735	16,799,797
	<u>144,929,207</u>	<u>121,389,527</u>

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, industrial and disposable rubber gloves.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

6. INVESTMENT REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest income from:				
Short-term deposits	76,425	47,624	-	-
Fixed deposits	21,133	38,922	21,133	38,922
Advances to subsidiary companies	-	-	772,893	-
	97,558	86,546	794,026	38,922

7. OTHER GAINS AND LOSSES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Realised (loss)/gain on foreign exchange	(520,796)	112,345	-	-
(Loss)/Gain on disposal of property, plant and equipment	(143)	810	-	-
Unrealised loss on foreign exchange	-	-	(4,628,817)	(1,045,198)
	(520,939)	113,155	(4,628,817)	(1,045,198)

8. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive directors:				
Salaries, allowances and bonuses	772,836	828,054	-	-
Contributions to EPF	89,388	96,000	-	-
	862,224	924,054	-	-
Non-executive directors:				
Fees	127,500	122,500	127,500	122,500
	989,724	1,046,554	127,500	122,500

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM2,400 (2006: RM2,400).

9. OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFITS EXPENSE

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Allowance for doubtful debts no longer required	39,253	-	-	-
Allowance for inventories obsolescence	(533,515)	-	-	-
Allowance for doubtful debts	(476,382)	(1,082,608)	-	-
Property, plant and equipment written off	(304,711)	-	-	-
Auditors remuneration:				
Statutory audit:				
Current year	(277,056)	(193,978)	(30,000)	(30,000)
Previous year	(13,272)	-	-	-
Non-audit services	(46,300)	(51,856)	-	-
Rental of premises	(193,931)	(135,939)	-	-
Rental of motor vehicle	(32,489)	(1,932)	-	-
Preliminary expenses written off	(20,317)	-	-	-

Included in employee benefits expense are contributions made by the Group to the EPF (defined contribution plan) of RM1,206,700 (2006: RM1,085,118).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

10. FINANCE COSTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest on:				
Medium Term Notes	3,066,113	940,087	-	140,087
Bills payable	846,139	739,220	-	-
Bridging loan	453,865	-	77,626	-
Term loan	237,718	30,066	-	-
ICULS	213,444	-	213,444	-
Bank overdrafts	108,306	97,545	-	-
Bank charges and commitment fees	525,558	522,641	137	716
	5,451,143	2,329,559	291,207	140,803

Interest on Medium Term Notes of RM3,066,113 (2006: RM800,000) which were utilised and borne by subsidiary companies, were set off against interest on advances received from the subsidiaries in the financial statements of the Company.

11. INCOME TAX EXPENSE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Income tax expense comprises:				
Current tax expense	(1,206,595)	(2,323,045)	(2,414,219)	(1,996,176)
Adjustment recognised in the current year in relation to the income tax of prior years	389,834	137,537	68,994	-
	(816,761)	(2,185,508)	(2,345,225)	(1,996,176)
Deferred tax:				
Relating to origination and reversal of temporary differences	575,294	549,130	(8,278)	-
Relating to crystallisation of deferred tax liability on revaluation surplus of freehold land and factory buildings of certain subsidiaries	11,030	11,204	-	-
	586,324	560,334	(8,278)	-
	(230,437)	(1,625,174)	(2,353,503)	(1,996,176)

With effect from the beginning of the basis period for the year of assessment 2007, the statutory income tax rate for companies with a paid-up capital of above RM2,500,000 is reduced from 28% to 27%. However, for companies with a paid-up capital of RM2,500,000 and below, an income tax rate of 20% is still applicable for chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, the revised income tax rate of 27% is applicable. As a result, the Group's and the Company's income tax rates have also been revised accordingly.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
(Loss)/Profit before tax	(4,484,638)	8,207,998	6,747,862	11,526,369
Loss/(Income tax expense) calculated at 27% (2006:28%)	1,211,000	(2,298,000)	(1,822,000)	(3,227,000)
Tax effects of:				
Reinvestment allowances utilised	757,000	1,388,000	-	-
Expenses that are not deductible in determining taxable profit	(2,056,271)	(899,711)	(1,425,697)	(524,076)
Unutilised tax losses and unabsorbed tax capital allowances carried forward	(677,000)	-	-	-
Temporary differences arising from property, plant and equipment	(98,000)	(3,000)	-	-
Income that are not taxable in determining taxable profit	-	-	825,200	1,754,900
Effect on opening balances of deferred tax due to reduction in tax rate	208,000	-	-	-
Effect of difference in tax rate applicable to small and medium scale companies	35,000	50,000	-	-
Adjustment recognised in the current year in relation to the income tax of prior years	389,834	137,537	68,994	-
Income tax expense recognised in profit or loss	(230,437)	(1,625,174)	(2,353,503)	(1,996,176)

Current tax assets

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax refund receivable	2,931,546	1,071,966	192,197	72,679

Current tax liabilities

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Income tax payable	691,434	83,045	-	-

As at 31 December 2007, the Company has tax credits and tax-exempt accounts balances of approximately RM5,401,000 (2006: RM774,000) and RM15,377,000 (2006: RM16,749,000) respectively. The tax-exempt accounts, arising from tax-exempt dividends received under Section 23(6) of the Promotion of Investments Act, 1986 and chargeable income waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999, are available for distribution as tax-exempt dividends to the shareholders of the Company.

