

Rubberex

Corporation (M) Berhad

(Company No: 372642-U)



ANNUAL REPORT **2013**



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Rubberex Corporation (M) Berhad will be held at 10:00 a.m. on Wednesday, 21 May 2014 at The Rooms (formerly known as Kinta Room), Level 1, Impiana Hotel, 18 Jalan Raja Dr. Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees. **(Resolution 2)**
3. To re-elect the following Directors retiring in accordance with Article 91 of the Articles of Association of the Company:-
 - (i) Encik Sharifuddin bin Shoib **(Resolution 3)**
 - (ii) Mr. Poh Choo Lim **(Resolution 4)**
4. To re-elect Mr. Khoo Chin Leng, who retires in accordance with Article 98 of the Articles of Association of the Company. **(Resolution 5)**
5. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 of the Companies Act, 1965:-

"THAT Dato' Mohamed bin Hamzah, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

(Resolution 6)
6. To appoint Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

As Special Business

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

7. **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

"THAT subject always to the approvals of the relevant authorities, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company as at the date of this Annual General Meeting and that the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on 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."

(Resolution 8)

Notice of Annual General Meeting (cont'd)

8. **Proposed Renewal of Authority for RUBBEREX CORPORATION (M) BERHAD to purchase its own ordinary shares of RM0.50 each representing up to 10% of the issued and paid-up share capital of the Company**

"THAT, subject to the provisions of the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad and any applicable laws, rules, orders, requirements, regulations and guidelines for the time being in force or as may be amended, modified or re-enacted from time to time and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company ("Directors") from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company provided that the total aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time of the said purchase(s); and that the Directors of the Company shall allocate an amount of funds which will not be more than the aggregate sum of the retained profits and share premium of the Company for the Proposed Share Buy-Back;

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

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

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

(Resolution 9)

9. **Retention of Independent Non-Executive Directors**

To retain the following Directors as Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012:-

- (i) Dato' Mohamed bin Hamzah
- (ii) Mr. Yap Jek Nan

(Resolution 10)
(Resolution 11)

Notice of Annual General Meeting (cont'd)

10. To transact any other ordinary business of the Company for which due notice has been given.

By Order of the Board

CHAN CHEE KHEONG (MAICSA 0810287)
Secretary

Ipoh
25 April 2014

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 and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to 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.

Notice of Annual General Meeting (cont'd)

7. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 58A (b) of the Articles of Association of the Company and Paragraph 7.16 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 14 May 2014 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

Explanatory Notes To Special Business:

**1. Resolution 8
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

The proposed adoption of the Resolution 8 is primarily to give flexibility to the Board of Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investment project(s), working capital, repayment of borrowings and/or acquisitions.

**2. Resolution 9
Proposed Renewal of Authority for RUBBEREX CORPORATION (M) BERHAD to purchase its own ordinary shares of RM0.50 each representing up to 10% of the issued and paid-up share capital of the Company**

The resolution if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained profits and share premium of the Company. Please refer to the Share Buy-Back Statement dated 25 April 2014, which is dispatched together with the Company's Annual Report 2013.

Please refer to the Circular to Shareholders dated 25 April 2014 for further information.

**3. Resolutions 10 and 11
Retention of Independent Non-Executive Directors**

The resolutions will allow the following directors to continue to act as Independent Non-Executive Directors of the Company:-

- (i) Dato' Mohamed bin Hamzah
Dato' Mohamed bin Hamzah was appointed Independent Non-Executive Director of the Company on 24 October 1996, and has therefore served for more than nine (9) years. As at the date of this notice of the AGM, Dato' Mohamed bin Hamzah has served the Company for 18 years. However, Dato' Mohamed bin Hamzah has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers Dato' Mohamed bin Hamzah to be independent and believes that Dato' Mohamed bin Hamzah should be retained as Independent Non-Executive Director.
- (ii) Mr. Yap Jek Nan
Mr. Yap Jek Nan was appointed Independent Non-Executive Director of the Company on 24 October 1996, and has therefore served for more than nine (9) years. As at the date of this notice of the AGM, Mr. Yap Jek Nan has served the Company for 18 years. However, Mr. Yap Jek Nan has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers Mr. Yap Jek Nan to be independent and believes that Mr. Yap Jek Nan should be retained as Independent Non-Executive Director.

Corporate Information

DIRECTORS

Y. Bhg. Dato' Mohamed bin Hamzah
Chairman

Khoo Chin Leng
Managing Director

Sharifuddin bin Shoib

Poh Choo Lim

Yap Jek Nan

Y. Bhg. Dato' Abd Rahim bin Abd Halim

Mustapha bin Mohamed

COMPANY SECRETARY

Chan Chee Kheong
MAICSA 0810287

AUDITOR

Deloitte (*formerly known as Deloitte KassimChan*)
Chartered Accountants

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
RHB Bank Berhad
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Asian Finance Bank Berhad
HSBC Bank (China) Limited
China Construction Bank Limited
United Overseas Bank (China) Limited
Hong Kong and Shanghai Corporation Limited

REGISTERED OFFICE

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

REGISTRAR

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)
Stock name: RUBEREX
Stock code: 7803

WEBSITES

www.rubberex.com.my
www.rubberex-corp.com.my

Directors' Profile

Dato' Mohamed bin Hamzah, aged 73, a Malaysian, is an independent non-executive Chairman of the Company. He was appointed to the Board of the Company on 24 October 1996 and assumes his current position on 30 November 1998. He is also the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of the Board. Dato' Mohamed bin Hamzah obtained a Bachelor of Arts (Economics) degree from University of Malaya in 1965 and a Masters degree in Business Administration from University of Edinburgh, United Kingdom in 1975. He was appointed to the Board of Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, on 15 June 1991. Dato' Mohamed bin Hamzah spent 25 years of his career as a Government officer in the Diplomatic and Administrative Service. He served as the Deputy-Secretary General of the Ministry of Transport and Director of Land and Mines, Perak from 1984 to 1991. He was also on the Board of Perak State Development Corporation from 1984 to 1990. He also served as Deputy Chairman of Klang Port Commission, Director of Penang Port and Klang Container Terminal from 1990 to 1991.

In 1991, Dato' Mohamed bin Hamzah retired optionally from the government service to join IGB Corporation Berhad as the Chief Operating Officer for the Perak operations of its property related business. He is currently the Chairman of Clearwater Sanctuary Golf 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.

En. Sharifuddin bin Shoib, aged 67, a Malaysian, is a non-independent non-executive director of the Company. He was appointed to the Board of the Company on 24 October 1996. He is also the Chairman of the Remuneration Committee of the Board. He holds a Bachelor of Engineering (Mechanical) degree from Australia which was obtained in 1974 and became a registered Professional Engineer of Malaysia. He has been a board member of Rubberex (M) Sdn Berhad, a wholly owned subsidiary of the Company, since inception. En. Sharifuddin 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.

Mr. Poh Choo Lim, aged 65, a Malaysian, is a non-independent non-executive director of the Company. He was appointed to the Board on 18 June 2001. He is the Chairman of the Nomination Committee. Currently, Mr. Poh Choo Lim is actively involved in the housing and development industry as well as the hotel management business. He is also the Executive Director of Aun Huat & Brothers Sdn Bhd and Grand View Hotel in Ipoh, Perak.

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.

Director's Profile (cont'd)

Mr. Yap Jek Nan, aged 49, a Malaysian, is an independent non-executive director of the Company. He was appointed to the Board of the Company on 24 October 1996. After completing his studies in the United States in 1988, he spent 10 years working in manufacturing and property development companies within the IGB Corporation Berhad group of companies. He is currently the director of Gunung Lang Development Sdn Bhd, a property development company 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.

Dato' Abd Rahim bin Abd Halim, aged 65, a Malaysian, is a non-independent non-executive director of the Company and was appointed to the Board on 09 August 2002. He holds a Bachelor of Economics (Honours) degree from the University of Malaya and has served in several senior positions in the Ministry of International Trade and Industry (MITI) and Daihatsu Malaysia Sdn Bhd (DMSB). 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. He is also on the Board of several private companies including Perusahaan Otomobil Kedua Sdn Bhd ("Perodua") and Oriental Metal Industries (M) Sdn Bhd, where he is presently the Chairman.

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.

En. Mustapha bin Mohamed, aged 68, 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. Khoo Chin Leng, aged 54, a Malaysian, is a non-independent 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.

Chairman's Statement

Introduction

On behalf of the Board I present the Annual Report of the Company for the financial year ended 31 December 2013.

The Group's operations in Malaysia and China were affected by several factors, such as the minimum wage policy implemented locally in early 2013. However, major input material prices for natural latex and PVC resin softened further in 2013, by 15% and 7% respectively compared to the previous year.

Against the backdrop of weak economic conditions especially in the Eurozone and unfavourable operating conditions in 2013, the Group registered a much lower pretax profit for the financial year compared to the previous year 2012.

Financial Results

The Group achieved a sales turnover of RM325.3 million in 2013 compared to RM376.5 million in 2012, a decrease of 14%. Our vinyl disposable gloves segment in China alone contributed 54% of the Group's turnover. The Group's pretax profits had declined from RM25.9 million in the previous year to only RM4.4 million in the financial year just ended.

The performances of our operations in Malaysia and Europe were commendable with favourable raw material prices and exchange rates as well as better capacity utilisation that played a part in enhancing profit margins. Rationalisation of labour utilisation through improved planning and process efficiencies had also neutralised the impact of increased labour costs.

However, the situation was reversed with regards to our vinyl disposable gloves operation in China which suffered a tremendous setback in financial year 2013 owing to sluggish demand and fierce competition. Severe price pressures had resulted in a serious erosion of profit margins for this product. The strengthening of the Chinese Yuan as well as the increase in minimum wage in China had also impacted negatively on the Group's bottom line.

Despite the reduction in pretax profits for the year and our earnings before finance costs, depreciation, amortisation and taxes (EBIDTA) decreased from RM49.3 million in 2012 to RM26.5 million in 2013, our net cash position has remained strong with a balance of RM21.5 million as at 31 December 2013.

Dividends

The Board will continue with its policy of paying dividends as long as Group performance is satisfactory. The first interim dividend of 2.5 sen per share tax-exempt (nominal value of RM0.50 each) in respect of the financial year just ended was paid on 30 January 2013. The Company also paid another tax-exempt dividend of 1.5 sen per share in February 2014 in respect of financial year 2014.

Chairman's Statement (cont'd)

Future prospects

Operating conditions for financial year 2014 is expected to be challenging but our well-established Malaysia operations is generally stable and is anticipated to sustain well in the current year. Efforts to mitigate labour cost increases will continue to be an ongoing process, where the management will explore and implement various cost savings measures, particularly automation and energy savings which would benefit the Group in the long term.

In China, downward price pressures on vinyl disposable gloves are easing and showing signs of stabilising. Benefits from various cost saving measures implemented at our factories at the end of 2013 has started to yield positive results. The overall performance of our China operation is expected to improve in 2014 compared to the previous financial year.

Notwithstanding, the management is also exploring the possibility of producing other new products which are synergistic to the Group's operations and that could complement our existing range of products. Thus, we remain optimistic that these new products will contribute to the revenue growth and widen the earning base of the Group.

Appreciation and acknowledgment

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

Thank you.



Dato' Mohamed bin Hamzah
Chairman

24 March 2014

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

Dato' Mohamed bin Hamzah	(Chairman, Independent Non-Executive Director)
Dato' Abd Rahim bin Abd Halim	(Non-Independent Non-Executive Director)
Mustapha bin Mohamed	(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 once every three years 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 2013. The attendance record of each member is as follows:-

Dato' Mohamed bin Hamzah	4/4
Dato' Abd Rahim bin Abd Halim	4/4
Mustapha bin Mohamed	4/4

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities of the Audit Committee in the financial year ended 31 December 2013 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 2013 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 2013 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 RM165,679.

