

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Statements of Comprehensive Income for the financial period ended 31 December 2017

These figures have not been audited

	2017 Current Quarter ended 31 December RM'000	2017 Year-to-Date ended 31 December RM'000	2016 Current Quarter ended 31 December RM'000	2016 Year-to-Date ended 31 December RM'000
Revenue	118,957	405,036	88,324	311,107
Cost of sales	(110,989)	(363,730)	(81,099)	(273,597)
Gross profit	7,968	41,306	7,225	37,510
Other gains and losses	2,045	(4,978)	10,905	11,258
Operating expenses	(4,187)	(16,385)	(6,041)	(19,558)
Profit from operations	5,826	19,943	12,089	29,210
Finance costs	(1,072)	(4,707)	(685)	(2,743)
Profit before tax	4,754	15,236	11,404	26,467
Income tax expense	954	(1,858)	(2,058)	(5,577)
Profit for the period attributable to Equity holders of the Company	5,708	13,378	9,346	20,890
Other comprehensive income, net of tax:				
Foreign currency translation differences for foreign operations	4,270	8,962	1,494	(10,641)
Total comprehensive income for the period attributable to Equity holders of the Company	9,978	22,340	10,840	10,249
Earnings per share:				
Basic (sen)	2.26	5.30	4.08	9.11
Average number of shares in issue:				
Basic	-	252,195,617	-	229,272,150

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Statements of Financial Position as at 31 December 2017

These figures have not been audited

	As at 31 December 2017 RM'000	Year ended 31 December 2016 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	192,556	203,977
Prepaid lease payments	15,996	16,703
Deferred tax asset	1,374	256
Goodwill	2,793	2,793
	<u>212,719</u>	<u>223,729</u>
Current Assets		
Inventories	88,900	84,121
Trade and other receivables	79,081	71,129
Cash and bank balances	28,696	11,804
	<u>196,677</u>	<u>167,054</u>
TOTAL ASSETS	<u>409,396</u>	<u>390,783</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Issued capital	160,191	114,639
Treasury shares	(8)	(8)
Share premium	-	29,503
Other reserves	40,719	40,727
Retained earnings	78,409	66,998
TOTAL EQUITY	<u>279,311</u>	<u>251,859</u>
Non-current Liabilities		
Borrowings	38,782	51,055
Other liabilities	497	-
Deferred tax liabilities	-	-
	<u>39,279</u>	<u>51,055</u>
Current Liabilities		
Trade and other payables	64,770	54,853
Borrowings	26,036	33,016
	<u>90,806</u>	<u>87,869</u>
TOTAL LIABILITIES	130,085	138,924
TOTAL EQUITY AND LIABILITIES	<u>409,396</u>	<u>390,783</u>
Net assets per share (RM)	0.87	1.10

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Statements of Changes in Equity for the financial period ended 31 December 2017

These figures have not been audited

	Attributable to Equity Holders of the Company						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable Reserves			Retained Earnings RM'000	
			Share Premium RM'000	Capital Reserves RM'000	Translation Reserves RM'000		
As at 01 January 2016	114,639	-	29,503	(2,727)	53,783	51,006	246,204
Total comprehensive income for the period	-	-	-	-	-	20,577	20,577
Dividend paid	-	-	-	-	-	(4,585)	(4,585)
Transferred from retained earnings	-	-	-	312	-	-	312
(Purchase)/Resale of treasury shares	-	(8)	-	-	-	-	(8)
Effects of foreign exchange differences	-	-	-	-	(10,641)	-	(10,641)
As at 31 December 2016	114,639	(8)	29,503	(2,415)	43,142	66,998	251,859
As at 01 January 2017	114,639	(8)	29,503	(2,415)	43,142	66,998	251,859
Total comprehensive income for the period	-	-	-	-	-	13,302	13,302
Dividend paid	-	-	-	-	-	(1,891)	(1,891)
Transferred from retained earnings	-	-	-	75	-	-	75
Issuance of new shares	16,049	-	-	-	-	-	16,049
Waiver of debts from subsidiary companies	-	-	-	(9,032)	-	-	(9,032)
Transfer of share premium to share capital	29,503	-	(29,503)	-	-	-	-
Effects of foreign exchange differences	-	-	-	(13)	8,962	-	8,949
As at 31 December 2017	160,191	(8)	-	(11,385)	52,104	78,409	279,311

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying notes attached to the interim financial statements.