As at 31 December 2007, certain subsidiary companies have tax credits and tax-exempt accounts balances of approximately RM4,005,000 (2006: RM5,259,000) and RM3,645,000 (2006: RM3,119,000) respectively. The tax-exempt accounts arose from reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967. 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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Deferred tax balances

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Deferred tax assets	<u>116,109</u>	-	<u>116,109</u>	-
Deferred tax liabilities	<u>4,690,063</u>	5,284,665	<u>-</u>	<u>-</u>

The deferred tax assets (before offsetting) are in respect of the following:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax effect of ICULS	<u>116,109</u>	-	<u>116,109</u>	-

The deferred tax liabilities (before offsetting) are in respect of the following:

	Group	
	2007 RM	2006 RM
Tax effects of:		
Temporary differences arising from:		
Property, plant and equipment	(5,129,000)	(5,796,000)
Unabsorbed tax capital allowances	191,000	-
Revaluation surplus on freehold land and factory buildings	(209,126)	(218,665)
Unrealised gain on inventories	457,063	730,000
	<u>(4,690,063)</u>	<u>(5,284,665)</u>

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At beginning of year	(5,284,665)	(5,844,999)	-	-
Arising from recognition of ICULS interest	124,387	-	124,387	-
Transfer from/(to) income statements	586,324	560,334	(8,278)	-
At end of year	<u>(4,573,954)</u>	<u>(5,284,665)</u>	<u>116,109</u>	<u>-</u>

Represented by:

	Group	
	2007 RM	2006 RM
Tax effects of:		
Temporary differences arising from:		
Property, plant and equipment	(5,129,000)	(5,796,000)
ICULS interest recognition	116,109	-
Unabsorbed tax capital allowances	191,000	-
Revaluation surplus on freehold land and factory buildings	(209,126)	(218,665)
Unrealised gain on inventories	457,063	730,000
	<u>(4,573,954)</u>	<u>(5,284,665)</u>

As at 31 December 2007, the amount of estimated deferred tax assets of the Group calculated at applicable tax rate which is not recognised in the financial statements, is as follows:

	Group Deferred Tax Assets	
	2007 RM	2006 RM
Tax effects of unutilised tax losses and unabsorbed tax capital allowances	<u>677,000</u>	<u>-</u>

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

12. (LOSS)/EARNINGS PER SHARE

The basic and diluted (loss)/earnings per share are calculated as follows:

	Group	
	2007 RM	2006 RM
Basic		
(Loss)/Profit for the year attributable to equity holders of the Company	<u>(1,626,446)</u>	<u>6,878,533</u>
	Shares	Shares
Number of ordinary shares in issue as at 01 January	79,287,702	78,059,368
Exercise of ESOS	142,000	784,751
Shares repurchased	<u>(8,833)</u>	<u>-</u>
Weighted average number of ordinary shares in issue	<u>79,420,869</u>	<u>78,844,119</u>
Basic earnings per ordinary share (sen)	<u>(2.05)</u>	<u>8.72</u>
Fully Diluted		
(Loss)/Profit for the year attributable to equity holders of the Company	<u>(1,626,446)</u>	<u>6,878,533</u>
	Shares	Shares
Weighted average number of ordinary shares in issue	79,420,869	78,844,119
Effect of ESOS exercised	<u>-</u>	<u>1,466,284</u>
Adjusted weighted average number of ordinary shares for calculating fully diluted earnings per ordinary share	<u>79,420,869</u>	<u>80,310,403</u>
Fully diluted earnings per ordinary share (sen)	<u>(2.05)</u>	<u>8.56</u>

The diluted loss per ordinary share of the Company for ICULS, Warrants and ESOS have not been presented as the average fair value of the shares of the Company is lower than the conversion price of ICULS to ordinary shares and exercise price of Warrants and ESOS. The effect would be anti-dilutive to the loss per ordinary share.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Factory buildings RM	Long-term leasehold land RM	Short-term leasehold land RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Electrical installation RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Cost										
As at 01 January 2006	3,519,496	15,873,811	1,474,383	5,041,386	98,690,201	5,213,311	-	967,367	2,356,375	133,136,330
As previously stated	-	-	(1,474,383)	(5,041,386)	-	-	-	-	-	(6,515,769)
Effect of adoption of FRS 117										
As restated	3,519,496	15,873,811	-	-	98,690,201	5,213,311	-	967,367	2,356,375	126,620,561
Additions	-	757,565	-	-	11,589,310	2,929,151	51,604	354,313	14,195,988	29,877,931
Disposals	-	-	-	-	-	(4,699)	-	(3,180)	-	(7,879)
Reclassifications	-	15,600	-	-	63,700	-	-	-	(79,300)	-
Net foreign currency exchange differences	-	-	-	-	-	(636)	-	(6,859)	(63,503)	(70,998)
As of 31 December 2006										
As previously stated	3,519,496	16,646,976	1,474,383	8,344,927	110,343,211	8,137,127	51,604	1,311,641	16,409,560	166,238,925
Effect of adoption of FRS 117	-	-	(1,474,383)	(8,344,927)	-	-	-	-	-	(9,819,310)
As restated	3,519,496	16,646,976	-	-	110,343,211	8,137,127	51,604	1,311,641	16,409,560	156,419,615
Additions	-	318,382	-	-	9,684,222	606,440	32,077	299,858	36,558,156	47,499,135
Disposals	-	-	-	-	-	(1,330)	-	-	-	(1,330)
Reclassifications	-	7,554,857	-	-	7,389,966	-	200,000	-	(15,144,823)	-
Net foreign currency exchange differences	-	(864)	-	-	(18,169)	(7,521)	-	(1,590)	(41,433)	(69,577)
As at 31 December 2007										
As at 31 December 2007	3,519,496	24,519,351	-	-	127,399,230	8,734,716	283,681	1,609,909	37,781,460	203,847,843

