

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Statements of Comprehensive Income for the financial period ended 30 June 2019

These figures have not been audited

	2019 Current Quarter ended 30 June RM'000	2019 Year-to-Date ended 30 June RM'000	2018 Current Quarter ended 30 June RM'000 (Restated)	2018 Year-to-Date ended 30 June RM'000 (Restated)
CONTINUING OPERATIONS				
Revenue	55,641	106,098	57,866	109,446
Cost of sales	(50,362)	(93,669)	(52,528)	(99,109)
Gross profit	5,279	12,429	5,338	10,337
Other gains and losses	619	(553)	812	414
Operating expenses	(2,645)	(5,360)	(2,812)	(5,544)
Profit from operations	3,253	6,516	3,338	5,207
Finance costs	(586)	(1,223)	(726)	(1,440)
Profit before tax	2,667	5,293	2,612	3,767
Income tax expense	(270)	(937)	(554)	(718)
Profit for the period from continuing operations	2,397	4,356	2,058	3,049
DISCONTINUED OPERATIONS				
Profit/(Loss) for the period from discontinued operations	(618)	(1,773)	610	2,612
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	1,779	2,583	2,668	5,661
Other comprehensive income, net of tax:				
Foreign currency translation differences for foreign operations	(1,648)	(430)	(5,087)	(5,261)
Total comprehensive income for the period attributable to Equity holders of the Company	131	2,153	(2,419)	400
Earnings per share:				
From continuing and discontinued operations Basic (sen)	0.71	1.02	1.06	2.24
From continuing operations Basic (sen)	0.95	1.73	0.82	1.21

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Statements of Financial Position as at 30 June 2019

These figures have not been audited

	As at 30 June 2019 RM'000	Year ended 31 December 2018 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	87,924	86,844
Prepaid lease payments	4,948	5,038
Deferred tax asset	1,748	1,748
Goodwill	2,793	2,793
	<u>97,413</u>	<u>96,423</u>
Current Assets		
Inventories	51,303	56,266
Trade and other receivables	49,530	47,365
Cash and bank balances	51,141	23,866
	<u>151,974</u>	<u>127,497</u>
Assets held for sale	70,352	70,352
	<u>319,739</u>	<u>294,272</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Issued capital	160,192	160,192
Treasury shares	(8)	(8)
Other reserves	34,655	35,085
Retained earnings	21,768	19,185
TOTAL EQUITY	<u>216,607</u>	<u>214,454</u>
Non-current Liabilities		
Borrowings	21,508	27,003
Other liabilities	-	-
Deferred tax liabilities	-	-
	<u>21,508</u>	<u>27,003</u>
Current Liabilities		
Trade and other payables	62,198	35,413
Borrowings	19,426	17,402
	<u>81,624</u>	<u>52,815</u>
TOTAL LIABILITIES	103,132	79,818
TOTAL EQUITY AND LIABILITIES	<u>319,739</u>	<u>294,272</u>
Net assets per share (RM)	0.86	1.10

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying notes attached to the interim financial statements.

Condensed Consolidated Statements of Changes in Equity for the financial period ended 30 June 2019
 These figures have not been audited

	Attributable to Equity Holders of the Company						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable Reserves			Retained Earnings RM'000	
			Share Premium RM'000	Capital Reserves RM'000	Translation Reserves RM'000		
As at 01 January 2018	160,192	(8)	-	(2,342)	43,064	75,683	276,589
Total comprehensive income for the period	-	-	-	-	-	5,661	5,661
Waiver of debt from subsidiary company treated as capital contribution	-	-	-	430	-	(430)	-
Effects of foreign exchange differences	-	-	-	-	(5,261)	-	(5,261)
As at 30 June 2018	160,192	(8)	-	(1,912)	37,803	80,914	276,989
As at 01 January 2019	160,192	(8)	-	(2,342)	37,427	19,185	214,454
Total comprehensive income for the period	-	-	-	-	-	2,583	2,583
Effects of foreign exchange differences	-	-	-	-	(430)	-	(430)
As at 30 June 2019	160,192	(8)	-	(2,342)	36,997	21,768	216,607

