



Rubberex Corporation (M) Berhad

(Company No. 372642-U)

Annual Report 2017





**Rubberex Corporation
(M) Berhad**



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**Rubberex Corporation
(M) Berhad**



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of Rubberex Corporation (M) Berhad will be held at The Rooms, Level 1, Impiana Hotel, 18 Jalan Sultan Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Monday, 21 May 2018 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees of RM229,510.00 in respect of the financial year ended 31 December 2017. **(Resolution 2)**
3. To approve the payment of benefits of RM23,465.00 payable to the Directors (other than Directors' fees) for the financial year ended 31 December 2017. **(Resolution 3)**
(Please refer to Explanatory Note 1)
4. To approve the payment of benefits payable to the Directors (other than Directors' fees) for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company. **(Resolution 4)**
(Please refer to Explanatory Note 1)
5. To re-elect the following Directors who retire by rotation in accordance with Article 91 of the Articles of Association of the Company, constituting part of the Constitution of the Company and who being eligible offer themselves for re-election:-
 - (i) Dato' Abd Rahim Bin Abd Halim **(Resolution 5)**
 - (ii) Encik Sharifuddin Bin Shoib **(Resolution 6)**
6. To re-appoint Messrs Deloitte PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Board of Directors to fix their remuneration. **(Resolution 7)**

As Special Business

To consider and if thought fit, with or without any modification, to pass the following Ordinary Resolutions:-

7. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 ("ACT")** **(Resolution 8)**
(Please refer to Explanatory Note 2)

"THAT, subject always to the Act, the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad and other relevant government/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors of the Company be and are hereby



**Rubberex Corporation
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Notice of Annual General Meeting (cont'd)

7. AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 ("ACT") (cont'd)

empowered to obtain the approval for the listing and quotation for the additional shares to be issued on the Bursa Malaysia Securities Berhad AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting."

8. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT authority be and is hereby given to Dato' Mohamed Bin Hamzah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company in accordance with Malaysian Code on Corporate Governance."

(Resolution 9)
(Please refer to
Explanatory Note 3)

9. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT authority be and is hereby given to Encik Mustapha Bin Mohamed who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company in accordance with Malaysian Code on Corporate Governance."

(Resolution 10)
(Please refer to
Explanatory Note 4)

10. 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)
Secretary

Ipoh
20 April 2018



Notice of Annual General Meeting (cont'd)

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall not be entitled to appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.
3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A (1) of SICDA.
5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if such appointer is a corporation under its common seal, or the hand of its attorney or duly authorised officer or in some other manner approved by the Directors. The instrument appointing a proxy, with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Share Registrar's Office of the Company at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, at which the person named as proxy in such instrument proposed to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
7. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 58A (b) of the Articles of Association of the Company and Paragraph 7.16 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 14 May 2018 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting. All resolutions set out in the Notice of the Meeting are to be voted by poll.
8. By submitting an instrument appointing a proxy (ies) and/or representative (s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company:
(i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the AGM; (b) preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that he or she has obtained such proxy (ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and or representative's(s)' personal data for the Purposes, and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



Notice of Annual General Meeting (cont'd)

Explanatory Notes:

**1. Resolution 3 and Resolution 4
Approval of the Payment of Directors' Benefits (other than Directors' fees)**

The Resolution 3 and Resolution 4 are proposed to seek the shareholders' approval for the Directors' Benefits (other than Directors' fees) comprising the meeting allowances payable to the Non-Executive Directors. The meeting allowances are as follows:-

	Meeting Allowance for Financial Year Ended 31 December 2017	Meeting Allowance for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company
Independent Non-Executive Director	RM10,586.00	RM1,000.00 per meeting
Non-Independent Non-Executive Director	RM12,879.00	RM1,000.00 per meeting

The estimated Directors' Benefits (other than Directors' fees) for the period from 1 January 2018 until the conclusion of the next Annual General Meeting ("Relevant Period") is approximately RM42,000.00.

In determining the estimated total Directors' Benefits (other than Directors' fees) for the Relevant Period, the size of the Board as well as the number of meetings scheduled to be held during the Relevant Period were taken into consideration.

In the event if there is any revision on the meeting allowances, approval will be sought at the next Annual General Meeting for the shortfall.

**2. Resolution 8
Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016**

The Resolution 8 is proposed to seek a renewal of general mandate for authority to issue shares pursuant to Sections 75 and 76 of the Act. If the resolution was passed, it will give the Directors of the Company from the date of the above meeting, authority to issue and allot shares for such purposes as the Directors consider would be in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier.

As at the date of this notice, 22,926,800 new shares in the Company were issued by way of private placement pursuant to the general mandate granted to the Directors at the Twenty-First Annual General Meeting held on 22 May 2017. The general mandate will lapse at the conclusion of the Twenty-Second Annual General Meeting. The total proceeds raised from the said private placement exercise was approximately RM16.0 million. The details and status of the utilisation of proceeds raised from the said private placement exercise are as follows:-

Details	Proposed Utilisation RM	Actual Utilisation RM	Balance Available for Utilisation RM
(a) Capital expenditure to expand the production lines for nitrile disposable gloves	15,500,000	-	15,500,000
(b) Defray estimated expenses for the Proposed Private Placement	500,000	500,000	-
Total	16,000,000	500,000	15,500,000



Notice of Annual General Meeting (cont'd)

2. Resolution 8

Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (cont'd)

The general mandate sought will provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital, repayment of borrowings and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of issued shares of the Company for the time being, without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

3. Resolution 9

Continuing in Office as Independent Non-Executive Director – Dato' Mohamed Bin Hamzah

Dato' Mohamed Bin Hamzah was appointed as an Independent Non-Executive Director of the Company on 24 October 1996, and has, therefore served for more than nine (9) years. As at the date of this Notice, he has served the Company for twenty-one (21) years. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Securities Main Market Listing Requirements and continues to bring independent and objective judgements to Board deliberations and decision-making. The Board based on the recommendation of the Nomination Committee, considered him to be independent and believed that he should be retained as Independent Non-Executive Director.

4. Resolution 10

Continuing in Office as Independent Non-Executive Director – Encik Mustapha Bin Mohamed

Encik Mustapha Bin Mohamed was appointed as an Independent Non-Executive Director of the Company on 11 April 2008, and has, therefore served for more than nine (9) years. As at the date of this Notice, he has served the Company for ten (10) years. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Securities Main Market Listing Requirements and continues to bring independent and objective judgements to Board deliberations and decision-making. The Board based on the recommendation of the Nomination Committee, considered him to be independent and believed that he should be retained as Independent Non-Executive Director.

5. Retirement of Director

Mr. Yap Jek Nan who was appointed Independent Non-Executive Director of the Company on 24 October 1996, and has therefore served for more than nine (9) years. He has expressed his intention not to seek for re-appointment. Hence, he will retain office until the close of the Twenty-Second Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING

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

There were no Directors standing for election at the Twenty-Second Annual General Meeting.



**Rubberex Corporation
(M) Berhad**



Corporate Information

DIRECTORS	Y. Bhg. Dato' Abd Rahim bin Abd Halim <i>Non-Independent, Non-Executive, Chairman</i>
	Y. Bhg. Dato' Mohamed bin Hamzah <i>Independent, Non-Executive, Deputy Chairman</i>
	Khoo Chin Leng <i>Managing Director</i>
	Sharifuddin bin Shoib <i>Non-Independent, Non-Executive</i>
	Mustapha bin Mohamed <i>Independent, Non-Executive</i>
	Poh Chee Kwan <i>Non-Independent, Non-Executive</i>
	Yap Jek Nan <i>Independent, Non-Executive</i>

COMPANY SECRETARY	Chan Chee Kheong (MAICSA 0810287)
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AUDITOR	Deloitte PLT Chartered Accountants
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PRINCIPAL BANKERS	HSBC Bank Malaysia Berhad RHB Bank Berhad Hong Leong Bank Berhad Hongkong & Shanghai Banking Corporation Limited HSBC Bank (China) Limited China Construction Bank Limited United Overseas Bank (China) Limited Caixabank S.A. Sabadell Atlantico S.A.
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REGISTERED OFFICE	41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan. Tel no.: 605 548 0888 Fax no.: 605 545 9222
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REGISTRAR	Tricor Investor & Issuing House Services Sdn Bhd 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan.
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STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad (Main Market) Stock name/code: RUBEREX/7803
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WEBSITES	www.rubberex.com.my www.rubberex-corp.com.my
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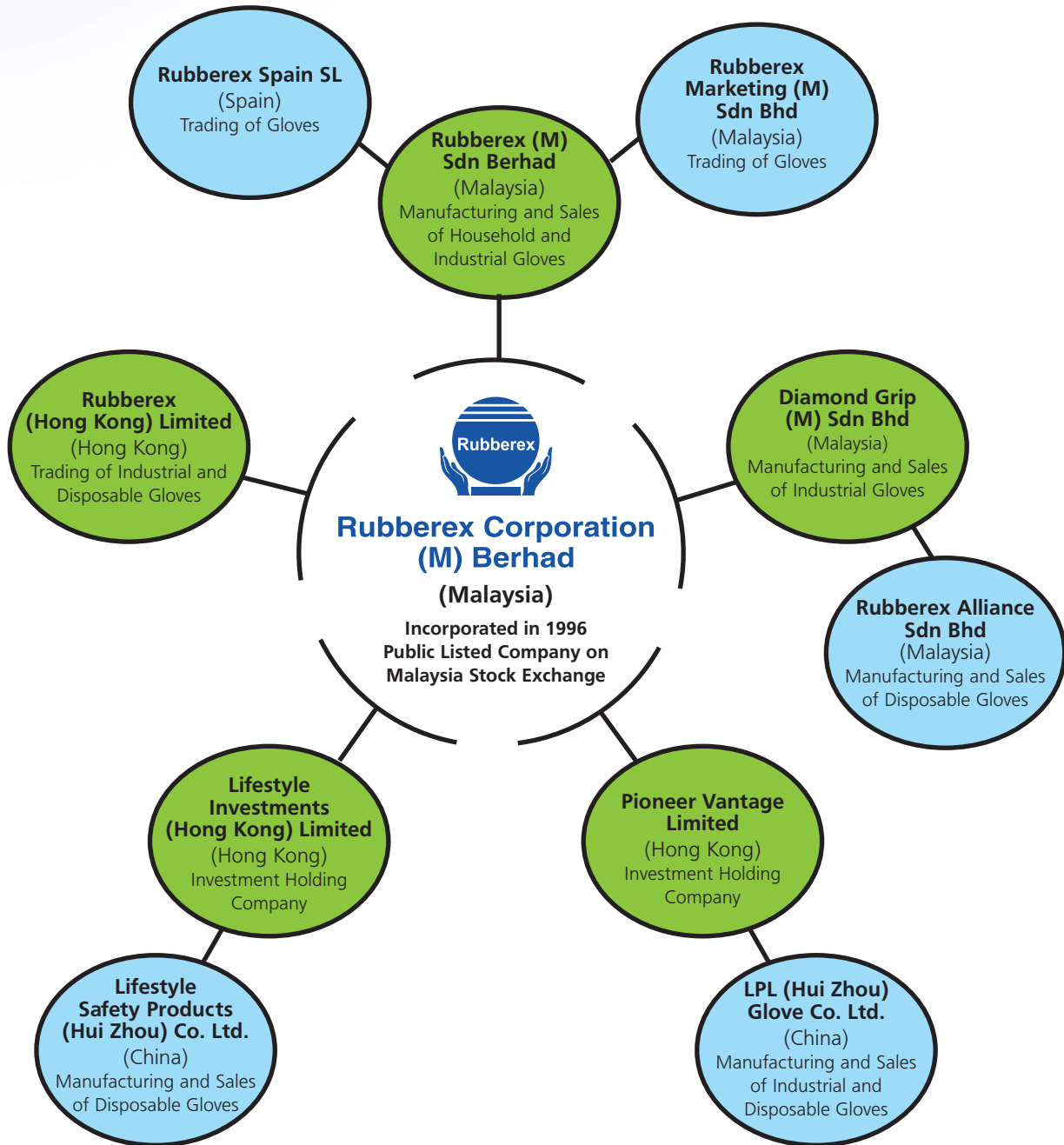


**Rubberex Corporation
(M) Berhad**



Corporate Structure

Rubberex Group of Companies





**Rubberex Corporation
(M) Berhad**



Directors'/Key Senior Management's Profile

Dato' Abd Rahim bin Abd Halim, aged 69, male, a Malaysian, is a non-independent non-executive Chairman of the Company. He was appointed to the Board on 09 August 2002 and assumed his current position on 27 August 2014. He was also appointed as Chairman of the Remuneration Committee on 27 August 2014. Dato' Abd Rahim bin Abd Halim holds a Bachelor of Economics (Honours) degree from the University of Malaya and had previously served in several senior positions in the Ministry of International Trade and Industry (MITI). In 1978, Dato' Abd Rahim bin Abd Halim 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 the founder Director of Daihatsu Malaysia Sdn Bhd, the sole franchise holder for Daihatsu motor vehicles in Malaysia. Formerly the Managing Director of MBM Resources Berhad, he is currently its Chairman. Dato' Abd Rahim bin Abd Halim also sits on the Board of several private companies including Perusahaan Otomobil Kedua Sdn Bhd ("Perodua").

Dato' Abd Rahim bin Abd Halim does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.

Dato' Mohamed bin Hamzah, aged 77, male, a Malaysian, is an independent non-executive director of the Company. He was appointed to the Board of the Company on 24 October 1996 and served as Chairman from 30 November 1998 to 27 August 2014 after which he opted for the re-designation of Deputy Chairman. He is currently 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. Dato' Mohamed bin Hamzah spent 25 years of his career as a Government officer in the Diplomatic and Administrative Service where he also 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 and 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 Management Bhd which owns and operates a recreational resort for golf in Batu Gajah, Perak.

Dato' Mohamed bin Hamzah does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.

Mr. Khoo Chin Leng, aged 59, male, a Malaysian, is the Managing Director of the Company and was appointed to the Board of the Company on 01 July 2013. He is a member of the Malaysian Institute of Accountants and a Fellow Member of the Chartered Association of Certified Accountants (FCCA), United Kingdom. Mr. Khoo Chin Leng joined Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, in 1988 as the Accountant and has held various positions within the Finance Division of the Group. Mr. Khoo Chin Leng was instrumental in the set-up of the Group's subsidiary companies in China and has been active in its operations since 2005. These subsidiary companies are mainly involved in the manufacture and sales of industrial gloves and vinyl disposable gloves. Prior to joining Rubberex (M) Sdn Berhad, he was attached to IJM Corporation Berhad, as its Accountant for 5 years.

Mr. Khoo Chin Leng does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.



**Rubberex Corporation
(M) Berhad**



Directors'/Key Senior Management's Profile (cont'd)

En. Sharifuddin bin Shoib, aged 71, male, 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 a Member of the Remuneration Committee and was appointed a Member of the Audit Committee of the Board on 27 August 2014. En. Sharifuddin bin Shoib holds a Bachelor of Engineering (Mechanical) degree from Australia which was obtained in 1974 and is a member of the Institute of Engineers Malaysia. He has been a board member of Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, since inception. En. Sharifuddin bin Shoib 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 and a former non-executive Chairman of Rubber Thread Industries (M) Sdn Bhd ("RTI") in Ipoh, Perak. Currently, En. Sharifuddin bin Shoib is a non-executive Chairman of OKA Corporation Berhad which is primarily involved in the manufacture and sale of pre-cast concrete products and ready-mixed concrete.

En. Sharifuddin bin Shoib does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.

En. Mustapha bin Mohamed, aged 72, male, a Malaysian, is an independent non-executive director of the Company, appointed 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, Ip muda Berhad, Credit Corporation of Malaysia Berhad, Ho Hup Construction Company Berhad and MHC Plantations Berhad. He is currently a director of Majuperak Holdings Berhad and MBM Resources Berhad and is also involved in his own business, providing advisory services in relation to his own profession.

En. Mustapha bin Mohamed does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.

Mr. Yap Jek Nan, aged 53, male, a Malaysian, is an independent non-executive director of the Company. He was appointed to the Board of the Company on 24 October 1996. In the current year, Mr. Yap Jek Nan was also appointed a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. Mr. Yap Jek Nan has more than 10 years' working experience in various manufacturing and property development companies within the IGB Corporation Berhad group of companies. He is currently a director of MBM Land Sdn Bhd, a property development company in Ipoh, Perak.

Mr. Yap Jek Nan does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.



**Rubberex Corporation
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Directors'/Key Senior Management's Profile (cont'd)

Mr. Poh Chee Kwan, aged 55, male, a Malaysian, is a non-independent non-executive director of the Company newly appointed on 22 November 2016. He is also the Chairman of the Nomination Committee of the Board. Mr. Poh Chee Kwan holds a Bachelor of Engineering (Honours) from the National University of Singapore. He started his career as a Project Engineer with a construction company and later joined the Management of a private equity company in Singapore. He returned to Malaysia and joined Med-Bumikar Mara Sdn Bhd (MBM) in 1992 and has held several senior management positions within the MBM Group of Companies. Mr. Poh Chee Kwan is currently the Group General Manager of MBM and has acted as Director of several private companies representing the MBM Group's interests in these companies. Mr. Poh Chee Kwan also sits on the board of Aun Huat & Brothers Sdn Bhd, a substantial shareholder of the Company.

Mr. Poh Chee Kwan does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.

Mr. Khoo Thiam Chye, aged 56, male, a Malaysian, is currently the Vice President (Malaysia Operations) of the Group. He holds a Bachelor of Arts (Honours) degree from Queen's University in Belfast, United Kingdom. Mr. Khoo Thiam Chye joined Rubberex (M) Sdn Berhad, a wholly-owned subsidiary of the Company in 1991 as the Export Manager. Prior to joining Rubberex, he was the project executive with IGB Corporation Berhad for 2 years.

Mr. Khoo Thiam Chye does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.

En. Sabri bin Abd Hamid, aged 52, male, a Malaysian, is the Vice President (Disposable Gloves Division) for the Group. He holds a Bachelor of Economics and Statistics degree from the University of North Carolina in the United States. En. Sabri bin Abd Hamid joined Rubberex (M) Sdn Berhad, a wholly-owned subsidiary of the Company in 1994 as a Marketing Executive and assumed his present position in 2013. Prior to joining Rubberex, En. Sabri bin Abd Hamid was the Assistant Manager of Franchise Foodstores in Charlotte, United States for 3 years.

En. Sabri bin Abd Hamid does not have any family relationship or conflict of interest with any other director or substantial shareholder of the Company, other than his shareholding interests disclosed in this report. He has not been convicted of any offences in the past ten years, other than traffic offences, if any.



**Rubberex Corporation
(M) Berhad**



Chairman's Statement

On behalf of the Board of Directors of Rubberex Corporation (M) Berhad, I am pleased to present the Company Annual Report for the financial year ended 31 December 2017.

Overview of Performance

Despite the Group's revenue improving to its highest level in 2017, profits were dampened by the increase of material and labour costs as well as the strong Ringgit which proved challenging to the Group throughout the year.

Our Malaysian operations, traditionally involving the production of general purpose and industrial gloves, experienced the double blow of high costs amidst slow sales that impacted significantly on the bottom line.

However, the Group's vinyl disposable gloves division (based in China) improved significantly notwithstanding the stiff competition from other smaller market players there. Demand for the product remained stable although the operating margin is thin.