Group	Freehold land RM	Factory buildings RM	Long-term leasehold land RM	Short-term leasehold land RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Electrical installation RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Accumulated depreciation										
As at 01 January 2006	-	5,574,016	136,512	-	58,792,924	4,114,356	-	492,447	-	69,110,255
As previously stated	-	-	(136,512)	-	-	-	-	-	-	(136,512)
Effect of adoption of FRS 117	-	-	-	-	-	-	-	-	-	-
As restated	-	5,574,016	-	-	58,792,924	4,114,356	-	492,447	-	68,973,743
Charge for the year	-	816,800	-	-	8,914,430	519,808	2,581	144,817	-	10,398,436
Disposals	-	-	-	-	-	(239)	-	(3,180)	-	(3,419)
Net foreign currency exchange differences	-	-	-	-	-	(60)	-	(748)	-	(808)
As at 31 December 2006	-	6,390,816	163,812	-	67,707,354	4,633,865	2,581	633,336	-	79,531,764
As previously stated	-	-	(163,812)	-	-	-	-	-	-	(163,812)
Effect of adoption of FRS 117	-	-	-	-	-	-	-	-	-	-
As restated	-	6,390,816	-	-	67,707,354	4,633,865	2,581	633,336	-	79,367,952
Charge for the year	-	1,034,717	-	-	9,773,933	886,058	16,158	209,010	-	11,919,876
Disposals	-	-	-	-	-	(388)	-	-	-	(388)
Net foreign currency exchange differences	-	159	-	-	2,034	674	-	(27)	-	2,840
As at 31 December 2007	-	7,425,692	-	-	77,483,321	5,520,209	18,739	842,319	-	91,290,280
Carrying amount										
As at 31 December 2007	3,519,496	17,093,659	-	-	49,915,909	3,214,507	264,942	767,590	37,781,460	112,557,563
As at 31 December 2006	3,519,496	10,256,160	-	-	42,635,857	3,503,262	49,023	678,305	16,409,560	77,051,663

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

During the financial year, depreciation expense was charged to the following:

	Group	
	2007 RM	2006 RM
Profit or loss	11,919,876	10,378,654
Capitalised under capital work-in-progress	-	19,782
	11,919,876	10,398,436

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

	Group	
	2007 RM	2006 RM
At cost:		
Plant and machinery	37,139,033	28,881,606
Factory and office equipment, furniture and fittings	3,899,374	3,611,133
Motor vehicles	400,692	400,692
	41,439,099	32,893,431

14. PREPAID LEASE PAYMENTS

Group	Long-term leasehold land RM	Short-term leasehold land RM	Total RM
2007			
At cost			
At beginning of year:			
As previously stated	-	-	-
Effects of adoption of FRS 117	1,474,383	8,344,927	9,819,310
	1,474,383	8,344,927	9,819,310
As restated	1,474,383	8,344,927	9,819,310
Arising from acquisition of subsidiary company	-	4,483,837	4,483,837
Additions	-	75,966	75,966
Disposals	-	(304,711)	(304,711)
Net foreign currency exchange differences	-	(26,198)	(26,198)
	1,474,383	12,573,821	14,048,204
At end of year	1,474,383	12,573,821	14,048,204
Accumulated amortisation			
At beginning of year:			
As previously stated	-	-	-
Effects of adoption of FRS 117	163,812	-	163,812
	163,812	-	163,812
As restated	163,812	-	163,812
Amortisation for the year	27,300	189,165	216,465
Disposals	-	-	-
Net foreign currency exchange differences	-	293	293
	191,112	189,458	380,570
At end of year	191,112	189,458	380,570
Carrying amount	1,283,271	12,384,363	13,667,634

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For The Financial Year Ended 31 December 2007

Group 2006	Long-term leasehold land RM	Short-term leasehold land RM	Total RM
At cost			
At beginning of year:			
As previously stated	-	-	-
Effects of adoption of FRS 117	1,474,383	5,041,386	6,515,769
As restated	1,474,383	5,041,386	6,515,769
Additions	-	3,466,549	3,466,549
Disposals	-	-	-
Net foreign currency exchange differences	-	(163,008)	(163,008)
At end of year	1,474,383	8,344,927	9,819,310
Accumulated amortisation			
At beginning of year:			
As previously stated	-	-	-
Effects of adoption of FRS 117	136,512	-	136,512
As restated	136,512	-	136,512
Amortisation for the year	27,300	-	27,300
Disposals	-	-	-
At end of year	163,812	-	163,812
Carrying amount	1,310,571	8,344,927	9,655,498

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	2007 RM	Company 2006 RM
Unquoted shares, at cost:		
In Malaysia	27,353,102	27,353,102
Outside Malaysia	12,011,658	9,360,000
	39,364,760	36,713,102