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 2013, 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, having succeeded from Ping Kok Koh who retired in June 2013. The Group is focused on the glove 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. Some of these training sessions were as follows:-

- MIA Conference 2013;
- The Essential 2014 Tax Guide: Preparing for Change; and
- Corporate Governance Guide: Towards Boardroom Excellence

Statement of Corporate Governance (cont'd)

Board Meetings

Five Board Meetings were held during the financial year ended 31 December 2013. The attendance record of each director during the year is as follows:

Name	Attendance
Dato' Mohamed bin Hamzah	5/5
Ping Kok Koh (retired on 30 June 2013)	2/2
Sharifuddin bin Shoib	5/5
Poh Choo Lim	5/5
Yap Jek Nan	3/5
Dato' Abd Rahim bin Abd Halim	5/5
Mustapha bin Mohamed	5/5
Voon Chong Kian (alternate to Ping Kok Koh, ceased on 30 June 2013)	2/2
Khoo Chin Leng (appointed on 01 July 2013)	3/5

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, executive directors are responsible for making and implementing operational decisions. Non-executive directors play a key supporting role, contributing their knowledge and experience towards the formulation of policies and in the decision-making process.

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

Supply of information

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

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

The Board has the service of 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 merchant bankers, valuers, human resource consultants, etc.

Statement of Corporate Governance (cont'd)

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 that the directors should bring to the Board. Any new nomination received is forwarded to the full Board for assessment and endorsement.

The Nomination Committee comprises the following directors:

Poh Choo Lim (Chairman)
Dato' Mohamed bin Hamzah
Mustapha bin Mohamed

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:

Sharifuddin bin Shoib (Chairman)
Dato' Mohamed bin Hamzah
Mustapha bin Mohamed

The Committee ascertains and approves remuneration packages of executive directors in accordance with the Company's policy guidelines and with reference to external benchmark reports.

Fees for non-executive directors are determined by the full Board with the approval from shareholders at the Annual General Meeting. Individual directors affected are not involved in the approval of their own packages.

The details of the remuneration of directors of the Company comprising remuneration received or receivable from the Company and subsidiary companies during the financial year ended 31 December 2013 are as follows:-

- Aggregate remuneration of directors categorised into appropriate components:

	Emoluments RM	Fees RM	Total RM
Executive Directors	622,554	-	622,554
Non-executive Directors	-	127,500	127,500

Statement of Corporate Governance (cont'd)

Directors' Remuneration (cont'd)

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

Range of remuneration	Executive	Non-executive
Below RM50,000	-	6
RM200,001 to RM300,000	1	-
RM300,001 to RM400,000	1	-

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Annual Audited Financial Statements

The Directors are responsible for ensuring that the Company keeps proper accounting records and that the accounts and other financial reports are prepared in accordance with 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 at the end of each financial year. Through the Chairman's Statement, Directors' Report, financial highlights and key performance indicators, the shareholders are informed about the operations of the Group. On a quarterly basis, the Company also releases to Bursa Malaysia Securities Berhad, details of the Group's performance for the information of the public and shareholders.

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.

Statement of Corporate Governance (cont'd)

Internal Control (cont'd)

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 RM165,679.

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.

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 20,300 shares were bought back and retained as treasury shares during the financial year as set out below:

Month	No. of shares purchased and retained as Treasury Shares	Highest price paid RM	Lowest price paid RM	Average price paid # RM	Total consideration paid RM
May	10,000	0.7350	0.7350	0.7404	7,404
November	10,300	0.7850	0.7800	0.7863	8,099
	20,300	0.7850	0.7350	0.7637	15,503

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

There was no resale of Treasury shares during the year.

Statement of Corporate Governance (cont'd)

OTHER INFORMATION (cont'd)

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.

Non-audit fees

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

Variation in results

There was no material variance between the audited results of the Group for the financial year ended 31 December 2013 and unaudited results previously released on 19 February 2014.

Profit Estimate, Forecast of Projection and/or Profit Guarantee

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

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the directors and/or substantial shareholders or contracts relating to loans entered into by the Company and its subsidiaries either still subsisting at the end of the financial year or entered into since the end of the financial year.

Revaluation Policy on landed properties

There was no revaluation of landed properties during the financial year ended 31 December 2013.

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 2013.

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 2013.

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;

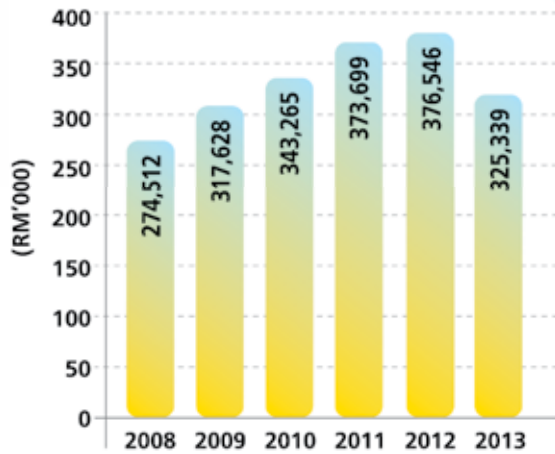
- **Audit Committee**

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.

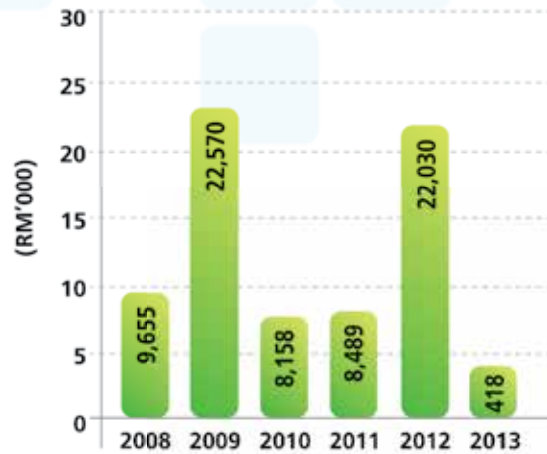
For the financial year just ended, no major control deficiencies were noted and the Board of Directors is of the view that the risk management and internal control systems of the Group are appropriate and adequate.

Financial Highlights 2013

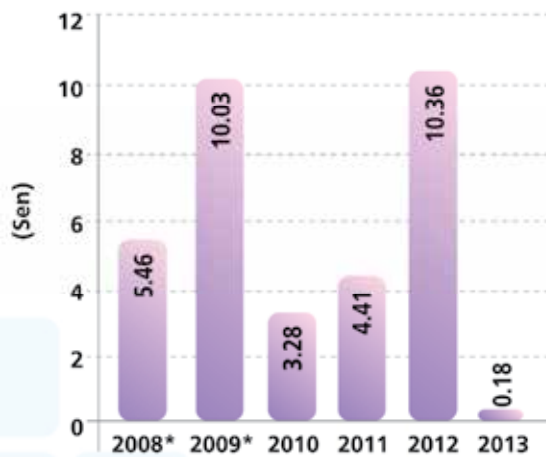
Revenue



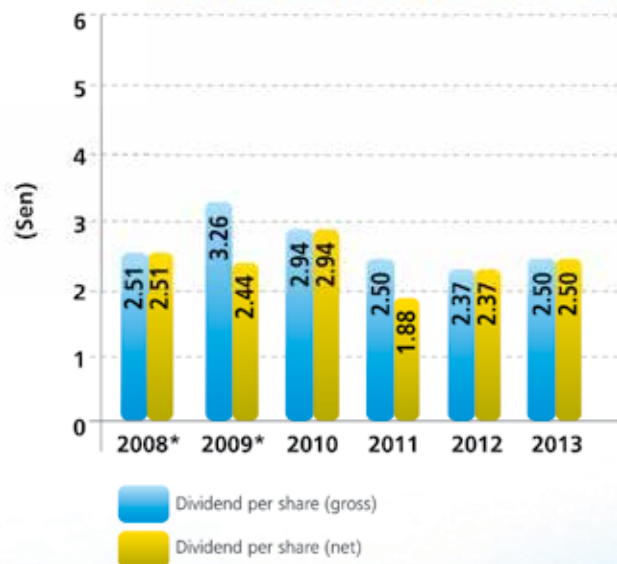
Profit for the Year



Earnings Per Share (basic)



Dividend Per Share (gross/net)



* Restated due to subdivision of shares in 2010 wherein the par value of each ordinary share of RUBEREX was revised from RM1.00 to RM0.50

Statement of Shareholdings

as at 18 March 2014

Authorised Share Capital	:	RM200,000,000
Issued and Paid up Capital	:	RM114,639,408
Treasury Shares	:	1,960,200
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 18 MARCH 2014

Size of Shareholdings

as at 18 March 2014

(excluding 1,960,200 treasury shares)

	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	181	3.47	9,190	0.00
100 – 1,000	322	6.17	179,399	0.08
1,001 – 10,000	3,142	60.19	16,746,496	7.37
10,001 – 100,000	1,403	26.88	42,323,960	18.62
100,001 to less than 5% of issued shares	169	3.24	98,522,072	43.34
5% and above of issued shares	3	0.06	69,537,500	30.59
Total	5,220	100.00	227,318,617	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	14.27
2	Duvest Holdings Sdn Bhd	24,047,750	10.58
3	Med-Bumikar Mara Sdn Bhd	13,044,861	5.74
4	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	8,352,941	3.67
5	Aun Huat & Brothers Sdn Berhad	6,956,145	3.06
6	Teng Cheng Bon @ Teng Kim Tee	6,889,184	3.03
7	Aun Huat & Brothers Sdn Berhad	5,891,686	2.59
8	Yap Siew Chin	5,355,400	2.36
9	HSBC Nominees (Asing) Sdn Bhd – Exempt An For JPMORGAN Chase Bank, National Association (Norges Bk)	5,222,600	2.30
10	Diamond Silk International Sdn Bhd	3,509,822	1.54
11	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Ping Kok Koh (041005)	3,429,704	1.51
12	Kon Choi Ying	2,934,638	1.29
13	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Med-Bumikar Mara Sdn Bhd (Sam)	2,889,111	1.27
14	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Sharifuddin bin Shoib (041004)	2,164,542	0.95
15	Kenanga Nominees (Tempatan) Sdn Bhd – Ping Kok Koh (Pcs)	1,813,334	0.80

Rubberex

Corporation (M) Berhad

Statement of Shareholdings as at 18 March 2014 (cont'd)

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

No.	Names	Shares	%
16	Wong Kit Peng	1,750,000	0.77
17	Liew Sui Kum	1,322,966	0.58
18	Ong Suan Kim	1,201,964	0.53
19	Low Hin Choong	1,147,600	0.50
20	Mohamed bin Hamzah	1,095,135	0.48
21	Tok Peck Hong	1,081,000	0.48
22	Opulent Base Sdn Bhd	1,000,000	0.44
23	Woi Yoon Kim	833,089	0.37
24	Rampai Dedikasi Sdn Bhd	800,000	0.35
25	Sabri bin Abd Hamid	696,000	0.31
26	Goh Mooi Huan	671,966	0.30
27	Mega First Housing Development Sdn Bhd	667,700	0.29
28	Teng Cheng Bon @ Teng Kim Tee	654,590	0.29
29	Shum Yoke Chee	653,758	0.29
30	Goh Mooi Huan	620,034	0.27
	Total	139,142,409	61.21