RUBBEREX CORPORATION (M) BERHAD

Incorporated in Malaysia

(Company no. 372642-U)

Condensed Consolidated Statements of Cashflows for the financial period ended 31 December 2017

These figures have not been audited

	2017 Year-to-Date ended 31 December RM'000	2016 Year-to-Date ended 31 December RM'000
Net cash generated from operating activities	36,031	25,427
Net cash generated used in investing activities	(21,221)	(26,596)
Net cash generated from/(used in) financing activities	<u>(9,080)</u>	<u>(4,138)</u>
Net increase/(decrease) in cash and cash equivalents	5,730	(5,307)
Effects of foreign exchange differences	13,310	(287)
Cash and cash equivalents at beginning of financial period	<u>8,740</u>	<u>14,334</u>
Cash and cash equivalents at end of financial period	<u>27,780</u>	<u>8,740</u>

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

Cash and bank balances	28,696	20,841
Short term borrowings - bank overdrafts	<u>(916)</u>	<u>(12,101)</u>
	<u>27,780</u>	<u>8,740</u>

The condensed consolidated statements of cashflows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

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

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

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

The accounting policies and methods of computation adopted for the interim financial statements were consistent with those adopted for the annual audited financial statements for the year ended 31 December 2016.

2. Auditor’s Report on Preceding Annual Financial Statements

The auditor’s report on the financial statements of the Group and the Company for the previous year ended 31 December 2016 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group’s products are mainly exported to temperate regions like Europe, USA and Latin America. In tandem with climatic changes, demand for the Group’s products may fluctuate with the seasons.

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

There were no unusual items affecting the Group’s assets, liabilities, equity, net income or cash flows in the financial statements ended 31 December 2017.

5. Changes in Material Estimates

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the financial statements ended 31 December 2017.

6. Changes in Debt and Equity Securities

6.1 Share Buy-back

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

As at 31 December 2017, a total of 10,000 shares were held as Treasury Shares by the Company.

7. Dividends Paid

A total of 1.75 sen tax exempt dividends per ordinary share were paid in respect of the current financial year as follows:-

- (a) First interim dividend of 0.75 sen paid on 18 August 2017; and
- (b) Second interim dividend of 1.0 sen paid on 05 February 2018.



8. Segmental Information

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

	Current Quarter ended 31 December 2017 RM'000	Cumulative year- to-date RM'000
Segment Revenue:		
Malaysia	47,527	195,710
People's Republic of China	128,599	413,787
Europe	22,487	78,500
	198,613	687,997
Group adjustments	(79,656)	(282,961)
Total	118,957	405,036
Segment Results:		
Malaysia	2,568	13,569
People's Republic of China	2,999	4,688
Europe	376	2,512
	5,943	20,769
Group adjustments	(657)	(826)
Total	5,286	19,943

9. Valuation of Property, Plant and Equipment

The Group did not carry out any revaluations on its property, plant and equipment during the current quarter ended 31 December 2017.

The values of property, plant and equipment have been brought forward without amendment from the previous audited financial statements ended 31 December 2016.

10. Subsequent Events

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial period ended 31 December 2017.

11. Changes in the Composition of the Group

There were no changes to the composition of the Group since the last audited financial year ended 31 December 2016.

12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or assets since the last audited financial statements ended 31 December 2016.

13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2017 is as follows:-

	RM'000
Capital expenditure approved and contracted for	3,672



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

1. Review of Performance

The Group achieved a sales turnover of RM118.9 million in the current quarter compared to RM88.3 million in the corresponding quarter ended 31 December 2016. Group pretax profit recorded in the period was RM4.8 million, a decrease of 57.9% from RM11.4 million in the corresponding quarter of the previous year (*unrealized foreign exchange gain of RM5.8 million had been reflected in the fourth quarter of 2016 i.e. the comparable operational profits in this period should be RM5.6 million*). The lower operational profits for fourth quarter of 2017 were mainly due to the strength of the local currency and Chinese Yuan relative to the Group's major trading currencies such as the U.S. Dollar and the Euro.