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Direct subsidiary companies				
Rubberex (M) Sdn. Berhad	Malaysia	100	100	Manufacturing and sales of household and industrial rubber gloves.
Filrex (Malaysia) Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of industrial rubber gloves.
Diamond Grip (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of industrial rubber gloves.
Pioneer Vantage Limited *	Hong Kong	60	60	Investment holding.
Rubberex (Hong Kong) Limited (formerly known as South Billion Investment Limited)*	Hong Kong	60	-	Trading of gloves and other latex products.
Billion Day International Limited *	Hong Kong	60	-	Investment holding.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Indirect subsidiary companies				
<i>Held through Rubberex (M) Sdn. Berhad</i>				
Rubberex Marketing (M) Sdn Bhd	Malaysia	70	70	Trading of gloves, household items, kitchen items and personal protective products.
Gentle Touch Limited *	United Kingdom	100	100	Trading of gloves, household items, kitchen items and personal protective products.
Rubberex Spain, S.L.*	Spain	100	100	Trading of gloves, household items, kitchen items and personal protective products.
<i>Held through Diamond Grip (M) Sdn. Bhd.</i>				
Biogreen Medical Sdn. Bhd.	Malaysia	60	60	Manufacturing and sales of male latex condoms.
<i>Held through Pioneer Vantage Limited</i>				
LPL (Hui Zhou) Glove Co. Limited*	People's Republic of China	60	60	Manufacturing and sales of industrial and disposable gloves.
<i>Held through Billion Day International Limited</i>				
Lifestyle Safety Products (Hui Zhou) Co. Limited *	People's Republic of China	60	-	Pre-operating.

* The financial statements of these companies are examined by auditors other than the auditors of the Company.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

During the financial year, the Group acquired the following subsidiary companies:

- (a) 60% equity interest in Rubberex (Hong Kong) Limited (formerly known as South Billion Investment Limited), a company incorporated in Hong Kong, for a total consideration of RM268; and
- (b) 60% equity interest in Billion Day International Limited, a company incorporated in Hong Kong, and its subsidiary company, Lifestyle Safety Products (Hui Zhou) Co. Limited, a company incorporated in the People's Republic of China, for a total consideration of RM2,651,390.

The above acquisitions had the following effects of the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount RM	Fair value adjustments RM	Recognised values on acquisition RM
Property, plant and equipment	1,381,359	3,102,478	4,483,837
Cash balance	447	-	447
Other payables	(64,854)	-	(64,854)
Net assets acquired	1,316,952	3,102,478	4,419,430
Less: Minority interest	(526,781)	(1,240,991)	(1,767,772)
Group's share of net assets/ Total purchase price satisfied by cash	790,171	1,861,487	2,651,658
Less: Cash and cash equivalent of subsidiary companies acquired			(447)
Cash flow on acquisition			2,651,211

In the post-acquisition period to 31 December 2007, the subsidiary companies contributed a net loss for the year of RM79,661 to the consolidated loss for the year. If the acquisition had occurred on 01 January 2007, the Group's revenue and loss for the year would have been RM144,929,207 and RM4,744,070 respectively.

16. GOODWILL ON CONSOLIDATION

	2007 RM	Group 2006 RM
Goodwill:		
At beginning of year	2,793,422	3,036,328
Elimination of amortisation accumulated prior to the adoption of FRS 3	-	(242,906)
At end of year	2,793,422	2,793,422
Cumulative amortisation:		
At beginning of year	-	242,906
Elimination of amortisation accumulated prior to the adoption of FRS 3	-	(242,906)
At end of year	-	-
Net	2,793,422	2,793,422

Impairment tests for cash-generating units (CGU) containing goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budget approved by management and a financial forecast covering subsequent six year period. The following key assumptions are used to generate the financial forecast:

Sales volume growth rate	5.00% per annum
Inflation rate	4.00% per annum
Discount rate	5.00%

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Receivables and payables turnover period is estimated to be consistent with the current financial year.

The assumptions applied for the budget and financial forecast were determined based on business past performance and management's expectations of market development.

The Group believes that any reasonable possible changes in the assumptions applied are not likely to materially cause recoverable amounts to be lower than its carrying amount.

17. INVENTORIES

	Group	
	2007 RM	2006 RM
At cost:		
Finished goods	28,943,088	27,537,032
Raw materials	17,777,488	15,899,959
Trading goods	12,212,030	10,657,342
Packing materials	2,406,872	1,225,730
Parts and consumables	655,816	411,315
Work-in-progress	375,618	1,132,822
	<u>62,370,912</u>	<u>56,864,200</u>
Less: Allowance for inventories obsolescence	(533,515)	-
	<u><u>61,837,397</u></u>	<u><u>56,864,200</u></u>

The cost of inventories recognised as an expense during the year was RM180,515,657 (2006: RM152,519,537).

18. TRADE AND OTHER RECEIVABLES

	Group	
	2007 RM	2006 RM
Trade receivables	23,260,217	20,760,875
Less: Allowance for doubtful debts	(930,569)	(1,176,167)
	<u>22,329,648</u>	<u>19,584,708</u>
Other receivables	6,138,310	5,555,001
	<u><u>28,467,958</u></u>	<u><u>25,139,709</u></u>

The currency profile of trade receivables is as follows:

	Group	
	2007 RM	2006 RM
United States Dollar	12,895,146	11,313,166
Euro	8,035,076	2,784,035
Sterling Pound	2,132,653	5,487,509
Ringgit Malaysia	197,342	1,176,165
	<u><u>23,260,217</u></u>	<u><u>20,760,875</u></u>

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranged from 30 to 180 days (2006: 30 to 180 days).

Other receivables comprise mainly fire insurance claims receivable amounting to RM2,095,984 (2006: RMNil) and advance payments to suppliers for purchase of raw materials which are unsecured and interest-free.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Movement in the allowance for doubtful debts

	Group	
	2007 RM	2006 RM
At beginning of year	1,176,167	93,559
Increase in allowance recognised in profit or loss	476,382	1,082,608
Amounts recovered during the year	(39,253)	-
Amounts written off	(682,727)	-
	<u>930,569</u>	<u>1,176,167</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Transactions with related parties are disclosed in Note 19.