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Statements of Cashflows for the financial period ended 30 June 2019

These figures have not been audited

	2019 Year-to-Date ended 30 June RM'000	2018 Year-to-Date ended 30 June RM'000
Net cash generated from operating activities	36,372	17,926
Net cash generated used in investing activities	(6,604)	(10,474)
Net cash generated from/(used in) financing activities	<u>(7,215)</u>	<u>(14,083)</u>
Net increase/(decrease) in cash and cash equivalents	22,553	(6,631)
Effects of foreign exchange differences	(518)	(2,902)
Cash and cash equivalents at beginning of financial period	<u>23,707</u>	<u>26,120</u>
Cash and cash equivalents at end of financial period	<u>45,742</u>	<u>16,587</u>

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

Cash and bank balances	51,141	21,987
Short term borrowings - bank overdrafts	<u>(5,399)</u>	<u>(5,400)</u>
	<u>45,742</u>	<u>16,587</u>

The condensed consolidated statements of cashflows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING

1. Basis of Preparation of the Financial Statements and Adoption of New and Revised Financial Reporting Standards (“FRSs”)

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

The accounting policies and methods of computation adopted for the interim financial statements were consistent with those adopted for the annual audited financial statements for the year ended 31 December 2018.

2. Auditor’s Report on Preceding Annual Financial Statements

The auditor’s report on the financial statements of the Group and the Company for the previous year ended 31 December 2018 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group’s products are not materially impacted by any seasonal or cyclical factors.

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

There were no unusual items affecting the Group’s assets, liabilities, equity, net income or cash flows in the interim financial statements ended 30 June 2019.

5. Changes in Material Estimates

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the interim financial statements ended 30 June 2019.

6. Changes in Debt and Equity Securities

6.1 Share Buy-back

The Company did not carry out any Share Buy-back in the current quarter.

As at 30 June 2019, a total of 10,000 shares were held as Treasury Shares by the Company.

7. Dividends Paid

A second interim single-tiered dividend of 1.0 sen per ordinary share in respect of financial year 2018 was paid on 24 January 2019.



8. Segmental Information

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

Continuing Operations	Current Quarter ended 30 June 2019 RM'000	Cumulative year- to-date RM'000
Segment Revenue:		
Malaysia	55,062	107,524
Europe	22,944	41,482
	78,006	149,006
Group adjustments	(22,365)	(42,908)
Total	55,641	106,098
Segment Results:		
Malaysia	63,596	66,902
Europe	606	1,068
	64,202	67,970
Group adjustments	(60,949)	(61,454)
Total	3,253	6,516

9. Valuation of Property, Plant and Equipment

The Group did not carry out any revaluations on its property, plant and equipment during the current quarter ended 30 June 2019.

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements ended 31 December 2018.

10. Subsequent Events

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial period ended 30 June 2019.

11. Changes in the Composition of the Group

There were no changes to the composition of the Group since the last financial year ended 31 December 2018.

12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or assets since the last annual balance sheet date as at 31 December 2018.

13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2019 is as follows: -

	RM'000
Capital expenditure approved and contracted for	828



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

1. Review of Performance

Since 31 December 2018, the Group’s financial results and review of performance have been reclassified for presentation purposes, where losses from the Group’s China operations are disclosed separately as “Discontinued Operations”. The Group’s Continuing Operations are in Malaysia and Spain. Comparative figures of the previous financial year have also been restated accordingly.

Under the Group’s Continuing Operations, a sales turnover of RM55.6 million was achieved in the current quarter ended 30 June 2019, a decrease of 4.0% from RM57.9 million recorded in the corresponding quarter of the previous year. Similar pretax profits of RM2.6 million were also recorded in both periods.

