



Rubberex Corporation (M) Berhad

(Company No. 372642-U)



Annual Report 2016





**Rubberex Corporation
(M) Berhad**



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of Rubberex Corporation (M) Berhad will be held at 10:00 a.m. on Monday, 22 May 2017 at Kinta Riverfront Hotel & Suites, Pusing Hall Level 3, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees (inclusive of benefits-in-kind) of RM222,000.00 in respect of the financial year ended 31 December 2016. **(Resolution 2)**
3. 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) Mr. Khoo Chin Leng **(Resolution 3)**
 - (ii) Encik Mustapha bin Mohamed **(Resolution 4)**
4. To re-elect Mr. Poh Chee Kwan who retires in accordance with Article 98 of the Articles of Association of the Company, constituting part of the Constitution of the Company and who being eligible offer himself for re-election. **(Resolution 5)**
5. To appoint Messrs Deloitte PLT as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration. **(Resolution 6)**

As Special Business

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

6. **RE-APPOINTMENT OF DIRECTOR** **(Resolution 7)**

THAT Dato' Mohamed bin Hamzah be hereby re-appointed as Director of the Company.

Please refer to Explanatory Note 1
7. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** **(Resolution 8)**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company after the approval was given 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 the Company at general meeting."

Please refer to Explanatory Note 2



Notice of Annual General Meeting (cont'd)

8. 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
27 April 2017

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, 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 Company's registered office 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 proposes 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 12 May 2017 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.



Notice of Annual General Meeting (cont'd)

Notes: (cont'd)

8. By submitting an instrument appointing a proxy (ies) and/or representative (s) to attend, speak and vote at the Annual General Meeting 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.

Explanatory Notes To Special Business:

1. **Resolution 7** **Re-appointment of Director**

The proposed Ordinary Resolution under item 6 is to seek shareholders' approval on the re-appointment of Dato' Mohamed bin Hamzah, who had been re-appointed at the Twentieth Annual General Meeting held on 23 May 2016 as Director under Section 129(6) of the former Companies Act 1965 which was then in force and whose term would expire at the conclusion of this meeting, as Director of the Company. The proposed Resolution 7, if passed, will authorise the continuation of the Director in office from the date of this Annual General Meeting onwards.

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

The proposed Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the Twentieth Annual General Meeting held on 23 May 2016 as there were no requirements for such fund raising activities.

The proposed Resolution 8, if passed, would 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(s), 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 having to convene a general meeting. This authority, 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.



Notice of Annual General Meeting (cont'd)

STATEMENT ACCOMPANYING NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

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

Details of individuals who are standing for election as Directors (excluding directors standing for re-election)

No individual is seeking new election as a Director at the forthcoming Twenty-First Annual General Meeting of the Company.

1. The profile of the Directors who are standing for re-election (as per Resolution 3 to 5 as stated above) at the Twenty-First Annual General Meeting of the Company are as follows:-

Article 91 of the Articles of Association of the Company

- Mr. Khoo Chin Leng
- Encik Mustapha bin Mohamed

Article 98 of the Articles of Association of the Company

- Mr. Poh Chee Kwan

2. The profiles of the above Directors are set out in the Directors' Profile appearing on pages 8 to 10 of this Annual Report.
3. The details of the above Directors' shareholdings in the Company are set out in the Statement of Shareholdings appearing on page 31 of this Annual Report.



Corporate Information

DIRECTORS	<p>Y. Bhg. Dato' Abd Rahim bin Abd Halim <i>Non-Independent, Non-Executive, Chairman</i></p> <p>Y. Bhg. Dato' Mohamed bin Hamzah <i>Independent, Non-Executive, Deputy Chairman</i></p> <p>Khoo Chin Leng <i>Managing Director</i></p> <p>Sharifuddin bin Shoib <i>Non-Independent, Non-Executive</i></p> <p>Mustapha bin Mohamed <i>Independent, Non-Executive</i></p> <p>Poh Chee Kwan <i>Non-Independent, Non-Executive</i></p> <p>Yap Jek Nan <i>Independent, Non-Executive</i></p>
COMPANY SECRETARY	<p>Chan Chee Kheong MAICSA 0810287</p>
AUDITOR	<p>Deloitte PLT Chartered Accountants</p>
PRINCIPAL BANKERS	<p>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 (Malaysia) Limited Caixabank S.A. Sabadell Atlantico S.A. United Overseas Bank Limited</p>
REGISTERED OFFICE	<p>41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan. Tel no.: 605 545 1222 Fax no.: 605 545 9222</p>
REGISTRAR	<p>Tricor Investor & Issuing House Services Sdn Bhd 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan.</p>
STOCK EXCHANGE LISTING	<p>Bursa Malaysia Securities Berhad (Main Market) Stock name: RUBEREX Stock code: 7803</p>
WEBSITES	<p>www.rubberex.com.my www.rubberex-corp.com.my</p>

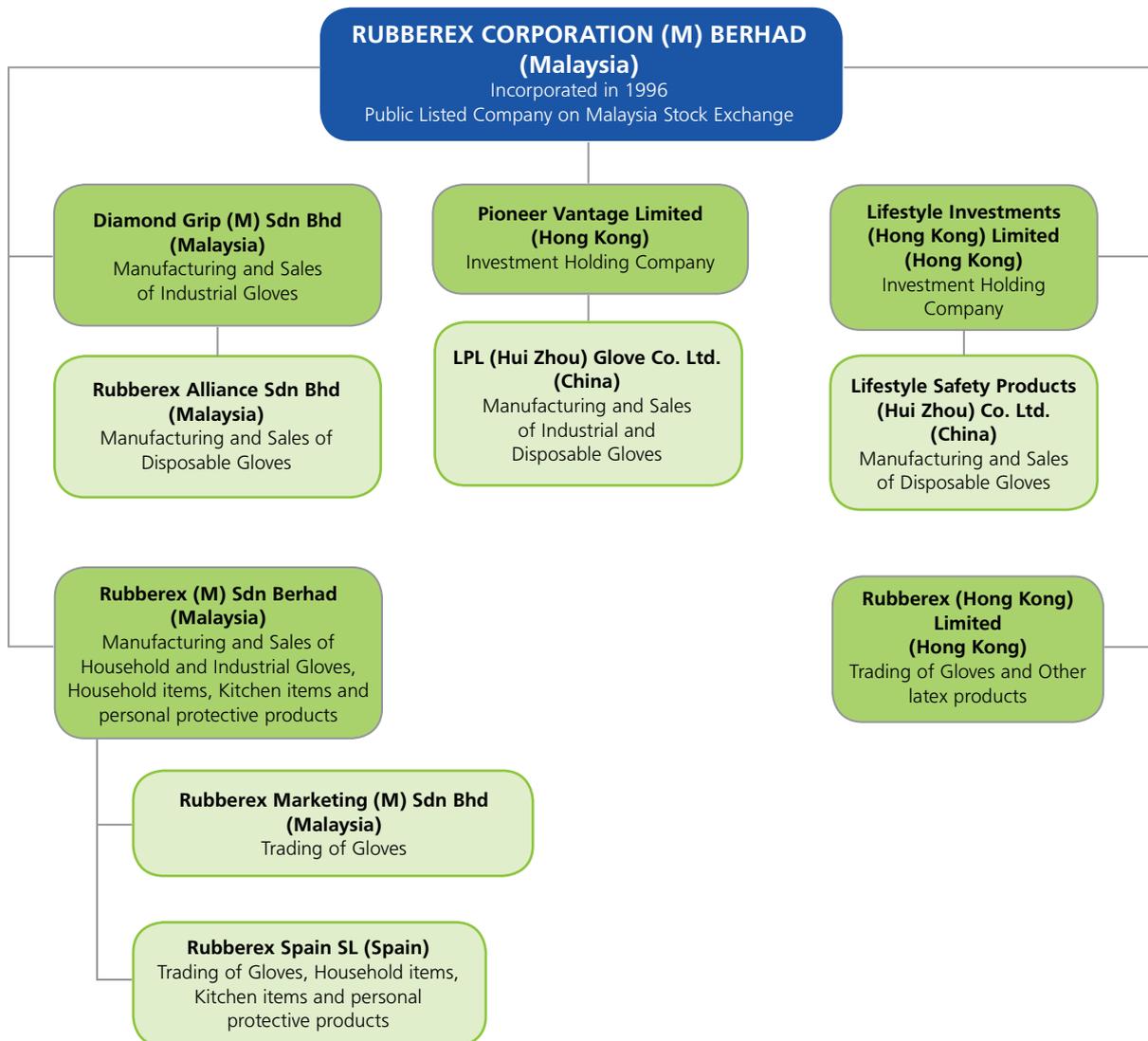


Corporate Structure



Rubberex Corporation (M) Berhad

Rubberex Group of Companies



* Rubberex Corporation (M) Berhad and its operating subsidiaries.



Directors'/Key Senior Management's Profile

Dato' Abd Rahim bin Abd Halim, aged 68, 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 76, 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 57, 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.



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

En. Sharifuddin bin Shoib, aged 70, 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 71, 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, Ipmuda 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 52, 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. 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.



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

Mr. Poh Choo Lim, aged 68, male, a Malaysian, is a non-independent non-executive director of the Company. He was appointed to the Board on 18 June 2001. Mr. Poh Choo Lim resigned as a director of the Company on 22 November 2016. Prior to his resignation, Mr. Poh Choo Lim was the Chairman of the Nomination Committee.

Mr. Poh Choo Lim 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. Poh Chee Kwan, aged 53, male, a Malaysian, is a non-independent non-executive director of the Company newly appointed on 22 November 2016. He also assumes the role of Chairman of the Nomination Committee in place of Mr. Poh Choo Lim. 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. Currently, Mr. Poh Chee Kwan is a non-independent, non-executive Director of public-listed Ewein Berhad, which is involved in the manufacturing of precision sheet metal fabricated parts as well as property development.

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.

Khoo Thiam Chye, aged 54, 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 50, 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.



Chairman's Statement

On behalf of the Board, I am pleased to present the Annual Report of the Company for the financial year ended 31 December 2016.

Overview of Performance

It was another eventful year for the Rubberex Group with improved turnover and profits in the financial year just ended, compared to 2015. Our Malaysian operations, focusing on the production of household glove and industrial gloves, have slightly drop in volume amidst strong competition from within and outside Malaysia.

The Malaysia Group's disposable gloves division was the driving force for the Group in the financial year, recording increased volume with strong demand mainly from North America and Europe. Strategically, our logistics office in Spain was in position to service customers in these regions, delivering gloves of various types and quantities at a much shorter lead time.

Our China operations, with its concentration on vinyl disposable gloves, remained very challenging during the year, having to contend with stiff competition from other smaller manufacturers within China. Demand for this product nevertheless remains strong and had led to improve in sales performance from this division compared to the previous year, contributing positively in terms of earnings for the Group.

Corporate Developments

In the current year, the Group will focus on the nitrile disposable glove division which in 2016, saw a growth in revenue from RM18.8 million previously to RM38.3 million with a total of 8 production lines operating at almost 54% capacity. With the acquisition of a piece of land adjacent to our plant in Ipoh, plans are already underway for the installation of additional production lines to cater for increased demand. Upon completion of this next phase of expansion, the Group's capacity for this product would reach 1.5 billion pieces annually by 2018.

Future prospects

The outlook for financial year 2017 remains encouraging and the expected higher future demand will be met by the new nitrile disposable glove lines' capacity coming on-stream. For 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 also continuously exploring new markets and avenues for growth.

Notwithstanding these optimism, we also remain mindful of certain challenges for the Group, among which are (i) volatility in exchange rates such as the U.S. Dollar and the Euro, (ii) impact of Brexit on our UK and Europe markets and stability to be expected from recovering economies, (iii) uncertainty in crude oil prices that would in turn affect our input material prices such as PVC resin and indirectly latex, and (iv) escalating labour costs, particularly in China and Malaysia.



