

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Income Statement for the Second Quarter ended 30 June 2008

These figures have not been audited

	2008 Current Quarter ended 30 June RM'000	2008 Year-to-Date ended 30 June RM'000	2007 Comparative Quarter ended 30 June RM'000	2007 Year-to-Date ended 30 June RM'000
Revenue	63,431	108,313	35,989	68,352
Cost of Sales	<u>(56,320)</u>	<u>(95,157)</u>	<u>(33,973)</u>	<u>(61,754)</u>
Gross Profit	7,111	13,156	2,016	6,598
Other Income	67	125	9	17
Administrative expenses	(1,648)	(3,014)	(1,582)	(2,981)
Selling and marketing expenses	(796)	(1,963)	(1,008)	(1,977)
Other expenses	<u>(15)</u>	<u>(433)</u>	<u>(211)</u>	<u>(338)</u>
Profit from operations	4,719	7,871	(776)	1,319
Finance costs	<u>(2,118)</u>	<u>(3,258)</u>	<u>(910)</u>	<u>(1,918)</u>
Profit before Tax	2,601	4,613	(1,686)	(599)
Income tax expense	(913)	(2,222)	172	(227)
Profit for the period	<u>1,688</u>	<u>2,391</u>	<u>(1,514)</u>	<u>(826)</u>
Attributable to:				
Equity holders of the Company	1,629	2,679	(923)	155
Minority Interests	59	(288)	(591)	(981)
	<u>1,688</u>	<u>2,391</u>	<u>(1,514)</u>	<u>(826)</u>
Earnings per share attributable to Equity holders of the Company:				
Basic (sen)	2.05	3.38	(1.16)	0.20
Diluted (sen)	1.14	1.88	(1.15)	0.19

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Balance Sheets as at 30 June 2008

These figures have not been audited.

	As at 30 June 2008 RM'000	Year Ended 31 December 2007 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	123,544	112,557
Prepaid lease payments	14,187	13,668
Deferred tax asset	116	116
Goodwill	<u>2,793</u>	<u>2,793</u>
	140,640	129,134
Current Assets		
Inventories	75,156	61,837
Trade and other receivables	52,357	35,866
Cash and bank balances	<u>8,321</u>	<u>12,640</u>
	135,834	110,343
TOTAL ASSETS	<u>276,474</u>	<u>239,477</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share Capital	79,484	79,484
Treasury Shares	(618)	(63)
ICULS (Equity)	43,257	43,257
Share Premium	10,788	10,788
Other Reserves	274	(4,332)
Retained Earnings	<u>3,890</u>	<u>5,182</u>
	137,075	134,316
Minority Interests	10,948	7,639
Total Equity	<u>148,023</u>	<u>141,955</u>
Non-current Liabilities		
Long term borrowings	52,697	46,307
ICULS (Liability)	8,283	8,245
Deferred tax liabilities	<u>4,690</u>	<u>4,690</u>
	65,670	59,242
Current Liabilities		
Trade and other payables	34,411	24,714
Short term borrowings and trade financing	<u>28,370</u>	<u>13,566</u>
	62,781	38,280
Total Liabilities	128,451	97,522
TOTAL EQUITY AND LIABILITIES	<u>276,474</u>	<u>239,477</u>
Net assets per share (RM)	1.72	1.69

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Cash Flow Statements for the Financial Period ended 30 June 2008

These figures have not been audited

	2008 Year-to-Date ended 30 June RM'000	2007 Year-to-Date ended 30 June RM'000
Net cash generated from/(used in) operating activities	(7,981)	1,905
Net cash generated used in investing activities	(17,071)	(23,812)
Net cash generated from financing activities	<u>9,832</u>	<u>24,344</u>
Net increase in cash and cash equivalents	(15,220)	2,437
Effects of foreign exchange differences	7,053	(2,566)
Cash and cash equivalents at beginning of financial period	<u>8,974</u>	<u>7,382</u>
Cash and cash equivalents at end of financial period	<u>807</u>	<u>7,253</u>

Cash and cash equivalents at end of financial period comprise the following:

Cash and bank balances	8,321	11,650
Short term borrowings	<u>(7,514)</u>	<u>(4,397)</u>
	<u>807</u>	<u>7,253</u>

The condensed consolidated cashflow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia
(Company no. 372642-U)

Condensed Consolidated Statements of Changes in Equity for the Financial Period ended 30 June 2008