The Group's disposable gloves division remains the main contributor for the financial year by recording increased volumes with strong demand especially from key markets in North America and Europe. Our logistics office located in Spain was also in the position to serve customers in these regions, supporting the delivery of gloves and quantities at shorter lead times.

Corporate Developments

No new corporate developments were undertaken by the Group other than the private placement exercise carried out and completed in the second quarter of the financial year just ended.

A total of RM16.0 million was raised and earmarked for the Group's capital expenditure and invested into additional production lines for nitrile disposable gloves in Ipoh, Perak.

The Group's production capacity estimated to reach 1.5 billion pieces annually upon completion of this phase's expansion by end of 2018.

Future Prospects

The outlook for financial year 2018 remains encouraging and the expected higher future demand will be met by the new nitrile disposable glove lines capacity coming on-stream. For the long term competitiveness, the group is continuously improving product quality with a committed technical team constantly in pursuit of product excellence and process automation. In addition, our marketing personnel are continuously exploring new markets and avenues for growth.

Notwithstanding these optimism, we also remain mindful of certain challenges for the Group, among which are the strengthening Ringgit against our major trading currencies such as the U.S. Dollar and the Euro, uncertainty in crude oil prices that would in turn affect our input material prices such as PVC resin and indirectly latex, and escalating labour costs, particularly in China and Malaysia.



**Rubberex Corporation
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Chairman's Statement (cont'd)

Appreciation and Acknowledgment

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

Thank you.

Dato' Abd Rahim bin Abd Halim

Chairman

26 March 2018



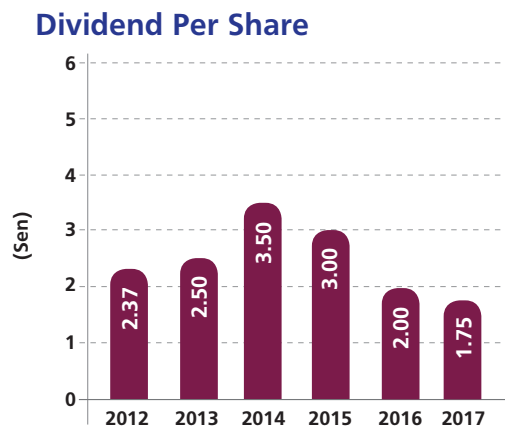
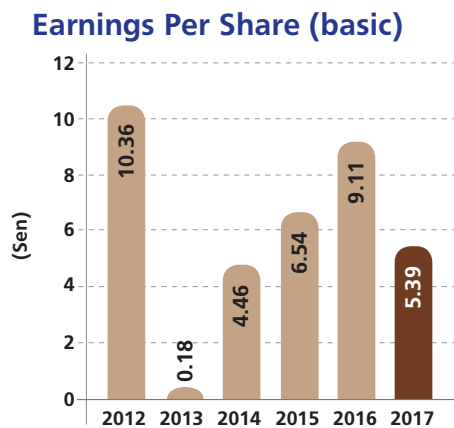
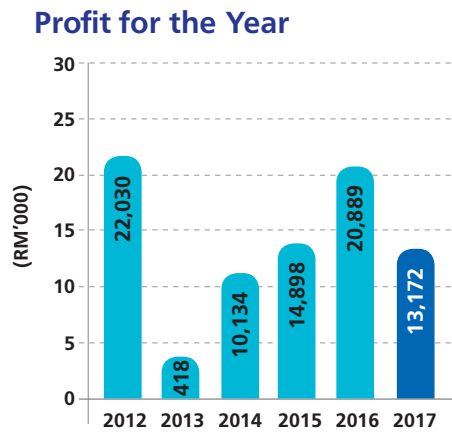
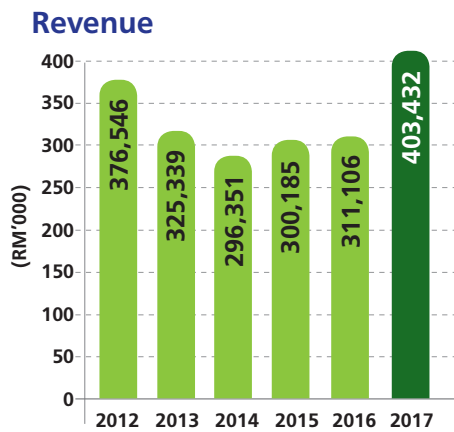
Management Discussion and Analysis

For the financial year ended 31 December 2017

Introduction

Rubberex Corporation (M) Berhad and its subsidiary companies are principally involved in the manufacturing and sales of gloves - household, industrial and disposable gloves. The Group's glove manufacturing plants are located in Ipoh, Perak and Huizhou City, Guangdong Province, China. In Malaysia, the Group's factories produce mainly household and industrial gloves as well as nitrile disposable gloves whereas the plant in China focuses on the manufacture of vinyl disposable gloves.

Overview of Financial Performance



(i) Turnover

In the financial year just ended, the Group's revenue grew by 29.7%, a commendable increase of RM92.3 million from RM311.1 million in the 2016 to RM403.4 million in the financial year just ended. Despite operating within an unfavourable backdrop of the strong Ringgit during the year, which strengthened by 8.6% relative to the U.S. Dollar in the current year alone, the Group attributed its revenue growth to strong market demand and better sales performance of certain glove divisions.



Management Discussion and Analysis (cont'd)

Overview of Financial Performance (cont'd)

(i) Turnover (cont'd)

(a) Nitrile disposable gloves – Malaysia

The highest contributor to the increase in our Group's revenue in year 2017 was our nitrile disposable gloves division, which had flourished with sales of RM75.1 million compared to RM35.6 million in the previous year, aided by consistently strong consumer demand in Europe and North America, two of our biggest markets.

(b) Household and Industrial gloves – Malaysia

In the presence of other low-cost glove manufacturers in Asia, intense competition and sluggish demand, this division, which was traditionally regarded as the Group's mainstay, was flattish in terms of growth in 2017, albeit contributing 33.1% of overall revenue in the financial year just ended.

(c) Vinyl disposable gloves – China

As the biggest contributor to our Group revenue, this division made up 48.0% of our turnover and recorded sales of RM193.7 million in the financial year just ended, an increase of 42.7% from RM135.7 million previously. In the short to medium term, prices for vinyl disposable gloves are expected to remain stable as the forced closures of certain factories in the northern region of China by the Chinese government due to environmental concerns have triggered reduced supply in the market, a promising outcome for the Group.

(ii) Profit Before and After Tax

(a) Gross Profits and Cost of Sales

Financial year 2017 was a challenging year for the Group as we contended with rising material costs and unfavourable foreign exchange rates. Key manufacturing components such as natural rubber, synthetic rubber and plastic resin showed no signs of easing, putting additional cost pressures on glove selling prices, and consequently, profit margins. Year-on-year, the cost of natural rubber increased by 30.0%, synthetic rubber by 28.3% and PVC resin by 17.1%. Despite the gradual assignment of cost increases to our customers, the Group's gross profit margin eroded from 12.1% in the previous year to 10.2% for financial year 2017.

(b) Other gains and losses

The Group accounted for net foreign exchange losses of RM7.7 million, both realised and unrealised, largely attributable to the strength of the Ringgit against our major trading currencies i.e. U.S. Dollar and Euro, during the financial year.

(c) Other operating income

Included in Other Operating Income was a reimbursement from an insurance company of RM1.0 million for losses sustained in a minor fire incident that occurred at our Ipoh plant in November 2016.

(d) Finance costs

During the financial year 2017, the Group repaid a net amount of RM16.6 million in total bank borrowings, consisting of term loans, bills payable, trust receipts, revolving credits and overdrafts. However, the total finance costs recognised in the financial statements increased by RM1.2 million in the current year, from RM3.5 million in 2016 to RM4.7 million arising from the utilisation of term loans for the financing of our nitrile disposable gloves production lines.

(e) Tax Expenses

Tax expenses recognised in the financial statements of the current year amounted to RM2.1 million, after taking into account net deferred tax assets of RM0.9 million that mainly arose from future claimable tax incentives.



Management Discussion and Analysis (cont'd)

Overview of Financial Performance (cont'd)

(iii) Assets and Liabilities

(a) Trade and Other Receivables

Trade and other Receivables increased by 10.0%, from RM70.0 million in 2016 to RM77.0 million at the close of the previous financial year; this was in line with a larger customer base and higher sales achieved during the year. The average trade collection period between the two years have ranged between 50 to 60 days.

(b) Cash and Bank Balances

The Group's available cash and bank balances as at the end of financial year 2017 stood at RM28.7 million, an increase from RM16.9 million since the close of the previous year. Proceeds from the private placement and issuance of shares amounting to RM16.0 million are earmarked for factory expansion in 2018. During the financial year, major cash outflows include capital investments of RM17.0 million, net repayment of borrowings by RM16.6 million, tax payments of RM5.1 million and dividends of RM1.9 million.

(c) Trade and Other Payables

The Group's short term trade and other payables have noticeably increased by 24.0%, from RM48.7 million in 2016 to RM60.4 million as at the close of the financial year, underlying the rising costs of materials and manufacturing overheads and supported by our increase in production capacities, especially for the disposable glove divisions in China and Malaysia.

(d) Borrowings

Group borrowings had reduced from RM84.1 million held in 2016 to RM64.8 million as at the end of 2017, subsequently also improving the net gearing ratio from 0.3 to 0.1 at the close of the financial year.

(e) Capital Resources and Liquidity

The Group is conscious of maintaining adequate capital resources and convertible assets to meet short term financial obligations; current assets were in excess of current liabilities by 1.8 times in the financial year just ended, an improvement from 1.6 times in the previous year. While the Group's equity structure has remained largely unchanged save for the additional share capital raised, liquidity is managed through monitoring of trade receivables, extension of trade payables and reduction of inventory turnover periods.

Anticipated and/or Known Risks

(i) Supply of Raw materials

The production of rubber gloves is highly reliant on the availability and pricing of natural resources, particularly raw latex which the Group sources mainly from Thailand. The source of latex i.e. rubber, is a known and actively traded agricultural commodity that is sensitive and susceptible to price fluctuations. Naturally, the production and supply of latex are also dependent on many factors, among which are market demand, foreign exchange, crude oil prices, logistical issues and weather conditions.

In order to manage this risk, the Group monitors the cost of latex very closely and if need be, hedges its orders and deliveries up to several weeks ahead. The Group then applies a price-adjustment mechanism on its manufacturing costs that computes charges (or savings if the case may be) that would be built-in onto its eventual selling prices to customers.



**Rubberex Corporation
(M) Berhad**



Management Discussion and Analysis (cont'd)

Anticipated and/or Known Risks (cont'd)

(ii) Labour and Workforce

The rubber glove industry is generally labour intensive and challenges are prevalent in the turnover of local workers, employment of foreign labour as well as rising costs of living. Moreover, the government's initiative for employers to absorb foreign workers' levy from the following year onwards will undoubtedly put additional pressure on the Group's product costing and cashflow.

The Group mitigates labour supply risks by capitalising on automation and new technologies where necessary. In the financial year just ended, a sum of RM1.3 million was invested on our production and packing lines to counter labour turnover and improve workflow efficiency.

(iii) Foreign Exchange

As an export-oriented Group, our sales proceeds are receivable in foreign currencies, mainly USD and Euro, and 100% converted to Ringgit Malaysia. The weaker the Ringgit, vis-à-vis the export currency traded, the more favourable it is to the Group and vice-versa.

In view of currency exchange fluctuations and risks associated with these proceeds, a portion of confirmed orders and trade balances are hedged against unfavourable gains or losses that could impact on the Group's bottom line. As at the end of the previous financial year, the Group has secured USD17.1 million and EUR0.9 million in partial export proceeds receivable up to May 2018.

Trends and Outlook

Prospects for the new financial year and beyond remain promising with strong robust demand for rubber gloves as global calls for improvements in safety, hygiene and living standards give rise to higher gloves consumption in most households and factories. Consumer and market preferences are also showing an inclination towards the usage of disposable gloves over reusable gloves in certain industries for its convenience, cost advantage and accessibility.

In light of this development, the Group is directing its resources to the nitrile disposable gloves division, where plans are already underway for the next phase of expansion at the current site that would boost production volume and sales up to 1.5 billion pieces annually by 2018. This project shall be funded by a combination of proceeds raised from a share placement exercise carried out in 2017 and bank borrowings which are already in place. Capitalising on our strong order books and experience in the disposable gloves distribution chain, the Group believes that this product should contribute more significantly to the Group's earnings and profitability from financial year 2019 onwards.

Dividend policy

Two single tiered interim dividends were declared and paid in respect of the financial year 2017; the first interim of 0.75 sen in August 2017 and the second interim of another 1.0 sen in February 2018. Total dividend paid out for the current year amounted to approximately RM4.4 million.

The Company will continue with its policy of paying dividends as long as Group performance and cashflow positions are satisfactory.



Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

Dato' Mohamed bin Hamzah	(Chairman, Independent Non-Executive Director)
Mustapha bin Mohamed	(Independent Non-Executive Director)
Sharifuddin bin Shoib	(Non-Independent Non-Executive Director)
Yap Jek Nan	(Independent, Non-Executive Director, appointed on 22 May 2017)

MEETINGS OF THE AUDIT COMMITTEE

1. The Chairman of the Audit Committee shall report on each meeting to the Board of Directors and the Secretary of the Audit Committee shall be the Company Secretary;
2. The Secretary of the Audit Committee shall be entrusted with the circulation of the agenda and notice of meetings prior to each meeting and shall record all proceedings and minutes of Audit Committee meetings;
3. The quorum for an Audit Committee meeting shall be at least two members and the majority of members present must be independent directors;
4. Audit Committee meetings shall be held not less than four times a year and internal or external auditors may attend the meetings upon the invitation of the Audit Committee;
5. At least twice a year, the Audit Committee shall meet with the external auditors without the presence of any executive directors and management of the Company to deliberate on the audit plans, summaries of findings and any other matters directly affecting the Company and the Group; and
6. Four Audit Committee meetings were held during the financial year ended 31 December 2017. The attendance record of each member is as follows:-

Name	Attendance	Percentage
Dato' Mohamed bin Hamzah	4/4	100%
Mustapha bin Mohamed	2/4	50%
Sharifuddin bin Shoib	4/4	100%
Yap Jek Nan	2/2	100%

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities of the Audit Committee in the financial year ended 31 December 2017 were as follows:

1. Reviewed the adequacy and relevance of the scope, functions, resources, audit plans and results of audit processes, with the external and internal auditors;
2. Reviewed the audit reports and major findings prepared by the external and internal auditors, and management's responses thereto;
3. Reviewed the quarterly financial reports and year-end financial statements of the Company and of the Group and thereafter submitting them to the Board of Directors for consideration and approval;



Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

4. Reviewed the latest changes of pronouncement issued by accountancy, statutory and regulatory bodies on matters generally relevant to the Audit Committee;
5. Reported to the Board of Directors any significant issues and concerns discussed during the Committee's meetings with external and internal auditors, and where appropriate, made the necessary recommendations to the Board;
6. Reviewed the Company's and the Group's compliance with the listing requirements of Bursa Malaysia Securities Berhad;
7. Considered and recommended to the Board of Directors for approval, the audit fees payable to the external and internal auditors; and
8. Prepared the Audit Committee Report for inclusion in the Company's Annual Report.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The main activities of the Internal Audit function in the financial year ended 31 December 2017 were as follows:

1. Reviewed the draft quarterly financial reports and year-end financial statements with Management and Audit Committee;
2. Carried out risk management and review of key business areas including credit and liquidity risks, cash flows, foreign exchange risks and other evaluations of internal control systems, accounting and management information systems;
3. Ensured the compliance of the Company's and of the Group's practices with established policies, procedures, laws and regulations and where applicable, recommended corrective actions to improve control processes. The Internal Audit function also followed-up on these actions to ensure correct and adequate implementation;
4. Issued periodic internal audit reports to the Audit Committee members and Management;
5. Followed up on any compliance issues raised by the external auditors in the course of audit and considered management's corrective actions thereof;
6. Attended Audit Committee meetings to table and discuss the internal audit activities carried out and deliberated on the adequacies and summaries of audit results;
7. Performed other ad-hoc examinations and reviews as requested by the Audit Committee and the Board, as appropriate.

All internal audit activities for the financial year ended 31 December 2017 were conducted by an in-house audit team and no areas of the Internal Audit function were outsourced. The total costs incurred for the internal audit function during the year amounted to RM199,972.



**Rubberex Corporation
(M) Berhad**



Corporate Governance Overview Statement

The Board of Directors of Rubberex Corporation (M) Berhad (“the Board”) is pleased to present this Corporate Governance Overview Statement for the financial year ended 31 December 2017, highlighting its corporate governance practices carried out during the year as guided by the principles set out in the Malaysian Code on Corporate Governance 2017 and Practice Note 9 of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

This Statement highlights the key corporate governance practices of the Group during the financial year, with references to the following three principles:

- (a) Board leadership and effectiveness;
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationship with stakeholders.

This Statement should be read in conjunction with the Group’s Corporate Governance Report (“CG Report”) which has been uploaded on the Company’s website www.rubberex-corp.com.my and announced on the website of Bursa Malaysia Securities Berhad.

BOARD LEADERSHIP AND EFFECTIVENESS

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.

In carrying out its responsibilities, the Board reviews the Group financial results, operational plans and strategic objectives formally on a quarterly basis and deliberates key management decisions. It also ensures that key information are reported to the Exchange in an accurate and timely manner.

The Company has a board charter which was set up in the current year that clearly outlines the structure of the Board, roles and responsibilities of directors, including independent directors, committee members and senior management. It also states specifically the issues and strategic decisions to be undertaken by the Board each year including setting long term vision(s) for the Group, reviewing and approving dividend payments, Group budgets, directors’ and senior management’s remuneration packages, quarterly financial results to Bursa Malaysia and other corporate announcements. The Company’s board charter is reviewed yearly.

Composition of the Board

The Board is made up of one executive director and six non-executive directors, three of which are independent directors. The Managing Director, Mr. Khoo Chin Leng has many years of experience in the Group’s core businesses, which are the manufacture and export of household gloves, industrial gloves and disposable gloves.

Within the Board, there are three active working committees who meet regularly and are delegated specific responsibilities to support the Board in discharging its corporate governance reporting duties. These committees are currently the Audit Committee, Nomination Committee and Remuneration Committee, each chaired by a capable board member of caliber and credibility.

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.



Corporate Governance Overview Statement (cont'd)

Directors' Training

All directors, including non-independent directors, have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad. The directors, either collectively or individually, have also attended various public talks and training sessions to keep abreast with developments in the business environment as well as to assist them in discharging their duties more effectively. Some of these training sessions were as follows:-

- The Companies' Act 2016 – Key Changes and Implications to Directors and Management;
- Companies' Act 2016: Practical Insights on Compliance; and
- MIA International Accountants Conference 2017.

Board Meetings

Four Board Meetings were held during the financial year ended 31 December 2017. The attendance record of each director during the year was as follows:

Name	Attendance	Percentage
Dato' Abd Rahim bin Abd Halim (Non-Independent Non-Executive Chairman)	4/4	100%
Dato' Mohamed bin Hamzah (Independent Non-Executive Deputy Chairman)	4/4	100%
Khoo Chin Leng (Managing Director)	4/4	100%
Sharifuddin bin Shoib (Non-Independent Non-Executive Member)	4/4	100%
Mustapha bin Mohamed (Independent Non-Executive Member)	2/4	50%
Yap Jek Nan (Independent Non-Executive Member)	4/4	100%
Poh Chee Kwan (Non-Independent Non-Executive Member)	4/4	100%

The Board composition in respect of the ratio of independent directors is three or one-third of the Board, in compliance with Bursa Malaysia Securities Berhad's Listing Requirements.