**Rubberex Corporation
(M) Berhad**



Chairman's Statement (cont'd)

Appreciation and acknowledgment

I wish to put on record our gratitude for the invaluable 15-year service of our former director, Mr. Poh Choo Lim, who has resigned from the Board since November 2016, and welcome in his place Mr. Poh Chee Kwan.

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

28 March 2017



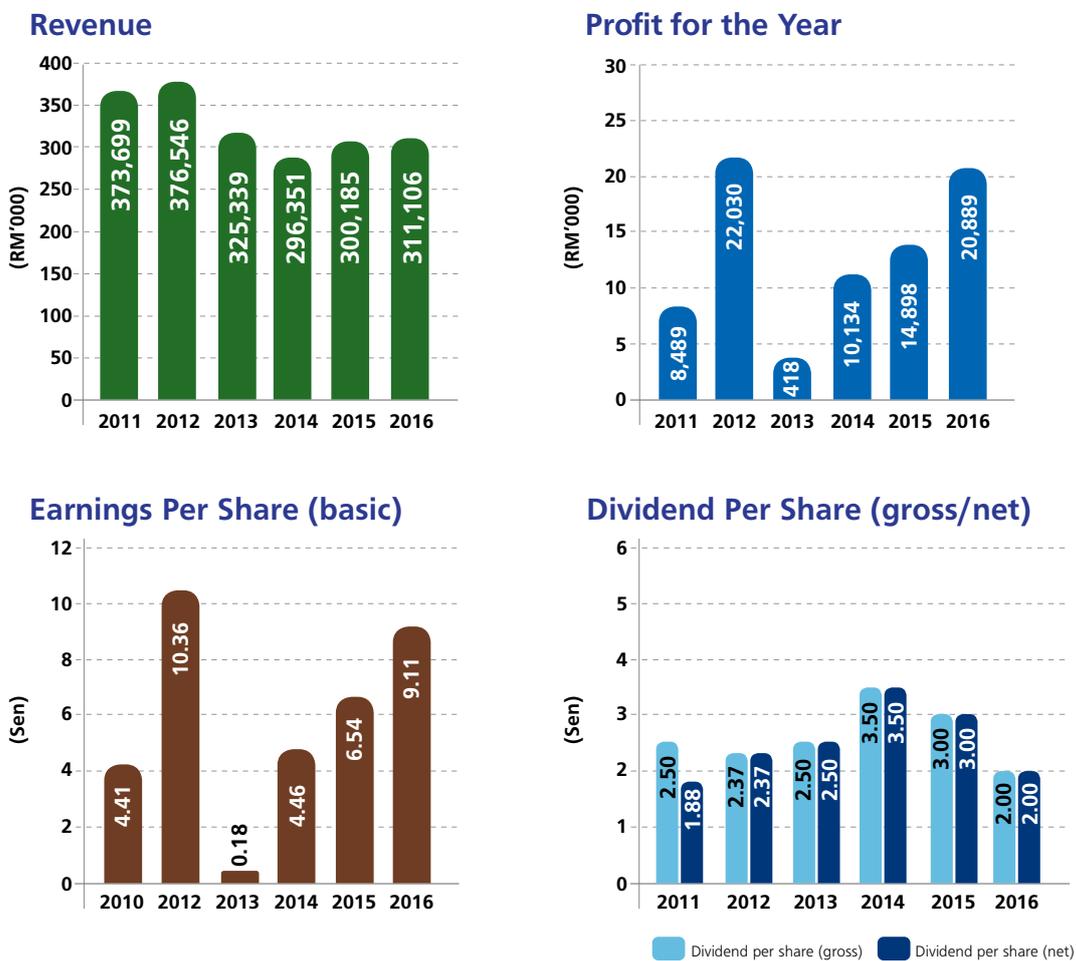
Management Discussion and Analysis

For the financial year ended 31 December 2016

Introduction

Rubberex Corporation (M) Berhad and its subsidiary companies are principally involved in the manufacturing and sales of gloves – reusable, industrial and disposable gloves. The Group’s glove processing plants are located in Ipoh, Perak and Huizhou, Guangdong Province, China.

Overview of Financial Performance



(i) Turnover

In the financial year just ended, the Group’s revenue grew by a marginal 3.6%, an increase of RM10.9 million from RM300.2 million in the previous year 2015 to RM311.1 million. The weaker Ringgit in 2016 was a boon for an exporter as Rubberex with the local currency sliding by 6.1% and 5.8% respectively relative to the U.S. Dollar and Euro.



Management Discussion and Analysis (cont'd)

Overview of Financial Performance (cont'd)

(i) Turnover (cont'd)

Nitrile disposable gloves – Malaysia

The highest contributor to the increase in our Group's revenue was our nitrile disposable gloves division, which was initially launched in early 2015 and in the current year, had flourished with sales of RM38.3 million compared to RM18.8 million in the previous year, aided by consistently strong consumer demand in Europe and Asia, two of our biggest markets. A highpoint of the Group during the year was the successful commissioning of five additional production lines at our current site in Ipoh, raising the annual installed and sales capacity from 360 million pieces to 960 million pieces at the end of 2016.

Household and Industrial gloves – Malaysia

Conventionally established as the Group's mainstay products, this division contributed 41.8% of overall revenue in the financial year just ended. Translated to total revenue achieved of RM130.1 million, this was a reduction by 4.8% from RM136.7 million in the previous year, stemming from competition in the presence of low-cost glove manufacturers in Asia and sluggish demand from recovering markets in Europe and Asia.

Vinyl disposable gloves – China

As the biggest contributor to our Group revenue, this division made up 43.6% of our turnover and recorded sales of RM135.7 million in the financial year just ended. The vinyl disposable gloves segment remains very competitive with many smaller producers in China engaged in aggressive price wars for market share. As a result, sales revenue took a dip from RM137.3 million recorded in the previous year.

Trading activities

As our disposable gloves manufacturing and sales activities gain momentum from higher utilisation of the production lines, the outsourcing for finished goods or trading activities will be gradually reduced. This was evident in the financial year 2016 which saw revenue from trading activities declined from RM22.6 million to RM6.7 million, a fall of 70.4%.

(ii) Profit Before and After Tax

(a) *Gross Profits and Cost of Sales*

During the financial year, the Group confronted intense cost pressures, particularly from key manufacturing components such as natural and synthetic rubber, plastic resin, coal and energy. Due to shortage in supply and adverse weather conditions for the cultivation of bulk latex, the cost of this material was naturally on the upward trend, recording an increase of 11.1% year-on-year. Similarly, the cost of resin escalated from the average of USD0.88 per kilogram at the start of the year to approximately USD1.19 per kilogram by end-2016, a significant surge of 53.2%. Despite the gradual assignment of cost increases to our customers, the Group's gross profit margin eroded from 14.2% in the previous year to 12.1% in 2016.

(b) *Other gains and losses*

Included in other gains and losses was an unprecedented foreign exchange gain of RM5.8 million attributable to our advances overseas, which arose due to the weakening of the Ringgit against the Hong Kong Dollar.

(c) *Other operating income*

In the current financial year just ended, the Group was reimbursed a sum of RM3.4 million from insurance companies in Malaysia and China for losses sustained in two separate fire incidents which disrupted operations.

(d) *Employees' expenses*

Overall, staff costs increased by 8.0% year-on-year due to the additional workforce requirement in line with the expansion of our nitrile disposable glove plant. Additionally, the Group also absorbed the impact of the minimum monthly wage hike imposed by the government from RM900 to RM1,000 effective from June 2016. The Group's headcount at the end of 2016 was approximately 1,300 compared to 1,200 in the previous year.



Management Discussion and Analysis (cont'd)

Overview of Financial Performance (cont'd)

(ii) Profit Before and After Tax (cont'd)

(e) Finance costs

The Group's cost of borrowings (excluding bank charges and Commitment fees) eased by 18.2% from RM3.3 million in financial year 2015 to RM2.7 million in 2016 owing to the repayment of term loans amounting to RM17.0 million during the year. This was set-off against additional term loans drawn down in the same period of RM11.0 million to fund the expansion of our nitrile disposable glove lines. The average interest rates for term loans during the year was also more favourable, ranging from 4.9% to 6.1% compared to 5.1% to 6.2% previously.

(f) Other operating expenses

Operating expenses increased by 4.3%, from RM51.2 million in the previous year 2015 to RM53.4 million, mainly as a result of stamp duties and other statutory fees incurred in China in respect of an existing industrial land. The Group also incurred marketing and promotional expenses of RM0.5 million during the year for various trade fairs and exhibitions overseas.

(iii) Assets and Liabilities

(a) Inventories

The Group's inventories increased by 14.7% or RM10.8 million, from RM73.3 million in 2015 to RM84.1 million at the close of the financial year. This was mainly attributed to the build-up of finished goods, particularly nitrile disposable gloves held by a subsidiary company, to fulfil our outstanding order books in early 2017.

(b) Cash and Bank Balances

The Group's available cash and bank balances as at the end of financial year 2016 stood at RM11.8 million, after accounting for certain major cash flows including capital investments of RM26.6 million on our production lines, repayment of borrowings by RM23 million, dividends of RM4.6 million as well as additional drawdown of term loans and utilisation of other banking facilities by RM23.4 million.

(c) Borrowings

As at the end of the financial year, the Group had total borrowings of RM84.1 million, the bulk of which were term loans with repayments periods ranging from February 2017 to December 2022. The Group also maintains a prudent approach with regards to debt management as apparent from its consistent net gearing ratio of approximately 0.3 in the last two financial years.

(d) Capital Resources and Liquidity

The Group has maintained adequate capital resources and convertible assets to meet short term financial commitments as evidenced from the computation of current assets over current liabilities by 1.6 times in the last financial year. While the Group's equity structure has remained unchanged, liquidity is managed through monitoring of trade receivables, extension of trade payables and managing of inventory turnover periods.

Anticipated and/or Known Risks

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 from neighbouring Thailand. The effects of continuous flooding and heavy rainfall in the region throughout the year have affected latex production to the extent that limited supply in the market have driven costs from the average of RM3.48 per kilogram at the beginning of the year to RM6.16 per kilogram in the later part of 2016, a significant upswing of 77.0%. Similarly, the cost of synthetic rubber also increased by an average 25.6% year-on-year, mirroring the rise in crude oil prices from USD37 per barrel to USD54 per barrel. These developments are expected to prevail over the short to medium term and in order to compete on even ground, necessitates the gradual passing of costs to customers and end-users.



Management Discussion and Analysis (cont'd)

Anticipated and/or Known Risks (cont'd)

In order to manage this risk, the Group applies its price-adjustment mechanism on product costs that computes expenditures (and savings if the case may be) that would be built-in onto its eventual selling prices to customers. In the financial year 2016, three price adjustment measures were implemented in stages to counter these rising costs.

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.

The Group mitigates labour supply risks by capitalising on computerisation, automation and new technologies where necessary. In the financial year just ended, a sum of RM2.7 million was invested on our production and packing lines to counter labour turnover and improve workflow efficiency.

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 USD1.1 million and EUR1.3 million in partial export proceeds receivable up to June 2017.

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 is expected to be funded by a combination of bank borrowings and a fund-raising exercise, the details of which shall be announced in due course. 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 2018 onwards.

Dividend policy

Two interim dividends were declared and paid in 2016; the first interim of 1.5 sen, single tier (nominal value of RM0.50 each) in July 2016 and the second of another 0.5 sen, single tier in December 2016. Total dividend paid out during the year amounted to approximately RM4.6 million.

The Company will continue with its policy of paying dividends as long as Group performance and cashflow positions are satisfactory. The Group also evaluates other considerations such as capital requirements, distributable reserves and timing in its payments of dividends to shareholders.