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2014 ORDINARY SHARES OF RM0.50 EACH

	Direct	No. of shares held		%	
		%	Indirect		
Med-Bumikar Mara Sdn Bhd	48,378,861	21.28	-	-	
Duvest Holdings Sdn Bhd	24,047,750	10.58	-	-	
Teng Cheng Bon @ Teng Kim Tee	7,543,774	3.32	24,047,750	10.58	*
Aun Huat & Brothers Sdn Bhd	21,200,772	9.33	-	-	
Ping Kok Koh	-	-	33,108,854	14.56	\\
Sharifuddin bin Shoib	54,114	0.02	26,212,292	11.53	**
P & F Holdings Sdn Bhd	370,666	0.16	21,200,772	9.33	++
Poh Cheong Meng & Sons Sdn Bhd	516,024	0.23	21,200,772	9.33	++
Poh Yin Hoe & Sons Holding Sdn Bhd	-	-	21,200,772	9.33	++
Poh Chee Meng & Sons Holdings Sdn Bhd	383,121	0.17	21,200,772	9.33	++

* 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 Bhd

Statement of Shareholdings
as at 18 March 2014 (cont'd)

DIRECTORS' INTERESTS AS AT 18 MARCH 2014
ORDINARY SHARES OF RM0.50 EACH

	Direct	No. of shares held		%
		%	Indirect	
Dato' Mohamed bin Hamzah	1,095,135	0.48	153,505	0.07
Khoo Chin Leng	10,690	0.00	5,472	0.00
Yap Jek Nan	-	-	-	-
Sharifuddin bin Shoib	54,114	0.02	26,212,292	11.53
Poh Choo Lim	340,000	0.15	120,000	0.05
Dato' Abdul Rahim bin Abdul Halim	-	-	-	-
Mustapha bin Mohamed	-	-	-	-

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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, 2013.

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	417,701	19,951,152

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

An interim dividend of 2.5 sen per ordinary share, tax-exempt, amounting to RM5,683,471, computed based on the outstanding issued and paid-up capital of 227,338,917 ordinary shares of RM0.50 each, excluding treasury shares of 1,939,900 held by the Company, was declared and paid in respect of the current financial year.

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

On November 25, 2013, the Company declared a first interim tax-exempt dividend of 1.5 sen per ordinary share of RM0.50 each in respect of the financial year ending December 31, 2014, which was paid on February 18, 2014.

RESERVES AND PROVISIONS

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

Directors' Report (cont'd)

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 20,300 ordinary shares from the open market of Bursa Malaysia Securities Berhad. The total amount paid for the acquisition of the shares was RM15,503 and has been deducted from equity. The repurchased transactions were financed by internally generated funds and the average price paid for the shares was RM0.76 per share. The repurchased shares are held as treasury shares in accordance with 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 have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

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

Directors' Report (cont'd)

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year 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' Mohamed bin Hamzah
En. Sharifuddin bin Shoib
Mr. Yap Jek Nan
Mr. Poh Choo Lim
Dato' Abd Rahim bin Abd Halim
En. Mustapha bin Mohamed
Mr. Khoo Chin Leng (appointed on July 1, 2013)
Mr. Ping Kok Koh (retired on June 30, 2013)
Mr. Voon Chong Kian (alternate to Mr. Ping Kok Koh; ceased on June 30, 2013)

In accordance with Article 91 of the Company's Articles of Association, En. Sharifuddin bin Shoib and Mr. Poh Choo Lim retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dato' Mohamed bin Hamzah retires and, being eligible, offers himself for re-appointment.

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

Directors' Report (cont'd)

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:

	Number of ordinary shares of RM0.50 each			Balance as of 31.12.2013
	Balance as of 1.1.2013/ date of appointment	Bought	Sold	
Shares in the Company				
Registered in the name of directors				
Dato' Mohamed bin Hamzah	848,135	247,000	-	1,095,135
En. Sharifuddin bin Shoib	54,114	-	-	54,114
Mr. Poh Choo Lim	210,000	130,000	-	340,000
Mr. Khoo Chin Leng	10,690	-	-	10,690
Indirect interest				
Dato' Mohamed bin Hamzah	153,505	-	-	153,505
En. Sharifuddin bin Shoib	26,212,292	-	-	26,212,292
Mr. Poh Choo Lim	120,000	-	-	120,000
Mr. Khoo Chin Leng	5,472	-	-	5,472

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its subsidiary companies during the financial year.

DIRECTORS' BENEFITS

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

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.

Directors' Report (cont'd)

AUDITORS

The auditors, Messrs. Deloitte (formerly known as Deloitte KassimChan), 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' MOHAMED BIN HAMZAH

Ipoh,
March 7, 2014

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

Report on the Financial Statements

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, 2013 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 a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 99.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to 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 that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2013 and of their financial performance and 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.

Rubberex

Corporation (M) Berhad

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 that:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the 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 auditors' reports of the subsidiaries, of which we have not acted as auditors, which are indicated in Note 16 to the financial statements;
- (c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and
- (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 37 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 Matter

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 towards any other person for the contents of this report.

DELOITTE
AF 0080
Chartered Accountants

LIM KENG PEO
Partner - 2939/01/16(J)
Chartered Accountant

March 7, 2014

Statements of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2013

	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	5	325,339,170	376,545,953	13,766,500	12,035,676
Investment revenue	7	-	28,386	-	22,139
Other gains and losses	8	1,748,536	1,663,870	8,440,804	(3,965,901)
Other operating income	10	498,147	702,999	-	-
Changes in inventories of finished goods, trading goods and work-in-progress		(18,373,535)	23,145,133	-	-
Purchase of finished goods and trading goods		(24,174,937)	(18,528,067)	-	-
Raw materials and consumables used		(182,436,710)	(252,089,225)	-	-
Employee benefits expense	9	(41,821,139)	(40,730,486)	(127,500)	(127,500)
Depreciation expenses	14	(15,672,463)	(15,032,893)	-	-
Amortisation of prepaid lease payments	15	(243,349)	(234,249)	-	-
Finance costs	11	(6,209,574)	(8,140,124)	(1,838,138)	(2,092,732)
Other operating expenses	10	(34,279,983)	(41,418,725)	(290,079)	(366,204)
Profit before tax		4,374,163	25,912,572	19,951,587	5,505,478
Income tax expense	12	(3,956,462)	(3,881,742)	(435)	(21,802)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		417,701	22,030,830	19,951,152	5,483,676
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		17,315,314	(4,490,409)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		17,733,015	17,540,421	19,951,152	5,483,676
Earnings per share					
Basic (sen per share)	13	0.18	10.36		
Diluted (sen per share)	13	0.18	10.36		

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

Statements of Financial Position

as of December 31, 2013

	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	132,246,901	129,414,967	-	-
Prepaid lease payments	15	13,859,866	13,508,337	-	-
Investment in subsidiary companies	16	-	-	190,724,526	184,621,093
Goodwill on consolidation	17	2,793,422	2,793,422	-	-
Total non-current assets		148,900,189	145,716,726	190,724,526	184,621,093
Current assets					
Inventories	18	85,027,622	93,886,532	-	-
Trade and other receivables	19	45,196,816	54,844,504	-	-
Amount owing by subsidiary companies	20	-	-	16,103,194	20,569,629
Current tax assets	12	560,656	1,537,945	198,993	250,555
Other assets	22	502,792	413,973	1,000	1,000
Cash and bank balances	23	21,972,087	23,961,654	1,035,131	614,390
Total current assets		153,259,973	174,644,608	17,338,318	21,435,574
Total assets		302,160,162	320,361,334	208,062,844	206,056,667
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)	(1,404,842)	(1,389,339)	(1,404,842)	(1,389,339)
Reserves	25	81,442,744	66,993,200	43,640,293	29,372,612
Total equity		194,677,310	180,243,269	156,874,859	142,622,681
Non-current liabilities					
Deferred tax liabilities	12	246,439	843,672	-	-
Borrowings	28	16,000,000	25,136,050	16,000,000	24,400,000
Other payables	29	-	2,400,000	-	2,400,000
Total non-current liabilities		16,246,439	28,379,722	16,000,000	26,800,000

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

Rubberex

Corporation (M) Berhad

Statements of Financial Position as of December 31, 2013 (cont'd)

	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Current liabilities					
Trade and other payables	29	36,459,578	33,969,608	2,410,658	3,921,225
Amount owing to subsidiary companies	20	-	-	145,827	136,208
Borrowings	28	48,105,861	69,323,869	32,400,000	32,400,000
Current tax liabilities	12	543,575	1,245,362	-	-
Other liabilities - accrued expenses	30	4,993,502	6,953,907	231,500	176,553
Other financial liabilities	21	1,133,897	245,597	-	-
Total current liabilities		91,236,413	111,738,343	35,187,985	36,633,986
Total liabilities		107,482,852	140,118,065	51,187,985	63,433,986
Total equity and liabilities		302,160,162	320,361,334	208,062,844	206,056,667

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

Statement of Changes in Equity
for the year ended December 31, 2013

The Group	Note(s)	← Attributable to Owners of the Company →						Distributable Reserve Retained Earnings RM	Net Equity RM
		Issued Capital RM	Treasury Shares RM	ICULS RM	Non-distributable Reserves				
					Share Premium RM	Translation Reserve RM	Capital Reserve RM		
Balance as of January 1, 2012		101,253,776	(766,393)	18,570,838	24,140,809	3,949,375	(8,435,095)	28,740,415	167,453,725
Profit for the year		-	-	-	-	-	-	22,030,830	22,030,830
Other comprehensive loss for the year		-	-	-	-	(4,490,409)	-	-	(4,490,409)
Total comprehensive income for the year		-	-	-	-	(4,490,409)	-	22,030,830	17,540,421
Realisation of translation reserve upon deconsolidation of foreign operations		-	-	-	-	(312,865)	-	312,865	-
Payment of dividend	26	-	-	-	-	-	-	(5,044,089)	(5,044,089)
Adjustment relating to contingent consideration under profit guarantee		-	-	-	-	-	907,343	-	907,343
Purchase of treasury shares	24(b)	-	(622,946)	-	-	-	-	-	(622,946)
Conversion of ICULS	24(a),25&27	13,380,447	-	(18,570,838)	5,190,391	-	-	-	-
Exercise of Warrants	24(a)&25	5,185	-	-	3,630	-	-	-	8,815
Balance as of December 31, 2012		114,639,408	(1,389,339)	-	29,334,830	(853,899)	(7,527,752)	46,040,021	180,243,269
Profit for the year		-	-	-	-	-	-	417,701	417,701
Other comprehensive income for the year		-	-	-	-	17,315,314	-	-	17,315,314
Total comprehensive income for the year		-	-	-	-	17,315,314	-	417,701	17,733,015
Payment of dividend	26	-	-	-	-	-	-	(5,683,471)	(5,683,471)
Adjustment relating to contingent consideration under profit guarantee		-	-	-	-	-	2,400,000	-	2,400,000
Purchase of treasury shares	24(b)	-	(15,503)	-	-	-	-	-	(15,503)
Balance as of December 31, 2013		114,639,408	(1,404,842)	-	29,334,830	16,461,415	(5,127,752)	40,774,251	194,677,310