These figures have not been audited

	Attributable to Equity Holders of the Company								
	Share Capital RM'000	Treasury Shares RM'000	ICULS RM'000	Share Premium RM'000	Translation Reserves RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
As at 01 January 2007	79,288	-	-	10,692	(1,887)	11,573	99,666	7,147	106,813
Effects of foreign exchange differences Profit for the period	-	-	-	-	(1,290)	-	(1,290)	(741)	(2,031)
	-	-	-	-	-	154	154	(981)	(827)
Total recognised income and expenses for the period	79,288	-	-	10,692	(3,177)	11,727	98,530	5,425	103,955
Issue of shares pursuant to ESOS	151	-	-	74	-	-	225	-	225
Dividends paid	-	-	-	-	-	(4,764)	(4,764)	-	(4,764)
As at 30 June 2007	<u>79,439</u>	<u>-</u>	<u>-</u>	<u>10,766</u>	<u>(3,177)</u>	<u>6,963</u>	<u>93,991</u>	<u>5,425</u>	<u>99,416</u>
As at 01 January 2008	79,484	(63)	43,257	10,788	(4,332)	5,182	134,316	7,639	141,955
Effects of foreign exchange differences Profit for the period	-	-	-	-	4,606	-	4,606	2,447	7,053
	-	-	-	-	-	2,679	2,679	(288)	2,391
Total recognised income and expenses for the period	79,484	(63)	43,257	10,788	274	7,861	141,601	9,798	151,399
Proceeds received from minority shareholders	-	-	-	-	-	-	-	1,471	1,471
Purchase of Treasury shares	-	(555)	-	-	-	-	(555)	-	(555)
Dividends paid	-	-	-	-	-	(3,971)	(3,971)	(321)	(4,292)
As at 30 June 2008	<u>79,484</u>	<u>(618)</u>	<u>43,257</u>	<u>10,788</u>	<u>274</u>	<u>3,890</u>	<u>137,075</u>	<u>10,948</u>	<u>148,023</u>

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134₂₀₀₄: INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS134₂₀₀₄: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2007. The interim financial report contain condensed consolidated financial statements and these explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

2. Auditor’s Report on Preceding Annual Financial Statements

The auditor’s report on the financial statements of the Group and the Company for the year ended 31 December 2007 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group’s products are mainly exported to temperate regions like Europe, USA and Latin America. In tandem with climatic changes, demand for the Group’s products may fluctuate with the seasons. Generally, demand is stronger in the second half of the year.

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting the Group’s assets, liabilities, equity, net income or cash flows in the interim financial statements ended 30 June 2008.

5. Changes in Material Estimates

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the interim financial statements and current year.

6. Changes in Debt and Equity Securities

6.1 Executive Share Option Scheme (“ESOS”)

The Company did not issue any new shares under ESOS during the current financial quarter.

6.2 Medium Term Notes (“MTN”) Programme

The Company did not issue any new medium term notes during the quarter under review.

6.3 Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) with free Warrants

There was no conversion of Warrants into ordinary shares since the date of listing on 22 August 2007.

6.4 Share Buy-back

During the current quarter, the Company purchased 414,200 ordinary shares of RM1.00 each from Bursa Malaysia Securities Berhad, for a total consideration of RM536,080. The shares are currently maintained as Treasury Shares.

As at 30 June 2008, the Company has accumulated a total of 483,200 Treasury Shares.

7. Dividends Paid

A first interim dividend of 5 sen tax-exempt per ordinary share of RM1.00 each in respect of the current financial year was paid on 12 February 2008.

8. Segmental Information

Segmental information is presented in accordance to the Group's business and geographical segments by location of assets, which is the primary reporting format.

	Current Quarter ended 30 June 2008 RM'000	Cumulative year- to-date ended 30 June 2008 RM'000
Segment Revenue:		
Malaysia	38,478	78,286
People's Republic of China	62,788	89,657
Europe	10,300	19,442
	-----	-----
	111,566	187,385
Eliminations	(48,135)	(79,072)
	-----	-----
Total	63,431	108,313
	=====	=====
Segment Results:		
Malaysia	5,616	11,694
People's Republic of China	1,496	2,710
Europe	1,131	1,827
	-----	-----
	8,243	16,231
Eliminations	(1,065)	(2,950)
	-----	-----
Total	7,178	13,281
	=====	=====

9. Valuation of Property, Plant and Equipment

The Group did not carry out any revaluations on its property, plant and equipment during the current quarter and interim financial year ended 30 June 2008.

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements ended 31 December 2007.

10. Subsequent Events

There were no other material events subsequent to the end of the current quarter that have not been reflected in this interim financial report ended 30 June 2008.

11. Changes in the Composition of the Group

There were no changes to the composition of the Group since the last financial year ended 31 December 2007.

12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or assets since the last annual balance sheet date as at 31 December 2007.

13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2008 is as follows:-

Capital expenditure approved and contracted for	RM'000 7,911
---	-----------------

B. ADDITIONAL INFORMATION PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

The Group achieved a sales turnover of RM63.43 million for the second quarter ended 30 June 2008 (2007: RM35.99 million, which is an increase of 76%). Group pretax profit was recorded in the current quarter at RM2.60 million compared to a loss of RM1.69 million in the corresponding quarter of year 2007. The increase in turnover and profits were due to sales contribution from our China subsidiaries and better prices of our Group's products compared to the corresponding period in 2007.