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)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. MEMBERSHIP

- 1.1 An independent Audit Committee exists to implement and support the functions of the Board. The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members;
- 1.2 All members of the Audit Committee must be non-executive directors, with a majority of them, including the Chairman of the Audit Committee, being independent directors and at least one member of the Committee:-
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) has at least three years working experience and
 - (i) has passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967, or
 - (ii) is a member of one of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967, or
 - (c) fulfils such other requirements as prescribed and approved by Bursa Malaysia Securities Berhad;
- 1.3 No Alternate Directors shall be appointed as a member of the Audit Committee;
- 1.4 The Chairman of the Audit Committee shall be elected amongst their members and is an independent non-executive Director;
- 1.5 If a member of the Audit Committee resigns or for any reason ceases to be a member with a result that the number of members is reduced below three, the Board of Directors shall, within three months appoint such number of new members as may be required to make up the minimum of three members; and
- 1.6 The Board of Directors shall review the terms of office and performance of the Audit Committee and of each of its members at least annually to determine whether the Audit Committee and its members have carried out their duties within the terms of reference.

2. OBJECTIVES

The primary objectives of the Audit Committee are:

- (a) to assist the Board of Directors in discharging its responsibilities relating to the Group's and the Company's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements; and
- (b) to maintain through regularly scheduled meetings, a line of communication between the Board of Directors, senior management, internal auditors and external auditors.



Audit Committee Report (cont'd)

3. RIGHTS AND AUTHORITY

The Audit Committee shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to information, records and documents relevant to its activities;
- (d) have direct communication channels with the external and internal auditors;
- (e) be able to engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (f) be able to convene meetings with external auditors, internal auditors, or both, excluding the attendance of other directors and employees of the Company or of the Group, whenever deemed necessary.

4. FUNCTIONS AND DUTIES

The duties and responsibilities of the Audit Committee shall be to review the following and report to the Board of Directors:

- (a) With the external auditors:
 - (i) their audit plans and audit reports;
 - (ii) their evaluation of the system of internal controls;
 - (iii) their audit fee and matters concerning their suitability for nomination, appointment and re-appointment;
 - (iv) the management letter and management's response arising from audit; and
 - (v) any other issues and reservations arising from audit.
- (b) With the internal auditors:
 - (i) the adequacy and relevance of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
 - (ii) the internal audit programme and results of internal audit processes including actions taken and/or recommendations.
- (c) The quarterly results and year-end financial statement, prior to the approval of the Board of Directors, focusing particularly on:
 - (i) changes in or implementation of major accounting policies and practices;
 - (ii) significant and unusual events;
 - (iii) significant adjustments arising from audit;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards, regulatory and other legal requirements.
- (d) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity; and
- (e) Any other functions and duties as may be agreed by the Audit Committee and the Board of Directors from time to time.



Audit Committee Report (cont'd)

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 2016. The attendance record of each member is as follows:-

Dato' Mohamed bin Hamzah	4/4
Mustapha bin Mohamed	4/4
Sharifuddin bin Shoib	4/4

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities of the Audit Committee in the financial year ended 31 December 2016 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;
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;



Audit Committee Report (cont'd)

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

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 2016 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 2016 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 RM226,571.



Statement of Corporate Governance

Rubberex believes in good corporate governance in the conduct of its operations, dealings with third parties and financial management of the organisation and recognises its importance to protect the interests of the Company's shareholders, including those of the minority shareholders.

The following are statements on application of the principles laid down in the Malaysian Code on Corporate Governance 2012 ("Code"). The Company has, throughout the financial year ended 31 December 2016, complied with the Code.

THE BOARD OF DIRECTORS

Principal Duties

The Board takes full responsibility for the overall performance of the Company and the Group by setting the vision and objectives and by directing the policies, strategic action plans and stewardship of the Group's resources. It focuses mainly on strategies, financial performance and critical business issues.

Composition of the Board

The Board is made up of one executive director and six non-executive directors, three of which are independent directors. The Managing Director, Khoo Chin Leng has many years of experience in the Group's core businesses. The Group is focused on the gloves business and the intimate knowledge and vast experiences of the management team in the business has enabled the Group to achieve leadership positions in its chosen industry.

The non-executive directors are individuals of calibre and credibility, including some with vast varied experiences and seniority. The non-executive directors are actively involved in various Board committees. They provide a broader view, independent assessment and opinions on management proposals.

Although a relatively small Board, it provides an effective blend of entrepreneurship, business and professional expertise. The Board has at least four regularly scheduled meetings annually. Board meetings bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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. One of the training sessions was 2016 Budget Tax Proposals.

Board Meetings

Four Board Meetings were held during the financial year ended 31 December 2016. The attendance record of each director during the year was as follows:

Name	Attendance
Dato' Abd Rahim bin Abd Halim	4/4
Dato' Mohamed bin Hamzah	4/4
Khoo Chin Leng	4/4
Sharifuddin bin Shoib	4/4
Mustapha bin Mohamed	4/4
Poh Choo Lim (Resigned on 22 November 2016)	3/4
Yap Jek Nan	4/4
Poh Chee Kwan (Appointed on 22 November 2016)	1/4



Statement of Corporate Governance (cont'd)

Board Meetings (cont'd)

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 roles of the Chairman and the Managing Director are distinct and separate with responsibilities clearly drawn out to ensure a balance of power and authority. Generally, an executive director is responsible for making and implementing operational decisions. Non-executive directors play a key supporting role, contributing their knowledge and experience towards the formulation of policies and in the decision-making process.

There is also balance in the Board with the presence of independent directors who are individuals of credibility and repute and who demonstrate objectivity and clear independence of judgement.

Supply of information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to the Board Meetings to enable the Directors to obtain further information and explanation, where necessary, before the meetings.

The Board reports provide, amongst others, periodical financial and corporate information, significant operational, financial and corporate issues, performance of business units and management proposals that require Board's approval, including the annual Group budget.

The Board has the service of a Company Secretary who ensures that all appointments are properly made, that all necessary information is obtained from the Directors, both for the Company's own records and for the purposes of meeting statutory requirements as well as obligations arising from the Listing Requirements or other regulatory requirements. The Company Secretary is also charged with highlighting all issues that he feels ought to be brought to the Board's attention.

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, etc.

Appointment of Directors

The Nomination Committee has three (3) members comprising two independent non-executive directors and one non-independent non-executive director. This Committee is 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. Any new nomination received is forwarded to the full Board for assessment and endorsement.

The Nomination Committee comprises the following directors:

Poh Chee Kwan (Chairman, appointed on 22 November 2016)

Poh Choo Lim (Resigned on 22 November 2016)

Dato' Mohamed bin Hamzah

Mustapha bin Mohamed



Statement of Corporate Governance (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

The 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 2016 are as follows:-

1. Aggregate remuneration of directors (inclusive of benefits-in-kind) of the Group and of the Company categorised into appropriate components:

	The Group		The Company	
	Emoluments RM	Fees RM	Emoluments RM	Fees RM
Executive Directors	2,659,028	-	-	-
Non-executive Directors	-	221,400	-	221,400
Total	2,659,028	221,400	-	221,400

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

Range of remuneration	Executive	Non-executive
Below RM50,000	-	6
RM600,001 to RM700,000	1	-



Statement of Corporate Governance (cont'd)

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Annual Audited Financial Statements

The Directors are responsible for ensuring that the Company keeps proper accounting records and that the accounts and other financial reports are prepared in accordance with the Malaysian Financial Reporting Standards and the provisions of the Companies Act, 1965, in Malaysia.

Financial Reporting

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

Shareholders

Shareholders are kept informed of all material business matters affecting the Group through disclosures to Bursa Malaysia Securities Berhad and press releases where appropriate. The Annual General Meeting, is also a means of communicating with shareholders. At the Meeting, members of the Board as well as the Auditors of the Company are present to answer questions raised by the shareholders.

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

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

Internal Control

The Internal Audit department has been established internally to assist the Audit Committee in discharging its duties and responsibilities. The role of the Internal Audit department is to provide the Committee with independent and objective reports on the state of internal controls of the various operating functions within the Group and the extent of compliance of the functions with established policies and procedures.

Throughout the financial year, audit assignments were carried out and completed by the Internal Audit department. Audit reports were issued with regard to system and control weaknesses noted in the course of the audit and management's responses on the audit findings. The Internal Audit department also followed up on implementation and disposition of all findings and recommendations. The total costs incurred for the internal audit function during the year amounted to RM226,571.

Audit Committee

The Company has an Audit Committee whose composition meets the Listing Requirements i.e. two independent directors forming the majority and a member that is a qualified accountant. The Audit Committee meets periodically to carry out its functions and duties pursuant to its terms of reference. Other Board members also attend meetings upon the invitation of the Audit Committee.

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.



Statement of Corporate Governance (cont'd)

OTHER INFORMATION

Utilisation of Proceeds

The Company did not carry out any corporate exercise to raise funds during the financial year.

Share Buy-backs

A total of 10,000 shares were bought back during the financial year at the average price of RM0.7961 per share; these shares are 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 Depository Receipt (ADR)/Global Depository Receipt (GDR) Programme

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

Imposition of Sanctions/Penalties

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

Audit fees and Non-audit fees

During the financial year ended 31 December 2016, the amount of audit fees and non-audit fees payable to the External Auditors and its affiliates are as follows:

	Audit Fees (RM)	Non-Audit Fees (RM)
Company	72,500	3,000
Group	432,698	3,000



Statement of Corporate Governance (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 2016 and unaudited results previously released on 24 February 2017.

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 and Contracts Relating to Loans

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 2016.

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 2016.



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 2016.

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.

For the financial year just ended, no major control deficiencies were noted and the Board of Directors is of the view that the risk management and internal control systems of the Group are appropriate and adequate.



Statement of Shareholdings

as at 20 March 2017

Authorised Share Capital	:	RM200,000,000
Issued and Paid up Capital	:	RM114,639,408
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights		
On show of hands	:	1 vote
On a poll	:	1 vote for each share held

DISTRIBUTION OF SHAREHOLDERS AS AT 20 MARCH 2017

Size of Shareholdings as at 20 March 2017

	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	201	4.27	9,902	0.00
100 – 1,000	352	7.48	192,777	0.08
1,001 – 10,000	2,767	58.76	14,626,981	6.38
10,001 – 100,000	1,224	25.99	37,615,201	16.41
100,001 to less than 5% of issued shares	162	3.44	107,286,456	46.80
5% and above of issued shares	3	0.06	69,537,500	30.33
Total	4,709	100.00	229,278,817	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES

No.	Names	Shares	%
1	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Med-Bumikar Mara Sdn Bhd (PIVB)	32,444,889	14.15
2	Duvest Holdings Sdn Bhd	24,047,750	10.49
3	Med-Bumikar Mara Sdn Bhd	13,044,861	5.69
4	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	8,352,941	3.64
5	HSBC Nominees (Asing) Sdn Bhd – Exempt An For Skandinaviska Enskilda Banken AB (AIF Swedish Res)	7,963,900	3.47
6	Aun Huat & Brothers Sdn Berhad	6,956,145	3.03
7	Teng Cheng Bon @ Teng Kim Tee	6,889,184	3.00
8	Aun Huat & Brothers Sdn Berhad	5,891,686	2.57
9	Yap Siew Chin	5,355,400	2.34
10	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ping Kok Koh (041005)	3,429,704	1.50
11	Teo Kwee Hock	3,184,100	1.39
12	Diamond Silk International Sdn Bhd	3,017,983	1.32
13	Kon Choi Ying	2,934,638	1.28
14	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Med-Bumikar Mara Sdn Bhd (SAM)	2,889,111	1.26



Statement of Shareholdings
as at 20 March 2017 (cont'd)

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES (cont'd)