The Chairman of the Board, Dato' Abd Rahim bin Abd Halim, is responsible for instilling good corporate governance practices, leadership and effectiveness of the board. The Chairman primarily leads the members in board meetings, guides the formulation of company policies, risk management practices and corporate affairs. He is supported by the Deputy Chairman, Dato' Mohamed bin Hamzah, other board members as well as the Managing Director who contribute their knowledge, objectivity and experience towards the execution of policies and monitoring of Group operations.

Appointment of Directors

The Nomination Committee responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills, contribution, experience and diversity, including gender diversity, which the directors should bring to the Board. It also objectively assesses the individual(s)' independence, conflicts of interests and family relationships, if any. The nomination received is forwarded to the full Board for assessment and endorsement.

The Nomination Committee comprises the following directors:

Poh Chee Kwan (Chairman)
Dato' Mohamed bin Hamzah
Mustapha bin Mohamed
Yap Jek Nan (appointed on 22 May 2017)



Corporate Governance Overview Statement (cont'd)

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 at least once every three years 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:

Dato' Abd Rahim bin Abd Halim (Chairman)
Dato' Mohamed bin Hamzah
Sharifuddin bin Shoib
Mustapha bin Mohamed
Yap Jek Nan (appointed on 22 May 2017)

The Remuneration Committee ascertains and approves remuneration packages of executive directors and senior management 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 2017 are as follows:-

1. Aggregate remuneration of directors of the Company categorised into appropriate components:

	The Group		The Company	
	Emoluments RM	Fees RM	Emoluments RM	Fees RM
Executive Directors	2,195,627	-	641,836	-
Non-executive Directors	-	229,510	-	229,510
Total	2,195,627	229,510	641,836	229,510

Details of emoluments and fees paid to each individual director of the Company are as follows:-

	Emoluments RM	Fees RM
Dato' Abd Rahim bin Abd Halim	-	42,800
Dato' Mohamed bin Hamzah	-	49,100
Khoo Chin Leng	641,836	-
Sharifuddin bin Shoib	-	35,600
Mustapha bin Mohamed	-	38,900
Poh Chee Kwan	-	30,000
Yap Jek Nan	-	33,110
	641,836	229,510



Corporate Governance Overview Statement (cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Directors' Remuneration (cont'd)

2. The directors fees payable to the Directors of the Company falls into the following bands:

Range of remuneration	Executive	Non-executive
Below RM50,000	-	6
RM600,001 to RM650,000	1	-

3. The remuneration of the top five(5) senior management of the Group, including the Managing Director, falls into the following bands:

Range of remuneration	
RM200,001 to RM250,000	1
RM250,001 to RM300,000	1
RM300,001 to RM350,000	1
RM400,001 to RM450,000	1
RM600,001 to RM650,000	1

Supply of information

All Board members are supplied with information in a timely manner. Board reports are circulated at least seven days 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 a Company Secretary who ensures that notices of meetings are duly distributed, both for the Company's own records and for the purposes of meeting statutory requirements as well as obligations arising from the Listing Requirements of Bursa Malaysia Securities Berhad. The Company Secretary is also charged with highlighting all issues that he feels ought to be brought to the Board's attention. During the Board of Directors' and other committee meetings, the Company Secretary is tasked with preparing the minutes to be signed off by the Chairman and distributed to all directors within sixty days from the conclusion of such meetings.

Besides the Company Secretary, 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 investment bankers, valuers, human resource consultants and others.



Corporate Governance Overview Statement (cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Company has an Audit Committee whose composition meets the Listing Requirements i.e. three independent directors forming the majority and a member that is a qualified accountant. The Chairman of the Audit Committee is Dato' Mohamed bin Hamzah, an independent non-executive director. 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.

Prior to the presentation of the quarterly financial statements to the Board and to the shareholders, the Audit Committee deliberates on the truth and fairness of the information presented to ensure that the financial statements are prepared in accordance with the Malaysian Financial Reporting Standards and the provisions of the Companies Act, 2016, in Malaysia. Thereafter, the Audit Committee will recommend that the financial statements be approved by the Board and issued to shareholders.

Relationship with External Auditors

The Audit Committee meets with the external auditors at least twice during the year and maintains an appropriate relationship that is both formal and transparent. These meetings are carried out without the presence of any executive directors and management of the Company and of the Group to deliberate on the audit plans, summaries of findings and any other matters directly affecting the Company and the Group. At these meetings and throughout the financial year, the Audit Committee assesses the competency and independence of the external auditor and if satisfactory, recommends for re-appointment to the Board, who will then seek shareholders' approval at the Company's Annual General Meeting.

Yearly, the external auditors also duly declares to the Audit Committee and to the Board that they are in compliance with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Risk Management and Internal Control

The Board acknowledges the importance of having an adequate system of internal control and risk management within the Group. The key elements of the Group's internal control system are highlighted in the Statement of Risk Management and Internal Control on page 28 of the Annual Report.

Internal Audit

The Internal Audit department has been established internally to assist the Audit Committee in discharging its duties and responsibilities in maintaining an adequate system of internal control. 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. It is headed by an internal auditor with more than 18 years' work experience with the Group, and 2 permanent staff.

The Audit Committee assesses the performance of the Internal Audit department yearly and reports to the Board of Directors on the adequacy and relevance of the scope, functions, competency, authority and resources of the internal audit function to carry out its work.

The internal audit function of the Group carries out its activities in accordance with recognised internal auditing standards covering the conduct of audit planning, execution, documentation and communication of findings. It is also guided by the principals set up under the Group's Risk Management and Internal Control framework.



**Rubberex Corporation
(M) Berhad**



Corporate Governance Overview Statement (cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Internal Audit (cont'd)

Throughout the financial year, audit assignments were carried out and reported on any 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. The total costs incurred for the internal audit function during the year amounted to RM199,972.

For the financial year just ended, the Board and the Company are of the view that the internal control systems of the Group are appropriate and adequate.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Shareholders

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

In addition, any other material business matters affecting the Group or new corporate developments, if any, are also announced to Bursa Malaysia Securities Berhad within the appropriate timeframe.

Annual General Meetings

The Annual General Meeting is also a means of communicating with shareholders. At the Meeting, shareholders and investors are invited to raise any questions they may have pertaining to Group operations and interact and with Management, key officers, internal auditors and external auditors of the Group.

Notices for the Annual General Meeting are distributed at least twenty-eight days in advance, through an announcement on Bursa Malaysia's website and publication in at least one major newspaper in circulation in Malaysia. The Company's Annual General Meeting is usually held at a hotel, with ample parking spaces and other amenities. The Company's forthcoming twenty-second Annual General Meeting shall be held at The Rooms, Level 1, Impiana Hotel, 18 Jalan Sultan Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Monday, 21 May 2018 at 10.00 a.m. Shareholders are entitled to appoint a proxy or proxies or the Chairman to vote on their behalf at the Annual General Meeting.

Since the previous Annual General Meeting on 22 May 2017, the Company's resolutions set out in the Notice of Annual General Meeting were put to a vote by poll, the results validated and presented to the shareholders. This same practice will prevail at the forthcoming Annual General Meeting.

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

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



Corporate Governance Overview Statement (cont'd)

OTHER INFORMATION

Sustainability Reporting

The Board of Directors are pleased to present its inaugural General Sustainability Statement for the financial year ended 31 December 2017 on page 28 of this Annual Report, guided by the principals set out on Part III, Practice Note 9 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

Utilisation of Proceeds

During the financial year, the Company carried out a private placement of 22,926,800 shares with Med-Bumikar Mara Sdn Bhd at the placement price of RM0.70 per ordinary share. A total of RM16,048,760 were raised for the purpose of capital expenditure on the expansion of the Group's nitrile disposable glove production lines and to defray expenses. However, as at the close of the financial year, the funds remain unutilised and have partially been placed in fixed deposit accounts with a local licensed financial institution pending the commencement of the project in financial year 2018.

Share Buy-backs

The Company did not carry out any Share buy-backs in the financial year. A total of 10,000 shares were retained as treasury shares.

Options, Warrants and Convertible Securities

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

American Depositary Receipt (ADR)/Global Depositary 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

There are no non-audit fees paid to the external auditors during the financial year.



**Rubberex Corporation
(M) Berhad**



Corporate Governance Overview Statement (cont'd)

OTHER INFORMATION (cont'd)

Variation in results

There was no material variance between the audited results of the Group for the financial year ended 31 December 2017 and unaudited results previously released on 29 February 2018.

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 either still subsisting at the end of the financial year or entered into since the end of the financial year.

Revaluation Policy on landed properties

There was no revaluation of landed properties during the financial year ended 31 December 2017.

Corporate Social Responsibility (CSR)

The Company and Group are committed to the ISO 14001 Environmental Management Systems and Standards accreditation where various efforts are implemented and/or intensified to minimise any adverse effects of the manufacturing processes to the environment. In addition, the Company also made some donations to various charities and welfare organisations during the financial year ended 31 December 2017.



**Rubberex Corporation
(M) Berhad**



Sustainability Statement for the financial year ended 31 December 2017

The Board of Directors of Rubberex Corporation (M) Berhad and its subsidiary companies ("Rubberex" or the "Group") are pleased to present this inaugural General Sustainability Statement for the financial year ended 31 December 2017, prepared with reference to Part III, Practice Note 9 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

Governance Structure

The Group is focused on the following key sustainability risks and opportunities in its quest to ensure a dynamic long term future for its stakeholders, both internal and external:

- Economic;
- Environmental; and
- Social.

Generally, our stakeholders are identified but not limited to investors/shareholders, employees, customers, suppliers, bankers, Government and the community at large and each of their individual and collective concerns or interests are addressed appropriately.

Economic Sustainability

The core of the Group's business operations is to generate profits and create sustainable value for its shareholders. The Management is committed to high levels of accountability and takes the task of reporting accurate, timely financial information and results very seriously.

(i) Creating value and meeting expectations of investors/shareholders

The Board of Directors and senior management of Rubberex meet regularly, both formally and informally, to review the financial performances of the Group's individual divisions, discuss corporate proposals (if any), assess the overall financial health of the Group, approve budgets, review projections and oversee major capital expenditures. The Group's economic indicators of profitability, cashflows and capital are discussed or measured against known trends and approved benchmarks.

Aside from the quarterly financial results and performance of the Group which are approved by the Board of Directors and announced on Bursa Malaysia, the Company's Annual General Meeting is another avenue where shareholders and investors are also invited to interact with the Management, key officers, internal auditors and external auditors of the Group.

(ii) Producing high quality products, exploring new markets and avenues for growth

The glove industry is never static; consumer requirements and technologies are ever evolving and new markets are constantly opening up. Manufacturers such as Rubberex continuously strive to meet user demands amidst high quality standards set by our peers and industry leaders. Where traditionally the Group was focused purely on general-purpose and industrial gloves, over the years our glove range has extended to wide varieties of vinyl disposable and nitrile disposable gloves as well, supplying to more markets and end-users than ever before.

In addition to its international accreditations and recognition, vitally, Rubberex is also ISO 9002:2008 and ISO 9001:2015 certified. Its in-house Research and Development teams, working closely with Quality Systems and Marketing are professionally vested and committed to developing new products while meeting required quality standards at all times.

(iii) Relationships with suppliers and bankers

Rubberex maintains very close and supportive relationships with its suppliers, traders and contractors, most of whom have been known to the Group for more than 20 years. Continuity and loyalty are valued as these ensure good rapport, stability, reliability and control of Group operations.

Similarly, the Group's principal bankers understand our businesses well and sustainability is assured when our financiers are fully supportive of the Group's financing needs.



**Rubberex Corporation
(M) Berhad**



Sustainability Statement for the financial year ended 31 December 2017 (cont'd)

Environmental Sustainability

The Group is conscious that its various manufacturing and supporting activities have implications on the surrounding natural environmental and ecological systems. Rubberex is committed to preserving the environment in the form of controlling wastes or pollution, recycling and sourcing for substitutable greener solutions.

(i) Efficient use of energy and resources

Invariably, the Group relies on the provision and adequate supply of electricity and water for the generation of heat, energy and cooling systems in its manufacturing processes. Rubberex sources its electricity power supply from the national grids in Malaysia and China, similarly, supplies of water are also obtained from the respective national water boards. Consumption of these resources are calculated and monitored from the utility bills issued. Other materials and resources such as coal are also used in our China plant, as well as biomass fuel of woodchips and palm kernel shells (PKS) in Malaysia; consumptions are monitored regularly.

The Group's internal Energy Savings Committee meets regularly and promotes the responsible usage of electricity, water and resources, implementing energy-saving exercises where practicable and constantly seeking ways to improve energy efficiency in our manufacturing processes.

Rubberex's environmental consciousness also extends to the emission and discharges of effluents and by-products including noise and particles into the air, water ways and land. Scheduled wastes are collected by licensed contractors for proper disposal. The Group's waste water treatment plant technicians are certified and competent to monitor the release of treated water from our factories back to the eco-system. Dust collectors are installed within factory premises to reduce pollution and noise emissions are closely supervised. The Group also maintains very close communication with the Department of Environment (DOE).

(ii) Accreditation and regulatory compliance

Rubberex is diligent in upholding its ISO 14001:2004 certification to international environmental management systems standards compliance. Our Environmental Policy also clearly guides employees on the concept of reduce and reuse while simultaneously promoting the green culture by providing distinct recycling bins at selected sites within the factories.

(iii) Environmental sustainability into the future

Rubberex's commitment to the sustainability of the environment also extends to the pioneering use of a new fuel source in its Malaysian plant – briquettes or biocoal; these materials are valid alternatives to conventional fuel as they are made from mostly organic renewable materials and compressed into flammable blocks that provide more concentrated forms of heat and energy. Most importantly, this material is smokeless, leaving no carbon wastes, ash deposits or toxic gases when activated.

Social Sustainability

Rubberex acknowledges that its employees are core strategic assets and where prevalent, workforce talents are identified and retained accordingly. The Group's social commitments and responsibilities also extend to the community at large and in particular to residents living within close proximity to our manufacturing premises. Some of the Group's principle indicators of social sustainability are outlined below:-

(i) Remunerations and rewards

The Group's policy with regards to recruitment and retention are proportionate to industry averages, employees' skills set, experience and qualifications. The various subsidiary companies within the Group are also individually, equal-opportunity employers where diversity of workforce is encouraged and fair opportunities are given without discrimination of race, religion, gender, belief association or sexual orientation.

Rubberex's workplace culture is one that has zero tolerance towards any form of violence, harassment, intimidation or bullying. The employees' rights to join trade unions or voice grievances are well respected. Suggestion boxes placed at strategic locations within the premises also allow employees to channel their ideas and complaints to Management, whether openly or anonymously.



**Rubberex Corporation
(M) Berhad**



Sustainability Statement for the financial year ended 31 December 2017 (cont'd)

Social Sustainability (cont'd)

Rubberex acknowledges that its employees are core strategic assets and where prevalent, workforce talents are identified and retained accordingly. The Group's social commitments and responsibilities also extend to the community at large and in particular to residents living within close proximity to our manufacturing premises. Some of the Group's principle indicators of social sustainability are outlined below (cont'd):-

(ii) Employees' Work-Life balance

As a responsible manufacturer, the Group does not compromise on workers' safety and protection. Our Safety and Health Policy governs the rules and regulations for the use of safety gear and protective wear by all factory workers, visitors and contract workers. Fire drills are conducted quarterly in collaboration with the local fire department and periodically, Rubberex also organises in-house training and refresher courses to our internal Emergency Response Teams for the safety and wellbeing of our workers.

In the previous financial year 2017, some of the relevant training courses conducted were as follows:-

- First Aider and Cardiopulmonary Resuscitation (CPR);
- Safety, Health and Environmental Updates;
- Fire Fighting and Safety;
- Hazards Identification, Job Safety and Accident Prevention;
- Certified Environmental Professional in Scrubber Operation;
- Scheduled Waste Management;
- Hazardous Waste Minimisation Technique; and
- Competency-based Forklift Driving Skills.

At Rubberex, employees are also encouraged to adopt healthy well-balanced lifestyles. Sports club meets, friendly competition, recreational and other social activities are organised to foster sportsmanship, teamwork and confidence that in turn supports productivity.

(iii) Giving back to society

As responsible community members and business operators, Rubberex carries out its corporate social responsibilities (CSR) in good faith, providing support and monetary assistance to various charities and organisations during the year, such as:-

- Cancerlink Foundation – for the development and implementation of psychosocial health care support programme for children, youth and young adults with cancer;
- Pertubuhan Kebajikan Mental Selangor (PKMS) – contribution towards a centre of vocational training for psychiatric patients;
- Yayasan Sultan Idris Shah – contribution towards the promotion of community-based rehabilitation activities and services for children and adults with disabilities;
- Badan Kebajikan Anggota Perkhidmatan Hasil Negara Malaysia – charity fund for orphans and members with disabilities; and
- Berita Kesatuan Pekerja Bomba & Penyelamat Semenanjung Malaysia – contribution towards a publication to raise awareness on fire safety and fire prevention.



**Rubberex Corporation
(M) Berhad**



Statement on Risk Management and Internal Control

This Statement is prepared in compliance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires the Board of Directors of public listed companies to include in its Annual Report, a "statement about the state of internal control of the listed issuer as a group".

The Board of Directors of Rubberex Corporation (M) Berhad is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control for the financial year ended 31 December 2017.

Board Responsibility

The Board of Directors is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control systems. This includes the establishment of an appropriate control environment and risk management framework as well as continually reviewing the adequacy and integrity of the said systems to safeguard our stakeholders' interests and the Group's assets. The system of risk management and internal controls covers finance, operations, management information systems and compliance with relevant laws, both local and foreign, all other statutory regulations, policies and procedures.

Whilst acknowledging its responsibilities, the Board of Directors is also aware of the limitations that are inherent in any systems of internal control and risk management, therefore such systems are designed to manage rather than totally eliminate the risks of failure to achieve business objectives. Accordingly, such systems can only provide reasonable rather than absolute assurance against material losses, misstatements or breaches of laws and/or regulations.

Risk Management Framework

The Group's risk management and internal control framework is a continually updated and ongoing process for identifying, evaluating and managing significant risks impacting the Group. The implementation of the risk management and internal control systems are operated within the Group by qualified personnel and supported by Management throughout the financial year. The Board of Directors, with the assistance of its Audit Committee, has also received assurance from senior Management that the Group's risk management and internal control systems are operating adequately and effectively at the present time.

Internal Audit Function

The Internal Audit department is an independent division in the Group that reports functionally to the Audit Committee. The head of the Internal Audit department meets at least quarterly with the Audit Committee and provides the Committee with objective reports on the state of internal controls within the Group. Internal Audit also carries out ad-hoc audit assignments under the direction of the Audit Committee, if necessary.