19. RELATED PARTY TRANSACTIONS

The amount owing by subsidiary companies arose mainly from advances and expenses paid on behalf which are unsecured and interest-free except for certain advances granted to certain subsidiary companies which bear interest rates ranging from 4.00% to 7.70% (2006: 7.50%) per annum.

The currency profile of amount owing by subsidiary companies is as follows:

	Company	
	2007 RM	2006 RM
Hong Kong Dollar	80,887,399	23,408,826
Ringgit Malaysia	63,251,876	68,903,908
	<u>144,139,275</u>	<u>92,312,734</u>

The amounts owing by subsidiary companies are repayable upon demand and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owing by subsidiary companies.

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiary companies are as follows:

Names of related parties	Relationships
Rich (HK) Foreign Trade Co. Ltd. Hui Zhou LPL Trading Co. Limited	- Companies in which Wu Bai Jun, a director of a subsidiary company, has substantial financial interest.

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Subsidiary companies				
Advances received/ (granted)	-	-	14,000,000	(7,900,000)
Dividend income	-	-	11,500,000	13,396,700
Interest on advances received	-	-	3,839,006	800,000
			<u>19,339,006</u>	<u>13,296,700</u>
Other related parties				
Hui Zhou LPL Trading Co. Limited				
Advances for trade sales/purchases	260,796	(138,866)	-	-
	<u>260,796</u>	<u>(138,866)</u>		
Rich (HK) Foreign Trade Co. Ltd.				
Advances for trade sales/purchases	-	20,617	-	-
	<u>-</u>	<u>20,617</u>		

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Compensation of key management personnel

The remuneration of directors are disclosed in Note 8. The remuneration of other members of key management personnel of the Group during the year are as follows:

	2007 RM	2006 RM
Short-term employee benefits	732,950	753,554
Post-employment benefits - Defined contribution plan	88,342	90,931
	<u>821,292</u>	<u>844,485</u>

The estimated monetary value of benefits-in-kind received and receivable by other members of key management personnel otherwise than in cash from the Group amounted to RM3,600 (2006: RM3,600).

20. OTHER ASSETS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Refundable deposits	3,856,691	1,971,513	-	-
Prepaid expenses	1,301,561	1,645,600	1,000	1,000
	<u>5,158,252</u>	<u>3,617,113</u>	<u>1,000</u>	<u>1,000</u>

Refundable deposits comprise mainly deposit paid by subsidiaries in the People's Republic of China for the acquisition of plant and machinery amounting to RM1,605,697 (2006: RM1,618,959) and bank guarantee for custom handbook amounting to RM2,060,001 (2006: RMNil).

Prepaid expenses comprise mainly amounts prepaid for purchase of raw materials of a subsidiary amounting to RM1,226,124 (2006: RM1,226,438).

21. FIXED DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with a licensed bank	714,000	-	714,000	-
MTN Debt Reserve Account	6,905	13,216	6,905	13,216
MTN Disbursement Account	26,401	26,516	26,401	26,516
Cash and other bank balances	11,892,201	9,817,352	1,063,912	124,816
	<u>12,639,507</u>	<u>9,857,084</u>	<u>1,811,218</u>	<u>164,548</u>

MTN Debt Reserve Account and MTN Disbursement Account are designated accounts opened under the MTN Programme. All moneys standing to the credit of the designated accounts including all its present and future rights, title and interest in respect of the designated accounts are charged to Malaysian Trustee Berhad.

Fixed deposits of the Group and of the Company amounting to RM714,000 (2006: RMNil) are pledged to a licensed bank as security for the MTN Programme.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

22. SHARE CAPITAL AND TREASURY SHARES

(a) Share Capital

	Group and Company			
	2007 Number of shares	2006 Number of shares	2007 RM	2006 RM
Authorised:				
Ordinary shares of RM1.00 each				
At beginning of year	100,000,000	100,000,000	100,000,000	100,000,000
Increased during the year	100,000,000	-	100,000,000	-
At end of year	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At beginning of year	79,287,702	78,059,368	79,287,702	78,059,368
Issued during the year:				
Exercise of share options under ESOS	196,000	1,228,334	196,000	1,228,334
At end of year	79,483,702	79,287,702	79,483,702	79,287,702

At an Extraordinary General Meeting held on 31 May 2007, the shareholders approved an increase in the authorised share capital of the Company from RM100,000,000 to RM200,000,000 by the creation of 100,000,000 new ordinary shares of RM1.00 each.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM79,287,702 to RM79,483,702 by way of an issue of 196,000 new ordinary shares of RM1.00 each for cash pursuant to the ESOS of the Company at an exercise price of RM1.49 per ordinary share.

The resulting premium arising from the shares issued of RM96,040 has been credited to the share premium account.

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

Under the Company's ESOS which became effective on 08 July 2004, 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.