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

Sales for the fourth quarter of 2017 amounted to RM119.0 million, an increase of 12.5% compared to RM105.8 million reported for the third quarter of the year. Pre-tax profit achieved in the current quarter was RM4.8 million, a significant increase of 84.6% from the previous quarter's profit of RM2.6 million (*which comprised provisional foreign exchange loss of RM3.0 million, hence the comparable operational profits in the previous quarter should be RM5.6 million*). Operationally, the lower pretax profits was due to the Ringgit's strength and unfavourable profit margins as a result of high raw material prices.

3. Current Year Prospects

The Group's performance in the financial year 2017 was satisfactory, particularly from its vinyl and nitrile disposable gloves divisions. After discounting unrealized foreign exchanges gains or losses as a result of investments in China, the Group recorded operational pretax profits of RM19.8 million in 2017, a slight decrease from RM20.7 million achieved in 2016.

For the current financial year 2018, demand for the Group's traditional products, namely general purpose and industrial gloves is expected to remain flat or with slight improvements as we contend with competition, rising material costs and the strong Ringgit.

With growing world demand for disposable gloves in general, the Group is expected to benefit further from its vinyl and nitrile disposable gloves divisions. In financial year 2017, these disposable gloves division combined contributed 66.0% to the Group's revenue compared to 56.5% in the previous financial year 2016. Operationally, pretax profits contribution also increased significantly from 27.8% previously to 48.4% in the financial year just ended.

The Group will focus on increasing the output capacity of both products through higher production efficiencies in its plants as well as installing additional production lines through expansion. However, the positive outlook of these divisions are not without its challenges such as high raw material costs, increasing labour costs and the strong Ringgit/Chinese Yuan against the Group's major trading currencies which shall persist in 2018.

Despite the above undertakings that could negatively impact on the Group's prospects for financial year 2018, the Management is cautiously optimistic on maintaining a favourable performance for the group in the current year.



4. Profit Forecast or Profit Guarantee

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

5. Taxation

	Current quarter ended 31 December 2017 RM'000	Cumulative year- to-date RM'000
Current year – Malaysian income tax	49	2,123
Current year – Foreign income tax	196	934
Deferred tax	(1,199)	(1,199)
Total income tax expense/(credit)	(954)	1,858

6. Sales of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties for the current quarter ended 31 December 2017.

7. Purchase/disposal of Quoted Securities

There were no purchase and/or disposal of quoted securities for the current quarter ended 31 December 2017.

8. Status of Corporate Proposals

There were no corporate proposals not announced or outstanding as at 31 December 2017.

9. Group Borrowings and Debt Securities

	As at 31 December 2017		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term borrowings including trade financing	12,160	13,876	26,036
Term Loans	-	38,782	38,782
	12,160	52,658	64,818

10. Financial Instruments Risks

As at 31 December 2017, the Group has the following foreign currency contracts outstanding:-

Currency	Contracted Amounts '000	Ringgit Equivalent RM'000	Fair Values RM'000	Expiry Periods
U.S. Dollar	17,075	70,634	69,293	January – May 2018
Euro	862	4,305	4,179	January - April 2018
		74,939	73,472	

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

These foreign currency contracts are of a short-term nature. The accounting policy adopted with regards to off balance sheet financial instruments was consistent with those applied in the last audited financial statements as at 31 December 2016.



11. Changes in Material Litigation

There was no outstanding material litigation as at 31 December 2017.

12. Disclosure of Realised and Unrealised Profits/Losses

Group	Current period ended 31 December 2017 RM'000	Period ended 31 December 2016 RM'000
Total retained profits/(loss):		
- Realised	77,869	61,303
- Unrealised	540	5,695
	78,409	66,998

13. Dividend Payable

No dividend is proposed for the current quarter ended 31 December 2017.

14. Earnings per Share ("EPS")

		Cumulative Year-to-Date ended 31 December 2017	Cumulative Year-to-Date ended 31 December 2016
Comprehensive income attributable to ordinary shareholders of the Company	RM'000	13,378	20,890
Weighted average number of ordinary shares in issue	Shares	252,195,617	229,272,150
Basic EPS	sen	5.30	9.11

15. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 28 February 2018.

CHAN CHEE KHEONG (MAICSA 0810287)

Company Secretary

Ipoh, Perak.

28 February 2018