Statement on Risk Management and Internal Control (cont'd)

Other Key Elements of the Group's Internal Control System

The Group's internal control system is designed primarily to facilitate the achievement of the Group's business objectives and comprise, among others, the following salient features:-

- **Organisation structure**
The organisation structure of the Group includes defined lines of responsibility and delegation of authority to the Committees of the Board as well as authority limits for management and operating units;
- **Group policies and procedures**
The Group's policies and procedures are set in place to ensure controls in authorisation limits as well as compliance to current laws and regulations. These policies and procedures are clearly communicated to employees and include an expected code of conduct and discipline to which employees acknowledge at the time of employment;
- **Budgeting and monitoring processes**
The operating subsidiary companies within the Group draw up an annual budget plan prior to the commencement of each new financial year that is seen and approved by Management before a Group Annual Budget is compiled and presented to the Board of Directors for consideration. Actual operating results are compared to the forecasted results regularly with variances reviewed and management action taken, where necessary. The Board of Directors is also informed of such variances on a quarterly basis;
- **Financial Performance Review**
Regular and comprehensive information are provided to Management, covering financial results and key business indicators such as sales, production volumes, profit margins and cash flow performance;
- **Audit Committee**
The Audit Committee comprises non-executive members of the Board of Directors, with two independent directors forming the majority and a member that is a qualified accountant. The Audit Committee has full and unrestricted access to any information pertaining to the Group and has direct communication access to both the internal and external auditors of the Group.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement in accordance with the Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysia Institute of Accountants on the Review of Directors' Statement on Risk Management and Internal Control pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the integrity of the system of risk management and internal control of the Group.

Conclusion

The Board has received assurance, from the Managing Director and internal auditors that to the best of their knowledge the risk management and internal control of the Group are operating effectively and adequately in all material respects, for the year under review up to the date of approval of this statement. The Board has appraised and confirmed the risk management and internal control system is satisfactory and the control issues highlighted by both Internal and External Auditors have not resulted in any material losses, contingencies or uncertainties that would require disclosure in this report.

This statement was reviewed and approved by the Board in accordance with a resolution of the Board of Directors dated 30 March 2018.



**Rubberex Corporation
(M) Berhad**



Statement of Directors' Responsibility

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards issued by the International Accounting Standards Board, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2017 set out on pages 37 to 118 of the Annual Report, the Directors have applied appropriate accounting policies on a consistent basis and made judgments and estimates that are reasonable and prudent. Having made adequate enquiries, the Directors have prepared the financial statements on a going concern basis.

The Directors acknowledge the responsibility for ensuring that the Group and the Company keep accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company which enables them to ensure that the financial statements comply with the Companies Act, 2016. The Directors have overall responsibilities for taking such steps so as to safeguard the assets of the Group and of the Company, to prevent and detect fraud and other irregularities

This Statement is made in accordance with a resolution of the Board of Directors dated 09 April 2018.



Statement of Shareholdings

as at 15 March 2018

Issued and Paid up Capital	:	RM160,191,549
Voting Rights		
On a poll	:	1 vote for each share held

DISTRIBUTION OF SHAREHOLDERS FOR ORDINARY SHARES AS AT 15 MARCH 2018 (Excluding 10,000 Treasury Shares)

Size of Shareholdings as at 15 March 2018	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	212	4.53	10,347	0.00
100 – 1,000	352	7.53	191,323	0.08
1,001 – 10,000	2,682	57.37	14,356,019	5.69
10,001 – 100,000	1,260	26.95	39,091,068	15.50
100,001 to less than 5% of issued shares	166	3.55	110,082,560	43.65
5% and above of issued shares	3	0.06	88,464,300	35.08
Total	4,675	100.00	252,195,617	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES (Excluding 10,000 Treasury Shares)

No.	Names	Shares	%
1	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Med-Bumikar Mara Sdn Bhd (PIVB)	32,444,889	12.86
2	Med-Bumikar Mara Sdn Bhd	31,971,661	12.68
3	Duvest Holdings Sdn Bhd	24,047,750	9.54
4	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	12,352,941	4.90
5	Aun Huat & Brothers Sdn Berhad	6,956,145	2.76
6	Teng Cheng Bon @ Teng Kim Tee	6,889,184	2.73
7	Aun Huat & Brothers Sdn Berhad	5,891,686	2.34
8	Yap Siew Chin	5,355,400	2.12
9	Diamond Silk International Sdn Bhd	3,810,751	1.51
10	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ping Kok Koh (041005)	3,429,704	1.36
11	Teo Kwee Hock	3,355,500	1.33
12	Kon Choi Ying	2,934,638	1.16
13	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Med-Bumikar Mara Sdn Bhd (SAM)	2,889,111	1.15
14	UOB Kay Hian Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Teo Siew Lai	2,750,000	1.09
15	CIMB Group Nominees (Asing) Sdn Bhd – Exempt An for DBS Bank Ltd (SFS)	2,370,000	0.94
16	AllianceGroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Kong Kok Choy (8092812)	2,300,000	0.91



**Rubberex Corporation
(M) Berhad**



Statement of Shareholdings
as at 15 March 2018 (cont'd)

**30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES
(Excluding 10,000 Treasury Shares) (cont'd)**

No.	Names	Shares	%
17	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Sharifuddin bin Shoib (041004)	2,164,542	0.86
18	Kenanga Nominees (Tempatan) Sdn Bhd – Ping Kok Koh (PCS)	1,813,334	0.72
19	Wong Kit Peng	1,650,000	0.65
20	Koh Yit Ming @ Quek Yit Ming	1,601,200	0.63
21	Mohamed bin Hamzah	1,458,640	0.58
22	Low Hin Choong	1,401,600	0.56
23	Ong Suan Kim	1,178,964	0.47
24	Cimsec Nominees (Tempatan) Sdn Bhd – CIMB for Kong Chong Soon @ Chi Suim (PB)	1,000,000	0.40
25	Ong Leong Huat	900,000	0.36
26	PM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Kong Kok Choy (B)	900,000	0.36
27	Rampai Dedikasi Sdn Bhd	800,000	0.32
28	Tok Peck Hong	761,000	0.30
29	Koh Boon Chor	747,700	0.30
30	HSBC Nominees (Asing) Sdn Bhd – BPSS SIN for Inclusif Value Fund	718,000	0.28
		166,844,340	66.16

**SUBSTANTIAL SHAREHOLDERS FOR ORDINARY SHARES AS AT 15 MARCH 2018
(Excluding 10,000 Treasury Shares)**

	Direct	No. of shares held %	Indirect	%	
Med-Bumikar Mara Sdn Bhd	67,305,661	26.69	-	-	
Duvest Holdings Sdn Bhd	24,047,750	9.54	-	-	
Teng Cheng Bon @ Teng Kim Tee	7,453,974	2.96	24,047,750	9.54	*
Aun Huat & Brothers Sdn Berhad	25,200,772	9.99	-	-	
Ping Kok Koh	-	-	33,108,854	13.13	\\
Sharifuddin bin Shoib	54,114	0.02	26,212,292	10.39	**
P & F Holdings Sdn Bhd	370,666	0.15	25,200,772	9.99	++
Poh Cheong Meng & Sons Sdn Bhd	516,024	0.20	25,200,772	9.99	++
Poh Chee Meng & Sons Holdings Sdn Bhd	383,121	0.15	25,200,772	9.99	++

* Deemed interest through Duvest Holdings Sdn Bhd

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

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

++ Deemed interest through Aun Huat & Brothers Sdn Berhad



Statement of Shareholdings
as at 15 March 2018 (cont'd)

**DIRECTORS' INTERESTS FOR ORDINARY SHARES AS AT 15 MARCH 2018
(Excluding 10,000 Treasury Shares)**

	Direct	No. of shares held		%
		%	Indirect	
1. Dato' Abd Rahim bin Abd Halim	200,000	0.08	100,000	0.04
2. Dato' Mohamed bin Hamzah	1,458,640	0.58	-	-
3. Khoo Chin Leng	10,690	0.00	7,604	0.00
4. Sharifuddin bin Shoib	54,114	0.02	26,212,292	10.39
5. Mustapha bin Mohamed	-	-	-	-
6. Poh Chee Kwan	42,000	0.02	531,616	0.21
7. Yap Jek Nan	-	-	-	-

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**Rubberex Corporation
(M) Berhad**



Directors' Report

The directors of **RUBBEREX CORPORATION (M) BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiary is as disclosed in Note 16 to the financial statements.

RESULTS

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

	The Group RM	The Company RM
Profit/(Loss) for the year attributable to owners of the Company	<u>13,172,255</u>	<u>(5,819,903)</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.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid/payable or proposed by the Company are in respect of the following:

A first interim dividend of 0.75 sen per ordinary share, single tier, amounting to RM1,891,461, computed based on the issued and paid-up capital of 252,205,617 ordinary shares, less treasury shares of 10,000 held by the Company, was declared on May 22, 2017 and paid on August 18, 2017.

A second interim dividend of 1.00 sen per ordinary share, single-tier, amounting to RM2,521,956, computed based on the issued and paid-up capital of 252,205,617 ordinary shares, less treasury shares of 10,000 held by the Company, was declared on November 29, 2017 and paid on February 5, 2018.

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.



**Rubberex Corporation
(M) Berhad**



Directors' Report (cont'd)

ISSUE OF SHARES AND DEBENTURES

The Company increased its issued and paid-up ordinary share capital during the year by the issuance of 22,926,800 new ordinary shares pursuant to a private placement exercise at an issue price of RM0.70 per ordinary share.

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 Company has not repurchased any ordinary shares during the financial year.

The shares repurchased previously are being held as Treasury Shares in accordance with the requirements of Section 127(4) (b) of the Companies Act, 2016.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would require the writing off of any bad debts or the making of allowance for doubtful debts in the financial statements of the Group and of the Company; 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 would 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.



Directors' Report (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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 which secures the liabilities of any other person; and
- (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 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 in the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Abd Rahim bin Abd Halim
Dato' Mohamed bin Hamzah
Mr. Khoo Chin Leng
En. Mustapha bin Mohamed
Mr. Yap Jek Nan
En. Sharifuddin bin Shoib
Mr. Poh Chee Kwan

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Name of directors

En. Sharifuddin bin Shoib
Mr. Poh Ah Yee @ Poh Chee Hee
Mr. Khoo Chin Leng
En. Sabri bin Abd. Hamid
Mr. Khoo Thiam Chye
Mr. Soo Soon Yew
Mr. Koay Kean Leong
Mr. Wai Lih Shyng
En. Abu Bakar bin Othman
Ms. Goh Mooi Huan
Ms. Stephanie Hew Chooi Foon

Subsidiaries

RM, FM, DG
RM, FM, DG
RM, FM, DG, RMM, RA, PVL, LHK, LPL, RSSL
RM, FM, DG, RMM, RA, LPL, RHK, RSSL
RM, FM, DG, RMM, RA
FM, DG
LSP
LPL, LSP
LSP
PVL, LHK, LSP, RHK
PVL, LHK, RHK



**Rubberex Corporation
(M) Berhad**



Directors' Report (cont'd)

DIRECTORS (cont'd)

Denotes:

RM	Rubberex (M) Sdn. Berhad
FM	Filrex (Malaysia) Sdn. Bhd.
DG	Diamond Grip (M) Sdn. Bhd.
PVL	Pioneer Vantage Limited
RHK	Rubberex (Hong Kong) Limited
LHK	Lifestyle Investment (Hong Kong) Limited
RMM	Rubberex Marketing (M) Sdn. Bhd.
RSSL	Rubberex Spain, S.L.
RA	Rubberex Alliance Sdn. Bhd.
LPL	LPL (Hui Zhou) Glove Co. Limited
LSP	Lifestyle Safety Products (Hui Zhou) Co. Limited

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were directors during or at the beginning and end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

Number of ordinary shares*

Shares in the Company

Registered in the name of directors

Dato' Abd Rahim bin Abd Halim	200,000
Dato' Mohamed bin Hamzah	1,305,135
Mr. Khoo Chin Leng	10,690
En. Sharifuddin bin Shoib	54,114
Mr. Poh Chee Kwan	42,000

Indirect interest

Dato' Abd Rahim bin Abd Halim	100,000
Dato' Mohamed bin Hamzah	153,505
Mr. Khoo Chin Leng	7,604
En. Sharifuddin bin Shoib	26,212,292
Mr. Poh Chee Kwan	531,616

* Upon the effective date of the Companies Act, 2016 as of January 31, 2017, the ordinary shares do not have any par value.

There was no movement in the directors' shareholdings during the financial year.

None of the other directors in office at the end of the financial year held shares or had beneficial interests in the shares of the Company or of its subsidiaries during or at the beginning and end of the financial year.



**Rubberex Corporation
(M) Berhad**



Directors' Report (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors of the Company. The amount of insurance premium paid/payable during the year amounted to RM13,450.

There were no other indemnity provisions made on behalf of any other directors, officers or auditors of the Company.

AUDITORS

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

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended December 31, 2017 is as disclosed in Note 10 to the financial statements.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the Directors,

MR. KHOO CHIN LENG

DATO' ABD RAHIM BIN ABD HALIM

Ipoh, 09 April 2018



**Rubberex Corporation
(M) Berhad**



Independent Auditors' Report
To The Members of Rubberex Corporation (M) Berhad
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RUBBEREX CORPORATION (M) BERHAD, which comprise the statements of financial position of the Group and of the Company as of December 31, 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the scope of our audit responded to the key audit matters
<p><u>Management's review for impairment of plant and machinery of subsidiaries in China and investment costs in separate financial statements</u></p> <p>The carrying value of the plant and machinery of subsidiary companies in China and investment costs in separate financial statements amounted to RM38,459,641 and RM102,553,489 respectively as of December 31, 2017.</p>	<p>We tested the design and implementation of controls over valuation of the subsidiary's non-current assets including those relevant to assessing assets impairment or reversal of impairment, and challenged management's key assumptions used in the cash flow forecasts included within the impairment model with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets.</p>



**Rubberex Corporation
(M) Berhad**



Independent Auditors' Report
To The Members of Rubberex Corporation (M) Berhad
(Incorporated in Malaysia) (cont'd)

Key Audit Matters	How the scope of our audit responded to the key audit matters
<p>Management assessed and concluded the existence of indications that plant and machinery of one of the subsidiary companies in China, may need to be impaired in view that the subsidiary company has been reporting continuous losses over the past years and these plant and machinery were under-utilised during the current financial year.</p> <p>Management determined the recoverable value of these plant and machinery, which are identified as a single cash-generating-unit ("CGU"), based on the value-in-use calculation. This assessment incorporated significant management estimates such as forecast of sales volume and pricing, operating/capital costs and other economic assumptions such as discount rate, inflation rates and foreign currency exchange rates.</p> <p>The outcome of impairment assessments could vary significantly due to changes in future growth rates, discount rate and foreign currency exchange rates.</p> <p>Refer to "Key sources of estimation uncertainty" in Note 4 to the financial statements.</p>	<p>As part of our review, we confirmed the forecast used had been approved by the Group Managing Director and we assessed capabilities of personnel who was involved in developing the impairment model ("the owner"). Discussions were held with the owner to obtain an understanding regarding the identification of CGU and underlying assumptions within the impairment model.</p> <p>Particular focus was given to the incorporation of country risks within the forecast. As part of our audit procedures, we used independent data to assist in our assessment of the discount rate applied.</p> <p>Other key assumptions challenged include those related to the level at which impairment was assessed, being for plant and machinery, the lowest level at which largely independent cash inflows could be identified, forecast future cash flows, future growth rates and terminal value established.</p> <p>We also evaluated management's assessment of the sensitivity of the impairment model to reasonably possible changes in considering the disclosures provided by management in relation to its impairment review.</p> <p>Having audited the assumptions within management's impairment model, we checked the arithmetic accuracy of the model.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**Rubberex Corporation
(M) Berhad**



Independent Auditors' Report
To The Members of Rubberex Corporation (M) Berhad
(Incorporated in Malaysia) (cont'd)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**Rubberex Corporation
(M) Berhad**



Independent Auditors' Report
To The Members of Rubberex Corporation (M) Berhad
(Incorporated in Malaysia) (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.



**Rubberex Corporation
(M) Berhad**



Independent Auditors' Report
To The Members of Rubberex Corporation (M) Berhad
(Incorporated in Malaysia) (cont'd)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

YEOH SIEW MING
Partner - 02421/05/2019 J
Chartered Accountant

Ipoh, 09 April 2018



**Statements of Profit or Loss and
Other Comprehensive Income**
for the year ended December 31, 2017

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	5	403,432,107	311,106,552	-	-
Investment revenue	7	132,020	29,197	132,020	18,668
Other gains and losses	8	(6,140,833)	7,768,804	(4,422,640)	5,048,379
Other operating income	10	1,372,189	3,489,165	-	-
Changes in inventories of finished and trading goods		2,821,662	7,980,514	-	-
Purchase of finished and trading goods		(2,935,386)	(4,205,913)	-	-
Raw materials and consumables used		(234,573,614)	(168,949,464)	-	-
Employee benefits expenses	9	(56,934,562)	(50,768,024)	(229,510)	(221,400)
Depreciation expenses	14	(24,831,995)	(22,806,645)	-	-
Amortisation of prepaid lease payments	15	(322,286)	(294,616)	-	-
Finance costs	11	(4,667,433)	(3,463,239)	(443,095)	(684,300)
Other operating expenses	10	(62,116,581)	(53,419,504)	(856,678)	(465,308)
Profit/(Loss) before tax		15,235,288	26,466,827	(5,819,903)	3,696,039
Tax expenses	12	(2,063,033)	(5,577,449)	-	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		13,172,255	20,889,378	(5,819,903)	3,696,039
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(78,941)	(10,640,316)	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		13,093,314	10,249,062	(5,819,903)	3,696,039
Earnings per share					
Basic and diluted (sen per share)	13	5.39	9.11		

The accompanying Notes form an integral part of the financial statements.



Statements of Financial Position
as of December 31, 2017

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	192,560,228	203,977,019	-	-
Prepaid lease payments	15	15,995,913	16,703,420	-	-
Investment in subsidiaries	16	-	-	185,255,893	60,064,293
Deferred tax assets	12	1,684,560	485,498	-	-
Goodwill on consolidation	17	2,793,422	2,793,422	-	-
Total non-current assets		213,034,123	223,959,359	185,255,893	60,064,293
Current assets					
Inventories	18	88,900,444	84,121,357	-	-
Trade and other receivables	19	77,049,374	70,056,464	-	-
Amount owing by subsidiaries	20	-	-	30,756,145	160,443,257
Current tax assets	12	2,231,607	561,342	217,542	227,193
Other assets	21	1,498,179	868,145	1,000	1,000
Other financial assets	22	1,465,848	7,178	-	-
Cash and bank balances	23	28,696,258	11,804,170	8,453,507	91,764
Total current assets		199,841,710	167,418,656	39,428,194	160,763,214
Total assets		412,875,833	391,378,015	224,684,087	220,827,507
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24(a)	160,191,549	114,639,408	160,191,549	114,639,408
Treasury shares	24(b)	(7,961)	(7,961)	(7,961)	(7,961)
Reserves	25	116,405,165	137,228,649	32,077,873	71,814,574
Total equity		276,588,753	251,860,096	192,261,461	186,446,021
Deferred and non-current liabilities					
Deferred revenue	30	508,081	-	-	-
Deferred tax liabilities	12	502,922	229,691	-	-
Borrowings	27	25,364,375	36,215,000	5,375,000	9,675,000
Total deferred and non-current liabilities		26,375,378	36,444,691	5,375,000	9,675,000



**Rubberex Corporation
(M) Berhad**



Statements of Financial Position
as of December 31, 2017 (cont'd)

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Current liabilities					
Trade and other payables	28	60,433,478	48,676,217	-	-
Amount owing to subsidiaries	20	-	-	19,848,660	18,377,874
Borrowings	27	39,454,703	47,855,948	4,300,000	6,000,000
Current tax liabilities	12	504,822	363,627	-	-
Other liabilities					
- accrued expenses	29	6,996,743	6,145,547	377,010	328,612
Other financial liabilities	31	-	31,889	-	-
Dividend payable	26	2,521,956	-	2,521,956	-
Total current liabilities		109,911,702	103,073,228	27,047,626	24,706,486
Total liabilities		136,287,080	139,517,919	32,422,626	34,381,486
Total equity and liabilities		412,875,833	391,378,015	224,684,087	220,827,507

The accompanying Notes form an integral part of the financial statements.