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

Exercisable from	Exercise price per ordinary share RM	Number of ordinary shares of RM1.00 each under options			
		Balance as at 01.01.2007	Exercised	Lapsed due to resignation	Balance as at 31.12.2007
08.07.2004	1.49	4,197,331	(196,000)	-	4,001,331

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 RM	Consideration received RM	Number of share Options	Fair values of shares issued RM
January 2007	1.49	22,350	15,000	1.93
February 2007	1.49	44,700	30,000	1.91
March 2007	1.49	14,900	10,000	1.88
April 2007	1.49	98,340	66,000	1.91
May 2007	1.49	37,250	25,000	1.78
June 2007	1.49	7,450	5,000	1.76
July 2007	1.49	59,600	40,000	1.71
August 2007	1.49	7,450	5,000	1.49
Total		292,040	196,000	

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Details of share options held by the Group's key management personnel during the year are as follows:

	2007 RM	2006 RM
At beginning of year	3,200,334	3,797,334
Exercised during the year	<u>(48,000)</u>	<u>(597,000)</u>
At end of year	<u><u>3,152,334</u></u>	<u><u>3,200,334</u></u>

(b) Treasury Shares

The shareholders of the Company, by an ordinary resolution passed at the AGM held on 31 May 2007, approved the Company's plan to repurchase its own shares. The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Group and of the Company.

During the year, the Company repurchased 53,000 of its issued shares from the open market for RM63,447. The average price paid for the shares repurchased was RM1.20 per share. The repurchase transactions was financed by internally generated funds. The shares repurchased are being held as Treasury Shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

As at 31 December 2007, 53,000 out of the total of 79,483,702 issued and fully paid ordinary shares are held as Treasury Shares of the Company. The number of ordinary shares of RM1.00 each in issue and fully paid as at 31 December 2007 after excluding the Treasury Shares is 79,430,702.

The mandate given by the shareholders will expire at the forthcoming AGM and an ordinary resolution will be tabled at the AGM for shareholders to grant a fresh mandate for another year.

23. RESERVES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable reserves:				
Share premium	10,787,886	10,691,846	10,787,886	10,691,846
Foreign currency translation reserve	<u>(4,331,661)</u>	<u>(1,886,931)</u>	<u>-</u>	<u>-</u>
	<u><u>6,456,225</u></u>	<u><u>8,804,915</u></u>	<u><u>10,787,886</u></u>	<u><u>10,691,846</u></u>

Share premium

Share premium arose from the following:

	Group and Company	
	2007 RM	2006 RM
Exercise of share options in 2004	484,120	484,120
Exercise of warrants and share options in 2005	9,605,843	9,605,843
Exercise of share options in 2006	601,883	601,883
Exercise of share options in 2007	<u>96,040</u>	<u>-</u>
	<u><u>10,787,886</u></u>	<u><u>10,691,846</u></u>

Foreign currency translation reserve

Exchange differences arising on translation of foreign subsidiaries' financial statements are taken up and reflected in the foreign currency translation reserve account under shareholders' equity. Such exchange differences are recognised as income or expense in the profit or loss, in the period in which the foreign subsidiaries are disposed of.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

24. DIVIDENDS

	Group and Company			
	2007 RM	2006 RM	Net dividend per share	
			2007 sen	2006 sen
First interim dividend paid - 6%, tax-exempt (2006: 10%, less tax)	4,764,522	5,676,961	6.0	7.2
Second interim dividend payable - Nil% (2006:5%, tax-exempt)	-	3,965,135	-	5.0
	4,764,522	9,642,096	6.0	12.2

25. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

	Group and Company	
	2007 RM	2006 RM
At beginning of year	-	-
Issued during the year, net of transaction costs	51,965,803	-
Coupon interest paid	(801,290)	-
Interest expense	213,444	-
Deferred tax asset	124,387	-
	51,502,344	-
Analysed into:		
Equity component	43,256,775	-
Liability component (Note 27)	8,245,569	-

During the financial year, the Company undertook a renounceable Rights Issue exercise of RM52,984,386 nominal value of 4%, 5-year irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value together with 26,491,809 free warrants ("Warrants"), on the basis of 2 ICULS of RM1.00 nominal value each with 1 free detachable warrant for every 3 existing ordinary shares held by entitled shareholders.

The proceeds from the issuance of ICULS were utilised for further capital expenditure in China, for working capital of the Group and to defray estimated expenses.

The ICULS and Warrants are governed by a Trust Deed and Deed Poll dated 29 June 2007.

Some of the salient features of the ICULS and Warrants are as follows:

- (a) The ICULS carry interest at the rate of 4% per annum and is payable semi-annually on the 30th day of June and 31st day of December each year commencing from 15 August 2007 to maturity date on 14 August 2012;
- (b) ICULS holders may convert such amount of the ICULS held into fully paid shares of the Company by tendering RM1.70 nominal value of the ICULS which will entitle the ICULS holders to one (1) fully paid ordinary share of RM1.00 each in the Company;
- (c) The Conversion price of RM1.70 shall be satisfied solely by the tender of an equivalent amount of ICULS by the ICULS holder for cancellation by the Company and shall not be satisfied wholly or in part by cash;
- (d) Shares allotted and issued upon conversion of the ICULS shall rank pari passu in all respects with the then existing ordinary shares of the Company in issue except that they shall not be entitled to any dividends, rights, allotment or other distributions the entitlement date for which is before the date of conversion of the ICULS;
- (e) All ICULS remaining unconverted at maturity date will be automatically converted into shares at the conversion price of RM1.70 per ordinary share. A notice of maturity shall be sent to each ICULS holder at least 30 days prior to maturity and the same shall be advertised in at least one local daily newspaper circulating in Malaysia;
- (f) Warrant holders are entitled to subscribe for new shares in the Company at any time or from time to time before the maturity date at the exercise price of RM1.70 per share;
- (g) Shares to be issued to Warrant holders upon the subscription of new shares will, upon issue and allotment, be credited as fully paid-up and rank pari passu in all respects with the then existing issued shares of the Company except that they shall not be entitled to any dividends, rights, allotment or other distributions the entitlement date for which is before the subscription date; and
- (h) Where a Warrant holder exercises its right to subscribe for new shares, the new shares arising from such exercise shall be credited into the Securities Account of the Warrant holder and no share certificates will be issued to the Warrant holder.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

On issuance of the ICULS which contain both liability and equity element, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instrument and the Company is using 6.39% per annum as the discounting factor.