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

The Company	Note(s)	Attributable to Owners of the Company					
		Issued Capital RM	Treasury Shares RM	ICULS RM	Non- distributable Reserve Share Premium RM	(Accumulated Losses)/ Retained Earnings RM	Net Equity RM
Balance as of January 1, 2012		101,253,776	(766,393)	18,570,838	24,140,809	(401,805)	142,797,225
Profit and total comprehensive income for the year		-	-	-	-	5,483,676	5,483,676
Payment of dividend	26	-	-	-	-	(5,044,089)	(5,044,089)
Purchase of treasury shares	24(b)	-	(622,946)	-	-	-	(622,946)
Conversion of ICULS	24(a),25&27	13,380,447	-	(18,570,838)	5,190,391	-	-
Exercise of Warrants	24(a)&25	5,185	-	-	3,630	-	8,815
Balance as of December 31, 2012		114,639,408	(1,389,339)	-	29,334,830	37,782	142,622,681
Profit and total comprehensive income for the year		-	-	-	-	19,951,152	19,951,152
Payment of dividend	26	-	-	-	-	(5,683,471)	(5,683,471)
Purchase of treasury shares	24(b)	-	(15,503)	-	-	-	(15,503)
Balance as of December 31, 2013		114,639,408	(1,404,842)	-	29,334,830	14,305,463	156,874,859

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

Statement of Cash Flows
for the year ended December 31, 2013

The Group	Note	2013 RM	2012 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		417,701	22,030,830
Adjustments for:			
Depreciation of property, plant and equipment		15,672,463	15,032,893
Finance costs		6,209,574	8,140,124
Income tax expense recognised in statements of profit or loss and other comprehensive income		3,956,462	3,881,742
Fair value losses on financial derivatives		1,131,840	245,305
Property, plant and equipment written off		918,038	698,536
Prepaid lease payments written off		295,707	-
Amortisation of prepaid lease payments		243,349	234,249
Loss/(Gain) on disposal of property, plant and equipment		135,021	(495,466)
Allowance for doubtful debts		120,432	-
Bad debts written off		89,918	4,838
Inventories written off		74,206	278,398
Unrealised gain on foreign exchange		(863,254)	(549,441)
Reversal of inventories written down		(89,266)	(43,820)
Waiver of debts		(78,293)	-
Interest income		(20,280)	(30,777)
Impairment loss on property, plant and equipment		-	332,963
Tax penalty		-	27,975
Allowance for doubtful debts no longer required		-	(80,356)
Investment revenue recognised in statements of profit or loss and other comprehensive income		-	(28,386)
		<hr/>	<hr/>
		28,213,618	49,679,607
Movements in working capital:			
(Increase)/Decrease in:			
MTN Debt Service Reserve Account		-	188,521
MTN Disbursement Account		-	693
Inventories		15,385,270	(17,404,462)
Trade and other receivables		7,450,022	1,127,556
Other financial assets		(250,502)	881,350
Other assets		(67,236)	31,693
Increase/(Decrease) in:			
Trade and other payables		439,395	3,233,247
Other liabilities - accrued expenses		(2,223,792)	(1,102,177)
		<hr/>	<hr/>
Cash Generated From Operations		48,946,775	36,636,028
Income tax refunded		745,074	113,536
Interest received		20,280	30,777
Income tax paid		(5,029,173)	(4,577,317)
Tax penalty paid		-	(5,294)
		<hr/>	<hr/>
Net Cash Generated From Operating Activities		44,682,956	32,197,730

Rubberex

Corporation (M) Berhad

Statement of Cash Flows for the year ended December 31, 2013 (cont'd)

The Group	Note	2013 RM	2012 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		112,222	1,693,650
Purchase of property, plant and equipment	32(a)	(4,762,302)	(6,964,712)
Uplift of fixed deposits		-	326,000
Interest on short-term and fixed deposits received		-	28,386
Net Cash Used In Investing Activities		(4,650,080)	(4,916,676)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of revolving credit		(15,898,044)	(10,913,512)
Repayment of term loans		(9,937,500)	(10,605,412)
Finance costs paid		(6,214,912)	(9,299,803)
Dividend paid		(5,683,471)	(5,044,089)
Withdrawal of bills payable		(3,688,042)	(1,856,829)
Repurchase of shares - treasury shares		(15,503)	(622,946)
Proceeds from term loans		-	7,000,000
Proceeds from issuance of shares		-	8,815
Repayment of medium term notes		-	(8,000,000)
Net Cash Used In Financing Activities		(41,437,472)	(39,333,776)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,404,596)	(12,052,722)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		21,195,092	34,125,544
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,671,036	(877,730)
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	21,461,532	21,195,092

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

Statement of Cash Flows
for the year ended December 31, 2013 (cont'd)

The Company	Note	2013 RM	2012 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		19,951,152	5,483,676
Adjustments for:			
Finance costs		1,838,138	2,092,732
Income tax expense recognised in statement of profit or loss and other comprehensive income		435	21,802
Dividend income		(13,766,500)	(12,035,676)
Unrealised (gain)/loss on foreign exchange		(8,450,651)	3,943,081
Investment revenue recognised in statement of profit or loss and other comprehensive income		-	(22,139)
		<hr/>	<hr/>
		(427,426)	(516,524)
Movements in working capital:			
Decrease in:			
MTN Debt Service Reserve Account		-	188,521
MTN Disbursement Account		-	693
Increase/(Decrease) in:			
Other payables		(1,510,567)	(5,923)
Other liabilities - accrued expenses		60,285	(17,283)
		<hr/>	<hr/>
Cash Used In Operations		(1,877,708)	(350,516)
Dividends received from subsidiary companies		13,766,500	6,285,676
Income tax refunded		69,127	-
Income tax paid		(18,000)	(33,296)
		<hr/>	<hr/>
Net Cash From Operating Activities		11,939,919	5,901,864
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment from related companies		6,044,013	-
Repayment from subsidiary companies		-	13,404,093
Uplift of fixed deposits		-	326,000
Interest on fixed deposits received		-	22,139
		<hr/>	<hr/>
Net Cash From Investing Activities		6,044,013	13,752,232

Rubberex

Corporation (M) Berhad

Statement of Cash Flows for the year ended December 31, 2013 (cont'd)

The Company	Note	2013 RM	2012 RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of term loan		(8,400,000)	(6,700,000)
Dividends paid		(5,683,471)	(5,044,089)
Finance costs paid		(3,464,217)	(5,458,524)
Purchase of treasury shares		(15,503)	(622,946)
Proceeds from term loan - net		-	7,000,000
Advances received from subsidiary companies		-	4,828,537
Proceeds from issuance of shares		-	8,815
Repayment of medium term notes		-	(8,000,000)
Repayment of revolving credit		-	(6,000,000)
Net Cash Used In Financing Activities		(17,563,191)	(19,988,207)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		420,741	(334,111)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		614,390	948,501
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	1,035,131	614,390

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 PT 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 March 7, 2014.

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 new and revised MFRSs

New and revised 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 new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

The application of new and revised MFRSs has had no material impact on the disclosures or on the amounts recognised in the financial statements, except as follows:

MFRS 13 Fair Value Measurement

The Group and the Company have applied MFRS 13 for the first time in the current year. MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about the fair value measurements. The scope of MFRS 13 is broad; the fair value measurement requirements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for leasing transactions that are within the scope of MFRS 117 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Notes to the Financial Statements (cont'd)

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

2.1 Adoption of new and revised MFRSs (cont'd)

MFRS 13 Fair Value Measurement (cont'd)

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by MFRS 13 for the 2012 comparative period (please see Note 31 for the 2013 disclosures). Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in these financial statements.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The Group and the Company have applied the amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require items of other comprehensive income to be grouped into two categories in other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.2 Standards and IC Interpretations ("IC Int.") in issue but not yet effective

The Group and the Company have not elected for early adoption the relevant new and revised MFRSs and IC Int. and amendments to MFRSs and IC Int. which have been issued but not yet effective until future periods at the date of authorisation for issue of these financial statements. The directors anticipate that the adoption of these Standards and IC Int. when they become effective will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

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 certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

Subsidiaries and Basis of Consolidation

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

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

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

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

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

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

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

Changes in the Group's ownership interest in existing subsidiaries

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

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries and Basis of Consolidation (cont'd)

Changes in the Group's ownership interest in existing subsidiaries (cont'd)

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

Subsidiaries

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

Business Combinations

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

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

- deferred tax assets or 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.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations (cont'd)

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.

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 were 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, trade discounts and returns.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition (cont'd)

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.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and 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 the Company, and the amount of revenue can be measured reliably.

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 date, 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 arising on the retranslation of non-monetary items carried at fair value in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income; 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)

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and other comprehensive income 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 tax effects of unutilised reinvestment allowance are only recognised upon actual realisation.

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 date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to 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.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment

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

Freehold land and capital work-in-progress are not 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	1.8% to 5%
Plant and machinery	9% to 25%
Factory and office equipment, furniture and fittings	10% to 25%
Electrical installation	10%
Motor vehicles	18% to 20%

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

The 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 value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

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.

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.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prepaid Lease Payment

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

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

Long-term and short-term leasehold land is amortised evenly over the lease period ranging from 50 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. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income and any impairment loss recognised for goodwill is not subsequently reversed.

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

Impairment of Assets excluding Goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their assets (other than 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.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Assets excluding Goodwill (cont'd)

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 and work-in-progress comprise the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price for inventories and all estimated costs of completion and costs necessary to make the sale.

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 instruments 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.

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.

Financial instruments 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 fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in the 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 "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.

(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 recognises 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 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 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 are classified as either financial liabilities "at FVTPL" or "other financial liabilities" categories while financial liabilities of the Company are classified into "other financial liabilities" category.

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

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

A financial liability is classified as held for trading if:

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

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 the statements of profit or loss and other comprehensive income. 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.

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)

(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.

(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 judgment which are expected to have a significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements (cont'd)

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

(b) Key sources of estimation uncertainty

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

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

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

(i) Impairment of Goodwill

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

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

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

(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 based on 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. A review of recoverable amounts on the affected property, plant and equipment were carried out by the Group but no impairment loss was recognised (2012: RM332,963) during the year as the recoverable amounts were determined to have exceeded their carrying amounts.

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 receivables 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Sale of manufactured products	293,975,032	358,842,005	-	-
Sale of trading products	31,364,138	17,703,948	-	-
Dividends (gross) received from subsidiary companies	-	-	13,766,500	12,035,676
	<u>325,339,170</u>	<u>376,545,953</u>	<u>13,766,500</u>	<u>12,035,676</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 2013	Malaysia RM	People's Republic of China RM	Europe RM	Eliminations RM	Total RM
Revenue	142,379,645	349,342,016	51,421,328	(217,803,819)	325,339,170
Results					
Segment results	38,923,010	(8,646,531)	2,837,952	(22,530,694)	10,583,737
Investment revenue					-
Finance costs					(6,209,574)
Profit before tax					4,374,163
Income tax expense					(3,956,462)
Profit for the year					417,701
Assets					
Segment assets	64,311,939	206,709,914	30,577,653	-	301,599,506
Unallocated corporate assets	-	-	-	-	560,656
Consolidated total assets					302,160,162
Liabilities					
Segment liabilities	18,392,319	20,897,384	3,297,274	-	42,586,977
Unallocated corporate liabilities					64,895,875
Consolidated total liabilities					107,482,852
Other Information					
Capital expenditure	2,024,711	6,321,336	306,827	-	8,652,874
Depreciation and amortisation charges	4,267,961	11,610,547	37,304	-	15,915,812
Impairment loss on property, plant and equipment	-	-	-	-	-
Property, plant and equipment written off	-	918,038	-	-	918,038
Prepaid lease payment written off	-	295,707	-	-	295,707
Inventories written off	74,206	-	-	-	74,206

Notes to the Financial Statements (cont'd)