No.	Names	Shares	%
15	JF Apex Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Teo Siew Lai (Margin)	2,732,400	1.19
16	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Sharifuddin bin Shoib (041004)	2,164,542	0.94
17	Kenanga Nominees (Tempatan) Sdn Bhd – Ping Kok Koh (PCS)	1,813,334	0.79
18	Wong Kit Peng	1,650,000	0.72
19	Mohamed bin Hamzah	1,305,135	0.57
20	Ong Suan Kim	1,178,964	0.51
21	Low Hin Choong	1,147,600	0.50
22	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Kong Kok Choy (8092812)	1,100,000	0.48
23	Tok Peck Hong	1,081,000	0.47
24	Opulent Base Sdn Bhd	1,000,000	0.44
25	Koh Yit Ming @ Quek Yit Ming	951,200	0.41
26	Hook King	819,500	0.36
27	Rampai Dedikasi Sdn Bhd	800,000	0.35
28	Koh Boon Chor	747,700	0.33
29	CIMB Group Nominees (Asing) Sdn Bhd – Exempt An for DBS Bank Ltd (SFS)	730,000	0.32
30	Sabri bin Abd Hamid	696,000	0.30
		146,319,667	63.82

**SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2017
ORDINARY SHARES OF RM0.50 EACH**

	Direct	No. of shares held		%
		%	Indirect	
Med-Bumikar Mara Sdn Bhd	48,378,861	21.10	-	-
Duvest Holdings Sdn Bhd	24,047,750	10.49	-	-
Teng Cheng Bon @ Teng Kim Tee	7,390,974	3.22	24,047,750	10.49 *
Aun Huat & Brothers Sdn Berhad	21,200,772	9.25	-	-
Ping Kok Koh	-	-	33,108,854	14.44 \\
Sharifuddin bin Shoib	54,114	0.02	26,212,292	11.43 **
P & F Holdings Sdn Bhd	370,666	0.16	21,200,772	9.25 ++
Poh Cheong Meng & Sons Sdn Bhd	516,024	0.23	21,200,772	9.25 ++
Poh Yin Hoe & Sons Holding Sdn Bhd	-	-	21,200,772	9.25 ++
Poh Chee Meng & Sons Holdings Sdn Bhd	383,121	0.17	21,200,772	9.25 ++

* 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

++ Held directly by Aun Huat & Brothers Sdn Berhad



Statement of Shareholdings
as at 20 March 2017 (cont'd)

**DIRECTORS' INTERESTS AS AT 20 MARCH 2017
ORDINARY SHARES OF RM0.50 EACH**

	Direct	No. of shares held		%
		%	Indirect	
Dato' Abd Rahim bin Abd Halim	200,000	0.09	100,000	0.04
Dato' Mohamed bin Hamzah	1,305,135	0.57	153,505	0.07
Khoo Chin Leng	10,690	0.00	7,604	0.00
Sharifuddin bin Shoib	54,114	0.02	26,212,292	11.43
Mustapha bin Mohamed	-	-	-	-
Poh Chee Kwan	42,000	0.02	531,616	0.23
Yap Jek Nan	-	-	-	-

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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, 2016.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 16 to the financial statements.

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

RESULTS OF OPERATIONS

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

	The Group RM	The Company RM
Profit for the year	20,889,378	3,696,039

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

A first interim dividend of 1.50 sen per ordinary share, single tier, amounting to RM3,439,031, computed based on the issued and paid-up capital of 229,278,817 ordinary shares of RM0.50 each, less treasury shares of 10,000 held by the Company, was declared and paid on July 28, 2016.

A second interim dividend of 0.50 sen per ordinary share, single tier, amounting to RM1,146,343 computed based on the issued and paid-up capital of 229,278,817 ordinary shares of RM0.50 each, less treasury shares of 10,000 held by the Company, was declared and paid on December 23, 2016.

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



Directors' Report (cont'd)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the year, 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 are being held as Treasury Shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

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 statements of profit or loss and other comprehensive income and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

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



Directors' Report (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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 render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

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

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 (*appointed on November 22, 2016*)
Mr. Poh Choo Lim (*resigned on November 22, 2016*)

Mr. Poh Chee Kwan who was appointed to the Board on November 22, 2016, retire under Article 98 of the Company's Articles of Association, constituting part of the Constitution of the Company, and, being eligible, offers himself for re-election.



Directors' Report (cont'd)

DIRECTORS (cont'd)

In accordance with Article 91 of the Company's Articles of Association, constituting part of the Constitution of the Company, Mr. Khoo Chin Leng and En. Mustapha bin Mohamed retire by rotation and, being eligible, offer themselves for re-election.

Re-appointment of Dato' Mohamed bin Hamzah who had been re-appointed in the previous Annual General Meeting held on May 23, 2016 as director under Section 129(6) of the Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Twenty-First Annual General Meeting as director of the Company.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

Shares in the Company	Number of ordinary shares of RM0.50 each			Balance as of 31.12.2016
	Balance as of 1.1.2016/ (Date of appointment)	Bought	Sold	
Registered in the name of directors				
Dato' Abd Rahim bin Abd Halim	200,000	-	-	200,000
Dato' Mohamed bin Hamzah	1,275,135	30,000	-	1,305,135
Mr. Khoo Chin Leng	10,690	-	-	10,690
En. Sharifuddin bin Shoib	54,114	-	-	54,114
Mr. Poh Chee Kwan	42,000	-	-	42,000
Indirect interest				
Dato' Abd Rahim bin Abd Halim	100,000	-	-	100,000
Dato' Mohamed bin Hamzah	153,505	-	-	153,505
Mr. Khoo Chin Leng	7,604	-	-	7,604
En. Sharifuddin bin Shoib	26,212,292	-	-	26,212,292
Mr. Poh Chee Kwan	531,616	-	-	531,616

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 subsidiary companies during the financial year.

DIRECTORS' BENEFITS

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

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.



**Rubberex Corporation
(M) Berhad**



Directors' Report (cont'd)

AUDITORS

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

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

MR. KHOO CHIN LENG

DATO' ABD RAHIM BIN ABD HALIM

Ipoh,
April 7, 2017



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, 2016, 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 42 to 111.

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, 2016, 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, 1965 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 subsidiary companies in China and investment costs of the Company</u></p> <p>The carrying value of the plant and machinery of subsidiary companies in China and investment costs of the Company amounted to RM41,677,372 and RM15,881,450 respectively as of December 31, 2016.</p> <p>Management assessed and concluded the existence of some indications that plant and machinery of one of the subsidiary companies in China, may need to be impaired in view that these plant and machinery</p>	<p>We tested the design and implementation of controls over valuation of the subsidiary company'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>



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>were under-utilised in the past and with only slight improvements in the current financial year.</p> <p>As a result, 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 in respect of factors such as forecasted 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 with particular attention to 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 flow, 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>
<p>Capitalisation of property, plant and equipment</p> <p>Since late 2014, the Group had embarked on an expansion to include new production lines for nitrile disposable gloves through one of its wholly-owned subsidiary companies.</p> <p>The Group invested RM61.7 million prior to January 1, 2016 and total capital expenditure for financial year ended December 31, 2016 amounted to RM20.3 million as shown in Note 14 to the financial statements.</p> <p>The significant levels of capital expenditure require consideration of the capitalisation of borrowing costs and the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria of MFRS116 Property, Plant and Equipment, specifically in relation to new production lines constructed by the Group.</p>	<p>We tested the design and implementation of controls around the capitalisation process, assessing the nature of costs capitalised as property, plant and equipment by the Group to test the validity of amounts capitalised and evaluate whether assets capitalised met the recognition criteria set out in MFRS 116.</p> <p>Our work considered whether capitalisation of the assets, including interest costs, ceases when the assets are in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all operations. This included physical sighting of the assets and gathering evidence via production records and suppliers' invoices.</p>



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

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.

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, 1965 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.



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

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.
- 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.



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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.
- (b) we have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 36 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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 - 2421/05/17(J/PH)
Chartered Accountant

April 7, 2017



Statements of Profit or Loss and Other Comprehensive Income
for the year ended December 31, 2016

	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	5	311,106,552	300,184,688	-	2,021,630
Investment revenue	7	29,197	58,142	18,668	44,849
Other gains and losses	8	7,768,804	(441,580)	5,048,379	30,449,818
Other operating income	10	3,489,165	118,900	-	-
Changes in inventories of finished and trading goods		7,980,514	5,614,160	-	-
Purchase of finished and trading goods		(4,205,913)	(7,811,259)	-	-
Raw materials and consumables used		(168,949,464)	(154,652,188)	-	-
Employee benefits expenses	9	(50,768,024)	(46,986,670)	(221,400)	(198,975)
Depreciation expenses	14	(22,806,645)	(20,110,193)	-	-
Amortisation of prepaid lease payments	15	(294,616)	(286,288)	-	-
Finance costs	11	(3,463,239)	(4,178,490)	(684,300)	(1,183,263)
Other operating expenses	10	(53,419,504)	(51,202,754)	(465,308)	(426,414)
Profit before tax		26,466,827	20,306,468	3,696,039	30,707,645
Tax (expenses)/income	12	(5,577,449)	(5,408,542)	-	2,531
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		20,889,378	14,897,926	3,696,039	30,710,176
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(10,640,316)	30,375,023	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		10,249,062	45,272,949	3,696,039	30,710,176
Earnings per share					
Basic and diluted (sen per share)	13	9.11	6.54		

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



Statements of Financial Position
as of December 31, 2016

	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	203,977,019	202,177,806	-	-
Prepaid lease payments	15	16,703,420	15,342,189	-	-
Investment in subsidiary companies	16	-	-	60,064,293	214,185,110
Deferred tax assets	12	485,498	870,098	-	-
Goodwill on consolidation	17	2,793,422	2,793,422	-	-
Total non-current assets		223,959,359	221,183,515	60,064,293	214,185,110
Current assets					
Inventories	18	84,121,357	73,336,960	-	-
Trade and other receivables	19	70,056,464	64,358,687	-	-
Amount owing by subsidiary companies	20	-	-	160,443,257	9,723,095
Current tax assets	12	561,342	607,321	227,193	215,493
Other assets	21	868,145	1,040,909	1,000	1,000
Other financial assets	22	7,178	-	-	-
Cash and bank balances	23	11,804,170	21,156,958	91,764	1,505,540
Total current assets		167,418,656	160,500,835	160,763,214	11,445,128
Total assets		391,378,015	381,684,350	220,827,507	225,630,238
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24(a)	114,639,408	114,639,408	114,639,408	114,639,408
Treasury shares	24(b)	(7,961)	-	(7,961)	-
Reserves	25	137,228,649	131,564,961	71,814,574	72,703,909
Total equity		251,860,096	246,204,369	186,446,021	187,343,317
Non-current liabilities					
Deferred tax liabilities	12	229,691	243,702	-	-
Borrowings	27	36,215,000	40,037,469	9,675,000	15,675,000
Total non-current liabilities		36,444,691	40,281,171	9,675,000	15,675,000



Statements of Financial Position
as of December 31, 2016 (cont'd)

	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Current liabilities					
Trade and other payables	28	48,676,217	44,499,058	-	-
Amount owing to subsidiary companies	20	-	-	18,377,874	12,119,334
Borrowings	27	47,855,948	42,210,148	6,000,000	10,200,000
Current tax liabilities	12	363,627	937,000	-	-
Other liabilities - accrued expenses	29	6,145,547	7,547,239	328,612	292,587
Other financial liabilities	30	31,889	5,365	-	-
Total current liabilities		103,073,228	95,198,810	24,706,486	22,611,921
Total liabilities		139,517,919	135,479,981	34,381,486	38,286,921
Total equity and liabilities		391,378,015	381,684,350	220,827,507	225,630,238