The Rights Issue exercise was completed with the listing of the ICULS and Warrants on Bursa Malaysia Securities Berhad on 22 August 2007.

26. MEDIUM TERM NOTES

The Company subscribed to a 7-year Medium Term Notes Programme ("MTN Programme") in 2006 to part finance the subsidiary companies' capital expenditure in China and Malaysia.

The MTN Programme is secured by a charge over designated accounts opened by the Company as disclosed in Note 30(b).

27. BORROWINGS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Secured:				
Medium term notes (Note 26)	43,000,000	35,000,000	43,000,000	35,000,000
Unsecured:				
Bills payable	9,901,000	13,989,000	-	-
ICULS (liability component) (Note 25)	8,245,569	-	8,245,569	-
Term loan	3,306,792	4,609,970	-	-
Bank overdrafts	3,665,131	2,475,567	-	-
	68,118,492	56,074,537	51,245,569	35,000,000
Less: Amount due within 12 months (shown under current liabilities)	(15,219,527)	(17,528,406)	-	-
Non-current portion	52,898,965	38,546,131	51,245,569	35,000,000

The non-current portion is repayable as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Within 1 year	-	1,773,066	-	-
More than 1 year but not later than 5 years	52,898,965	36,773,065	51,245,569	35,000,000
	52,898,965	38,546,131	51,245,569	35,000,000

The effective interest rates per annum are as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Medium term notes	7.50 - 7.70	7.50	7.50 - 7.70	7.50
ICULS	6.39	-	6.39	-
Bills payable	3.60 - 4.70	2.99 - 4.20	-	-
Term loan	3.38 - 4.44	3.81 - 4.31	-	-
Bank overdrafts	7.00 - 7.50	6.50 - 7.25	-	-

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	9,151,110	4,952,626	-	-
Other payables for consumables, utilities, maintenance of property, plant and equipment and advances received	12,368,504	7,343,750	54,455	106,047
	21,519,614	12,296,376	54,455	106,047

The currency profile of trade and other payables are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	12,615,216	11,471,036	54,455	106,047
United States Dollar	5,726,230	449,376	-	-
Hong Kong Dollar	1,976,547	30,789	-	-
Euro	1,155,530	316,567	-	-
Sterling Pound	46,091	28,608	-	-
	21,519,614	12,296,376	54,455	106,047

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 (2006: 30 to 60 days).

Included in other payables of the Group in 2007 is an amount of RM2,851,608 representing amount payable for purchase of property, plant and equipment by the subsidiaries in the People's Republic of China.

The amounts owing to other payables are unsecured, interest-free and repayable on demand.

Transactions with related parties are disclosed in Note 19.

29. 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.

(a) Financial Risk Management Objectives

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

(i) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its trade and non-trade activities where the currency base differs from the local currency, Ringgit Malaysia ("RM"). Material foreign currency exposures are hedged, mainly with derivative financial instruments such as forward foreign currency contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are disclosed in Notes 18, 19 and 28.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

Forward foreign currency contracts

In order to manage the Group's exposure to foreign exchange risks, the Group enters into forward foreign currency contracts.

As of 31 December 2007, the Group had contracted to sell the following under forward contracts:

	Contractual amount in Ringgit Malaysia		Fair Value	
	2007 RM	2006 RM	2007 RM	2006 RM
Euro	21,232,204	17,369,781	21,298,695	17,260,515
United States Dollar	13,685,402	15,289,872	13,187,383	14,938,750
Sterling Pound	2,960,409	4,313,279	2,827,260	4,289,171
	37,878,015	36,972,932	37,313,338	36,488,436

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

The fair values of forward foreign currency contracts are calculated by reference to the current rates for contracts with similar maturity profiles.

(ii) **Interest rate risk**

The Group finances its operations by a mixture of internal funds and bank and other borrowings. The Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.

The Group's policy is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

(iii) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

(iv) **Liquidity and cash flow risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(b) **Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

(c) Fair Values of Financial Instruments

The carrying amounts of financial assets and financial liabilities as reported in the balance sheets approximate their fair values.

30. CASH FLOW STATEMENTS

(a) Purchase of property, plant and equipment

Property, plant and equipment were acquired by the following means:

	Group	
	2007 RM	2006 RM
Cash purchase	47,527,401	33,206,109
Other payables	47,700	118,589
Depreciation expense capitalised	-	19,782
	47,575,101	33,344,480

(b) Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statements can be reconciled to the related items in the balance sheets as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits	714,000	-	714,000	-
MTN Debt Reserve Account	6,905	13,216	6,905	13,216
MTN Disbursement Account	26,401	26,516	26,401	26,516
Cash and other bank balances	11,892,201	9,817,352	1,063,912	124,816
Bank overdrafts	(3,665,131)	(2,475,567)	-	-
	8,974,376	7,381,517	1,811,218	164,548
Less: Fixed deposits pledged to bank	(714,000)	-	(714,000)	-
	8,260,376	7,381,517	1,097,218	164,548

MTN Debt Reserve Account and MTN Disbursement Account are designated accounts opened under the MTN Programme. All moneys standing to the credit of the designated accounts including all its present and future rights, title and interest in respect of the designated accounts are charged to Malaysian Trustee Berhad.