6. SEGMENT REPORTING (cont'd)

The Group 2012	Malaysia RM	People's Republic of China RM	Europe RM	Eliminations RM	Total RM
Revenue	144,922,884	475,379,189	43,304,172	(287,060,292)	376,545,953
Results					
Segment results	17,188,150	21,412,311	1,460,009	(6,036,160)	34,024,310
Investment revenue					28,386
Finance costs					(8,140,124)
Profit before tax					25,912,572
Income tax expense					(3,881,742)
Profit for the year					22,030,830
Assets					
Segment assets	67,648,628	225,664,587	25,510,174	-	318,823,389
Unallocated corporate assets					1,537,945
Consolidated total assets					320,361,334
Liabilities					
Segment liabilities	20,391,592	21,247,533	1,929,987	-	43,569,112
Unallocated corporate liabilities					96,548,953
Consolidated total liabilities					140,118,065
Other Information					
Capital expenditure	1,545,411	5,732,792	6,487	-	7,284,690
Depreciation and amortisation charges	4,438,742	10,820,080	8,320	-	15,267,142
Impairment loss on property, plant and equipment	332,963	-	-	-	332,963
Property, plant and equipment written off	163,467	535,069	-	-	698,536
Prepaid lease payment written off	-	-	-	-	-
Inventories written off	278,398	-	-	-	278,398

Notes to the Financial Statements (cont'd)

6. SEGMENT REPORTING (cont'd)

Revenue from sales to external customers by location of customers:

	The Group	
	2013 RM	2012 RM
Europe	145,189,933	175,684,746
North and South America	100,462,787	126,482,994
Asia	45,128,422	28,702,762
Rest of the world	34,558,028	45,675,451
	<u>325,339,170</u>	<u>376,545,953</u>

7. INVESTMENT REVENUE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest income from:				
Fixed deposits	-	28,386	-	22,139
Advances to subsidiary companies	-	-	1,620,741	2,206,109
	-	28,386	1,620,741	2,228,248
Less: Set off against finance costs (Note 11)	-	-	(1,620,741)	(2,206,109)
	-	28,386	-	22,139

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

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Loans and receivables (including fixed deposits, cash and bank balances)	-	28,386	-	134,557
Investment income earned on non-financial assets	-	-	1,620,741	2,093,691
	-	28,386	1,620,741	2,228,248

Notes to the Financial Statements (cont'd)

8. OTHER GAINS AND LOSSES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Fair value losses				
on financial derivatives	(1,131,840)	(245,305)	-	-
(Loss)/Gain on disposal of property, plant and equipment	(135,021)	495,466	-	-
Realised gain/(loss) on foreign exchange	2,182,894	864,268	(9,847)	(22,820)
Unrealised gain/(loss) on foreign exchange	863,254	549,441	8,450,651	(3,943,081)
Others	(30,751)	-	-	-
	<u>1,748,536</u>	<u>1,663,870</u>	<u>8,440,804</u>	<u>(3,965,901)</u>

9. EMPLOYEE BENEFITS EXPENSE

Employee benefits recognised as an expense during the financial year is as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Statutory contributions	3,133,094	3,374,775	-	-
Other employee benefits expense	38,560,545	37,228,211	-	-
Directors' fees	127,500	127,500	127,500	127,500
	<u>41,821,139</u>	<u>40,730,486</u>	<u>127,500</u>	<u>127,500</u>

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

Included in employee benefits expense are the following:

	The Group	
	2013 RM	2012 RM
Rental of hostel	<u>59,440</u>	<u>72,395</u>

Notes to the Financial Statements (cont'd)

9. EMPLOYEE BENEFITS EXPENSE (cont'd)

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

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Executive directors of the Company:				
Salaries, allowances and bonuses	622,554	444,270	-	-
Statutory contributions	66,108	48,396	-	-
	688,662	492,666	-	-
Executive directors of the subsidiary companies:				
Salaries, allowances and bonuses	1,437,281	1,962,658	-	-
Statutory contributions	127,740	170,871	-	-
	1,565,021	2,133,529	-	-
Non-executive directors:				
Fees	127,500	127,500	127,500	127,500
	<u>2,381,183</u>	<u>2,753,695</u>	<u>127,500</u>	<u>127,500</u>

The estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash from the Group and the Company amounted to RM3,600 and RM1,200 (2012: RM5,400 and RM600) respectively.

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 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	
	2013	2012
	RM	RM
Short-term employee benefits	515,043	465,497
Post-employment benefits - Defined contribution plan	53,722	52,200
	<u>568,765</u>	<u>517,697</u>

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 RM1,800 (2012: 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Waiver of debts	78,293	-	-	-
Interest income	20,280	30,777	-	-
Rental income	10,763	10,277	-	-
Allowance for doubtful debts no longer required	-	80,356	-	-
Property, plant and equipment written off	(918,038)	(698,536)	-	-
Rental of premises	(450,230)	(503,635)	-	-
Auditors' remuneration:				
Statutory audit:				
Current year	(426,004)	(416,935)	(64,000)	(64,000)
Prior year	-	2,000	-	2,000
Prepaid lease payment written off	(295,707)	-	-	-
Allowance for doubtful debts	(120,432)	-	-	-
Bad debts written off	(89,918)	(4,838)	-	-
Impairment loss on property, plant and equipment	-	(332,963)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

11. FINANCE COSTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest on:				
Revolving credit	2,521,617	3,578,637	1,842,718	2,113,595
Term loans	1,938,402	2,355,313	1,612,966	2,029,769
Bills payable	614,086	834,996	-	-
Bank overdrafts	166,447	133,422	-	-
Medium Term Notes	-	127,671	-	127,671
ICULS (Note 27)	-	24,874	-	24,874
Bank charges and commitment fees	969,022	1,085,211	3,195	2,932
	<hr/>	<hr/>	<hr/>	<hr/>
	6,209,574	8,140,124	3,458,879	4,298,841
Less: Set off against investment revenue (Note 7)	-	-	(1,620,741)	(2,206,109)
	<hr/>	<hr/>	<hr/>	<hr/>
	6,209,574	8,140,124	1,838,138	2,092,732

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

Notes to the Financial Statements (cont'd)

12. INCOME TAX EXPENSE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Income tax expense comprises:				
Current tax expense:				
Malaysian	3,709,252	2,755,120	-	5,000
Foreign	852,272	1,286,595	-	-
Adjustment recognised in the current year in relation to the income tax of prior years	(7,762)	422,714	435	(204)
	4,553,762	4,464,429	435	4,796
Deferred tax relating to origination and reversal of temporary differences:				
Current year:				
Malaysian	(524,648)	(502,622)	-	-
Foreign	(652)	(97,071)	-	-
Adjustment recognised in the current year in relation to the deferred tax of prior years	(72,000)	-	-	-
	(597,300)	(599,693)	-	-
Reversal of liability component of ICULS	-	17,006	-	17,006
	(597,300)	(582,687)	-	17,006
	3,956,462	3,881,742	435	21,802

Malaysian income tax rate remained at 25% for the year of assessment 2013. Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The Malaysian Budget 2014 announced on October 25, 2013 reduces corporate income tax rate from 25% to 24% with effect from year of assessment 2016. The Real Property Gains Tax ("RPGT") is also revised to 30% for disposal within the first three years, 20% within the fourth year, 15% within the fifth year and 5% from sixth year onwards, on gains from the disposal of real property effective January 1, 2014. Following these, the applicable tax rate to be used for the measurement of any applicable deferred tax will be the abovementioned expected rate.

Notes to the Financial Statements (cont'd)

12. INCOME TAX EXPENSE (cont'd)

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

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax	4,374,163	25,912,572	19,951,587	5,505,478
Tax calculated at 25% (2012: 25%)	1,094,000	6,478,000	4,988,000	1,376,000
Tax effects of:				
Expenses that are not deductible in determining taxable profit	1,377,224	1,501,028	564,000	1,655,006
Unutilised tax losses and unabsorbed tax capital allowances not recognised as deferred tax assets	3,455,000	40,000	-	-
Income that is not taxable in determining taxable profit:				
Off-shore profit of a foreign subsidiary not subjected to tax	(850,000)	(1,180,000)	-	-
Others	(1,077,000)	(630,000)	(5,552,000)	(3,009,000)
Utilisation of unutilised tax losses previously not recognised as deferred tax assets	-	(1,746,000)	-	-
Reinvestment allowances utilised	-	(170,000)	-	-
Effect of different tax rates in other jurisdictions	37,000	(834,000)	-	-
	4,036,224	3,459,028	-	22,006
Adjustment recognised in the current year in relation to the income tax of prior years	(7,762)	422,714	435	(204)
Adjustment recognised in the current year in relation to the deferred tax of prior years	(72,000)	-	-	-
Income tax expense recognised in statements of profit or loss and other comprehensive income	3,956,462	3,881,742	435	21,802
Current tax assets				
Tax refund receivable	560,656	1,537,945	198,993	250,555
Current tax liabilities				
Income tax payable	543,575	1,245,362	-	-

Notes to the Financial Statements (cont'd)

12. INCOME TAX EXPENSE (cont'd)

As of December 31, 2013, the Company has tax-exempt accounts balance of approximately RM21,400,000 (2012: RM13,344,000). The tax-exempt accounts, arising from tax-exempt dividends received under Section 23(6) of the Promotion of Investments Act, 1986 and chargeable income waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999, are available for distribution as tax-exempt dividends to the shareholders of the Company.

As of December 31, 2013, certain subsidiary companies have tax-exempt account balance of approximately RM3,210,000 (2012: RM10,058,000). The tax-exempt account arose from reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967. The tax-exempt account is available for distribution as tax-exempt dividends to the shareholders of the subsidiary companies.

Deferred tax balances

	As of January 1 RM	Recognised in profit or loss RM	Translation reserves RM	As of December 31 RM
The Group				
2013				
Deferred tax liabilities				
Property, plant and equipment	(1,055,271)	486,155	(67)	(569,183)
Unrealised exchange differences on receivables	(93,500)	(99,500)	-	(193,000)
	(1,148,771)	386,655	(67)	(762,183)
Deferred tax assets				
Unrealised gain on inventories	305,099	210,645	-	515,744
	(843,672)	597,300	(67)	(246,439)
The Group				
2012				
Deferred tax liabilities				
Property, plant and equipment	(1,728,448)	673,177	-	(1,055,271)
Unrealised exchange differences on receivables	-	(93,500)	-	(93,500)
	(1,728,448)	579,677	-	(1,148,771)
Deferred tax assets				
Unrealised gain on inventories	125,083	180,016	-	305,099
Unrealised exchange differences on receivables	160,000	(160,000)	-	-
	285,083	20,016	-	305,099
	(1,443,365)	599,693	-	(843,672)

Notes to the Financial Statements (cont'd)

12. INCOME TAX EXPENSE (cont'd)

Deferred tax assets

The Group and The Company

	As of January 1 RM	Recognised in profit or loss RM	As of December 31 RM
2012			
Liability component of ICULS	17,006	(17,006)	-

As of December 31, 2013, the amount of deductible temporary differences of the Group of which deferred tax assets are not recognised in the financial statements, are as follows:

The Group	2013 RM	2012 RM
Unutilised tax losses and unabsorbed tax capital allowances	17,295,000	3,831,000

13. EARNINGS PER SHARE

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

Basic and Diluted

	The Group	
	2013 RM	2012 RM
Profit for the year attributable to owners of the Company	417,701	22,030,830
	2013 Shares	2012 Shares
Number of ordinary shares in issue as of January 1	229,278,817	202,507,552
Less: Shares repurchased as of January 1	(1,939,900)	(1,065,800)
	227,338,917	201,441,752
Exercise of Warrants	-	4,488
Conversion of ICULS	-	11,388,836
Shares repurchased	(8,383)	(81,458)
Weighted average number of ordinary shares in issue	227,330,534	212,753,618
	2013	2012
Basic and diluted earnings per ordinary share (sen)	0.18	10.36

14. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Electrical installation RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Cost								
As of January 1, 2012	3,519,496	47,677,824	205,804,831	8,882,898	262,908	2,627,374	26,744,631	295,519,962
Additions	-	194,211	6,095,595	328,928	-	178,505	487,451	7,284,690
Disposals	-	-	(7,797,464)	(30,064)	(262,908)	(170,774)	-	(8,261,210)
Write off	-	-	(2,552,973)	(28,195)	-	-	-	(2,581,168)
Reclassification	-	3,494,632	7,690,732	-	-	-	(11,185,364)	-
Net foreign currency exchange differences	-	(720,270)	(2,215,272)	(43,490)	-	(42,820)	(687,597)	(3,709,449)
As of December 31, 2012	3,519,496	50,646,397	207,025,449	9,110,077	-	2,592,285	15,359,121	288,252,825
Additions	-	134,677	3,622,273	935,352	-	70,000	3,890,572	8,652,874
Disposals	-	-	(240,962)	-	-	(86,811)	-	(327,773)
Write off	-	-	(2,072,057)	(37,960)	-	-	(240,961)	(2,350,978)
Net foreign currency exchange differences	-	3,309,287	10,112,532	205,893	-	169,930	1,948,194	15,745,836
As of December 31, 2013	3,519,496	54,090,361	218,447,235	10,213,362	-	2,745,404	20,956,926	309,972,784

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

The Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Electrical installation RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Accumulated depreciation and impairment								
As of January 1, 2012	-	12,915,371	130,470,645	7,787,043	175,568	1,520,711	-	152,869,338
Charge for the year	-	1,502,804	12,745,757	447,979	-	336,353	-	15,032,893
Impairment loss recognised for the year	-	-	332,963	-	-	-	-	332,963
Disposals	-	-	(6,370,033)	(26,359)	(175,568)	(153,066)	-	(6,725,026)
Write off	-	-	(1,857,493)	(25,139)	-	-	-	(1,882,632)
Net foreign currency exchange differences	-	(49,457)	(691,403)	(27,300)	-	(21,518)	-	(789,678)
As of December 31, 2012	-	14,368,718	134,630,436	8,156,224	-	1,682,480	-	158,837,858
Charge for the year	-	1,576,222	13,332,798	458,613	-	304,830	-	15,672,463
Disposals	-	-	-	-	-	(80,530)	-	(80,530)
Write off	-	-	(1,398,776)	(34,164)	-	-	-	(1,432,940)
Net foreign currency exchange differences	-	305,912	4,169,449	145,047	-	108,624	-	4,729,032
As of December 31, 2013	-	16,250,852	150,733,907	8,725,720	-	2,015,404	-	177,725,883
Carrying amount								
As of December 31, 2013	3,519,496	37,839,509	67,713,328	1,487,642	-	730,000	20,956,926	132,246,901
As of December 31, 2012	3,519,496	36,277,679	72,395,013	953,853	-	909,805	15,359,121	129,414,967

Certain factory buildings of the Group with carrying value of RM32,177,405 (2012: RM29,828,586) as of December 31, 2013 are charged to a licensed bank for facilities granted to a subsidiary as disclosed in Note 28.

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, 2012	1,731,254	13,606,414	15,337,668
Additions	-	-	-
Net foreign currency exchange differences	-	(258,893)	(258,893)
As of December 31, 2012	1,731,254	13,347,521	15,078,775
Written off	-	(295,707)	(295,707)
Net foreign currency exchange differences	-	1,027,650	1,027,650
As of December 31, 2013	1,731,254	14,079,464	15,810,718
Accumulated amortisation			
As of January 1, 2012	310,684	1,050,864	1,361,548
Amortisation for the year	29,892	204,357	234,249
Net foreign currency exchange differences	-	(25,359)	(25,359)
As of December 31, 2012	340,576	1,229,862	1,570,438
Amortisation for the year	29,892	213,457	243,349
Net foreign currency exchange differences	-	137,065	137,065
As of December 31, 2013	370,468	1,580,384	1,950,852
Carrying amount			
As of December 31, 2013	1,360,786	12,499,080	13,859,866
As of December 31, 2012	1,390,678	12,117,659	13,508,337

Short-term leasehold land of a subsidiary with carrying amount of RM12,499,080 (2012: RM12,117,659) is charged to a licensed bank for facilities granted to a subsidiary as disclosed in Note 28.

16. INVESTMENT IN SUBSIDIARY COMPANIES

The Company	2013 RM	2012 RM
Unquoted shares, at cost:		
In Malaysia	27,353,102	27,353,102
Outside Malaysia	35,111,191	37,511,191
	62,464,293	64,864,293
Amount owing by subsidiary companies	128,260,233	119,756,800
	190,724,526	184,621,093

The amount owing by subsidiary companies is treated as net investment in foreign operations as the settlement is neither planned nor likely to occur in the foreseeable future.

Notes to the Financial Statements (cont'd)

16. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2013 %	2012 %	
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.
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. (formerly known as Biogreen Medical Sdn. Bhd.)	Malaysia	100	100	Temporarily ceased its business operations since 2011.
<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
		2013 %	2012 %	
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 auditors of the Company.

17. GOODWILL ON CONSOLIDATION

The Group	2013 RM	2012 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 2014 to 2018. The following key assumptions are used to generate the financial forecast:

Sales volume	Remained unchanged
Inflation rate	3.00% per annum
Discount rate	7.80%

Receivables and payables turnover period is 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.

Notes to the Financial Statements (cont'd)

18. INVENTORIES

The Group	2013 RM	2012 RM
At cost:		
Finished and trading goods	58,091,701	71,351,772
Raw materials	24,383,048	20,039,992
Packing materials	1,793,578	1,637,122
Parts and consumables	667,890	673,927
Work-in-progress	5,397	8,445
	<hr/>	<hr/>
	84,941,614	93,711,258
At net realisable value:		
Finished and trading goods	86,008	175,274
	<hr/>	<hr/>
Net	<u>85,027,622</u>	<u>93,886,532</u>

The cost of inventories recognised as an expense during the year was RM242,595,123 (2012: RM329,500,604).

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

The Group	2013 RM	2012 RM
Packing materials written off	-	(97,250)
Raw materials written off	(74,206)	(181,148)
Reversal of inventories written down	89,266	43,820
	<hr/>	<hr/>

19. TRADE AND OTHER RECEIVABLES

The Group	2013 RM	2012 RM
Trade receivables	35,006,232	36,916,419
Less: Allowance for doubtful debts	(308,257)	(159,679)
	<hr/>	<hr/>
	34,697,975	36,756,740
Other receivables	10,498,841	18,087,764
	<hr/>	<hr/>
	<u>45,196,816</u>	<u>54,844,504</u>

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

The Group	2013 RM	2012 RM
United States Dollar	21,469,847	26,844,914
Euro	13,730,649	10,113,774
Chinese Renminbi	8,874,529	16,452,652
Ringgit Malaysia	1,036,095	1,571,599
Swiss Franc	371,208	-
Hong Kong Dollar	22,745	21,244
	<hr/>	<hr/>
	<u>45,505,073</u>	<u>55,004,183</u>

Notes to the Financial Statements (cont'd)

19. TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranged from 15 to 150 days (2012: 15 to 150 days). No interest is charged on overdue outstanding balances of trade receivables. An allowance has been made for estimated irrecoverable amounts of trade receivables of RM308,257 (2012: RM159,679) based on the past default experience of the Group.

Other receivables of the Group comprise mainly advance payments of RM5,062,542 (2012: RM8,534,492) to the Chinese Government for acquisition of land use rights in People's Republic of China of which the land title has not been issued at date of report and advance payments of RM203,833 (2012: RM1,783,973) to suppliers for purchase of raw materials and property, plant and equipment.

Movement in the allowance for doubtful debts is as follows:

The Group	2013 RM	2012 RM
Balance at January 1	159,679	260,563
Increase in allowance recognised in profit or loss	120,432	-
Amounts recovered during the year	-	(80,356)
Amounts written off	-	(15,667)
Net foreign currency exchange differences	28,146	(4,861)
	<hr/>	<hr/>
Balance at December 31	308,257	159,679

Ageing of impaired trade receivables:

The Group	2013 RM	2012 RM
More than 150 days	308,257	159,679

Included in trade receivables of the Group are receivables with total carrying amount of RM3,778,269 (2012: RM1,932,926) which are past due at the end of the reporting date for which the Group has not recognised an allowance for doubtful debts as there has not been a significant change 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 per month.

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

The Group	2013 RM	2012 RM
Number of days past due:		
1 - 30 days	487,134	41,723
31 - 60 days	1,395,555	252,947
61 - 90 days	686,009	507,553
91 - 120 days	360,898	508,511
More than 120 days	848,673	622,192
	<hr/>	<hr/>
	3,778,269	1,932,926

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 interest-free except for certain advances granted to certain subsidiary companies which bear interest at a rate of 7.50% (2012: 5.34% to 7.70%) per annum.

Amount owing by subsidiary companies are denominated in Ringgit Malaysia.

Amount owing to subsidiary companies are denominated in Hong Kong Dollar.

The amounts owing by/(to) subsidiary companies, classified as current assets/(liabilities), are repayable upon demand and will be settled in cash. 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, significant related party transactions are as follows:

	The Company	
	2013	2012
	RM	RM
Subsidiary companies		
Rubberex (M) Sdn. Berhad		
Net advances received/(granted)	10,087,176	(4,346,241)
Dividend income	5,750,000	5,750,000
Interest on advances received/receivable	1,120,684	-
	<hr/>	<hr/>
Rubberex Alliance Sdn. Bhd. (formerly known as Biogreen Medical Sdn. Bhd.)		
Assignment of debts	-	5,111,058
Interest on advances received/receivable	-	104,090
	<hr/>	<hr/>
Pioneer Vantage Limited		
Net advances granted	(24,332)	(4,852,056)
Assignment of debts	-	10,544,250
Interest on advances received/receivable	-	2,093,691
	<hr/>	<hr/>
Lifestyle Investment (Hong Kong) Limited		
Advances granted	(18,832)	(20,432)
	<hr/>	<hr/>
Rubberex (Hong Kong) Limited		
Dividend income	8,016,500	6,285,676
Advances received	-	4,828,537
Assignment of debts	-	(10,544,250)
	<hr/>	<hr/>
Diamond Grip (M) Sdn. Bhd.		
Advances received	1,750,000	22,600,000
Interest on advances received/receivable	500,056	8,328
Assignment of debts	-	(5,111,058)
	<hr/>	<hr/>

Notes to the Financial Statements (cont'd)

21. OTHER FINANCIAL LIABILITIES

The Group	2013 RM	2012 RM
Derivative liabilities - foreign currency forward contracts	1,133,897	245,597

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.