Statement of Changes in Equity
for the year ended December 31, 2017



**Rubberex Corporation
(M) Berhad**



The Group	Note	Attributable to Owners of the Company					Distributable Reserve Retained Earnings RM	Net Equity RM
		Issued Capital RM	Treasury Shares RM	Non-distributable Reserves				
				Share Premium RM	Translation Reserve RM	Capital Reserve RM		
Balance as of January 1, 2016		114,639,408	-	29,503,381	53,782,769	(2,727,752)	51,006,563	246,204,369
Profit for the year		-	-	-	-	-	20,889,378	20,889,378
Other comprehensive loss for the year		-	-	-	(10,640,316)	-	-	(10,640,316)
Total comprehensive income for the year		-	-	-	(10,640,316)	-	20,889,378	10,249,062
Payment of dividend	26	-	-	-	-	-	(4,585,374)	(4,585,374)
Purchase of treasury shares	24(b)	-	(7,961)	-	-	-	-	(7,961)
Transfer to statutory reserve		-	-	-	-	312,308	(312,308)	-
Balance as of December 31, 2016		114,639,408	(7,961)	29,503,381	43,142,453	(2,415,444)	66,998,259	251,860,096
Profit for the year		-	-	-	-	-	13,172,255	13,172,255
Other comprehensive loss for the year		-	-	-	(78,941)	-	-	(78,941)
Total comprehensive income for the year		-	-	-	(78,941)	-	13,172,255	13,093,314
Payment of dividend	26	-	-	-	-	-	(4,413,417)	(4,413,417)
Transfer to statutory reserve		-	-	-	-	73,658	(73,658)	-
Issuance of shares	24(a)	16,048,760	-	-	-	-	-	16,048,760
Transfer arising from "no par value" regime	24(a)	29,503,381	-	(29,503,381)	-	-	-	-
Balance as of December 31, 2017		160,191,549	(7,961)	-	43,063,512	(2,341,786)	75,683,439	276,588,753

The accompanying Notes form an integral part of the financial statements.

The Company	Note	← Attributable to Owners of the Company →				
		Issued Capital RM	Treasury Shares RM	Non- distributable Reserve share Premium RM	Distributable Reserve Retained Earnings RM	Net Equity RM
Balance as of January 1, 2016		114,639,408	-	29,503,381	43,200,528	187,343,317
Profit and total comprehensive income for the year		-	-	-	3,696,039	3,696,039
Payment of dividend	26	-	-	-	(4,585,374)	(4,585,374)
Purchase of treasury shares	24(b)	-	(7,961)	-	-	(7,961)
Balance as of December 31, 2016		114,639,408	(7,961)	29,503,381	42,311,193	186,446,021
Loss and total comprehensive loss for the year		-	-	-	(5,819,903)	(5,819,903)
Payment of dividend	26	-	-	-	(4,413,417)	(4,413,417)
Issuance of shares	24(a)	16,048,760	-	-	-	16,048,760
Transfer arising from "no par value" regime	24(a)	29,503,381	-	(29,503,381)	-	-
Balance as of December 31, 2017		160,191,549	(7,961)	-	32,077,873	192,261,461

The accompanying Notes form an integral part of the financial statements.



**Rubberex Corporation
(M) Berhad**

Statement of Changes in Equity
for the year ended December 31, 2017 (cont'd)





Statement of Cash Flows
for the year ended December 31, 2017

The Group	Note	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		13,172,255	20,889,378
Adjustments for:			
Depreciation of property, plant and equipment		24,831,995	22,806,645
Finance costs		4,667,433	3,463,239
Unrealised losses/(gains) on foreign exchange		2,579,907	(8,120,631)
Tax expenses recognised in profit or loss		2,063,033	5,577,449
Inventories written down to net realisable value		510,993	-
Amortisation of prepaid lease payments		322,286	294,616
Property, plant and equipment written off		116,192	237,144
Bad debts written off		2,243	-
Fair value (gains)/losses on financial derivatives		(1,494,412)	24,711
Reversal of inventories written down		(214,489)	(676,865)
Investment revenue recognised in profit or loss		(132,020)	(29,197)
Amortisation of deferred revenue		(114,201)	-
Gain on disposal of property, plant and equipment		(21,782)	(35,763)
Interest income from current account		(9,532)	-
Allowance for doubtful debts no longer required		-	(4,851)
		<hr/>	<hr/>
		46,279,901	44,425,875
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		(5,737,269)	(10,787,487)
Trade and other receivables		(5,706,677)	(3,773,502)
Other assets		(626,709)	173,234
Other financial assets		7,178	-
Increase/(Decrease) in:			
Trade and other payables		12,498,865	2,440,180
Other liabilities - accrued expenses		999,529	(1,319,658)
Other financial liabilities		(31,889)	(5,365)
Deferred revenue		619,522	-
		<hr/>	<hr/>
Cash Generated From Operations		48,302,451	31,153,277
Income tax refunded		575,275	3,840
Interest income received		9,532	-
Income tax paid		(5,065,647)	(5,729,956)
		<hr/>	<hr/>
Net Cash From Operating Activities		43,821,611	25,427,161



Statement of Cash Flows
for the year ended December 31, 2017 (cont'd)

The Group	Note	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received		132,020	29,197
Proceeds from disposal of property, plant and equipment		39,405	201,701
Purchase of property, plant and equipment	33(a)	(16,959,877)	(24,910,567)
Bank balance pledged to bank as security for banking facility		(1,660,461)	-
Additions to prepaid lease payments		-	(1,916,640)
Net Cash Used In Investing Activities		(18,448,913)	(26,596,309)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares		16,048,760	-
Proceeds from revolving credits - net	33(b)	9,108,576	2,000,000
Proceeds from term loans	33(b)	2,775,000	11,017,531
Proceeds from bankers' acceptances - net	33(b)	355,000	-
Proceeds from/(Repayment of) trust receipts	33(b)	171,216	(949,670)
Repayment of term loans	33(b)	(15,048,125)	(17,040,000)
(Repayment of)/Proceeds from bank overdraft	33(b)	(9,037,106)	9,037,106
(Repayment of)/Proceeds from bills payable	33(b)	(4,878,508)	1,389,974
Finance costs paid		(4,667,433)	(4,999,845)
Dividend paid		(1,891,461)	(4,585,374)
Repurchase of shares - treasury shares		-	(7,961)
Net Cash Used In Financing Activities		(7,064,081)	(4,138,239)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		18,308,617	(5,307,387)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		8,739,955	14,334,445
Effect of exchange rate changes on the balance of cash held in foreign currencies		(928,860)	(287,103)
CASH AND CASH EQUIVALENTS AT END OF YEAR	33(c)	26,119,712	8,739,955

The accompanying Notes form an integral part of the financial statements.



Statement of Cash Flows
for the year ended December 31, 2017 (cont'd)

The Company	Note	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
(Loss)/Profit for the year		(5,819,903)	3,696,039
Adjustments for:			
Finance costs		443,095	684,300
Unrealised gain on foreign exchange		(216,873)	(5,815,947)
Investment revenue recognised in profit or loss		(132,020)	(18,668)
		<hr/>	<hr/>
		(5,725,701)	(1,454,276)
Movements in working capital:			
Increase in other liabilities - accrued expenses		48,398	36,025
		<hr/>	<hr/>
Cash Used In Operations		(5,677,303)	(1,418,251)
Income tax refunded		13,276	-
Income tax paid		(3,625)	(11,700)
		<hr/>	<hr/>
Net Cash Used In Operating Activities		(5,667,652)	(1,429,951)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received		132,020	18,668
(Advances granted to)/Repayment from subsidiaries		(46,660)	3,157,364
		<hr/>	<hr/>
Net Cash From Investing Activities		85,360	3,176,032
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares		16,048,760	-
Advances received from subsidiaries - net		6,503,274	12,780,000
Repayment of term loans	33(b)	(6,000,000)	(10,200,000)
Dividends paid		(1,891,461)	(4,585,374)
Finance costs paid		(716,538)	(1,146,522)
Repurchase of shares - treasury shares		-	(7,961)
		<hr/>	<hr/>
Net Cash From/(Used In) Financing Activities		13,944,035	(3,159,857)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		8,361,743	(1,413,776)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		91,764	1,505,540
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	33(c)	8,453,507	91,764

Non-Cash Transactions

During the current financial year, the Company waived an amount owing by subsidiaries amounting to RM125,191,600. The amount waived was treated as additional capital contributions to the subsidiaries.

The accompanying Notes form an integral part of the financial statements.



**Rubberex Corporation
(M) Berhad**



Notes to the Financial Statements

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiary is as disclosed in Note 16.

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on April 4, 2016. The New Act was subsequently gazetted on September 15, 2016. On January 26, 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for Section 241 and Division 8 of Part III of the New Act, to be January 31, 2017.

Amongst the key changes introduced in the New Act which affected the financial statements of the Group and of the Company included the removal of the authorised share capital and replacement of no par value shares in place of par or nominal value shares.

The adoption of the New Act did not have any financial impact on the Group and on the Company for the financial year ended December 31, 2017 except as mentioned in the preceding paragraph.

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 are presented in their functional currency which is Ringgit Malaysia ("RM").

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 09 April 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

2.1 Adoption of amendments to MFRSs

Amendments to MFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group and the Company have applied a number of amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

The adoption of amendments to MFRSs has had no material impact on the disclosures or on the amounts recognised in the financial statements.



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

2.2 Standards and Amendments in issue but not yet effective

The directors anticipate that the following Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become mandatorily effective for adoption. The adoption of these Standards and Amendments are not expected to have a material impact on the financial statements of the Group and of the Company except as further discussed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014) ¹
MFRS 15	Revenue from Contracts with Customers ¹
MFRS 16	Leases ²
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle ²
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
IC Interpretation 23	Uncertainty over Income Tax Payments ²

¹ Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

MFRS 9 *Financial Instruments*

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) include requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

2.2 Standards in issue but not yet effective (cont'd)

MFRS 9 *Financial Instruments* (cont'd)

Key requirements of MFRS 9 (cont'd):

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Group and of the Company anticipate that the application of MFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group and the Company complete a detailed review.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Subsequently, amendments to MFRS 15 were issued in June 2016 which provide clarification on certain requirements of MFRS 15 and provide additional transitional relief upon implementing MFRS 15. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related Interpretations when it becomes effective.



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

2.2 Standards in issue but not yet effective (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The directors of the Group and of the Company have assessed and determined that the application of MFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in these financial statements.

MFRS 16 Leases

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors of the Group and of the Company have assessed and determined that the application of MFRS 16 in the future will not have an impact on the amounts reported and disclosures made in the financial statements of the Group and of the Company.

Annual Improvements to MFRSs 2014 - 2016 Cycle

The *Annual Improvements to MFRSs 2014 - 2016 Cycle* include amendments to three MFRSs, as summarised below.



**Rubberex Corporation
(M) Berhad**



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

2.2 Standards in issue but not yet effective (cont'd)

Annual Improvements to MFRSs 2014 - 2016 Cycle (cont'd)

The amendments to MFRS 1 resulted in the deletion of short-term exemptions for first-time adopters that relate to Disclosures about financial instruments (MFRS 7), Employee Benefits (MFRS 119) and Investment Entities (MFRS 12) as these exemptions have served their intended purpose.

The amendments to MFRS 12 clarify that the only concession from the disclosure requirements of MFRS 12 is that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified, or included in a disposal group that is classified, as held for sale in accordance with MFRS 5.

The amendments to MFRS 128 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

These amendments apply retrospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. However, the amendment to MFRS 12 is effective for annual periods beginning on or after January 1, 2017. The directors of the Group and of the Company do not anticipate that the application of these amendments will have a material impact on the financial statements of the Group and of the Company.

Annual Improvements to MFRSs 2015 - 2017 Cycle

The *Annual Improvements to MFRSs 2015 - 2017 Cycle* include amendments to four MFRSs, as summarised below.

The amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments to MFRS 112 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. The amendments to MFRS 123 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These amendments are effective for annual periods beginning on or after January 1, 2019 with earlier application permitted.

The directors of the Group and of the Company do not anticipate that the application of these amendments will have a material impact on the financial statements of the Group and of the Company.



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

2.2 Standards in issue but not yet effective (cont'd)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses the diversity in practice as to the exchange rate used when reporting transactions that are denominated in a foreign currency in accordance with MFRS 21 *The Effects of Changes in Foreign Exchange Rates* in circumstances in which consideration is received or paid in advance of the recognition of the related asset, expense or income.

The clarification provided is that in such circumstances (i.e. when an entity pays or receives consideration in advance in a foreign currency), the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration (i.e. when the prepayment or income received in advance liability was recognised). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The amendments apply to annual periods beginning on or after January 1, 2018 with earlier application permitted. A choice is available as to whether the amendments are to be applied either retrospectively or prospectively. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the financial statements of the Group and of the Company.

IC Interpretation 23 Uncertainty over Income Tax Payments

This Interpretation provides clarification on the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under MFRS 112.

It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examination as well as the effects of changes in facts and circumstances.

The amendments apply to annual periods beginning on or after January 1, 2019 with earlier application permitted. It is to be applied retrospectively, only if it is possible without the use of hindsight, or using a modified retrospective approach without restatement of comparative information by recognising the cumulative effect of initially applying the Interpretation in opening equity at the date of initial application.

The directors of the Group and of the Company do not anticipate that the application of these amendments will have a material impact on the financial statements of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for financial instruments as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Accounting (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transaction that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstance that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries and Basis of Consolidation (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Subsidiaries

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



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or deferred tax liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRSs.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations (cont'd)

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after January 1, 2011.

Revenue Recognition

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

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Segment Reporting

For management purposes, the Group is organised into operating segments that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Group's other components. The Group's reporting segments were identified based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's reportable segments are strategic business operations that are managed separately based on the Group's management and internal reporting structure.

Employee Benefits

Short-term employee benefits

Wages, salaries, paid annual leave, 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. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

The Group makes statutory contributions to approved provident funds and the contributions are charged to profit or loss as incurred. The approved provident funds are defined contribution plans. Once the contributions have been paid, there are no further payment obligations.

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 group entity are expressed in Ringgit Malaysia ("RM"), 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 functional currency of the entity (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risk; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currencies (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign incorporated subsidiaries of the Group are expressed in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve of the Group. Such exchange differences accumulated in the translation reserve of the Group are reclassified to profit or loss in the year in which the foreign incorporated subsidiary is disposed of.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised in profit or loss over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 profit or loss 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 liability of the Group and of the Company for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits 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 the end of each reporting period 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 end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or to 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 other comprehensive income or equity, in which case the tax is also recognised directly in other comprehensive income or 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.

Property, Plant and Equipment

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

Freehold land and capital work-in-progress are not amortised/depreciated. Capital work-in-progress comprises contractors' payments and directly attributable costs incurred in preparing these assets for their intended use. Depreciation on assets under construction commences when the assets are ready for their intended use.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment (cont'd)

Depreciation is recognised so as to write off the cost of assets, other than freehold land and capital work-in-progress, over their estimated useful lives, after taking into account their estimated residual values using the straight-line method on the following bases:

Factory buildings	2% to 5%
Plant and machinery	10% to 25%
Factory, auxiliary and office equipment, furniture and fittings	10% to 28%
Electrical installation	10%
Motor vehicles	20%

The estimated useful lives and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

(i) Finance lease

Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases including hire-purchase arrangement. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease obligation. The finance expense is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

(ii) Operating leases

Leases, where the Group do not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as a liability initially, and are recognised to profit or loss as a reduction of rental expense, over the term of the lease. Contingent rentals are recognised in profit or loss in the reporting period in which they are incurred.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prepaid Lease Payment

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 end of the reporting period. 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 payment on leasehold land is stated at surrogate cost less accumulated amortisation and accumulated impairment losses, if any.

Long-term and short-term leasehold land is amortised evenly over the lease periods ranging from 49 to 99 years.

Goodwill

Goodwill arising 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 interest of the Group 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 cash-generating units of the Group expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is 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 profit or loss and any impairment loss recognised for goodwill is not subsequently reversed.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Impairment of Assets excluding Goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their assets (other than deferred tax asset, inventories and financial assets which are dealt with in their respective policies) to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Assets excluding Goodwill (cont'd)

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss 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 "Weighted Average" method. 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 and condition. The cost of finished goods comprises the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past event and it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value, plus transaction costs, except for those financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL"), which are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expense is recognised on an effective interest basis for debt instruments other than those financial assets or financial liabilities classified as FVTPL.

(a) Financial assets

Financial assets of the Group are classified into "loans and receivables" and "at FVTPL" categories while financial assets of the Company are classified into "loans and receivable" category. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

(a) Financial assets (cont'd)

(ii) *Financial assets at FVTPL* (cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 32.

(iii) *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

(a) Financial assets (cont'd)

(iii) Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iv) Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

(b) Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Financial liabilities

Financial liabilities of the Group and of the Company are classified as either "financial liabilities at FVTPL" or "other financial liabilities" categories.

(iv) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

(b) Financial liabilities and equity instruments (cont'd)

(iv) *Financial liabilities at FVTPL (cont'd)*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in profit or loss. Fair value is determined in the manner described in Note 32.

(v) *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(vi) *Derecognition of financial liabilities*

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligation are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

(c) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the consolidated profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the consolidated profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential ordinary shares.

Statements of Cash Flows

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

Cash and cash equivalents comprise cash and bank balances, bank overdrafts which form an integral part of the Group's cash management and highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.



Notes to the Financial Statements (cont'd)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(cont'd)

(b) Key sources of estimation uncertainty

In the application of the accounting policies of the Group and of the Company, the directors are required to make 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.

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.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

For the purpose of assessing impairment, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Significant judgement is required in the estimation of the present value of future cash flows generated by the cash-generating units, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Key assumptions used in determining the recoverable amount of cash generating unit based on value-in-use calculations are disclosed in Note 17. Changes in assumptions could significantly affect the recoverable amount of the cash-generating unit to which the goodwill was allocated.

(ii) Impairment of Property, Plant and Equipment

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is more than the recoverable amount. The Group performs an impairment indicator test annually for signs of impairment of its property, plant and equipment. If there are signs of impairment, then a review of recoverable amounts is performed.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's estimates calculated using historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Management of the Group has carried out a review on its property, plant and equipment and concluded that indication of impairment existed on certain property, plant and equipment.



Notes to the Financial Statements (cont'd)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(iii) Recoverability of Receivables

An allowance is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of transactions. This is determined based on the ageing profile and collection patterns. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

(iv) Inventory Obsolescence

The Group writes off inventories based on an assessment of the recoverability of the inventories through sales and recycling for alternative uses. Write off is applied to inventories where events or changes in circumstances indicate that the costs may not be recoverable.

The identification of obsolete inventories requires use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying values of the inventories and inventories written off/(back) in the period in which such estimate has been changed.

5. REVENUE

	The Group	
	2017 RM	2016 RM
Sale of manufactured products	401,021,658	304,367,344
Sale of trading products	2,410,449	6,739,208
	<hr/>	<hr/>
	403,432,107	311,106,552
	<hr/>	<hr/>

6. SEGMENT REPORTING

Segmental information is presented in respect of the geographical segments of the Group. The segment reporting is presented based on the management and internal reporting structure of the Group.