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

There was no material change to the profit before tax of both quarters.

Sales for the second quarter of 2019 improved slightly, from RM50.4 million in the first quarter to RM55.6 million, an increase of 10.3%. However, similar pre-tax profit results of RM2.6 million were recorded in both quarters owing to lower product margins and average glove selling prices despite a weakened Ringgit relative to the U.S. Dollar and Euro.

3. Current Year Prospects

With the completion of the disposal of the Group’s China operations, the Management shall re-focus its resources in Malaysia, particularly in the nitrile disposable gloves division. This division is currently operating at full capacity with order intakes that have surpassed installed capacity, as such, the Group has fast-tracked the second phase of its expansion with the proposed installation of additional production lines that would boost the current installed capacity from 1.0 billion pieces to 2.0 billion pieces annually. Upon the completion of this phase of expansion, this division is expected to contribute significantly to the Group’s revenue and earnings by the second quarter of 2020 onwards.

Demand for the Group’s general-purpose and industrial gloves are expected to remain stable and unchanged for the remainder of the year.

Meanwhile, the Group continues to be mindful of competition, market and operational risks such as foreign exchange fluctuations, material and labour costs. The Group remains cautiously optimistic on a better performance from the Continuing Operations for financial year 2019.

4. Profit Forecast or Profit Guarantee

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

5. Taxation

	Current quarter ended 30 June 2019 RM’000	Cumulative year- to-date RM’000
Continuing Operations		
Current year – Malaysian income tax	89	617
Current year – Foreign income tax	181	320
Total income tax expense	270	937



6. Sales of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties for the current quarter ended 30 June 2019.

7. Purchase/disposal of Quoted Securities

There were no purchase and/or disposal of quoted securities for the current quarter ended 30 June 2019.

8. Status of Corporate Proposals

As at 30 June 2019, the Group had partially utilized proceeds from its net Placement proceeds of RM15.6 million raised from the issuance of new shares in June 2017, to part finance the expansion of the nitrile disposable glove plant; a sum of RM10.4 million had been invested in the construction of factory buildings and machineries.

On 02 January 2019, the Group announced a proposal to dispose of its manufacturing operations in China through the disposal of equity interests in Hong Kong for HKD135.0 million. This exercise was completed on 26 August 2019 and an announcement duly made on Bursa Malaysia Securities Berhad.

9. Group Borrowings and Debt Securities

	As at 30 June 2019		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term borrowings including trade financing	3,776	15,560	19,426
Term Loans	7,083	14,425	21,508
	10,859	30,075	40,934

10. Financial Instruments Risks

As at 30 June 2019, the Group has the following foreign currency contracts outstanding: -

Currency	Contracted Amounts '000	Ringgit Equivalent RM'000	Fair Values RM'000	Expiry Periods
U.S. Dollar (USD)	880	3,673	3,641	July - August 2019
Euro (EUR)	2,166	10,162	10,207	July - December 2019
		13,835	13,848	

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

These foreign currency contracts are of a short-term nature. The accounting policy adopted with regards to off balance sheet financial instruments was consistent with those applied in the last audited financial statements as at 31 December 2018.

11. Changes in Material Litigation

There was no outstanding material litigation as at 30 June 2019.



12. Dividend Payable

A first interim single tiered dividend of 1.0 sen per share in respect of the financial year ending 31 December 2019 will be payable on 18 September 2019. The entitlement date for the dividend payment is 29 August 2019.

13. Earnings per Share (“EPS”)

		Cumulative Year-to-Date ended 30 June 2019	Cumulative Year-to-Date ended 30 June 2018 (Restated)
Continuing Operations			
Profit for the period attributable to equity holders of the Company	RM'000	4,356	3,049
Weighted average number of ordinary shares in issue	Shares	252,195,617	229,195,617
Basic EPS	sen	1.73	1.21

14. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 27 August 2019.

Ipoh, Perak
27 August 2019