22. OTHER ASSETS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Refundable deposits	331,150	175,546	1,000	1,000
Prepaid expenses	171,642	238,427	-	-
	<u>502,792</u>	<u>413,973</u>	<u>1,000</u>	<u>1,000</u>

23. CASH AND BANK BALANCES

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

The Group	2013 RM	2012 RM
United States Dollar	12,717,192	12,254,876
Ringgit Malaysia	4,720,213	3,020,644
Euro	2,907,207	2,669,158
Chinese Renminbi	1,327,988	5,634,737
Great Britain Pound	193,228	176,795
Hong Kong Dollar	106,259	205,444
	<u>21,972,087</u>	<u>23,961,654</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			
		2013 Number of ordinary shares	2012 Number of ordinary shares	2013 RM	2012 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	0.50	229,278,817	202,507,552	114,639,408	101,253,776
Issued during the year:					
Conversion of ICULS	0.50	-	26,760,895	-	13,380,447
Exercise of Warrants	0.50	-	10,370	-	5,185
As of December 31	0.50	229,278,817	229,278,817	114,639,408	114,639,408

(b) Treasury Shares

	The Group and The Company			
	2013 Number of ordinary shares	2012 Number of ordinary shares	2013 RM	2012 RM
As of January 1	1,939,900	1,065,800	1,389,339	766,393
Repurchased during the year	20,300	874,100	15,503	622,946
As of December 31	1,960,200	1,939,900	1,404,842	1,389,339

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on May 23, 2013, 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 20,300 (2012: 874,100) ordinary shares from the open market of Bursa Malaysia Securities Berhad. The total amount paid for acquisition of shares was RM15,503 (2012: RM622,946) and has been deducted from equity. The average price paid for the shares repurchased was RM0.76 (2011: RM0.71) 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.

As of December 31, 2013, there are 1,960,200 treasury shares held by the Company. The number of ordinary shares of RM0.50 each in issue and fully paid after excluding the Treasury Shares was 227,318,617.

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

Notes to the Financial Statements (cont'd)

25. RESERVES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-distributable reserves:				
Share premium	29,334,830	29,334,830	29,334,830	29,334,830
Translation reserve:				
Exchange differences arising on translation of financial statements of foreign subsidiary companies	23,058,634	14,203,581	-	-
Exchange differences arising from the translation of net investment in foreign entities	(6,597,219)	(15,057,480)	-	-
Capital reserve	(5,127,752)	(7,527,752)	-	-
Distributable reserve:				
Retained earnings	40,774,251	46,040,021	14,305,463	37,782
	<u>81,442,744</u>	<u>66,993,200</u>	<u>43,640,293</u>	<u>29,372,612</u>

Share premium

Share premium arose from the following:

	The Group and The Company	
	2013 RM	2012 RM
Exercise of share options in 2004	484,120	484,120
Exercise of Warrants and share options in 2005	9,605,843	9,605,843
Exercise of share options in 2006	601,883	601,883
Exercise of share options in 2007	96,040	96,040
Conversion of ICULS in 2008	2,538,078	2,538,078
Resale of treasury shares in 2009	1,316,464	1,316,464
Conversion of ICULS in 2009	6,109,673	6,109,673
Exercise of share options in 2009	1,950,854	1,950,854
Exercise of Warrants in 2009	69	69
Conversion of ICULS in 2010	1,359,024	1,359,024
Exercise of Warrants in 2010	1,400	1,400
Conversion of ICULS in 2011	77,361	77,361
Exercise of Warrants in 2012	3,630	3,630
Conversion of ICULS in 2012	5,190,391	5,190,391
	<u>29,334,830</u>	<u>29,334,830</u>

Notes to the Financial Statements (cont'd)

25. RESERVES (cont'd)

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 a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation) that are taken up in other comprehensive income and accumulated in equity. Such exchange differences are recognised as income or expense in the statements of profit or loss and other comprehensive income, in the period in which the foreign subsidiary companies are disposed of.

Capital reserve

Capital reserve represents 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).

26. DIVIDENDS

The Group and The Company

	2013 RM	2012 RM	Net dividend per share	
			2013 sen	2012 sen
First interim dividend paid - 2.5 sen per share, tax-exempt (2012: 2.5 sen per share, tax-exempt)	5,683,471	5,044,089	2.50	2.50

An interim dividend of 2.5 sen per ordinary share, tax-exempt, amounting to RM5,683,471, computed based on the outstanding issued and paid-up capital of 227,338,917 ordinary shares of RM0.50 each, excluding treasury shares of 1,939,900 held by the Company, was declared and paid in respect of the current financial year.

Notes to the Financial Statements (cont'd)

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

The Group and The Company	2013 RM	2012 RM
At January 1	-	19,102,721
Coupon interest paid	-	(556,757)
Interest expense (Note 11)	-	24,874
Converted during the year	-	(18,570,838)
At December 31	-	-

In 2012, RM444,643 nominal value of ICULS were converted into 523,101 ordinary shares of RM0.50 each at the conversion price of RM0.85 per ordinary share. The remaining unconverted RM22,302,417 nominal value of ICULS at maturity date were automatically converted into 26,237,794 ordinary shares of RM0.50 each at the conversion price of RM0.85 per ordinary share.

Warrants

The remaining 52,969,050 unexercised Warrants lapsed and ceased to be valid on August 2012.

28. BORROWINGS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Secured:				
Term loans	811,050	2,208,150	-	-
Revolving credit	-	18,898,044	-	-
Bills payable	-	3,700,875	-	-
Unsecured:				
Revolving credit	27,000,000	24,000,000	24,000,000	24,000,000
Term loans	24,400,000	32,800,000	24,400,000	32,800,000
Bills payable	11,384,256	10,086,288	-	-
Bank overdrafts	510,555	2,766,562	-	-
	64,105,861	94,459,919	48,400,000	56,800,000
Less: Amount due within 12 months (shown under current liabilities)	(48,105,861)	(69,323,869)	(32,400,000)	(32,400,000)
Non-current portion	16,000,000	25,136,050	16,000,000	24,400,000

Notes to the Financial Statements (cont'd)

28. BORROWINGS (cont'd)

The non-current portion is repayable as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
More than 1 year but not later than 2 years	8,400,000	9,136,050	8,400,000	8,400,000
More than 2 years but not later than 5 years	7,600,000	16,000,000	7,600,000	16,000,000
	<u>16,000,000</u>	<u>25,136,050</u>	<u>16,000,000</u>	<u>24,400,000</u>

Analysis of borrowings by currency is as follows:

	Ringgit Malaysia RM	United States Dollar RM	Chinese Renminbi RM	Total RM
The Group 2013				
Revolving credit	27,000,000	-	-	27,000,000
Term loans	24,400,000	-	811,050	25,211,050
Bills payable	4,725,000	6,659,256	-	11,384,256
Bank overdrafts	510,555	-	-	510,555
	<u>56,635,555</u>	<u>6,659,256</u>	<u>811,050</u>	<u>64,105,861</u>
The Group 2012				
Revolving credit	24,000,000	8,869,450	10,028,594	42,898,044
Term loans	32,800,000	-	2,208,150	35,008,150
Bills payable	9,189,000	3,408,834	1,189,329	13,787,163
Bank overdrafts	2,766,562	-	-	2,766,562
	<u>68,755,562</u>	<u>12,278,284</u>	<u>13,426,073</u>	<u>94,459,919</u>

Borrowings of the Company are denominated in Ringgit Malaysia.

The effective interest rates per annum are as follows:

	The Group		The Company	
	2013 %	2012 %	2013 %	2012 %
Revolving credit	4.64 - 7.70	5.20 - 7.70	7.60	7.25 - 7.60
Term loans	5.30 - 7.65	5.29 - 7.65	5.30 - 5.40	5.29 - 5.40
Bills payable	2.00 - 7.70	2.00 - 7.70	-	-
Bank overdrafts	7.10 - 7.85	7.10 - 7.85	-	-
Medium term notes	-	7.50 - 7.70	-	7.50 - 7.70
ICULS	-	6.39	-	6.39
	<u>-</u>	<u>6.39</u>	<u>-</u>	<u>6.39</u>

Notes to the Financial Statements (cont'd)

28. BORROWINGS (cont'd)

The Group has three term loans:

- (a) a three (3) year term loan of RMB7,000,000 (2012: RMB7,000,000) which is repayable by twenty eight (28) monthly instalments commencing August 30, 2011;
- (b) a five (5) year term loan of RM25,000,000 (2012: RM25,000,000) which is repayable by ten (10) equal semi-annual instalments commencing December 26, 2011; and
- (c) a five (5) year term loan of RM17,000,000 (2012: RM17,000,000) which will be repayable by ten (10) equal semi-annual instalments commencing November 1, 2012.

As of December 31, 2013, banking facilities of the Group and of the Company are as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Secured:				
Term loans	811,050	2,208,000	-	-
Bills payable and revolving credit	-	31,110,000	-	-
Unsecured:				
Term loans	42,000,000	42,000,000	42,000,000	42,000,000
Bank overdrafts, bills payable and other banking facilities	299,611,000	263,190,000	120,000,000	52,000,000

Term loans and other banking facilities of the Group to the extent of RM18,924,500 (2012: RM39,010,650) 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.

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables	24,483,936	21,880,263	-	-
Other payables for consumables, utilities, services, maintenance of property, plant and equipment and advances received	9,575,642	8,196,688	10,658	28,568
Amount payable to vendors for acquisition of additional shares in subsidiary companies (Note 35)	2,400,000	6,292,657	2,400,000	6,292,657
	36,459,578	36,369,608	2,410,658	6,321,225
Less: Amount due within 12 months (shown under current liabilities)	(36,459,578)	(33,969,608)	(2,410,658)	(3,921,225)
Non-current portion	-	2,400,000	-	2,400,000

Notes to the Financial Statements (cont'd)

29. TRADE AND OTHER PAYABLES (cont'd)

The non-current portion is repayable as follows:

	The Group and The Company	
	2013	2012
	RM	RM
More than 1 year but not later than 2 years	-	2,400,000

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

	The Group	
	2013	2012
	RM	RM
Chinese Renminbi	14,048,612	9,348,266
Ringgit Malaysia	11,810,615	17,458,652
United States Dollar	7,307,344	7,414,946
Euro	3,219,505	1,908,943
Hong Kong Dollar	73,502	68,653
Great Britain Pound	-	170,148
	36,459,578	36,369,608

Other payables of the Company are denominated in Ringgit Malaysia.

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 75 days (2012: 15 to 75 days). No interest is charged on overdue outstanding balances of trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Included in other payables of the Group is an amount of Nil (2012: RM320,828) representing amount payable for purchase of property, plant and equipment by the subsidiary companies in People's Republic of China.

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

30. OTHER LIABILITIES - ACCRUED EXPENSES

The currency profile of accrued expenses is as follows:

	The Group	
	2013	2012
	RM	RM
Ringgit Malaysia	3,331,962	2,623,009
Chinese Renminbi	1,338,466	3,988,113
United States Dollar	199,495	271,060
Euro	77,768	21,045
Hong Kong Dollar	45,811	50,680
	4,993,502	6,953,907

Other liabilities of the Company are denominated in Ringgit Malaysia.

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Categories of financial instruments

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Financial assets				
Loans and receivables:				
Trade and other receivables	45,196,816	54,844,504	-	-
Amount owing by subsidiary companies	-	-	16,103,194	20,569,629
Cash and bank balances	21,972,087	23,961,654	1,035,131	614,390
Financial liabilities				
Amortised cost:				
Trade and other payables	36,459,578	36,369,608	2,410,658	6,321,225
Other liabilities - accrued expenses	4,993,502	6,953,907	231,500	176,553
Amount owing to subsidiary companies	-	-	145,827	136,208
Borrowings	64,105,861	94,459,919	48,400,000	56,800,000
Fair value through profit or loss:				
Derivative liabilities - foreign currency forward contracts	1,133,897	245,597	-	-

Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject 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.

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

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, 28, 29 and 30.

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 to a 2% increase and decrease in RM against the relevant foreign currencies. The sensitivity rate of 2% is used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates in the next 12 months.