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



Statement of Changes in Equity
for the year ended December 31, 2016

The Group	Note	Attributable to Owners of the Company					Distributable Reserve Retained Earnings RM	Net Equity RM
		Issued Capital RM	Treasury Shares RM	Share Premium RM	Translation Reserve RM	Capital Reserve RM		
Balance as of January 1, 2015		114,639,408	(1,419,529)	29,334,830	23,407,746	(2,727,752)	42,952,391	206,187,094
Profit for the year		-	-	-	-	-	14,897,926	14,897,926
Other comprehensive income for the year		-	-	-	30,375,023	-	-	30,375,023
Total comprehensive income for the year		-	-	-	30,375,023	-	14,897,926	45,272,949
Payment of dividend	26	-	-	-	-	-	(6,843,754)	(6,843,754)
Purchase of treasury shares	24(b)	-	(19,021)	-	-	-	-	(19,021)
Resale of treasury shares	24(b)	-	1,438,550	168,551	-	-	-	1,607,101
Balance as of December 31, 2015		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 income 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

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, 2015		114,639,408	(1,419,529)	29,334,830	19,334,106	161,888,815
Profit and total comprehensive income for the year		-	-	-	30,710,176	30,710,176
Payment of dividend	26	-	-	-	(6,843,754)	(6,843,754)
Purchase of treasury shares	24(b)	-	(19,021)	-	-	(19,021)
Resale of treasury shares	24(b)	-	1,438,550	168,551	-	1,607,101
Balance as of December 31, 2015		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

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

Statement of Changes in Equity
for the year ended December 31, 2016 (cont'd)



Rubberex Corporation
(M) Berhad





Statement of Cash Flows
for the year ended December 31, 2016

The Group	Note	2016 RM	2015 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		20,889,378	14,897,926
Adjustments for:			
Depreciation of property, plant and equipment		22,806,645	20,110,193
Tax expenses recognised in profit or loss		5,577,449	5,408,542
Finance costs		3,463,239	4,178,490
Amortisation of prepaid lease payments		294,616	286,288
Property, plant and equipment written off		237,144	431,974
Fair value losses/(gains) on financial derivatives		24,711	(114,083)
Unrealised gains on foreign exchange		(8,120,631)	(1,473,652)
Reversal of inventories written down		(676,865)	(76,134)
Gain on disposal of property, plant and equipment		(35,763)	(102,524)
Investment revenue recognised in profit or loss		(29,197)	(58,142)
Allowance for doubtful debts no longer required		(4,851)	-
Inventories written down to net realisable value		-	3,166,711
Allowance for doubtful debts		-	116,526
Inventories written off		-	50,718
		<hr/>	<hr/>
		44,425,875	46,822,833
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		(10,787,487)	(6,665,170)
Trade and other receivables		(3,773,502)	(9,602,921)
Other assets		173,234	38,085
Other financial assets		-	266,889
Increase/(Decrease) in:			
Trade and other payables		2,440,180	486,741
Other liabilities - accrued expenses		(1,319,658)	2,637,156
Other financial liabilities		(5,365)	(2,597,793)
		<hr/>	<hr/>
Cash Generated From Operations		31,153,277	31,385,820
Income tax refunded		3,840	134,207
Income tax paid		(5,729,956)	(6,063,502)
Real Property Gains Tax paid		-	(39,191)
		<hr/>	<hr/>
Net Cash From Operating Activities		25,427,161	25,417,334
		<hr/>	<hr/>



Statement of Cash Flows
for the year ended December 31, 2016 (cont'd)

The Group	Note	2016 RM	2015 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		201,701	136,039
Interest received		29,197	58,142
Purchase of property, plant and equipment	32(a)	(24,910,567)	(52,735,956)
Additions to prepaid lease payments		(1,916,640)	-
Net Cash Used In Investing Activities		<u>(26,596,309)</u>	<u>(52,541,775)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loans		11,017,531	38,882,469
Proceeds from bank overdraft		9,037,106	-
Proceeds from/(Repayment of) revolving credits - net		2,000,000	(19,000,000)
Proceeds from/(Repayment of) bills payable		1,389,974	(2,349,232)
Repayment of term loans		(17,040,000)	(13,605,000)
Finance costs paid		(4,999,845)	(4,577,641)
Dividend paid		(4,585,374)	(6,843,754)
(Repayment of)/Proceeds from trust receipts		(949,670)	2,432,000
Repurchase of shares - treasury shares		(7,961)	(19,021)
Proceeds from sale of treasury shares		-	1,607,101
Net Cash Used In Financing Activities		<u>(4,138,239)</u>	<u>(3,473,078)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(5,307,387)</u>	<u>(30,597,519)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		14,334,445	43,022,522
Effect of exchange rate changes on the balance of cash held in foreign currencies		(287,103)	1,909,442
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	<u>8,739,955</u>	<u>14,334,445</u>

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



Statement of Cash Flows
for the year ended December 31, 2016 (cont'd)

The Company	Note	2016 RM	2015 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		3,696,039	30,710,176
Adjustments for:			
Finance costs		684,300	1,183,263
Unrealised gain on foreign exchange		(5,815,947)	(28,647,649)
Investment revenue recognised in profit or loss		(18,668)	(44,849)
Dividend income		-	(2,021,630)
Tax income recognised in profit or loss		-	(2,531)
		(1,454,276)	1,176,780
Movements in working capital:			
Increase in other liabilities - accrued expenses		36,025	46,726
Cash (Used In)/Generated From Operations		(1,418,251)	1,223,506
Income tax paid		(11,700)	(18,000)
Dividends received from subsidiary companies		-	2,021,630
Income tax refunded		-	4,031
Net Cash (Used In)/From Operating Activities		(1,429,951)	3,231,167
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Repayment from subsidiary companies		24,723,182	11,475,835
Interest received		18,668	44,849
Advances granted to subsidiary companies		(21,565,818)	(15,600,000)
Net Cash From/(Used In) Investing Activities		3,176,032	(4,079,316)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Advances received from subsidiary companies - net		12,780,000	18,548,573
Repayment of term loans		(10,200,000)	(11,625,000)
Dividends paid		(4,585,374)	(6,843,754)
Finance costs paid		(1,146,522)	(2,057,040)
Repurchase of shares - treasury shares		(7,961)	(19,021)
Proceeds from term loans		-	13,500,000
Proceeds from sale of treasury shares		-	1,607,101
Repayment of revolving credits - net		-	(21,500,000)
Net Cash Used In Financing Activities		(3,159,857)	(8,389,141)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,413,776)	(9,237,290)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,505,540	10,742,830
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	91,764	1,505,540

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



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 principal activities of the subsidiary companies are disclosed in Note 16.

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

The registered office of the Company is located at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at Lot 138201, Off 3/4 Mile, Jalan Bercham, Kawasan Perindustrian Bercham, 31400 Ipoh, Perak Darul Ridzuan.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 7, 2017.

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 provisions of the Companies Act, 1965 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, 2016.

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 in issue but not yet effective

The directors anticipate that the following Standards 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 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 ²
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ²
MFRS 16	Leases ³
Amendments to MFRS 107	Disclosure Initiative ¹
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ¹
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle ^{1 or 2}

- ¹ Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
- ² Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
- ³ 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 at fair value. Specifically, debt investments 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 investments 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 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. 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.

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.



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 directors of the Group and of the Company anticipate that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Company complete a detailed review.

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 anticipate that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company perform a detailed review.

Amendments to MFRS 107 Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes.

The directors of the Group and of the Company do not anticipate that the application of the amendments to MFRS 107 will have a material impact on the financial statements of the Group and of the Company.

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to MFRS 112 provide clarification on the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. In addition, the amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The amendments should be applied retrospectively with specific transitional relief. The directors of the Group and of the Company do not anticipate that the application of the amendments will have a material impact on the Group's and the Company's financial statements.



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

Annual Improvements to MFRSs 2014 - 2016 Cycle

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

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 IFRS 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 Group's and the Company's financial statements.



Notes to the Financial Statements (cont'd)

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 that are measured at fair values or at amortised costs, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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:

Subsidiary Companies and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary companies. 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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiary Companies and Basis of Consolidation (cont'd)

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.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company 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 company.

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 subsidiary companies 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 subsidiary companies 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 subsidiary companies

Changes in the Group's ownership interests in subsidiary companies 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 subsidiary companies. 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 company, 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 company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary company (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 company 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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiary Companies

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

Business Combinations

Acquisitions of subsidiary companies 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.

Rental income

Rental income is accrued on a time apportionment basis, by reference to the agreements entered.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition (cont'd)

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.

Dividend income

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

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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign incorporated subsidiary companies 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 company is disposed of when the gain or loss on disposal is recognised.

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 and accumulated in a separate component of equity.

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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

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.

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, residual values 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.

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present values of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant 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 in accordance with the Group general policy on borrowing costs.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 of 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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Effective interest method (cont'd)

(a) Financial assets (cont'd)

(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.

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 31.

(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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Effective interest method (cont'd)

(a) Financial assets (cont'd)

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

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.

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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Effective interest method (cont'd)

(a) Financial assets (cont'd)

(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.

(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.



Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Effective interest method (cont'd)

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

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

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.

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 31.

(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)

Effective interest method (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.

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.

(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.



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)

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) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(iv) 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.

(v) 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		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of manufactured products	304,367,344	277,548,095	-	-
Sale of trading products	6,739,208	22,636,593	-	-
Dividends (gross) received from subsidiary companies	-	-	-	2,021,630
	<u>311,106,552</u>	<u>300,184,688</u>	<u>-</u>	<u>2,021,630</u>



Notes to the Financial Statements (cont'd)

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.

Geographical segments by location of assets

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



Notes to the Financial Statements (cont'd)

6. SEGMENT REPORTING (cont'd)

The Group 2015	Malaysia RM	People's Republic of China RM	Europe RM	Eliminations RM	Total RM
Revenue	148,666,292	292,201,650	52,944,019	(193,627,273)	300,184,688
Results					
Segment results	56,157,560	3,878,513	822,409	(36,431,666)	24,426,816
Investment revenue					58,142
Finance costs					(4,178,490)
Profit before tax					20,306,468
Income tax expenses					(5,408,542)
Profit for the year					14,897,926
Assets					
Segment assets	135,180,073	215,149,072	29,877,786	-	380,206,931
Unallocated corporate assets					1,477,419
Consolidated total assets					381,684,350
Liabilities					
Segment liabilities	33,889,127	16,037,881	2,124,654	-	52,051,662
Unallocated corporate liabilities					83,428,319
Consolidated total liabilities					135,479,981
Other Information					
Capital expenditure	57,136,036	7,363,663	37,706	(1,306,373)	63,231,032
Depreciation and amortisation charges	5,437,911	14,904,180	54,390	-	20,396,481
Inventories written down to net realisable value	3,166,711	-	-	-	3,166,711
Property, plant and equipment written off	56,875	375,099	-	-	431,974
Inventories written off	50,718	-	-	-	50,718
Reversal of inventories written down	-	-	76,134	-	76,134

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.



Notes to the Financial Statements (cont'd)

6. SEGMENT REPORTING (cont'd)

Revenue from sales to external customers by location of customers:

	The Group	
	2016 RM	2015 RM
Europe	127,076,654	143,898,229
North and South America	80,643,188	62,897,964
Asia	69,467,235	61,132,216
Rest of the world	33,919,475	32,256,279
	311,106,552	300,184,688

Revenues of approximately RM35,838,300 (2015: RM40,938,000) are derived from a single external customer. These revenues are attributable to the Europe segment.

