LATEXX PARTNERS BERHAD (86100-V)
(Incorporated in Malaysia)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2013

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard 134 ("MFRS 134"): Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"), International Accounting Standard ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standard Board ("IASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

As of 1 January 2013, the Group has adopted the following new and revised MFRSs, amendments and IC Interpretations which are effective for annual periods beginning on or after 1 January 2013:

MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendment to MFRS 1	First time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendment to MFRS 7	Disclosure-Offsetting financial Assets and Financial Liabilities	1 January 2013
Amendment to MFRS 10	Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendment to MFRS 11	Joint Arrangements : Transition Guidance	1 January 2013
Amendment to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendment to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendment to MFRS 12	Disclosure of Interest in Other Entities: Transition Guidance	1 January 2013
Amendment to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

2. AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENTS

The auditor's report on the financial statements of the Group for the financial year ended 31 December 2012 was not subject to any qualification.

3. SEASONAL OR CYCLICAL FACTORS

The manufacture and export of examination gloves remain the flagship business of the Group and generally, this industry is not subject to seasonal or cyclical type of activity.

4. UNUSUAL ITEMS AFFECTING FINANCIAL STATEMENTS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows because of their nature, size or incidence.

5. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates that have a material effect in the current financial quarter.

6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayment of debt and equity securities during the current financial quarter.

The number of warrants as at 31 March 2013 stood at 36,980,101.

The number of ordinary shares as at 31 March 2013 stood at 238,439,170 (inclusive of treasury shares).

7. DIVIDENDS

The Directors do not recommend the payment of any interim dividends for the current period ended 31 March 2013.

8. SEGMENTAL REPORTING

The Group is principally engaged in the manufacturing and sales of examination gloves. Accordingly, the Group does not have other segment which is to be disclosed under the requirements of Malaysian Financial Reporting Standard "MFRS 8".

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment have been brought forward without amendment from the annual audited financial statements for the year ended 31 December 2012.

10. SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events and transactions during the current financial quarter.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the current financial quarter.

12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Contingent Liabilities

		As at 31.03.2013 RM'000	**As at 31.12.2012 RM'000**
(i)	Corporate Guarantee granted to subsidiary companies:		
	(a) Corporate guarantee for unsecured banking facilities	192,625	192,625
	(b) Corporate guarantee for secured banking facilities	15,500	15,500

(ii) On 24th September 2010, the Director General of the Inland Revenue Board issued a notice of additional tax payable to our subsidiary company, Latexx Manufacturing Sdn. Bhd. "LMSB", arising from a reassessment of tax liability for the year of assessment 2000. The additional tax plus penalty and late payment penalty is RM 7,641,386.91.

The Director General has ruled that LMSB had not complied with one of the conditions as stipulated in the pioneer status certificate issued by the Ministry of International Trade and Industry by exporting examination gloves through Latexx Partners Berhad, "LPB", a parent company that holds 100% shareholding in LMSB. As a consequence of this, the Inland Revenue Board has not allowed LMSB its pioneer status tax incentive.

The Board of Directors is of the opinion that LMSB had complied with all the conditions as stipulated and all goods manufactured by LMSB were ultimately exported. A notice of appeal was filed on 20th October 2010 to the Special Commissioners of Income Tax to reverse the decision of the Director General of the Inland Revenue Board. The Special Commissioners have set 2nd and 3rd May 2012 for the hearing of our appeal.

On 30 November 2011, a Notice of Summon and Statement of Claim was served on LMSB for collection of additional taxes payable based on the reassessment of tax liability for the year of assessment 2000. Under Section 106, Income Tax Act, 1967, such taxes are payable first notwithstanding any appeal made on the assessment. The Board of Directors has agreed for settlement of the claim by the Director General of Inland Revenue Board (Collection Branch) via installment payments of 18 months amounting to RM 7,641,386.91 with effect from 15 January 2012.

The Board of Directors has also noted the confirmation by the Director General of Inland Revenue Board that the settlement of claim does not prejudice LMSB's appeal with the Special Commissioners of Income Tax which has been fixed for hearing on 2 & 3 May 2012 and that all additional tax, penalty and late payment penalty paid in relation to the claim will be returned to LMSB in the event that the appeal to the Special Commissioners of Income Tax is finally determined in favour of LMSB.