31. CAPITAL COMMITMENTS

As at 31 December 2007, the Group has the following capital expenditure in respect of property, plant and equipment:

	Group	
	2007 RM	2006 RM
Capital expenditure:		
Approved but not contracted for	-	50,000,000
Approved and contracted for	3,628,000	4,486,749
	3,628,000	54,486,749

32. LEASE COMMITMENTS

As at the end of the financial year, lease commitments pertaining to the Group in respect of rental of premises are as follows:

	Future Minimum Lease Payments Group	
	2007 RM	2006 RM
Financial year ended 31 December 2007	-	82,515

Notes To The Financial Statements

For The Financial Year Ended 31 December 2007

33. CHANGES IN ACCOUNTING POLICIES

The financial effects arising from the changes in accounting policies upon adoption of all the new and revised FRSs are as follows:

	Group Increase/(Decrease) FRS 117 RM
Effects on balance sheet As at 31 December 2007	
Property, plant and equipment	(13,667,634)
Prepaid lease payments	<u>13,667,634</u>

34. COMPARATIVE FIGURES

The following comparative figures in the financial statements have been restated arising from the effects of adopting the new and revised FRSs:

Group	As previously stated RM	FRS 117 RM	As restated RM
Income Statement			
Financial year ended 31 December 2006			
Depreciation of property, plant and equipment	(10,405,954)	27,300	(10,378,654)
Amortisation of prepaid lease payments	-	(27,300)	(27,300)
			<u>(27,300)</u>
Balance Sheet			
As at 31 December 2006			
Property, plant and equipment	86,707,161	(1,310,571)	85,396,590
Prepaid lease payments	-	1,310,571	1,310,571
			<u>1,310,571</u>
Cash Flow Statement			
Financial year ended 31 December 2006			
Depreciation of property, plant and equipment	10,405,954	(27,300)	10,378,654
Amortisation of prepaid lease payments	-	27,300	27,300
			<u>27,300</u>
Related Party Transactions			
Compensation of key management personnel			
The remuneration of other members of key management personnel of the Group during the year are as follows:			
Short-term employee benefits	-	753,554	753,554
Post-employment benefits	-	90,931	90,931
- Defined contribution plan	-	-	-
			<u>844,485</u>
Share Capital			
Details of share options held by the Group's key management personnel during the year are as follows:			
At beginning of year	-	3,797,334	3,797,334
Exercised during the year	-	(597,000)	(597,000)
			<u>(597,000)</u>
At end of year	-	3,200,334	3,200,334

Rubberex Corporation (M) Berhad
(Incorporated in Malaysia)

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 Malaysian Accounting Standards Board 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 2007 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

DATO' MOHAMED BIN HAMZAH

Ipoh,
11 April 2008

**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 11th day of April, 2008.

Before me,

Mohd. Yusof Bin Harun, PJK, PNPBB, KPP
(A112)
COMMISSIONER FOR OATHS

Properties Held By The Company And Its Subsidiaries

as at 31 December 2007

Location	Tenure/ Expiry Date	Description of existing use	Land area (sq. m)	Date of Acquisition/ [Revaluation]	Age (years)/ Carrying amount (RM'000)
PT 138201, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	Freehold/-	Manufacturing, warehouse and office	37,258	[1996]	13.5/3,520
PT 218274, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	Leasehold (60 years)/ 23 April 2055	Manufacturing, warehouse and office	32,382	1999	12.0/1,283
Daxiotang Village, Luoyang Town, Buluo County, Huizhou City, Guangdong Province, People's Republic of China.	Leasehold (50 years)/ 29 November 2056	Manufacturing, warehouse and office	104,597	2006	2.0/12,384
Factory buildings located at PT 138201, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	-	Manufacturing, warehouse and office	12,620	[1996]	13.5/4,544
Factory buildings located at PT 218274, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	-	Manufacturing, warehouse and office	10,860	1999	8.0/5,868
Factory buildings located at Daxiotang Village, Luoyang Town, Buluo County, Huizhou City, Guangdong Province, People's Republic of China.	-	Manufacturing, warehouse and office	19,685	2006	2.0/13,682

Rubberex

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 Twelfth Annual General Meeting of the Company to be held at Crystal 2, Ground Floor, Impiana Casuarina Hotel, 18, Jalan Raja Dr. Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Monday, 26 May 2008 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 2007		
2.	To approve the payment of Directors' fees		
3.	Re-election of Director – Ping Kok Koh		
4.	Re-election of Director – Poh Choo Lim		
5.	Re-election of Director – Mustapha bin Mohamed		
6.	To appoint Auditors and to authorise the Directors to fix their remuneration		
7.	As Special Business – Ordinary Resolution on Proposed Renewal of Authority for RUBBEREX CORPORATION (M) BERHAD to purchase its own ordinary shares of RM1.00 each representing up to 10% of the issued and paid-up share capital of the Company		

(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.....2008

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 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 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
41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh,
31400 Ipoh,
Perak Darul Ridzuan, Malaysia.

Please fold along this line (2)



Rubberex

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

Lot 138201, Off ¼ Mile, Jalan Bercham, Kawasan Perindustrian Bercham, 31400 Ipoh, Perak Darul Ridzuan, Malaysi