Information reported to the chief operating decision maker and senior management for the purposes of resource allocation and assessment of performance focused on the operations of the Group by geographical location in Malaysia, People's Republic of China and Europe.

Unallocated corporate assets and liabilities include items that cannot be reasonably allocated to an individual segment.



Notes to the Financial Statements (cont'd)

6. SEGMENT REPORTING (cont'd)

Geographical segments by location of assets

The Group 2017	Malaysia RM	People's Republic of China RM	Europe RM	Eliminations RM	Total RM
Revenue	195,710,151	410,143,800	78,500,256	(280,922,100)	403,432,107
Results					
Segment results	13,436,924	4,677,377	2,476,410	(820,010)	19,770,701
Investment revenue					132,020
Finance costs					(4,667,433)
Profit before tax					15,235,288
Income tax expenses					(2,063,033)
Profit for the year					13,172,255
Assets					
Segment assets	166,142,816	198,363,553	44,453,297	-	408,959,666
Unallocated corporate assets					3,916,167
Consolidated total assets					412,875,833
Liabilities					
Segment liabilities	30,074,511	37,769,079	2,616,668	-	70,460,258
Unallocated corporate liabilities					65,826,822
Consolidated total liabilities					136,287,080
Other Information					
Capital expenditure	4,944,738	12,010,008	566,109	-	17,520,855
Depreciation and amortisation charges	11,338,710	13,734,000	81,571	-	25,154,281
Property, plant and equipment written off	2,129	114,063	-	-	116,192
Reversal of inventories written down	-	-	(214,489)	-	(214,489)
Inventories written down to net realisable value	510,993	-	-	-	510,993



Notes to the Financial Statements (cont'd)

6. SEGMENT REPORTING (cont'd)

The Group 2016	Malaysia RM	People's Republic of China RM	Europe RM	Eliminations RM	Total RM
Revenue	156,717,299	292,132,085	63,961,609	(201,704,441)	311,106,552
Results					
Segment results	24,033,755	1,989,518	2,545,896	1,331,700	29,900,869
Investment revenue					29,197
Finance costs					(3,463,239)
Profit before tax					26,466,827
Income tax expenses					(5,577,449)
Profit for the year					20,889,378
Assets					
Segment assets	167,011,543	191,059,452	32,260,180	-	390,331,175
Unallocated corporate assets					1,046,840
Consolidated total assets					391,378,015
Liabilities					
Segment liabilities	30,236,609	23,026,462	1,590,582	-	54,853,653
Unallocated corporate liabilities					84,664,266
Consolidated total liabilities					139,517,919
Other Information					
Capital expenditure	25,388,663	4,590,660	36,728	-	30,016,051
Depreciation and amortisation charges	8,374,905	14,663,519	62,837	-	23,101,261
Property, plant and equipment written off	-	237,144	-	-	237,144
Reversal of inventories written down	-	-	(676,865)	-	(676,865)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than current and deferred tax assets. Goodwill is allocated to reportable segments as described in Note 17; and
- all liabilities are allocated to reportable segments other than borrowings, current and deferred tax liabilities that are managed on a group basis.



Notes to the Financial Statements (cont'd)

6. SEGMENT REPORTING (cont'd)

Revenue from sales to external customers by location of customers:

	The Group	
	2017 RM	2016 RM
Europe	136,141,329	127,076,654
North and South America	113,954,398	80,643,188
Asia	97,525,251	69,467,235
Rest of the world	55,811,129	33,919,475
	403,432,107	311,106,552

Revenues of approximately RM40,117,200 (2016: RM35,838,300) are derived from a single external customer. These revenues are attributable to the Europe segment.

7. INVESTMENT REVENUE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from:				
Fixed deposits	132,020	29,197	132,020	18,668
Advances to subsidiary companies (Note 20)	-	-	273,442	462,222
	132,020	29,197	405,462	480,890
Less: Set off against finance costs (Note 11)	-	-	(273,442)	(462,222)
	132,020	29,197	132,020	18,668

The following is an analysis of investment revenue by category of assets:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income earned on financial assets that are not designated as at fair value through profit or loss:				
Loans and receivables (including fixed deposits, cash and bank balances)	132,020	29,197	405,462	480,890
	132,020	29,197	405,462	480,890



Notes to the Financial Statements (cont'd)

8. OTHER GAINS AND LOSSES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fair value gains/(losses) on financial derivatives designated as at FVTPL	1,494,412	(24,711)	-	-
Gain on disposal of property, plant and equipment	21,782	35,763	-	-
Realised losses on foreign exchange	(5,077,120)	(362,879)	(4,639,513)	(767,568)
Unrealised (losses)/gains on foreign exchange	(2,579,907)	8,120,631	216,873	5,815,947
	(6,140,833)	7,768,804	(4,422,640)	5,048,379

9. EMPLOYEE BENEFITS EXPENSES

Employee benefits recognised as expenses during the financial year are as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Statutory contributions	5,449,986	4,232,214	-	-
Other employee benefits expenses	51,255,066	46,314,410	-	-
Directors' fees	229,510	221,400	229,510	221,400
	56,934,562	50,768,024	229,510	221,400

Employee benefits expenses include directors' remuneration, salaries, bonuses, statutory contributions and all other employee related expenses.

Included in other employee benefits expenses are the following:

	The Group	
	2017 RM	2016 RM
Rental of hostel	38,146	91,981
Gratuity	53,950	-



Notes to the Financial Statements (cont'd)

9. EMPLOYEE BENEFITS EXPENSES (cont'd)

Details of remuneration of directors of the Group and of the Company are as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors of the Company:				
Salaries, allowances and bonuses	576,820	606,420	-	-
Statutory contributions	64,416	67,968	-	-
	641,236	674,388	-	-
Executive directors of the subsidiaries:				
Salaries and bonuses	1,414,295	1,802,831	-	-
Statutory contributions	136,496	177,609	-	-
	1,550,791	1,980,440	-	-
Non-executive directors:				
Fees	229,510	221,400	229,510	221,400
	<u>2,421,537</u>	<u>2,876,228</u>	<u>229,510</u>	<u>221,400</u>

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM3,600 (2016: RM4,200).

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly which includes Executive directors of the Group and certain members of senior management of the Group.

The remuneration of members of key management personnel (other than the directors) of the Group during the year are as follows:

	The Group	
	2017 RM	2016 RM
Short-term employee benefits	956,144	641,182
Statutory contributions	106,530	69,208
	<u>1,062,674</u>	<u>710,390</u>

The estimated monetary value of benefits-in-kind received and receivable by members of key management personnel otherwise than in cash from the Group amounted to RM3,600 (2016: RM3,000).



Notes to the Financial Statements (cont'd)

10. OTHER OPERATING INCOME/(EXPENSES)

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Insurance compensation received/ receivable	1,016,333	3,414,937	-	-
Amortisation of deferred revenue	114,201	-	-	-
Interest income from current account	9,532	-	-	-
Allowance for doubtful debts no longer required	-	4,851	-	-
Rental of:				
Premises	(831,618)	(707,295)	-	-
Pallet	(74,160)	(64,416)	-	-
Motor vehicle	(46,406)	(47,310)	-	-
Office equipment	(2,830)	(2,673)	-	-
Auditors' remuneration	(539,493)	(536,769)	(72,500)	(72,500)
Property, plant and equipment written off	(116,192)	(237,144)	-	-
Bad debts written off	(2,243)	-	-	-

11. FINANCE COSTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interests on:				
Term loans	2,652,640	3,224,284	716,059	1,146,064
Revolving credits	604,437	215,133	-	-
Bills payable	500,091	476,345	-	-
Bank overdrafts	170,834	303,679	-	-
Trust receipts	44,720	59,856	-	-
Bank charges and commitment fees	694,711	720,548	478	458
Total interest expense for financial liabilities not classified as at FVTPL	4,667,433	4,999,845	716,537	1,146,522
Less:				
Interest on term loans capitalised in property, plant and equipment (Note 14)	-	(1,536,606)	-	-
Set off against investment revenue (Note 7)	-	-	(273,442)	(462,222)
	4,667,433	3,463,239	443,095	684,300

Interest costs on revolving credits and term loans were set off against interest income on advances received from the subsidiaries in the financial statements of the Company as disclosed in Note 7 as these borrowings were onlent to and utilised by the subsidiaries.



Notes to the Financial Statements (cont'd)

12. TAX EXPENSES

	The Group	
	2017 RM	2016 RM
Tax expenses comprise:		
Current tax expense:		
Malaysian	2,603,623	4,158,366
Foreign	769,175	1,274,246
Adjustment recognised in the current year in relation to the income tax of prior years	(390,247)	(225,950)
	2,982,551	5,206,662
Deferred tax relating to origination and reversal of temporary differences:		
Current year:		
Malaysian	(1,683,062)	330,600
Foreign	279,544	(69)
Adjustment recognised in the current year in relation to the deferred tax of prior years	484,000	40,256
	(919,518)	370,787
	2,063,033	5,577,449

Malaysian income tax rate remained at 24% (2016: 24%) for the year of assessment 2017 of the estimated taxable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The Finance Act, 2017 which was gazetted on January 16, 2017, enacts the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect from years of assessment 2017 and 2018:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction in tax rate	Tax rate after reduction %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20



Notes to the Financial Statements (cont'd)

12. TAX EXPENSES (cont'd)

The tax expenses/(income) for the year can be reconciled to the accounting profit as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	15,235,288	26,466,827	(5,819,903)	3,696,039
Tax calculated at 24% (2016: 24%)	3,656,000	6,352,000	(1,400,000)	900,000
Tax effects of:				
Expenses that are not deductible in determining taxable profit	2,145,280	1,696,143	1,400,000	300,000
Unutilised tax losses and unabsorbed tax capital allowances not recognised as deferred tax assets	751,000	1,374,000	-	-
Loss not available to offset against future taxable profits	1,000	3,000	-	-
Current year incentive for increase in export utilised	(2,842,000)	-	-	-
Income that are not taxable in determining taxable profit	(906,000)	(2,575,000)	-	(1,200,000)
Utilisation of deductible temporary differences not recognised previously as deferred tax assets	(373,000)	(843,000)	-	-
Effect of different tax rates in other jurisdictions	(395,000)	(244,000)	-	-
Temporary differences arising from property, plant and equipment not recognised	(68,000)	-	-	-
	1,969,280	5,763,143	-	-
Adjustment recognised in the current year in relation to the income tax of prior years	(390,247)	(225,950)	-	-
Adjustment recognised in the current year in relation to the deferred tax of prior years	484,000	40,256	-	-
Tax expenses recognised in profit or loss	2,063,033	5,577,449	-	-
	The Group	The Group	The Company	The Company
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax assets				
Tax refund receivables	2,231,607	561,342	217,542	227,193
Current tax liabilities				
Income tax payables	504,822	363,627	-	-



Notes to the Financial Statements (cont'd)

12. TAX EXPENSES (cont'd)

Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	The Group	
	2017 RM	2016 RM
Deferred tax assets	1,684,560	485,498
Deferred tax liabilities	(502,922)	(229,691)
	1,181,638	255,807

The movement in deferred tax assets/(liabilities) during the financial year are as follows:

	As of January 1 RM	Recognised in profit or loss RM	Net foreign currency exchange differences RM	As of December 31 RM
The Group 2017				
Deferred tax (liabilities)/assets				
Property, plant and equipment	(242,486)	(2,133,452)	(487)	(2,376,425)
Unrealised gain on inventories	620,293	199,062	-	819,355
Changes in fair value of derivative	(2,000)	(368,860)	7,142	(363,718)
Unrealised exchange differences on receivables	(120,000)	198,000	-	78,000
Unutilised tax losses and unabsorbed tax capital allowances	-	(49,000)	-	(49,000)
Deferred revenue	-	14,768	(342)	14,426
Incentive for increase in export	-	3,059,000	-	3,059,000
	255,807	919,518	6,313	1,181,638
The Group 2016				
Deferred tax (liabilities)/assets				
Property, plant and equipment	1,445,503	(1,688,187)	198	(242,486)
Unrealised gain on inventories	1,004,893	(384,600)	-	620,293
Changes in fair value of derivative	-	(2,000)	-	(2,000)
Unrealised exchange differences on receivables	(271,000)	151,000	-	(120,000)
Unutilised tax losses and unabsorbed tax capital allowances	(1,553,000)	1,553,000	-	-
	626,396	(370,787)	198	255,807



Notes to the Financial Statements (cont'd)

12. TAX EXPENSES (cont'd)

As of December 31, 2017, the amount of deductible temporary differences of the Group of which deferred tax assets are not recognised in the financial statements, are as follows:

	The Group	
	2017	2016
	RM	RM
Unutilised tax losses and unabsorbed tax capital allowances	2,866,000	22,165,000
Incentive for increase in export	6,971,000	-
Temporary differences arising from property, plant and equipment	282,000	-
Temporary differences arising from deferred revenue	458,000	-
	<hr/>	<hr/>

13. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated as follows:

Basic and Diluted

	The Group	
	2017	2016
	RM	RM
Profit for the year attributable to owners of the Company	13,172,255	20,889,378
	<hr/>	<hr/>
	2017	2016
	Shares	Shares
Number of ordinary shares in issue as of January 1	229,278,817	229,278,817
Number of Treasury Shares repurchased as of January 1	(10,000)	-
	<hr/>	<hr/>
Issuance of new shares	229,268,817	229,278,817
Shares repurchased	15,284,533	-
	-	(6,667)
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue	244,553,350	229,272,150
	<hr/>	<hr/>
	2017	2016
Basic and diluted earnings per ordinary share (sen)	5.39	9.11
	<hr/>	<hr/>

14. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Factory, auxiliary and office equipment, furniture and fittings RM	Electrical installation RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Cost								
As of January 1, 2016	3,545,041	71,342,310	286,572,615	12,674,484	898,089	2,967,652	52,991,193	430,991,384
Additions	-	1,894,252	6,460,456	816,435	11,000	500,735	18,416,533	28,099,411
Disposals	-	-	-	-	-	(607,821)	-	(607,821)
Write off	-	-	(821,122)	(58,287)	-	-	-	(879,409)
Reclassification	-	854,577	21,676,907	2,183,228	657,828	155,812	(25,528,352)	-
Net foreign currency exchange differences	-	(1,043,143)	(3,397,700)	(46,105)	(3,121)	(33,922)	(298,822)	(4,822,813)
As of December 31, 2016	3,545,041	73,047,996	310,491,156	15,569,755	1,563,796	2,982,456	45,580,552	452,780,752
Additions	-	2,810,714	11,314,082	1,112,657	6,000	-	2,277,402	17,520,855
Disposals	-	-	-	(243,068)	-	(285,183)	-	(528,251)
Write off	-	-	(212,063)	(4,146)	-	-	-	(216,209)
Reclassification	-	6,664,555	23,390,582	2,078,578	422,834	-	(32,556,549)	-
Net foreign currency exchange differences	-	(1,785,797)	(5,912,393)	(81,866)	(132,480)	96,090	(517,461)	(8,333,907)
As of December 31, 2017	3,545,041	80,737,468	339,071,364	18,431,910	1,860,150	2,793,363	14,783,944	461,223,240



Rubberex Corporation
(M) Berhad

Notes to the Financial Statements (cont'd)



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

The Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Factory, auxiliary and office equipment, furniture and fittings RM	Electrical installation RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Accumulated depreciation and impairment								
As of January 1, 2016	-	20,823,845	195,655,429	10,271,774	63,504	1,999,026	-	228,813,578
Charge for the year	-	1,947,323	19,502,920	946,561	90,408	319,433	-	22,806,645
Disposals	-	-	-	-	-	(441,883)	-	(441,883)
Write off	-	-	(589,807)	(52,458)	-	-	-	(642,265)
Reclassification	-	-	-	-	-	-	-	-
Net foreign currency exchange differences	-	(116,053)	(1,555,486)	(40,573)	-	(20,230)	-	(1,732,342)
As of December 31, 2016	-	22,655,115	213,013,056	11,125,304	153,912	1,856,346	-	248,803,733
Charge for the year	-	2,884,087	20,007,098	1,365,773	182,091	392,946	-	24,831,995
Disposals	-	-	-	(243,068)	-	(267,560)	-	(510,628)
Write off	-	-	(98,000)	(2,017)	-	-	-	(100,017)
Reclassification	-	-	(18,850)	18,850	-	-	-	-
Net foreign currency exchange differences	-	(304,734)	(3,957,935)	(68,912)	-	(30,490)	-	(4,362,071)
As of December 31, 2017	-	25,234,468	228,945,369	12,195,930	336,003	1,951,242	-	268,663,012
Carrying amount								
As of December 31, 2017	3,545,041	55,503,000	110,125,995	6,235,980	1,524,147	842,121	14,783,944	192,560,228
As of December 31, 2016	3,545,041	50,392,881	97,478,100	4,444,451	1,409,884	1,126,110	45,580,552	203,977,019

Factory buildings of the Group with carrying amount of RM2,193,931 (2016: Nil) are pledged to a licensed bank for facilities granted to a subsidiary company as disclosed in Note 27.

In 2016, property, plant and equipment of the Group included an interest on term loan capitalised of RM1,536,606, as disclosed in Note 11.

Notes to the Financial Statements (cont'd)



Rubberex Corporation
(M) Berhad





Notes to the Financial Statements (cont'd)

15. PREPAID LEASE PAYMENTS

The Group	Long-term leasehold land RM	Short-term leasehold land RM	Total RM
At cost			
As of January 1, 2016	1,731,254	16,511,575	18,242,829
Additions	1,916,640	-	1,916,640
Reclassification	(1,474,383)	1,474,383	-
Net foreign currency exchange differences	-	(308,581)	(308,581)
As of December 31, 2016	2,173,511	17,677,377	19,850,888
Net foreign currency exchange differences	-	(491,294)	(491,294)
As of December 31, 2017	2,173,511	17,186,083	19,359,594
Accumulated amortisation			
As of January 1, 2016	435,338	2,465,302	2,900,640
Amortisation for the year	27,819	266,797	294,616
Reclassification	(422,815)	422,815	-
Net foreign currency exchange differences	-	(47,788)	(47,788)
As of December 31, 2016	40,342	3,107,126	3,147,468
Amortisation for the year	37,085	285,201	322,286
Net foreign currency exchange differences	-	(106,073)	(106,073)
As of December 31, 2017	77,427	3,286,254	3,363,681
Carrying amount			
As of December 31, 2017	2,096,084	13,899,829	15,995,913
As of December 31, 2016	2,133,169	14,570,251	16,703,420

Short-term leasehold land of the Group with carrying amount of RM11,177,580 (2016: RM8,817,545) is charged to licensed banks for facilities granted to the Group as disclosed in Note 27.

16. INVESTMENT IN SUBSIDIARIES

The Company	2017 RM	2016 RM
Unquoted shares, at cost:		
In Malaysia	27,353,102	27,353,102
Outside Malaysia	157,902,791	32,711,191
	185,255,893	60,064,293



Notes to the Financial Statements (cont'd)

16. INVESTMENT IN SUBSIDIARIES (cont'd)

During the current financial year, the Company waived an amount owing by subsidiaries amounting to RM125,191,600. The amount waived was treated as additional capital contributions to the subsidiaries.

The subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Direct subsidiaries				
Rubberex (M) Sdn. Berhad	Malaysia	100	100	Manufacturing and sales of household and industrial rubber gloves.
Filrex (Malaysia) Sdn. Bhd.	Malaysia	100	100	Ceased its business activities since January 1, 2007.
Diamond Grip (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of industrial rubber gloves.
Pioneer Vantage Limited *	Hong Kong	100	100	Investment holding.
Rubberex (Hong Kong) Limited *	Hong Kong	100	100	Trading of gloves and other latex products.
Lifestyle Investment (Hong Kong) Limited *	Hong Kong	100	100	Investment holding.
Indirect subsidiaries				
Held through Rubberex (M) Sdn. Berhad				
Rubberex Marketing (M) Sdn. Bhd.	Malaysia	100	100	Trading of gloves, household items, kitchen items and personal protective products. Became inactive during the financial year.
Rubberex Spain, S.L.*	Spain	100	100	Trading of gloves, household items, kitchen items and personal protective products.
Held through Diamond Grip (M) Sdn. Bhd.				
Rubberex Alliance Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of disposable gloves.
Held through Pioneer Vantage Limited				
LPL (Hui Zhou) Glove Co. Limited ^	People's Republic of China	100	100	Manufacturing and sales of industrial and disposable gloves.



Notes to the Financial Statements (cont'd)

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Indirect subsidiaries (cont'd)				
<i>Held through Lifestyle Investment (Hong Kong) Limited</i>				
Lifestyle Safety Products (Hui Zhou) Co. Limited ^	People's Republic of China	100	100	Manufacturing and sales of disposable gloves.

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

^ The financial statements of these companies are examined by a member firm of the auditors of the Company.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2017	2016
Manufacturing and sale of household and industrial rubber gloves	Malaysia	1	1
Manufacturing and sale of industrial rubber gloves	Malaysia	1	1
Manufacturing and sale of disposable gloves	Malaysia	1	1
Manufacturing and sale of industrial and disposable gloves	People's Republic of China	2	2
Investment holding	Hong Kong	2	2
Trading of gloves and other latex products	Hong Kong	1	1
Trading of gloves, household items, kitchen items and personal protective products	Malaysia	1	1
	Spain	1	1
Dormant	Malaysia	1	1
		11	11



Notes to the Financial Statements (cont'd)

17. GOODWILL ON CONSOLIDATION

	The Group	
	2017 RM	2016 RM
Cost:		
At beginning and end of year	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 carrying amount of goodwill is allocated to the manufacturing operations of Diamond Grip (M) Sdn. Bhd..

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on a financial forecast approved by management covering a five year period from 2018 to 2022. The following key assumptions are used to generate the financial forecast:

Sales volume	Remained unchanged
Inflation rate	2.90% per annum
Discount rate	5.51%

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

The above assumptions were determined based on business past performance and management's expectations of market development.

The directors believe that any reasonable possible changes in the assumptions applied are not likely to cause the goodwill to be materially impaired.

18. INVENTORIES

	The Group	
	2017 RM	2016 RM
Finished and trading goods	63,423,526	60,780,739
Raw materials	19,961,090	19,958,974
Packing materials	4,783,277	2,717,704
Parts and consumables	732,551	663,940
	<u>88,900,444</u>	<u>84,121,357</u>

The cost of inventories recognised as an expense during the year was RM311,823,606 (2016: RM215,312,661).



Notes to the Financial Statements (cont'd)

18. INVENTORIES (cont'd)

Included in cost of inventories recognised as an income/(expense) are the following:

	The Group	
	2017 RM	2016 RM
Reversal of inventories written down	214,489	676,865
Finished and trading goods written down to net realisable value	(510,993)	-

19. TRADE AND OTHER RECEIVABLES

	The Group	
	2017 RM	2016 RM
Trade receivables	58,929,797	49,495,748
Less: Allowance for doubtful debts	(2,046)	(509,508)
	58,927,751	48,986,240
Other receivables	15,787,048	18,729,961
Goods and services tax receivable	2,334,575	2,340,263
	77,049,374	70,056,464

The currency profile of trade and other receivables is as follows:

	The Group	
	2017 RM	2016 RM
United States Dollar	41,573,708	35,733,281
Euro	18,114,422	13,894,344
Chinese Renminbi	13,337,558	14,388,215
Ringgit Malaysia	3,656,275	6,130,659
Swiss Franc	341,573	388,322
Hong Kong Dollar	27,884	31,151
	77,051,420	70,565,972

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranged from 10 to 180 days (2016: 15 to 150 days). No interest is charged on overdue outstanding trade receivables. An allowance has been made for estimated irrecoverable amounts of trade receivables of RM2,046 (2016: RM509,508) based on the past default experience of the Group.

Other receivables of the Group comprise mainly advance payments of RM2,590,715 (2016: RM2,653,055) to the China Government for acquisition of land use rights in People's Republic of China of which the land title has not been issued; proceeds receivable from China Government for the surrender of land use rights of RM2,077,372 (2016: RM2,158,313); and advance payments of RM198,352 (2016: RM6,704,861) to suppliers for purchase of raw materials and property, plant and equipment.



Notes to the Financial Statements (cont'd)

19. TRADE AND OTHER RECEIVABLES (cont'd)

Movement in the allowance for doubtful debts is as follows:

	The Group	
	2017 RM	2016 RM
Balance at January 1	509,508	510,991
Allowance for doubtful debts written off	(521,681)	-
Allowance for doubtful debts no longer required	-	(4,851)
Net foreign currency exchange differences	14,219	3,368
	<hr/>	<hr/>
Balance at December 31	2,046	509,508

Ageing of impaired trade receivables:

	The Group	
	2017 RM	2016 RM
More than 150 days	2,046	509,508

Included in trade receivables of the Group are receivables with total carrying amount of RM7,340,904 (2016: RM4,421,844) which are past due at the end of the reporting period for which the Group has not recognised allowance for doubtful debts as there have not been significant changes in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances nor does it has a legal right to offset against any amounts owed by the Group to the counterparties.

The Group seeks to maintain strict control over its outstanding trade receivables and has a credit period policy to minimise credit risk. Overdue balances are reviewed by management at least twice a month.

Ageing of trade receivables which are past due but not impaired at the end of the reporting period are as follows:

	The Group	
	2017 RM	2016 RM
Number of days past due:		
1 - 30 days	4,430,017	2,880,341
31 - 60 days	1,155,189	394,186
61 - 90 days	737,863	151,673
91 - 120 days	660,655	122,701
More than 120 days	357,180	872,943
	<hr/>	<hr/>
	7,340,904	4,421,844



Notes to the Financial Statements (cont'd)

20. RELATED PARTY TRANSACTIONS

The amount owing by/(to) subsidiaries arose mainly from advances and expenses paid on behalf which are unsecured and are interest-free except for certain advances granted to certain subsidiaries which bear interest at rates ranging from 5.28% to 5.83% (2016: 4.93% to 5.81%) per annum.

The amounts owing by/(to) subsidiaries, classified as current assets/(liabilities), are repayable upon demand and will be settled in cash.

The currency profile of amount owing by subsidiaries is as follows:

	The Company	
	2017 RM	2016 RM
Ringgit Malaysia	30,756,145	24,473,858
Hong Kong Dollar	-	135,969,399
	30,756,145	160,443,257

The currency profile of amount owing to subsidiaries is as follows:

	The Company	
	2017 RM	2016 RM
Ringgit Malaysia	13,556,718	18,377,874
Hong Kong Dollar	6,291,942	-
	19,848,660	18,377,874

During the financial year, transactions undertaken by the Company with its subsidiaries are as follows:

	2017 RM	2016 RM
Advances (granted)/received - net	(1,817,100)	15,937,366
Interest on advances received/receivable (Note 7)	273,442	462,222

The transactions with subsidiaries are aggregated as these transactions are similar in nature.

21. OTHER ASSETS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Refundable deposits	1,310,429	799,883	1,000	1,000
Prepaid expenses	187,750	68,262	-	-
	1,498,179	868,145	1,000	1,000

Refundable deposits of the Group include RM260,714 (2016: RM260,714) paid to a third party to acquire a piece of vacant land.



Notes to the Financial Statements (cont'd)

22. OTHER FINANCIAL ASSETS

	The Group	
	2017 RM	2016 RM
Derivative assets carried at FVTPL		
- foreign currency forward contracts	1,465,848	7,178

The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuation on foreign receipts and payments.

23. CASH AND BANK BALANCES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits with a licensed bank	8,100,000	-	8,100,000	-
Cash and bank balances	20,596,258	11,804,170	353,507	91,764
	<u>28,696,258</u>	<u>11,804,170</u>	<u>8,453,507</u>	<u>91,764</u>

The fixed deposits of the Group and of the Company have an average maturity of 1 month (2016: 1 month) with average effective interest rate of 3.45% (2016: 3.45%) per annum.

The currency profile of cash and bank balances is as follows:

	The Group	
	2017 RM	2016 RM
Ringgit Malaysia	11,025,168	2,308,546
United States Dollar	10,729,130	5,191,945
Chinese Renminbi	4,180,962	748,667
Euro	2,641,573	3,296,358
Hong Kong Dollar	119,425	258,653
Great Britain Pound	-	1
	<u>28,696,258</u>	<u>11,804,170</u>

Cash and bank balances of the Company are denominated in Ringgit Malaysia.



Notes to the Financial Statements (cont'd)

24. SHARE CAPITAL AND TREASURY SHARES

(a) Share Capital

	← The Group and The Company →			
	2017 Number of ordinary shares	2016 Number of ordinary shares	2017 RM	2016 RM
Authorised:				
Ordinary shares	-	400,000,000	-	200,000,000
Issued and fully paid:				
Ordinary shares				
At beginning of year	229,278,817	229,278,817	114,639,408	114,639,408
Issued during the year	22,926,800	-	16,048,760	-
Transfer from share premium arising from "no par value" regime (Note 25)	-	-	29,503,381	-
At end of year	252,205,617	229,278,817	160,191,549	114,639,408

The Company increased its issued and paid-up ordinary share capital during the year by the issuance of 22,926,800 new ordinary shares pursuant to a private placement exercise at an issue price of RM0.70 per ordinary share. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Group's and the Company's issued and fully paid-up share capital comprised ordinary shares with a par value of RM0.50 each. The new Companies Act, 2016, which came into operation on January 31, 2017, introduced the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

(b) Treasury Shares

	← The Group and The Company →			
	2017 Number of ordinary shares	2016 Number of ordinary shares	2017 RM	2016 RM
As of January 1	10,000	-	7,961	-
Repurchased during the year	-	10,000	-	7,961
Sold during the year	-	-	-	-
As of December 31	10,000	10,000	7,961	7,961

The Company has not repurchased any ordinary shares during the financial year. In 2016, the Company repurchased 10,000 ordinary shares from the open market of Bursa Malaysia Securities Berhad. The total amount paid for acquisition of shares was RM7,961 and has been deducted from equity. The average price paid for the shares repurchased was RM0.79 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased previously are being held as Treasury Shares in accordance with the requirements of Section 127(4) (b) of the Companies Act, 2016.

As of December 31, 2017, the number of ordinary shares in issue and fully paid after excluding the Treasury Shares was 252,195,617.



Notes to the Financial Statements (cont'd)

25. RESERVES

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-distributable reserves:				
Share premium	-	29,503,381	-	29,503,381
Translation reserve	43,063,512	43,142,453	-	-
Capital reserve	(2,341,786)	(2,415,444)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	40,721,726	70,230,390	-	29,503,381
Distributable reserve:				
Retained earnings	75,683,439	66,998,259	32,077,873	42,311,193
	<hr/>	<hr/>	<hr/>	<hr/>
	116,405,165	137,228,649	32,077,873	71,814,574

Translation reserve

Translation reserve represents the exchange differences arising on translation of financial statements of foreign subsidiaries and arising on translation of monetary items receivable from foreign operations for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operations) that are taken up in other comprehensive income and accumulated in equity. Such exchange differences are recognised as income or expense in profit or loss, in the period in which the foreign subsidiaries are disposed of.

Capital reserve

Capital reserve include the excess of the purchase consideration for the acquisition of shares in the subsidiaries from non-controlling interests over the share of the identifiable net assets of the subsidiaries at the date of acquisition. The acquisition constitutes a capital transaction with owners, and the excess of purchase consideration over share of net assets is therefore recorded as a capital reserve.

Subsequent changes in the ownership interests in the subsidiaries that do not result in a loss of control are also adjusted in capital reserve. Any differences between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognised directly in capital reserve and attributed to the owners of the Company (controlling entity). Such capital reserve is recognised as expense in profit or loss in the period in which the subsidiaries are disposed of.

Including in capital reserve is a percentage of the retained earnings of a foreign subsidiary transferred as required by the laws and regulations of the domicile country where that foreign subsidiary is incorporated.



Notes to the Financial Statements (cont'd)

25. RESERVES (cont'd)

Retained earnings

The entire retained earnings of the Company as of December 31, 2017 is available for distribution as single tier dividends to the shareholders of the Company.

26. DIVIDENDS

	← The Group and The Company →			
	2017 RM	2016 RM	Net dividend per share	
			2017 sen	2016 sen
First interim dividend paid - 0.75 sen per share, single tier (2016: 1.5 sen per share, single tier)	1,891,461	3,439,031	0.75	1.50
Second interim dividend paid - 1.00 sen per share, single tier (2016: 0.5 sen per share, single tier)	2,521,956	1,146,343	1.00	0.50
	4,413,417	4,585,374	1.75	2.00

A first interim dividend of 0.75 sen per ordinary share, single tier, amounting to RM1,891,461, computed based on the issued and paid-up capital of 252,205,617 ordinary shares, less treasury shares of 10,000 held by the Company, was declared on May 22, 2017 and paid on August 18, 2017.

A second interim dividend of 1.00 sen per ordinary share, single-tier, amounting to RM2,521,956, computed based on the issued and paid-up capital of 252,205,617 ordinary shares, less treasury shares of 10,000 held by the Company, was declared on November 29, 2017 and paid on February 5, 2018.



Notes to the Financial Statements (cont'd)

27. BORROWINGS

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Secured:				
Term loan	10,906,875	-	-	-
Revolving credits	2,877,736	-	-	-
Trust receipts	1,653,546	-	-	-
Bankers' acceptances	355,000	-	-	-
Bills payable	-	2,099,202	-	-
Unsecured:				
Term loans	27,875,000	51,055,000	9,675,000	15,675,000
Revolving credits	11,086,780	5,000,000	-	-
Bills payable	9,148,056	12,333,095	-	-
Bank overdrafts	916,085	12,101,321	-	-
Trust receipts	-	1,482,330	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	64,819,078	84,070,948	9,675,000	15,675,000
Less: Amount due within 12 months (shown under current liabilities)	(39,454,703)	(47,855,948)	(4,300,000)	(6,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current portion	25,364,375	36,215,000	5,375,000	9,675,000

The non-current portion is repayable as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
More than 1 year but not later than 2 years	14,492,500	13,140,000	5,375,000	4,300,000
More than 2 years but not later than 5 years	10,871,875	23,075,000	-	5,375,000
	<hr/>	<hr/>	<hr/>	<hr/>
	25,364,375	36,215,000	5,375,000	9,675,000



Notes to the Financial Statements (cont'd)

27. BORROWINGS (cont'd)

Analysis of borrowings by currency is as follows:

The Group 2017	Ringgit Malaysia RM	United States Dollar RM	Chinese Renminbi RM	Hong Kong Dollar RM	Total RM
Term loans	38,781,875	-	-	-	38,781,875
Bills payable	5,968,000	3,180,056	-	-	9,148,056
Revolving credits	5,000,000	-	8,964,516	-	13,964,516
Trust receipts	1,653,546	-	-	-	1,653,546
Bank overdrafts	900,531	-	-	15,554	916,085
Bankers' acceptances	355,000	-	-	-	355,000
	52,658,952	3,180,056	8,964,516	15,554	64,819,078
The Group 2016					
Term loans	51,055,000	-	-	-	51,055,000
Bank overdrafts	12,101,321	-	-	-	12,101,321
Bills payable	10,230,000	2,103,095	2,099,202	-	14,432,297
Revolving credits	5,000,000	-	-	-	5,000,000
Trust receipts	1,482,330	-	-	-	1,482,330
	79,868,651	2,103,095	2,099,202	-	84,070,948

Borrowings of the Company are denominated in Ringgit Malaysia.

The effective interest rates per annum are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	%	%	%	%
Term loans	5.28 - 6.26	4.93 - 6.11	5.28 - 5.83	4.93 - 5.81
Revolving credits	4.88 - 6.30	4.90 - 7.85	-	-
Trust receipts	3.96	3.83 - 4.20	-	-
Bankers' acceptances	3.98	-	-	-
Bills payable	3.92 - 4.33	2.50 - 4.79	-	-
Bank overdrafts	7.17 - 7.60	7.35 - 8.10	-	-

The Company has two (2) term loans:

- (a) a five (5) year term loan of RM17,000,000 (2016: RM17,000,000) which is repayable by ten (10) equal semi-annual instalments commencing from November 1, 2012. This term loan has been fully settled during the financial year; and
- (b) a five (5) year term loan of RM21,500,000 (2016: RM21,500,000) which is repayable by twenty (20) equal quarterly instalments commencing from June 30, 2015.



Notes to the Financial Statements (cont'd)

27. BORROWINGS (cont'd)

One of the subsidiaries has seven (7) term loans:

- (a) a five (5) year term loan of RM10,560,000 (2016: RM10,560,000) which is repayable by twenty (20) equal quarterly instalments of RM660,000 each commencing from June 26, 2015;
- (b) a five (5) year term loan of RM28,000,000 (2016: RM28,000,000) which is repayable by twenty (20) equal quarterly instalments of RM1,400,000 each commencing from June 27, 2016;
- (c) a five (5) year term loan of RM3,000,000 (2016: RM3,000,000) which is repayable by twenty (20) equal quarterly instalments of RM150,000 each commencing from January 26, 2017;
- (d) a ten (10) year term loan of RM2,775,000 (2016: RM2,775,000) which is repayable by 120 equal monthly instalments of RM23,125 each commencing from April 1, 2017;
- (e) a ten (10) year term loan of RM1,725,000 (2016: RM1,725,000) will be repayable by 120 equal monthly instalments of RM14,375 each commencing on the first day of the month following the full release of the facility which is pending as of year end;
- (f) A seventy eight (78) months term loan of RM14,220,000 obtained during the year which is pending for release as of year end, will be repayable by sixty (60) monthly instalments commencing from the 19th month after the full drawdown; and
- (g) A seventy eight (78) months term loan of RM19,780,000 obtained during the year which is pending for release as of year end, will be repayable by sixty (60) monthly instalments commencing from the 19th month after the full drawdown.

As of December 31, 2017, total banking facilities of the Group and of the Company are as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Secured:				
Term loans	52,060,000	4,500,000	-	-
Bank overdrafts, bills payable and other banking facilities	51,397,000	16,647,000	-	-
Unsecured:				
Term loans	66,500,000	80,060,000	38,500,000	38,500,000
Bank overdrafts, bills payable and other banking facilities	332,838,000	313,012,000	110,000,000	110,000,000

The Company's term loans and other banking facilities are guaranteed by its subsidiaries and also secured by letters of negative pledge from the Company and its subsidiaries.

Term loans and other banking facilities of the Group to the extent of RM67,732,000 (2016: RM16,647,000) are secured by a charge over certain factory buildings and short-term leasehold land of subsidiaries as disclosed in Note 14 and 15 respectively.