The following sensitivity analysis includes only outstanding foreign currency denominated monetary items. If the foreign currency denominated monetary items at the end of the reporting period were translated into Ringgit Malaysia with a 2% (2012: 1%) increase/decrease in the exchange rates against the following relevant foreign currencies, the effect on the statement of profit or loss and other comprehensive income will be lower/higher by approximately:

The Group	2013		2012	
	Profit or loss RM	Other equity RM	Profit or loss RM	Other equity RM
USD impact	405,762	199,296	191,355	-
EURO impact	61,350	-	18,992	87,940
CHF impact	7,424	-	-	-
RMB impact	3,865	119,018	-	93,017
HKD impact	21	173	10	1,064
The Company				
HKD impact	2,917	-	1,362	-

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 exposure during the year.

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

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.

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 borrowings are as disclosed in Note 28.

Interest rate sensitivity analysis

For illustration purposes, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was 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 will be lower/higher by RM32,507 (2012: RM174,721).

	Basis points	
	2013	2012
Bills payable:		
Malaysia	10	15
People's Republic of China	25	50
Bank overdrafts:		
Malaysia	25	13
Revolving credit:		
Malaysia	3	18
People's Republic of China	-	63
Term loans:		
Malaysia	10	6
	10	6

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

The Group and the Company do not have interest-bearing assets as of December 31, 2013. Therefore, interest rate sensitivity analysis on interest-bearing assets is not disclosed.

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. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The 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 advance payments to Chinese Government for acquisition of land use rights in People's Republic of China.

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

Intercompany Balances

The Company provided 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 RM10,941,000 (2012: RM27,488,000) representing the outstanding balance of credit facilities of subsidiary companies in which financial guarantees are given as of the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiary companies would 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 has credit facilities of approximately RM59,784,000 (2012: RM91,906,000) 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 financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations are as follows:

The Group 2013	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	45,196,816	-	-	45,196,816
Cash and bank balances	21,972,087	-	-	21,972,087
<hr/>				
Total undiscounted financial assets	67,168,903	-	-	67,168,903
<hr/>				
Non-derivative financial liabilities:				
Financial liabilities at amortised cost	90,825,166	17,093,500	-	107,918,666
Derivative financial liabilities:				
Foreign currency forward contracts	1,133,897	-	-	1,133,897
<hr/>				
Total undiscounted financial liabilities	91,959,063	17,093,500	-	109,052,563
<hr/>				
Total net undiscounted financial liabilities	(24,790,160)	(17,093,500)	-	(41,883,660)
<hr/>				
The Group 2012				
Non-derivative financial assets:				
Loans and receivables	54,844,504	-	-	54,844,504
Cash and bank balances	23,961,654	-	-	23,961,654
<hr/>				
Total undiscounted financial assets	78,806,158	-	-	78,806,158
<hr/>				

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 Group 2012	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial liabilities:				
Financial liabilities at amortised cost	112,059,602	29,866,239	-	141,925,841
Derivative financial liabilities:				
Foreign currency forward contracts	245,597	-	-	245,597
Total undiscounted financial liabilities	112,305,199	29,866,239	-	142,171,438
Total net undiscounted financial liabilities	(33,499,041)	(29,866,239)	-	(63,365,280)
The Company 2013				
Non-derivative financial assets:				
Loans and receivables	16,103,194	-	-	16,103,194
Cash and bank balances	1,035,131	-	-	1,035,131
Total undiscounted financial assets	17,138,325	-	-	17,138,325
Non-derivative financial liabilities:				
Financial liabilities at amortised cost	36,392,185	17,093,500	-	53,485,685
Total net undiscounted financial liabilities	(19,253,860)	(17,093,500)	-	(36,347,360)

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 2012	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	20,569,629	-	-	20,569,629
Cash and bank balances	614,390	-	-	614,390
<hr/>				
Total undiscounted financial assets	21,184,019	-	-	21,184,019
<hr/>				
Non-derivative financial liabilities:				
Financial liabilities at amortised cost	38,277,336	29,073,900	-	67,351,236
<hr/>				
Total undiscounted financial liabilities	38,277,336	29,073,900	-	67,351,236
<hr/>				
Total net undiscounted financial liabilities	(17,093,317)	(29,073,900)	-	(46,167,217)
<hr/>				

(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 remains unchanged from 2012.

The capital structure of the Group and of the Company consist 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.

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 (cont'd)

Gearing ratio

The gearing ratio at the reporting date is as follows:

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Debt (i)	64,105,861	94,459,919	48,400,000	56,800,000
Cash and bank balances	(21,972,087)	(23,961,654)	(1,035,131)	(614,390)
Net debt	42,133,774	70,498,265	47,364,869	56,185,610
Equity (ii)	194,677,310	180,243,269	156,874,859	142,622,681
Net debt to equity ratio	0.22	0.39	0.30	0.39

(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.

Fair values of financial instruments

Foreign exchange forward contracts

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

	Sell USD	Outstanding contracts		Total
		Sell EURO	Buy USD	
2013				
Foreign currency	15,646,936	3,238,028	(55,950)	
Notional value (RM)	50,897,433	14,184,700	(175,036)	
Fair value (RM)	(645,754)	(496,351)	8,208	(1,133,897)
2012				
Foreign currency	14,686,357	5,095,466	(100,000)	
Notional value (RM)	44,230,399	13,422,691	(306,043)	
Fair value (RM)	55,739	(301,609)	273	(245,597)

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

Notes to the Financial Statements (cont'd)

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

Fair values of financial instruments (cont'd)

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 below, 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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group 2013	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial derivatives - foreign currency	-	(1,133,897)	-	(1,133,897)
2012				
Financial derivatives - foreign currency	-	(245,597)	-	(245,597)

There were no transfers between Levels 1 and 2 in 2013.

32. STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

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

	The Group	
	2013 RM	2012 RM
Cash purchase	4,762,302	6,964,712
Advance payments made in prior year	3,890,572	-
Balance outstanding - included in other payables	-	319,978
	<u>8,652,874</u>	<u>7,284,690</u>

Notes to the Financial Statements (cont'd)

32. STATEMENTS OF CASH FLOWS (cont'd)

(b) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting date 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	
	2013	2012	2013	2012
	RM	RM	RM	RM
Cash and other bank balances	21,972,087	23,961,654	1,035,131	614,390
Bank overdrafts	(510,555)	(2,766,562)	-	-
	21,461,532	21,195,092	1,035,131	614,390

33. CAPITAL COMMITMENTS

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

	2013	2012
	RM	RM
Capital expenditure:		
Approved and contracted for	3,906,849	5,207,334
	3,906,849	5,207,334

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:

	2013	2012
	RM	RM
Within one year	578,615	73,950
In the second to fifth year inclusive	2,218,022	-
	2,796,637	73,950

Operating lease payments represent rentals payable by the Group for hostels. Leases are negotiated for terms of five years (2012: one to two years) with an option to renew the lease after that date.

Notes to the Financial Statements (cont'd)

35. PROFIT GUARANTEE

On June 8, 2009, the Company entered into Sale and Purchase Agreements with the Vendors of Pioneer Vantage Limited ("PVL"), Lifestyle Investment (Hong Kong) Limited ("LHK") and Rubberex (Hong Kong) Limited ("RHK") for the purchase of remaining 40% equity interest in PVL and LHK and additional 20% equity interest in RHK. The salient terms of the Sale and Purchase Agreements are as follows:

- (i) The Vendors and the Company collectively are in agreement that based on the management accounts as at April 30, 2009, the expected aggregate Profit After Tax ("PAT") of China Operations (comprise PVL, LHK, RHK, LPL (Hui Zhou) Glove Co. Ltd. and Lifestyle Safety Products (Hui Zhou) Co. Ltd.) for the financial year ending December 31, 2009 is RM20,000,000;
- (ii) The Vendors irrevocably undertake that in the event that China Operations suffer in aggregate a PAT of less than RM20,000,000 in any of the financial years from 2010 to 2014, the Vendors shall bear the share of ten percent (10%) of the shortfall in PAT in each of the relevant years. Conversely, in the event that China Operations attain in aggregate a PAT in excess of RM20,000,000 in each of the relevant years, the Vendors shall be entitled to share ten percent (10%) of the excess in PAT in each of the relevant years provided always that the share of excess shall not exceed twice of the Guaranteed Retention Amount ("GRA") held for each of the relevant years by the Company. GRA to be held by the Company for each of the relevant years is RM2,400,000; and
- (iii) In order to give full effect to the undertaking by the Vendors to the Company, the Company shall retain the aggregate sum of RM12,000,000 being fifty percent (50%) of the total purchase consideration as GRA for the financial years 2010 to 2014, as disclosed in Note 29. However, RM2,400,000 (2012: RM907,343) was adjusted against the GRA held under other payables relating to contingent consideration under this profit guarantee scheme during the current financial year. As of December 31, 2013, total carrying amount of GRA amounted to RM2,400,000 (2012: RM4,800,000).

36. SUBSEQUENT EVENT

An interim dividend of 1.5 sen per ordinary share, tax-exempt, amounting to RM3,409,778 was paid on February 18, 2014 in respect of financial year ending December 31, 2014.

Notes to the Financial Statements (cont'd)

37. 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, 2013 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained earnings of the Company and its subsidiary companies				
Realised	53,326,229	58,226,353	19,873,906	14,066,496
Unrealised	(6,946,722)	(15,283,287)	(5,568,443)	(14,028,714)
	46,379,507	42,943,066	14,305,463	37,782
Add: Consolidation adjustments	(5,605,256)	3,096,955	-	-
Total retained earnings as per statements of financial position	40,774,251	46,040,021	14,305,463	37,782

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 have 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, 2013 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 37, 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' MOHAMED BIN HAMZAH

Ipoh,
March 7, 2014

Declaration by the Director

Primarily Responsible for the Financial Management of the Company

I, **MR. KHOO CHIN LENG**, 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 March, 2014.

Before me,

S. LETCHUMI DEVI (A080)
COMMISSIONER FOR OATHS

Properties Held By The Company And Its Subsidiaries as at 31 December 2013

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]	19.5/3,520
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	15.0/1,119
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	6.0/241
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	8.0/7,944
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	7.0/4,556
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]	19.5/2,065
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	15.0/3,597
Factory buildings located at Daxiotang Village, Luoyang Town, Buluo County, Huizhou City, Guangdong Province, People's Republic of China.	-	Manufacturing, warehouse and office	19,685	2006	8.0/32,177

Rubberex Corporation (M) Berhad

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 Eighteenth Annual General Meeting of the Company to be held at The Rooms (formerly known as Kinta Room), Level 1, Impiana Hotel, 18 Jalan Raja Dr. Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Wednesday, 21 May 2014 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 2013		
2.	To approve the payment of Directors' fees		
3.	Re-election of Director – Encik Sharifuddin bin Shoib		
4.	Re-election of Director – Mr. Poh Choo Lim		
5.	Re-election of Director – Mr. Khoo Chin Leng		
6.	Re-appointment of Director – Dato' Mohamed bin Hamzah		
7.	To appoint Auditors and to authorise the Directors to fix their remuneration		
8.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
9.	Proposed Renewal of Authority for RUBBEREX CORPORATION (M) BERHAD to purchase its own ordinary shares of RM0.50 each representing up to 10% of the issued and paid-up share capital of the Company		
10.	Retention of Independent Non-Executive Director – Dato' Mohamed bin Hamzah		
11.	Retention of Independent Non-Executive Director – Mr. Yap Jek Nan		

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 _____ 2014

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 and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to 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 14 May 2014 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.



Please fold along this line

80 SEN
STAMP
(Within
Malaysia)

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

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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