7. INVESTMENT REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income from:				
Fixed deposits	29,197	58,142	18,668	44,849
Advances to subsidiary companies (Note 20)	-	-	462,222	873,777
	29,197	58,142	480,890	918,626
Less: Set off against finance costs (Note 11)	-	-	(462,222)	(873,777)
	29,197	58,142	18,668	44,849

The following is an analysis of investment revenue earned on the financial assets by category of assets:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Loans and receivables (including fixed deposits, cash and bank balances)	29,197	58,142	480,890	918,626
	29,197	58,142	480,890	918,626



Notes to the Financial Statements (cont'd)

8. OTHER GAINS AND LOSSES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unrealised gains on foreign exchange	8,120,631	1,473,652	5,815,947	28,647,649
Gain on disposal of property, plant and equipment	35,763	102,524	-	-
Realised (losses)/gains on foreign exchange	(362,879)	(2,131,028)	(767,568)	1,802,169
Fair value (losses)/gains on financial derivatives designated as at FVTPL	(24,711)	114,083	-	-
Others	-	(811)	-	-
	7,768,804	(441,580)	5,048,379	30,449,818

9. EMPLOYEE BENEFITS EXPENSES

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Statutory contributions	4,232,214	3,978,640	-	-
Other employee benefits expenses	46,314,410	42,809,055	-	-
Directors' fees	221,400	198,975	221,400	198,975
	50,768,024	46,986,670	221,400	198,975

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

Included in employee benefits expenses are the following:

	The Group	
	2016 RM	2015 RM
Rental of hostel	91,981	43,789



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	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors of the Company:				
Salaries, allowances and bonuses	606,420	515,020	-	-
Statutory contributions	67,968	57,000	-	-
	674,388	572,020	-	-
Executive directors of the subsidiary companies:				
Salaries and bonuses	1,802,831	1,408,827	-	-
Statutory contributions	177,609	119,928	-	-
	1,980,440	1,528,755	-	-
Non-executive directors:				
Fees	221,400	198,975	221,400	198,975
	2,876,228	2,299,750	221,400	198,975

The estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash from the Group amounted to RM4,200 (2015: RM3,000).

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. The key management personnel of the Group includes certain members of senior management of the Group.

The remuneration of members of key management personnel of the Group during the year are as follows:

	The Group	
	2016 RM	2015 RM
Short-term employee benefits	641,182	451,354
Statutory contributions	69,208	48,720
	710,390	500,074

The estimated monetary value of benefits-in-kind received and receivable by members of key management personnel other than in cash from the Group amounted to RM3,000 (2015: RM1,200).



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	
	2016 RM	2015 RM	2016 RM	2015 RM
Insurance compensation receivable	3,414,937	-	-	-
Allowance for doubtful debts no longer required	4,851	-	-	-
Rental income	-	10,938	-	-
Rental of:				
Premises	(707,295)	(717,731)	-	-
Pallet	(64,416)	(6,411)	-	-
Motor vehicle	(47,310)	(58,282)	-	-
Office equipment	(2,673)	(2,355)	-	-
Auditors' remuneration	(536,769)	(511,549)	(72,500)	(72,500)
Property, plant and equipment written off	(237,144)	(431,974)	-	-
Allowance for doubtful debts	-	(116,526)	-	-

11. FINANCE COSTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interests on:				
Term loans	3,224,284	2,815,049	1,146,064	1,813,353
Bills payable	476,345	412,139	-	-
Revolving credit	215,133	300,635	-	242,406
Bank overdrafts	303,679	154,034	-	-
Trust receipts	59,856	43,696	-	-
Bank charges and commitment fees	720,548	852,088	458	1,281
Total interest expense for financial liabilities not classified as FVTPL	4,999,845	4,577,641	1,146,522	2,057,040
Less:				
Interest on term loans capitalised in property, plant and equipment	(1,536,606)	(399,151)	-	-
Set off against investment revenue (Note 7)	-	-	(462,222)	(873,777)
	3,463,239	4,178,490	684,300	1,183,263

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



Notes to the Financial Statements (cont'd)

12. TAX EXPENSES/(INCOME)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax expenses comprise:				
Current tax expense:				
Malaysian	4,158,366	4,869,000	-	-
Foreign	1,274,246	238,629	-	-
Adjustment recognised in the current year in relation to the income tax of prior years	(225,950)	301,948	-	(2,531)
	<u>5,206,662</u>	<u>5,409,577</u>	<u>-</u>	<u>(2,531)</u>
Deferred tax relating to origination and reversal of temporary differences:				
Current year:				
Malaysian	330,600	(660,464)	-	-
Foreign	(69)	(7,216)	-	-
Adjustment recognised in the current year in relation to the deferred tax of prior years	40,256	627,454	-	-
	<u>370,787</u>	<u>(40,226)</u>	<u>-</u>	<u>-</u>
Real Property Gains Tax	-	39,191	-	-
	<u>5,577,449</u>	<u>5,408,542</u>	<u>-</u>	<u>(2,531)</u>

Malaysian income tax rate is calculated at 24% (2015: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The Budget 2017 announced on October 21, 2016 proposed that 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. Following these, the applicable tax rates to be used for the measurement of any applicable deferred tax will be at the below expected rates:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment

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/(INCOME) (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	
	2016 RM	2015 RM
Deferred tax assets	485,498	870,098
Deferred tax liabilities	(229,691)	(243,702)
	255,807	626,396

Deferred tax assets/(liabilities) in relation to:

	As of January 1 RM	Recognised in profit or loss RM	Net foreign currency exchange differences RM	As of December 31 RM
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 Unrealised exchange differences on receivables	-	(2,000)	-	(2,000)
	(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

**The Group
2015**

Deferred tax (liabilities)/assets				
Provision for rental	(49,703)	50,650	(947)	-
Property, plant and equipment	(273,183)	1,721,112	(2,426)	1,445,503
Unrealised gain on inventories	375,429	629,464	-	1,004,893
Changes in fair value of derivative Unrealised exchange differences on receivables	621,000	(621,000)	-	-
	(84,000)	(187,000)	-	(271,000)
Unutilised tax losses and unabsorbed tax capital allowances	-	(1,553,000)	-	(1,553,000)
	589,543	40,226	(3,373)	626,396



Notes to the Financial Statements (cont'd)

12. TAX EXPENSES/(INCOME) (cont'd)

As of December 31, 2016, 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 deferred tax liabilities are in respect of the following:

	The Group	
	2016	2015
	RM	RM
Unutilised tax losses and unabsorbed tax capital allowances	22,165,000	19,819,000

13. EARNINGS PER SHARE

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

Basic and Diluted

	The Group	
	2016	2015
	RM	RM
Profit for the year attributable to owners of the Company	20,889,378	14,897,926
	2016	2015
	Shares	Shares
Number of ordinary shares in issue as of January 1	229,278,817	229,278,817
Less: Shares repurchased as of January 1	-	(1,982,200)
	229,278,817	227,296,617
Resale of treasury shares	-	526,617
Shares repurchased	(6,667)	(9,167)
Weighted average number of ordinary shares in issue	229,272,150	227,814,067
	2016	2015
Basic and diluted earnings per ordinary share (sen)	9.11	6.54

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, 2015	3,519,496	57,805,879	239,254,079	11,087,329	148,896	2,576,171	23,863,690	338,255,540
Additions	25,545	1,389,361	12,247,120	938,693	9,991	530,825	48,089,497	63,231,032
Disposals	-	-	-	-	-	(335,149)	-	(335,149)
Write off	-	-	(1,373,172)	(26,165)	-	-	-	(1,399,337)
Reclassification	-	5,330,272	14,375,131	274,491	719,185	-	(20,699,079)	-
Net foreign currency exchange differences	-	6,816,798	22,069,457	400,136	20,017	195,805	1,737,085	31,239,298
As of December 31, 2015	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

Notes to the Financial Statements (cont'd)



Rubberex Corporation
(M) Berhad



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, 2015	-	18,018,818	167,791,089	9,269,715	-	1,877,556	-	196,957,178
Charge for the year	-	1,954,487	17,101,396	713,919	63,504	276,887	-	20,110,193
Disposals	-	-	-	-	-	(301,634)	-	(301,634)
Write off	-	-	(943,814)	(23,549)	-	-	-	(967,363)
Reclassification	-	-	-	-	-	-	-	-
Net foreign currency exchange differences	-	850,540	11,706,758	311,689	-	146,217	-	13,015,204
As of December 31, 2015	-	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
Carrying amount								
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
As of December 31, 2015	3,545,041	50,518,465	90,917,186	2,402,710	834,585	968,626	52,991,193	202,177,806

In 2015, certain factory buildings of the Group with carrying value of RM11,712,116 were charged to a licensed bank for facilities granted to a subsidiary company as disclosed in Note 27.

Included in property, plant and equipment of the Group is interest on term loan capitalised of RM1,536,606 (2015: RM399,151) as disclosed in Note 11.





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, 2015	1,731,254	14,532,185	16,263,439
Net foreign currency exchange differences	-	1,979,390	1,979,390
As of December 31, 2015	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
Accumulated amortisation			
As of January 1, 2015	400,360	1,873,474	2,273,834
Amortisation for the year	34,978	251,310	286,288
Net foreign currency exchange differences	-	340,518	340,518
As of December 31, 2015	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
Carrying amount			
As of December 31, 2016	2,133,169	14,570,251	16,703,420
As of December 31, 2015	1,295,916	14,046,273	15,342,189

Short-term leasehold land of a subsidiary company with carrying amount of RM8,817,545 (2015: RM9,251,343) is charged to a licensed bank for facilities granted to a subsidiary company as disclosed in Note 27.

16. INVESTMENT IN SUBSIDIARY COMPANIES

The Company	2016 RM	2015 RM
Unquoted shares, at cost:		
In Malaysia	27,353,102	27,353,102
Outside Malaysia	32,711,191	32,711,191
Amount owing by subsidiary companies	60,064,293	60,064,293
	-	154,120,817
	60,064,293	214,185,110



Notes to the Financial Statements (cont'd)

16. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

During the current financial year, the amount owing by subsidiary companies was no longer considered as net investment in foreign operations as the subsidiary companies repaid a total of approximately RM23 million. Accordingly, these amounts were reclassified to current assets.

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Direct subsidiary companies				
Rubberex (M) Sdn. Berhad	Malaysia	100	100	Manufacturing and sales of household and industrial rubber gloves.
Filrex (Malaysia) Sdn. Bhd.	Malaysia	100	100	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 subsidiary companies				
<i>Held through Rubberex (M) Sdn. Berhad</i>				
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.
<i>Held through Diamond Grip (M) Sdn. Bhd.</i>				
Rubberex Alliance Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of disposable gloves.
<i>Held through Pioneer Vantage Limited</i>				
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 SUBSIDIARY COMPANIES (cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Indirect subsidiary companies (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	
		2016	2015
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 disposal 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	
	2016	2015
	RM	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 2017 to 2021. The following key assumptions are used to generate the financial forecast:

Sales volume	Remained unchanged
Inflation rate	2.97% per annum
Discount rate	7.80%

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 Group believes that any reasonable possible changes in the assumptions applied are not likely to materially cause the recoverable amount of the CGU to be lower than the carrying amount of CGU and the allocated goodwill.

18. INVENTORIES

	The Group	
	2016	2015
	RM	RM
Finished and trading goods	60,780,739	53,192,645
Raw materials	19,958,974	16,736,483
Packing materials	2,717,704	2,595,123
Parts and consumables	663,940	812,709
	84,121,357	73,336,960

The cost of inventories recognised as an expense during the year was RM215,312,661 (2015: RM201,907,453).



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	
	2016 RM	2015 RM
Reversal of inventories written down	676,865	76,134
Finished and trading goods written down to net realisable value	-	(3,166,711)
Raw materials written off	-	(50,718)

19. TRADE AND OTHER RECEIVABLES

	The Group	
	2016 RM	2015 RM
Trade receivables	49,495,748	46,180,856
Less: Allowance for doubtful debts	(509,508)	(510,991)
	48,986,240	45,669,865
Other receivables	18,729,961	17,097,000
Goods and service tax receivable	2,340,263	1,591,822
	70,056,464	64,358,687

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

	The Group	
	2016 RM	2015 RM
United States Dollar	35,733,281	31,392,737
Euro	13,894,344	14,072,074
Chinese Renminbi	14,388,215	16,383,363
Ringgit Malaysia	6,130,659	2,991,685
Swiss Franc	388,322	-
Hong Kong Dollar	31,151	29,819
	70,565,972	64,869,678

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranged from 15 to 150 days (2015: 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 RM509,508 (2015: RM510,991) based on the past default experience of the Group.