Notes to the Financial Statements (cont'd)

28. TRADE AND OTHER PAYABLES

	The Group	
	2017 RM	2016 RM
Trade payables	46,017,142	31,865,664
Other payables for consumables, utilities, services, maintenance of property, plant and equipment and advanced payment received	14,416,336	16,810,553
	60,433,478	48,676,217

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

	The Group	
	2017 RM	2016 RM
Chinese Renminbi	31,513,048	20,244,102
Ringgit Malaysia	24,434,196	23,646,314
Euro	2,455,690	1,325,677
United States Dollar	1,940,434	3,337,497
Hong Kong Dollar	90,110	100,667
Swiss Franc	-	21,960
	60,433,478	48,676,217

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 10 to 90 days (2016: 15 to 90 days). No interest is charged on overdue outstanding trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

29. OTHER LIABILITIES - ACCRUED EXPENSES

The currency profile of accrued expenses is as follows:

	The Group	
	2017 RM	2016 RM
Ringgit Malaysia	2,970,975	4,236,079
Chinese Renminbi	2,964,459	1,462,269
United States Dollar	841,100	-
Euro	150,088	325,214
Hong Kong Dollar	70,121	121,985
	6,996,743	6,145,547

Other liabilities of the Company are denominated in Ringgit Malaysia.



Notes to the Financial Statements (cont'd)

30. DEFERRED REVENUE

	The Group	
	2017 RM	2016 RM
At beginning of year	-	-
Additions	634,070	-
Amortisation	(114,201)	-
Translation reserve	(11,788)	-
At end of year	508,081	-

Deferred revenue mainly consists of government grants to certain foreign subsidiaries for projects with environmental initiatives.

31. OTHER FINANCIAL LIABILITIES

The Group	2017 RM	2016 RM
Derivative liabilities carried at FVTPL		
- foreign currency forward contracts (net)	-	31,889
	-	31,889

The Group entered into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuation on foreign receipts and payments.

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Categories of financial instruments

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial assets				
Loans and receivables:				
Trade and other receivables	74,714,799	67,716,201	-	-
Amount owing by subsidiaries	-	-	30,756,145	160,443,257
Refundable deposits	1,310,429	799,883	1,000	1,000
Cash and cash equivalents	28,696,258	11,804,170	8,453,507	91,764
Fair value through profit or loss:				
Derivative assets – foreign currency forward contracts	1,465,848	7,178	-	-
	1,465,848	7,178	-	-



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Categories of financial instruments (cont'd)

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial liabilities				
Other financial liabilities:				
Trade and other payables	60,433,478	48,676,217	-	-
Other liabilities – accrued expenses	6,996,743	6,145,547	377,010	328,612
Amount owing to subsidiaries	-	-	19,848,660	18,377,874
Dividend payable	2,521,956	-	2,521,956	-
Borrowings	64,819,078	84,070,948	9,675,000	15,675,000
Fair value through profit or loss:				
Derivative liabilities – foreign currency forward contracts	-	31,889	-	-

Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subjected to a variety of financial risks, including market risk, credit risk, liquidity risk and cash flow risk. The principal objective of the Group and of the Company is to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

(a) Market risk

The Group and the Company are exposed primarily to the risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's and the Company's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk management

The Group transacts business in various foreign currencies including United States Dollar ("USD"), Euro ("EURO"), Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD"), Swiss Franc ("CHF") and Great Britain Pound ("GBP") and therefore, is exposed to foreign exchange risk. The Group enters into foreign currency forward contracts to manage its exposure against foreign currency fluctuations on foreign receipts and payments.

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group and of the Company at the end of the reporting period are disclosed in Notes 19, 20, 23, 27, 28 and 29.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The management does not consider the Group's exposure to foreign currency exchange risk significant as of December 31, 2017. Therefore, sensitivity analysis for foreign currency exchange risk is not disclosed.

The Company is mainly exposed to the currency of HKD. The management considers that the impact of other currencies to be minimal.

The following table details the sensitivity of the Company to a 1.00% (2016: 2.00%) increase/decrease in RM against the relevant foreign currency. These sensitivity rates are used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates in the next 12 months.

The following sensitivity analysis includes only outstanding foreign currency denominated monetary items. If the foreign currency denominated monetary items of the Company at the end of the reporting period were translated into Ringgit Malaysia with a 1.00% (2016: 2.00%) fluctuation in the exchange rates against the following relevant foreign currencies, the effect on profit net of tax in profit or loss and other reserve are as follows:

	2017		2016	
	Profit or loss RM	Other reserve RM	Profit or loss RM	Other reserve RM
HKD impact	47,819	-	2,066,735	-

The above impacts are mainly attributable to the exposure of the currency on the financial instruments outstanding at the end of the reporting period in the Company. In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the full exposure during the year.

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company finance their operations by a mixture of internal funds and bank and other borrowings. The Group and the Company regularly review 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 of the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Market risk (cont'd)

(ii) Interest rate risk management (cont'd)

The policy of the Group and of the Company are 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.

The details of the Group's and of the Company's fixed deposit and borrowings are as disclosed in Notes 23 and 27 respectively.

Interest rate sensitivity analysis

The Group and the Company does not consider its exposure to interest rate risk from bank borrowings and interest-bearing assets significant as of December 31, 2017 due to insignificant fluctuations in the market interest rates. Therefore, interest rate sensitivity analysis is not disclosed.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a mean of mitigating the risk of financial loss from defaults. The exposure of the Group to credit risk arises principally from its receivables and other financial assets while the exposure of the Company to credit risk arises from its intercompany balances, financial guarantees given to licensed banks for credit facilities granted to subsidiaries and other financial assets.

Receivables

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.

As the Group does not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

A significant portion of trade receivables are regular customers of the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Trade receivables with balances exceeding credit limits are monitored through the holding back of new shipment until the old debts plus the new orders are within the credit limit.

For other receivables, management does not foresee any credit risk due to the nature of other receivables which comprise mainly advance payments made to suppliers and China Government, as well as proceeds receivable from the China Government.

The ageing of trade receivables that are past due and/or impaired is disclosed in Note 19.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Credit risk management (cont'd)

Intercompany Balances

The Company provides unsecured advances to its subsidiaries. There is no fixed repayment term imposed on intercompany balances as the credit risk is managed on a Group basis by the management of the Company to ensure that risk of losses incurred by the Company due to non-repayment by subsidiaries, is minimal.

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

At the end of the financial period, there was no indication that the balances due from subsidiaries are not recoverable.

Financial Guarantee

The Company provides unsecured financial guarantees to licensed banks in respect of credit facilities granted to subsidiaries. The Company monitors on an ongoing basis the trend of repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM51,881,078 (2016: RM57,696,218) representing the outstanding balance of credit facilities of subsidiaries in which financial guarantees are given by the Company as of the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiaries will default on repayment.

Other Financial Assets

The credit risk on liquid funds are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity and cash flow risks management

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

The Group and the Company expect that the cash generated from its operations, its existing credit facilities and the trade terms provided by its suppliers will be sufficient to meet the Group's and the Company's currently anticipated capital expenditure and working capital needs for at least the next 12 months. The Group and the Company may consider opportunities to obtain additional funds to support its working capital requirements and capital expenditures, or may seek to raise additional funds through equity financing.

The Group and the Company have credit facilities of approximately RM136,220,939 (2016: RM46,043,000) and Nil (2016: Nil) respectively which are unused at the end of the reporting period.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Liquidity and cash flow risks management (cont'd)

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

The Group	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
2017				
Non-derivative financial assets:				
Loans and receivables	76,025,228	-	-	76,025,228
Cash and cash equivalents	28,719,546	-	-	28,719,546
Total undiscounted non-derivative financial assets	104,744,774	-	-	104,744,774
Undiscounted derivative financial assets	1,465,848	-	-	1,465,848
Total undiscounted derivative and non-derivative financial assets	106,210,622	-	-	106,210,622
Non-derivative financial liabilities:				
Other financial liabilities	111,387,736	26,373,795	984,905	138,746,436
Net undiscounted non-derivative financial liabilities	(5,177,114)	(26,373,795)	(984,905)	(32,535,814)
The Group				
2016				
Non-derivative financial assets:				
Loans and receivables	68,516,084	-	-	68,516,084
Cash and cash equivalents	11,804,170	-	-	11,804,170
Total undiscounted non-derivative financial assets	80,320,254	-	-	80,320,254
Undiscounted derivative financial assets	7,178	-	-	7,178
Total undiscounted derivative and non-derivative financial assets	80,327,432	-	-	80,327,432
Non-derivative financial liabilities:				
Other financial liabilities	105,351,350	39,528,033	-	144,879,383
Derivative financial liabilities	31,889	-	-	31,889
Total undiscounted derivative and non-derivative financial liabilities	105,383,239	39,528,033	-	144,911,272
Net undiscounted derivative and non-derivative financial liabilities	(25,055,807)	(39,528,033)	-	(64,583,840)



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Liquidity and cash flow risks management (cont'd)

The Company 2017	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial assets:				
Loans and receivables	30,757,145	-	-	30,757,145
Cash and cash equivalents	8,453,507	-	-	8,453,507
Total undiscounted non- derivative financial assets	39,210,652	-	-	39,210,652
Non-derivative financial liabilities:				
Other financial liabilities	25,022,320	5,623,325	-	30,645,645
Financial guarantee contracts	51,881,078	-	-	51,881,078
Total non-derivative financial liabilities	76,903,398	5,623,325	-	82,526,723
Net undiscounted non- derivative financial liabilities	(37,692,746)	(5,623,325)	-	(43,316,071)
The Company 2016				
Non-derivative financial assets:				
Loans and receivables	160,444,257	-	-	160,444,257
Cash and cash equivalents	91,764	-	-	91,764
Total undiscounted non- derivative financial assets	160,536,021	-	-	160,536,021
Non-derivative financial liabilities:				
Other financial liabilities	25,515,956	10,419,975	-	35,935,931
Financial guarantee contracts	57,696,218	-	-	57,696,218
Total non-derivative financial liabilities	83,212,174	10,419,975	-	93,632,149
Net undiscounted non-derivative financial assets/(liabilities)	77,323,847	(10,419,975)	-	66,903,872



32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) Capital risk management

The Group and the Company manage their capital to ensure the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remain unchanged from 2016.

The capital structure of the Group and of the Company consists of net debt and equity. The Group and the Company are not subject to any externally imposed capital requirements.

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

Gearing ratio

The gearing ratio at the end of the reporting period is as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Debt (i)	64,819,078	84,070,948	9,675,000	15,675,000
Fixed deposits, cash and bank balances	(28,696,258)	(11,804,170)	(8,453,501)	(91,764)
Net debt	36,122,820	72,266,778	1,221,499	15,583,236
Equity (ii)	276,588,753	251,860,096	192,261,461	186,446,021
Net debt to equity ratio	0.13	0.29	0.01	0.08

(i) Debt is defined as borrowings.

(ii) Equity includes all capital and reserves of the Group and of the Company that are managed as capital.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Fair values of financial instruments

Foreign currency forward contracts

The notional amounts and estimated fair values of the Group's foreign currency forward contracts outstanding at the end of the reporting period are as follows:

	Sell USD	Outstanding contracts		Net
		Sell EURO	Buy USD	
2017				
Foreign currency	17,075,144	861,811	-	-
Notional value (RM)	70,633,656	4,304,533	-	-
Fair value (RM)	1,340,745	125,103	-	1,465,848
	<hr/>	<hr/>	<hr/>	<hr/>
2016				
Foreign currency	1,307,261	1,351,569	(203,689)	-
Notional value (RM)	5,815,618	6,359,483	(846,591)	-
Fair value (RM)	(53,731)	(38,136)	67,156	(24,711)
	<hr/>	<hr/>	<hr/>	<hr/>

The fair values of foreign currency forward contracts, which are categorised as Level 2 in the fair value hierarchy, are calculated by reference to the current rates for contracts with similar maturity profiles.

Financial instruments carried at amortised cost

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

The fair values of term loans, which are categorised as Level 2 in the fair value hierarchy, are estimated using discounted cash flow analysis based on the current borrowing rates for similar types of term loan arrangements. There is no material difference between the carrying amounts and the estimated fair values of term loans.

There were no transfers between Levels 1 and 2 in 2017.



Notes to the Financial Statements (cont'd)

33. STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

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

	The Group	
	2017 RM	2016 RM
Cash purchase	16,959,877	24,910,567
Capitalisation of term loan interest (Note 11)	-	1,536,606
Balance outstanding - other payables	560,978	1,652,238
	17,520,855	28,099,411

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

The Group

	Note	Balance as of 1.1.2017 RM	Financing cash flows RM	Non-cash changes Net foreign currency exchange differences RM	Balance as of 31.12.2017 RM
Trust receipts	27	1,482,330	171,216	-	1,653,546
Bills payable	27	14,432,297	(4,878,508)	(405,733)	9,148,056
Revolving credits	27	5,000,000	9,108,576	(144,060)	13,964,516
Bank overdrafts	27	9,037,106	(9,037,106)	-	-
Term loans	27	51,055,000	(12,273,125)	-	38,781,875
Bankers' acceptances	27	-	355,000	-	355,000
		81,006,733	16,553,947	(549,793)	63,902,993

The Company

	Note	Balance as of 1.1.2017 RM	Financing cash flows RM	Balance as of 31.12.2017 RM
Term loans	27	15,675,000	(6,000,000)	9,675,000



Notes to the Financial Statements (cont'd)

33. STATEMENTS OF CASH FLOWS (cont'd)

(c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and at banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statements of financial position as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits with a licensed bank	8,100,000	-	8,100,000	-
Cash and other bank balances	20,596,258	11,804,170	353,507	91,764
Bank overdrafts	(916,085)	(3,064,215)	-	-
Bank balance pledged to bank as security for banking facilities	(1,660,461)	-	-	-
	<u>26,119,712</u>	<u>8,739,955</u>	<u>8,453,507</u>	<u>91,764</u>

34. CAPITAL COMMITMENTS

As of the end of the reporting period, the Group has the following commitment in respect of property, plant and equipment:

	2017 RM	2016 RM
Capital expenditure: Approved and contracted for	<u>4,494,435</u>	<u>6,057,856</u>

35. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2017 RM	2016 RM
Within one year	528,757	610,673
In the second to fifth year inclusive	-	98,004
	<u>528,757</u>	<u>708,677</u>

Operating lease payments represent rentals payable by the Group for warehouse and office. Leases are negotiated for terms of five years (2016: five years) with an option to renew the lease after that date.



**Rubberex Corporation
(M) Berhad**



Statement by Directors

The directors of **RUBBEREX CORPORATION (M) BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

MR. KHOO CHIN LENG

DATO' ABD RAHIM BIN ABD HALIM

Ipoh, 09 April 2018

Declaration by the Director

Primarily Responsible for the Financial Management of the Company

I, **MR. KHOO CHIN LENG (IC No. 590509-07-5615)**, the director primarily responsible for the financial management of **RUBBEREX CORPORATION (M) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MR. KHOO CHIN LENG

Subscribed and solemnly declared by the abovenamed
MR. KHOO CHIN LENG at **IPOH** this 9th day of **April**,
2018.

Before me,

LAM YING WOH (A209)
COMMISSIONER FOR OATHS



Properties Held By The Company And Its Subsidiaries as at 31 December 2017

Location	Tenure/ Expiry Date	Description of existing use	Land area (sq. m)	Date of Acquisition/ [Revaluation]	Age (years)/ Carrying amount (RM'000)
Lot 228174, Mukim Hulu Kinta, Kawasan Perindustrian Bercham Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	Freehold/-	Manufacturing, warehouse and office	37,258	[1996]	23.5/3,545
Lot 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	19.0/1,009
Lot 383268, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	Leasehold (99 years)/ 23 December 2106	Manufacturing, warehouse and office	12,141	2007	10.0/202
Lot 312174, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	Leasehold (86 years)/ 02 December 2101	Warehouse and office	8,496	2016	2.0/1,894
Plot 010169, 010170 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	12.0/8,274
Plot 010984 Daxiotang Village, Luoyang Town, Buluo County, Huizhou City, Guangdong Province, People's Republic of China.	Leasehold (50 years)/ 29 June 2055	Manufacturing, warehouse and office	41,115	2007	11.0/4,616
Factory buildings located at Lot 228174, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	-	Manufacturing, warehouse and office	12,620	[1996]	23.5/2,663
Factory buildings located at Lot 218274, Mukim Hulu Kinta, Kawasan Perindustrian Bercham, Bercham, Ipoh, Perak Darul Ridzuan, Malaysia.	-	Manufacturing, warehouse and office	10,860	1999	19.0/14,626
Factory buildings located at Daxiotang Village, Luoyang Town, Buluo County, Huizhou City, Guangdong Province, People's Republic of China.	-	Manufacturing, warehouse and office	71,512	2006	12.0/38,213



Form of Proxy

CDS Account No.	No. of shares held

I/We, _____ Tel: _____
 [Full name in block, NRIC No./Company No. and telephone number]

of _____
 being a member/members of RUBBEREX CORPORATION (M) BERHAD, hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at The Rooms, Level 1, Impiana Hotel, 18, Jalan Sultan Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Monday, 21 May 2018 at 10:00 a.m. and at any adjournment thereof, and to vote as indicated below:

Resolution		For	Against
1.	Adoption of the Audited Financial Statements together with the Directors' and Auditors' Reports for the financial year ended 31 December 2017		
2.	To approve the payment of Directors' fees of RM229,510.00 in respect of the financial year ended 31 December 2017		
3.	To approve the payment of benefits of RM23,465.00 payable to the Directors (other than Directors' fees) for the financial year ended 31 December 2017		
4.	To approve the payment of benefits payable to the Directors (other than Directors' fees) for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company		
5.	To re-elect the Director, Dato' Abd Rahim Bin Abd Halim		
6.	To re-elect the Director, Encik Sharifuddin Bin Shoib		
7.	To re-appoint Messrs Deloitte PLT as Auditors and to authorise the Directors to fix their remuneration		
8.	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
9.	To retain Dato' Mohamed Bin Hamzah as an Independent Non-Executive Director		
10.	To retain Encik Mustapha Bin Mohamed as an Independent Non-Executive Director		

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.

Dated this _____ day of _____ 2018

 Signature of Shareholder/Common Seal

NOTES

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall not be entitled to appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.
- Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A (1) of SICDA.
- Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if such appointer is a corporation under its common seal, or the hand of its attorney or duly authorised officer or in some other manner approved by the Directors. The instrument appointing a proxy, with the power of attorney or other authority, if any, under which it is signed or a notationally certified or office copy of such power or authority, shall be deposited at the Share Registrar's Office of the Company at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, at which the person named as proxy in such instrument proposed to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 58A (b) of the Articles of Association of the Company and Paragraph 7.16 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 14 May 2018 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting. All resolutions set out in the Notice of the Meeting are to be voted by poll.
- By submitting an instrument appointing a proxy (ies) and/or representative (s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company: (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the AGM; (b) preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that he or she has obtained such proxy (ies) and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies) and/or representative(s)' personal data for the Purposes, and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



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AFFIX
STAMP

The Company Secretary
RUBBEREX CORPORATION (M) BERHAD (372642-U)
41, Jalan Medan Ipoh 6,
Bandar Baru Medan Ipoh,
31400 Ipoh,
Perak Darul Ridzuan, Malaysia.

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Factory premises in Ipoh, Perak, Malaysia



Factory premises in Boluo County, Huizhou City, Guangdong Province, China

Rubberex Corporation (M) Berhad (372642 - U)
Lot 138201, Off 3/4 Mile, Jalan Bercham
Kawasan Perindustrian Bercham
31400 Ipoh, Perak Darul Ridzuan
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