2. Material change in the profit before tax of the current quarter compared with preceding quarter

Sales for the second quarter 2008 amounted to RM63.43 million compared to RM44.88 million reported for the first quarter of 2008, an increase of 41%. This increase was contributed by higher sales and operating efficiencies from our China subsidiaries as well as better performance from our Malaysian operations.

Pre-tax profit of RM2.60 million was recorded in the second quarter 2008 compared to a RM2.01 million in the previous quarter, an improvement of 29%. Although raw material prices continue to remain high coupled with the strength of the Ringgit exchange against the US Dollar, the Group has successfully passed the increased costs to end-users.

3. Current Year Prospects

Despite the continuous uncertainty and challenging operating conditions, the Group achieved a commendable performance for the first half of 2008. This is mainly attributed to the Group's ability to successfully pass the full increase in costs of raw materials to customers. In addition, the earlier phases of our China operations have reached optimum capacities and these have also contributed positively to the current quarter's earnings.

Negative factors such as the weak U.S Dollar, slowing U.S. economy and persistently high latex and crude oil prices are expected to continue to pose a challenge to the Group. Nevertheless, the Group's outlook for the rest of the year remains positive and is expected to improve further.

4. Profit Forecast or Profit Guarantee

No profit forecast or profit guarantee has been issued for the current quarter.

5. Taxation

	Current quarter ended 30 June 2008 RM'000	Cumulative year-to- date RM'000
Current year – Malaysian income tax	688	1,834
Current year – Foreign income tax	225	388
	-----	-----
Total income tax expense	913	2,222
	=====	=====
Effective tax rate	35%	48%

The year-to-date income tax expense is in respect of profits made by certain Malaysian subsidiaries but was not available for Group relief.

6. Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties for the current quarter ended 30 June 2008.

7. Purchase/disposal of Quoted Securities

There was no purchase and/or disposal of quoted securities for the current quarter other than the purchase of 414,200 ordinary shares under Share Buy-back.

8. Status of Corporate Proposals

There are no corporate proposals not announced or outstanding as at 30 June 2008.

9. Group Borrowings and Debt Securities

	As at 30 June 2008	
	Secured RM'000	Unsecured RM'000
Short Term Borrowings including trade financing	-	28,370
Term Loans	-	9,697
Medium Term Notes ("MTN")	-	43,000
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	-	51,540
	-----	-----
	-	132,607
	=====	=====

10. Financial Instruments with Off Balance Sheet Risks

As at 30 June 2008, the Group has the following foreign currency contracts outstanding:-

Currency	Contracted Amounts '000	Ringgit Equivalent RM'000	Expiry Period(s)
US Dollars (USD)	1,968	6,349	July – December 2008
Euro Dollars (EUR)	9,258	44,534	July – November 2008
Sterling Pound (GBP)	430	2,713	July – November 2008

The above foreign currency contracts are entered into with a local licensed bank to hedge the Group's receivables in foreign currencies. The contracted rates will be used to translate the underlying foreign currencies into Ringgit Malaysia.

These foreign currency contracts are of a short-term nature and the Group does not take up any differences between the contracted rates and spot rates to the income statements.

The accounting policy adopted with regards to off balance sheet financial instruments was consistent with those applied in the last audited financial statements as at 31 December 2007.

11. Changes in Material Litigation

Rubberex (M) Sdn. Berhad ("RMSB"), a wholly-owned subsidiary of Rubberex Corporation (M) Berhad, had on 08 April 2002 filed a legal action against Kesatuan Kebangsaan Pekerja-Pekerja Syarikat-Syarikat Pembuat Keluaran Getah, A. Subramanian, Sun Media Corporation Sdn. Bhd. and H'ng Hung Yong (collectively "the Defendants") at the Ipoh High Court under suit no. 22-72-2002. RMSB is alleging that a libelous and/or defamatory statement against RMSB has been made and published by the Defendants in The Sun newspaper on 17 October 2001. RMSB is claiming for a sum of RM750,000 as general damages together with interest and costs and a written public apology to be published in a national newspaper. The Court has fixed a full hearing on 16 September 2008 on this matter.

Based on the opinion of RMSB's solicitors, the Defendants have no defense on merits to the claim.

12. Dividend Payable

No dividend is proposed for the current quarter under review.

13. Earnings per Share ("EPS")

		Cumulative Year-to-Date ended 30 June 2008	Cumulative Year-to-Date ended 30 June 2007
Profit attributable to ordinary shareholders of the Company	RM'000	2,679	155
Weighted average number of ordinary shares in issue	Shares	79,360,094	79,332,119
Basic EPS	sen	3.38	0.20
Diluted weighted average number of ordinary shares in issue	Shares	142,871,193	80,254,598
Fully diluted EPS	sen	1.88	0.19

14. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 29 August 2008.

CHAN CHEE KHEONG (MAICSA 0810287)

CHANG POOI YEE (MAICSA 7036213)

Company Secretaries

Ipoh, Perak

29 August 2008