Other receivables of the Group comprise mainly advance payments of RM2,653,055 (2015: RM2,692,211) 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 RM2,158,313 (2015: RM3,881,986); and advance payments of RM6,704,861 (2015: RM3,257,561) 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	
	2016 RM	2015 RM
Balance at January 1	510,991	348,894
Increase in allowance recognised in profit or loss	-	116,526
Allowance for doubtful debts no longer required	(4,851)	-
Net foreign currency exchange differences	3,368	45,571
	509,508	510,991

Ageing of impaired trade receivables:

	The Group	
	2016 RM	2015 RM
More than 150 days	509,508	510,991

Included in trade receivables of the Group are receivables with total carrying amount of RM4,421,844 (2015: RM7,161,960) 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	
	2016 RM	2015 RM
Number of days past due:		
1 - 30 days	2,880,341	4,554,951
31 - 60 days	394,186	1,067,634
61 - 90 days	151,673	614,959
91 - 120 days	122,701	704,140
More than 120 days	872,943	220,276
	4,421,844	7,161,960



Notes to the Financial Statements (cont'd)

20. RELATED PARTY TRANSACTIONS

The amount owing by/(to) subsidiary companies arose mainly from advances and expenses paid on behalf which are unsecured and are interest-free except for certain advances granted to certain subsidiary companies which bear interest at rates ranging from 4.93% to 5.81% (2015: 5.62% to 7.85%) per annum.

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

	The Company	
	2016	2015
	RM	RM
Hong Kong Dollar	135,969,399	-
Ringgit Malaysia	24,473,858	9,723,095
	160,443,257	9,723,095

Amount owing to subsidiary companies are denominated in Ringgit Malaysia.

The amounts owing by/(to) subsidiary companies, classified as current assets/(liabilities), are repayable upon demand and will be settled in cash. In 2015, the amount owing by subsidiary companies treated as net investment in foreign operations is disclosed in Note 16. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owing by related parties.

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

	2016	2015
	RM	RM
Advances received - net	8,580,000	5,400,000
Interest on advances received/receivable (Note 7)	462,222	873,777
Dividend income	-	2,021,630
Repayment of advances granted - net	24,517,366	13,751,849
	24,517,366	13,751,849

The transactions with subsidiary companies are aggregated as these transactions are similar in nature.

21. OTHER ASSETS

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Refundable deposits	799,883	709,185	1,000	1,000
Prepaid expenses	68,262	331,724	-	-
	868,145	1,040,909	1,000	1,000

Refundable deposits of the Group include RM260,714 (2015: Nil) 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	
	2016 RM	2015 RM
Derivative assets carried at FVTPL		
- foreign currency forward contracts	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	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed deposits with a licensed bank	-	1,300,000	-	1,300,000
Cash and bank balances	11,804,170	19,856,958	91,764	205,540
	<u>11,804,170</u>	<u>21,156,958</u>	<u>91,764</u>	<u>1,505,540</u>

The fixed deposits of the Group and of the Company have an average maturity of 1 month (2015: 1 month) with average effective interest rate of 3.45% (2015: 3.45%) per annum.

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

	The Group	
	2016 RM	2015 RM
United States Dollar	5,191,945	12,009,779
Euro	3,296,358	1,999,491
Ringgit Malaysia	2,308,546	3,680,614
Chinese Renminbi	748,667	2,968,165
Hong Kong Dollar	258,653	271,521
Great Britain Pound	1	227,388
	<u>11,804,170</u>	<u>21,156,958</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

	Par value RM	The Group and The Company			
		2016 Number of ordinary shares	2015 Number of ordinary shares	2016 RM	2015 RM
Authorised:					
As of January 1 and December 31	0.50	400,000,000	400,000,000	200,000,000	200,000,000
Issued and fully paid:					
As of January 1 and December 31	0.50	229,278,817	229,278,817	114,639,408	114,639,408

(b) Treasury Shares

	The Group and The Company			
	2016 Number of ordinary shares	2015 Number of ordinary shares	2016 RM	2015 RM
As of January 1	-	1,982,200	-	1,419,529
Repurchased during the year	10,000	25,000	7,961	19,021
Sold during the year	-	(2,007,200)	-	(1,438,550)
As of December 31	10,000	-	7,961	-

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on May 23, 2016, renewed the approval for the Company to repurchase its own shares. The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Group and of the Company.

During the year, the Company repurchased 10,000 (2015: 25,000) ordinary shares from the open market of Bursa Malaysia Securities Berhad. The total amount paid for acquisition of shares was RM7,961 (2015: RM19,021) and has been deducted from equity. The average price paid for the shares repurchased was RM0.79 (2015: RM0.76) per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as Treasury Shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

In 2015, the Company sold all its 2,007,200 units of the treasury shares in the open market of Bursa Malaysia Securities Berhad for RM1,607,101 to increase the working capital of the Company. The average selling price of the treasury shares was RM0.80 per share. The resulting premium arising from the treasury shares sold of RM168,551 has been credited to the share premium account.

As of December 31, 2016, the number of ordinary shares of RM0.50 each in issue and fully paid after excluding the Treasury Shares was 229,268,817.



Notes to the Financial Statements (cont'd)

25. RESERVES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable reserves:				
Share premium	29,503,381	29,503,381	29,503,381	29,503,381
Translation reserve	43,142,453	53,782,769	-	-
Capital reserve	(2,415,444)	(2,727,752)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	70,230,390	80,558,398	29,503,381	29,503,381
Distributable reserve:				
Retained earnings	66,998,259	51,006,563	42,311,193	43,200,528
	<hr/>	<hr/>	<hr/>	<hr/>
	137,228,649	131,564,961	71,814,574	72,703,909

Translation reserve

Translation reserve represents the exchange differences arising on translation of financial statements of foreign subsidiary companies 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 subsidiary companies are disposed of.

Capital reserve

Capital reserve include the excess of the purchase consideration for the acquisition of shares in the subsidiary companies from non-controlling interests over the share of the identifiable net assets of the subsidiary companies 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 subsidiary companies 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 subsidiary companies 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, 2016 is available for distribution as single tier dividends to the shareholders of the Company.

26. DIVIDENDS

	← The Group and The Company →			
	2016 RM	2015 RM	Net dividend per share	
			2016 sen	2015 sen
First interim dividend paid - 1.5 sen per share, single tier (2015: 1.5 sen per share, single tier)	3,439,031	3,410,798	1.50	1.50
Second interim dividend paid - 0.5 sen per share, single tier (2015: 1.5 sen per share, single tier)	1,146,343	3,432,956	0.50	1.50
	4,585,374	6,843,754	2.00	3.0

A first interim dividend of 1.50 sen per ordinary share, single tier, amounting to RM3,439,031, computed based on the issued and paid-up capital of 229,278,817 ordinary shares of RM0.50 each, less treasury shares of 10,000 held by the Company, was declared and paid on July 28, 2016.

A second interim dividend of 0.50 sen per ordinary shares, single tier, amounting to RM1,146,343 computed based on the issued and paid-up capital of 229,278,817 ordinary shares of RM0.50 each, less treasury shares of 10,000 held by the Company, was declared and paid on December 23, 2016.



Notes to the Financial Statements (cont'd)

27. BORROWINGS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Secured:				
Bills payable	2,099,202	-	-	-
Unsecured:				
Term loans	51,055,000	57,077,469	15,675,000	25,875,000
Bills payable	12,333,095	12,915,635	-	-
Bank overdrafts	12,101,321	6,822,513	-	-
Revolving credits	5,000,000	3,000,000	-	-
Trust receipts	1,482,330	2,432,000	-	-
	<u>84,070,948</u>	<u>82,247,617</u>	<u>15,675,000</u>	<u>25,875,000</u>
Less: Amount due within 12 months (shown under current liabilities)	(47,855,948)	(42,210,148)	(6,000,000)	(10,200,000)
Non-current portion	<u>36,215,000</u>	<u>40,037,469</u>	<u>9,675,000</u>	<u>15,675,000</u>

The non-current portion is repayable as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
More than 1 year but not later than 2 years	13,140,000	14,240,000	4,300,000	6,000,000
More than 2 years but not later than 5 years	23,075,000	25,797,469	5,375,000	9,675,000
	<u>36,215,000</u>	<u>40,037,469</u>	<u>9,675,000</u>	<u>15,675,000</u>



Notes to the Financial Statements (cont'd)

27. BORROWINGS (cont'd)

Analysis of borrowings by currency is as follows:

The Group 2016	Ringgit Malaysia RM	United States Dollar RM	Chinese Renminbi RM	Total RM
Term loans	51,055,000	-	-	51,055,000
Bills payable	10,230,000	2,103,095	2,099,202	14,432,297
Bank overdrafts	12,101,321	-	-	12,101,321
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
The Group 2015				
Term loans	57,077,469	-	-	57,077,469
Bills payable	9,929,000	2,986,635	-	12,915,635
Bank overdrafts	6,822,513	-	-	6,822,513
Revolving credits	3,000,000	-	-	3,000,000
Trust receipts	2,432,000	-	-	2,432,000
	79,260,982	2,986,635	-	82,247,617

Borrowings of the Company are denominated in Ringgit Malaysia.

The effective interest rates per annum are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	%	%	%	%
Term loans	4.93 - 6.11	5.14 - 6.16	4.93 - 5.81	5.62 - 6.16
Revolving credits	4.90 - 7.85	5.15 - 7.85	-	7.85
Bills payable	2.50 - 4.79	2.00 - 4.62	-	-
Bank overdrafts	7.35 - 8.10	7.35 - 8.10	-	-
Trust receipts	3.83 - 4.20	3.94 - 4.05	-	-

The Company has three term loans:

- a five (5) year term loan of RM25,000,000 (2015: RM25,000,000) which is repayable by ten (10) equal semi-annual instalments commencing December 26, 2011. This term loan has been fully settled in June 2016;
- a five (5) year term loan of RM17,000,000 (2015: RM17,000,000) which is repayable by ten (10) equal semi-annual instalments commencing November 1, 2012; and
- a five (5) year term loan of RM21,500,000 (2015: RM21,500,000) which is repayable by twenty (20) equal quarterly instalments commencing June 30, 2015.



Notes to the Financial Statements (cont'd)

27. BORROWINGS (cont'd)

One of the subsidiary companies has five (5) term loans:

- (a) a five (5) year term loan of RM10,560,000 (2015: RM13,200,000) which is repayable by twenty (20) equal quarterly instalments of RM660,000 each commencing June 26, 2015;
- (b) a five (5) year term loan of RM28,000,000 (2015: RM28,000,000) which is repayable by twenty (20) equal quarterly instalments of RM1,400,000 each commencing June 27, 2016. The term loan was fully drawdown during the financial year (2015: RM19,986,469).
- (c) a five (5) year term loan of RM3,000,000 (2015: Nil) will be repayable by twenty (20) equal quarterly instalments of RM150,000 each commencing the first quarter of financial year ending December 31, 2017;
- (d) a ten (10) year term loan of RM2,775,000 (2015: Nil) will be repayable by 120 equal monthly instalments of RM23,125 each commencing on the first day of the month following the full release of the facility which is pending as of year end; and
- (e) a ten (10) year term loan of RM1,725,000 (2015: Nil) 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.

As of December 31, 2016, total banking facilities of the Group and of the Company are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Secured:				
Term loans	4,500,000	-	-	-
Bank overdrafts, bills payable and other banking facilities	16,647,000	6,803,000	-	-
Unsecured:				
Term loans	80,060,000	104,700,000	38,500,000	63,500,000
Bank overdrafts, bills payable and other banking facilities	313,012,000	304,276,000	110,000,000	110,000,000

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

Banking facilities of the Group to the extent of RM6,647,000 (2015: RM6,803,000) are secured by a charge over certain factory buildings and short-term leasehold land of subsidiary companies as disclosed in Note 14 and 15 respectively. Banking facilities to the extent of RM10,000,000 (2015: Nil) are pending release from a bank.



Notes to the Financial Statements (cont'd)

28. TRADE AND OTHER PAYABLES

	The Group	
	2016 RM	2015 RM
Trade payables	31,865,664	15,830,546
Other payables for consumables, utilities, services, maintenance of property, plant and equipment and advanced payment received	16,810,553	28,662,580
Goods and services tax payable	-	5,932
	48,676,217	44,499,058

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

	The Group	
	2016 RM	2015 RM
Ringgit Malaysia	23,646,314	26,520,954
Chinese Renminbi	20,244,102	11,468,960
United States Dollar	3,337,497	4,777,875
Euro	1,325,677	1,634,907
Hong Kong Dollar	100,667	96,362
Swiss Franc	21,960	-
	48,676,217	44,499,058

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 15 to 90 days (2015: 15 to 75 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	
	2016 RM	2015 RM
Ringgit Malaysia	4,236,079	3,716,423
Chinese Renminbi	1,462,269	1,991,130
Euro	325,214	489,747
Hong Kong Dollar	121,985	39,024
United States Dollar	-	1,310,915
	6,145,547	7,547,239

Other liabilities of the Company are denominated in Ringgit Malaysia.



Notes to the Financial Statements (cont'd)

30. OTHER FINANCIAL LIABILITIES

	The Group	
	2016 RM	2015 RM
Derivative liabilities carried at FVTPL		
- foreign currency forward contracts (net)	31,889	5,365

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.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Categories of financial instruments

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets				
Loans and receivables:				
Trade and other receivables	67,716,201	62,766,865	-	-
Amount owing by subsidiary companies	-	-	160,443,257	9,723,095
Refundable deposits	799,883	709,185	1,000	1,000
Cash and cash equivalents	11,804,170	21,156,958	91,764	1,505,540
Fair value through profit or loss:				
Derivative assets - foreign currency forward contracts	7,178	-	-	-
Financial liabilities				
Other financial liabilities:				
Trade and other payables	48,676,217	44,493,126	-	-
Other liabilities - accrued expenses	6,145,547	7,547,239	328,612	292,587
Amount owing to subsidiary companies	-	-	18,377,874	12,119,334
Borrowings	84,070,948	82,247,617	15,675,000	25,875,000
Fair value through profit or loss:				
Derivative liabilities - foreign currency forward contracts	31,889	5,365	-	-



Notes to the Financial Statements (cont'd)

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

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 at the end of the reporting period are disclosed in Notes 19, 20, 23, 27, 28 and 29.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of USD, EURO, RMB, HKD, CHF and GBP while 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 Group and of the Company to a 2.00% and 2.00% (2015: 2.50% and 2.40%) increase/decrease in RM against the relevant foreign currencies. 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.



Notes to the Financial Statements (cont'd)

31. 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 (cont'd)

The following sensitivity analysis includes only outstanding foreign currency denominated monetary items. If the foreign currency denominated monetary items of the Group and of the Company at the end of the reporting period were translated into Ringgit Malaysia with a 2.00% and 2.00% (2015: 2.50% and 2.40%) 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:

The Group	2016		2015	
	Profit or loss RM	Other reserve RM	Profit or loss RM	Other reserve RM
USD impact	569,326	-	854,223	-
EURO impact	33,224	258,749	62,725	260,449
CHF impact	5,569	-	-	-
HKD impact	21	1,315	33	5,103
GBP impact	-	-	5,685	-
RMB impact	-	(181,778)	-	126,466
The Company				
HKD impact	2,066,735	-	-	-

The above impacts are mainly attributable to the exposure of the respective currencies on the financial instruments outstanding at the end of the reporting period in the Group and 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)

31. 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

For illustration purposes, the analysis is prepared assuming the amounts of the asset and of the liability outstanding at the end of the reporting period were outstanding for the whole year. If the annual effective interest rates increase/decrease by the following basis points for the respective borrowings with all other variable including tax rate being held constant, the profit net of tax will be lower/higher by RM235,522 (2015: RM178,756).

	Basis points	
	2016	2015
Fixed deposit:		
Malaysia	-	25
Bills payable:		
Malaysia	11	39
People's Republic of China	78	50
Trust receipts:		
Malaysia	37	11
Bank overdrafts:		
Malaysia	25	25
Revolving credits:		
Malaysia	43	19
Term loans:		
Malaysia	71	24

The assumed movement in the basis points for interest rate sensitivity analysis is based on the currently observable market environment.



Notes to the Financial Statements (cont'd)

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

Financial Risk Management Objectives and Policies (cont'd)

(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 subsidiary companies 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.

Intercompany Balances

The Company provides unsecured advances to its subsidiary companies. 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 subsidiary companies, 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 subsidiary companies are not recoverable.



Notes to the Financial Statements (cont'd)

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

Financial Risk Management Objectives and Policies (cont'd)

(b) Credit risk management (cont'd)

Financial Guarantee

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

The maximum exposure to credit risk amounts to RM57,696,218 (2015: RM47,191,490) representing the outstanding balance of credit facilities of subsidiary companies 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 subsidiary companies 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 RM46,043,000 (2015: RM91,706,000) and Nil (2015: RM37,625,000) respectively which are unused at the end of the reporting period.



Notes to the Financial Statements (cont'd)

31. 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 non-derivative financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations are as follows:

The Group 2016	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	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
Non-derivative financial liabilities:				
Other financial liabilities	105,351,350	39,528,033	-	144,879,383
Net undiscounted non-derivative financial liabilities	(25,031,096)	(39,528,033)	-	(64,559,129)
The Group 2015				
Non-derivative financial assets:				
Loans and receivables	63,476,050	-	-	63,476,050
Cash and cash equivalents	21,201,808	-	-	21,201,808
Total undiscounted non-derivative financial assets	84,677,858	-	-	84,677,858
Non-derivative financial liabilities:				
Other financial liabilities	97,272,558	43,841,719	-	141,114,277
Net undiscounted non-derivative financial liabilities	(12,594,700)	(43,841,719)	-	(56,436,419)



Notes to the Financial Statements (cont'd)

31. 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 2016	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	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
Net undiscounted non-derivative financial liabilities	135,020,065	(10,419,975)	-	124,600,090
The Company 2015				
Non-derivative financial assets:				
Loans and receivables	9,724,095	-	-	9,724,095
Cash and cash equivalents	1,550,390	-	-	1,550,390
Total undiscounted non-derivative financial assets	11,274,485	-	-	11,274,485
Non-derivative financial liabilities:				
Other financial liabilities	23,951,906	17,229,445	-	41,181,351
Net undiscounted non-derivative financial liabilities	(12,677,421)	(17,229,445)	-	(29,906,866)

All derivative financial assets/(liabilities) of the Group mature within one year from the end of the reporting period.



Notes to the Financial Statements (cont'd)

31. 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 2015.

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Debt (i)	84,070,948	82,247,617	15,675,000	25,875,000
Fixed deposits, cash and bank balances	(11,804,170)	(21,156,958)	(91,764)	(1,505,540)
Net debt	<u>72,266,778</u>	<u>61,090,659</u>	<u>15,583,236</u>	<u>24,369,460</u>
Equity (ii)	<u>251,860,096</u>	<u>246,204,369</u>	<u>186,446,021</u>	<u>187,343,317</u>
Net debt to equity ratio	<u>0.29</u>	<u>0.25</u>	<u>0.08</u>	<u>0.13</u>

(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)

31. 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	
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/>
2015				
Foreign currency	10,805	6,657	(102,081)	
Notional value (RM)	47,542	28,394	(442,825)	
Fair value (RM)	1,008	(2,828)	(3,545)	(5,365)
	<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 2016.



Notes to the Financial Statements (cont'd)

32. STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

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

	The Group	
	2016 RM	2015 RM
Cash purchase	24,910,567	52,735,956
Capitalisation of term loan interest (Note 11)	1,536,606	399,151
Balance outstanding - other payables	1,652,238	10,095,925
	28,099,411	63,231,032

(b) 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed deposits with a licensed bank	-	1,300,000	-	1,300,000
Cash and other bank balances	11,804,170	19,856,958	91,764	205,540
Bank overdrafts	(3,064,215)	(6,822,513)	-	-
	8,739,955	14,334,445	91,764	1,505,540

33. CAPITAL COMMITMENTS

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

	2016 RM	2015 RM
Capital expenditure: Approved and contracted for	6,057,856	3,665,805



Notes to the Financial Statements (cont'd)

34. 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:

	2016 RM	2015 RM
Within one year	610,673	578,836
In the second to fifth year inclusive	98,004	1,018,696
	<u>708,677</u>	<u>1,597,532</u>

Operating lease payments represent rentals payable by the Group for warehouse and office. Leases are negotiated for terms of five years (2015: five years) with an option to renew the lease after that date.

35. SUBSEQUENT EVENT

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 will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares and the treatment of share premium.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended December 31, 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending December 31, 2017.



Notes to the Financial Statements (cont'd)

36. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2016 into realised and unrealised profits or losses, pursuant to the directive issued by Bursa Malaysia Securities Berhad on March 25, 2010, is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Total retained earnings of the Company and its subsidiary companies				
Realised	74,452,385	66,236,949	5,799,574	11,737,018
Unrealised	38,913,431	32,084,271	36,511,619	31,463,240
	<hr/>	<hr/>	<hr/>	<hr/>
	113,365,816	98,321,220	42,311,193	43,200,528
Add: Consolidation adjustments	(46,367,557)	(47,314,657)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total retained earnings as per statements of financial position	66,998,259	51,006,563	42,311,193	43,200,528

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia and is not made for any other purposes.



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, 1965 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, 2016 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 36, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors,

MR. KHOO CHIN LENG

DATO' ABD RAHIM BIN ABD HALIM

Ipoh,
April 7, 2017

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 7th day of April,
2017.

Before me,

KONG WAI NGEE (A213)
COMMISSIONER FOR OATHS



Properties Held By The Company And Its Subsidiaries
as at 31 December 2016

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]	22.5/3,545
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	18.0/1,037
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	9.0/217
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	1.0/1,917
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	11.0/8,818
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	10.0/4,716
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]	22.5/2,592
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	18.0/8,632
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	11.0/39,169



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-First Annual General Meeting of the Company to be held at Kinta Riverfront Hotel & Suites, Pusing Hall Level 3, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Monday, 22 May 2017 at 10:00 a.m. and at any adjournment thereof, and to vote as indicated below:

Resolution		For	Against
1.	Adoption of Audited Financial Statements for the financial year ended 31 December 2016		
2.	To approve the payment of Directors' fees (inclusive of benefits-in-kind) of RM222,000.00 in respect of the financial year ended 31 December 2016		
3.	Re-election of Director – Mr. Khoo Ching Leng		
4.	Re-election of Director – Encik Mustapha bin Mohamed		
5.	Re-election of Director – Mr. Poh Chee Kwan		
6.	To appoint Auditors and to authorise the Directors to fix their remuneration		
7.	Re-appointment of Director – Dato' Mohamed bin Hamzah		
8.	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		

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 _____ 2017

 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, 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 Company's registered office 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 proposes 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 12 May 2017 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 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.



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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.

Please fold along this line (2)

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

www.rubberex.com.my