Prior to the hearing set for 2nd and 3rd May 2012 before the Special Commissioners with respect to the reassessment of tax liability for the year of assessment 2000, the Inland Revenue Board wrote to the Special Commissioners of Income Tax seeking an adjournment of the case on grounds that the Inland Revenue Board is currently waiting for certain feedback from the Ministry of International Trade and Industry and that the feedback may enable a settlement to be reached by the parties. The Special Commissioners of Income Tax rejected the request for adjournment. However, the hearing did not proceed on 2nd and 3rd May 2012. Instead, on 2nd May 2012, the Special Commissioners of Income Tax issued a direction for a Petition of Appeal to be prepared by LMSB setting out the background facts and relevant prayers requested and that the Inland Revenue Board comment on the same. The Special Commissioners of Income Tax set 23 July, 2012 as a mention date.

LMSB has since then complied with the Special Commissioners of Income Tax's direction to file a Petition of Appeal. During the mention fixed on 23 July, 2012, the Inland Revenue Board informed that they are waiting for certain feedback from the Ministry of International Trade and Industry before a settlement can be reached. In the meantime, the Special Commissioners of Income Tax have fixed the case for hearing on 18 March, 2013 and 19 March, 2013.

As time was short during the hearing on 18 March, 2013 and 19 March, 2013 The Special Commissioners of Income Tax has fixed a further hearing date on 5 July, 2013.

(iii) On 23 June 2011, the Director General of the Inland Revenue Board issued a notice of non-chargeability covering the years of assessment 2002 to 2007 to our subsidiary companies, Latexx Manufacturing Sdn Bhd disallowing *inter-alia* (i) bad debts written off amounting to RM859,067 which was claimed in the year of assessment 2002; and (ii) pioneer status losses carried forward to the year of assessment 2003 amounting to RM 21,715,837.

The Board of Directors is of the opinion that the RM 859,067 in the bad debts written off should be deductible and that the entire losses of RM 21,715,837 that arose during the tenure of pioneer status should be allowed to be carried forward and has accordingly instructed its tax advisors to appeal against the decision of the Director General of Inland Revenue Board.

A notice of appeal was filed on 22 July 2011 to the Special Commissioners of Income Tax.

Pursuant to the Special Commissioners of Tax's directions, LMSB has since filed a Petition of Appeal setting out the background facts and relevant prayers of LMSB. The appeal was fixed for mention before the Special Commissioners of Tax on 30 August, 2012 for parties to prepare the necessary documents for the hearing of the appeal. The Special Commissioners of Income Tax have fixed the case for hearing on 30 July 2013 and 31 July 2013.

LMSB had during the quarter ended 31 December 2012 made additional tax provision of RM8,446,971 in respect of the tax appeal cases as mentioned in note 12 (ii) and (iii). This was a necessary move on the assumption that in the event that the appeals fail, the Inland Revenue Board of Malaysia will claw back the tax incentive given previously with penalty being imposed.

13. CAPITAL COMMITMENTS

There was no material amount of commitments for the purchase of property, plant and equipment in the interim financial statements as at 31 March 2013 except for:

Approved but not contracted for:

Plant & machinery	RM7,300,000

14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties:

	3 months ended 31 March 2013
Transactions with fellow subsidiary companies of Semperit AG Holding:	
Sales of examination gloves	RM27,389,949

15. REVIEW OF PERFORMANCE

	3 Months Ended		
	1Q13	**1Q12**	**Variance**
	RM '000	**RM '000**	**%**
Revenue	94,586	98,988	(4.4)
Profit Before Tax	6,339	11,609	(45.4)
Profit After Tax	5,191	8,357	(37.9)

The Group recorded revenue of RM94.586 million for 1Q13, a decrease of 4.4% from the same quarter a year ago. For the current quarter the Group registered profits before tax of RM6.339 million, compared to profit before tax of RM11.609 million in the corresponding quarter. The Group also recorded profits after tax of RM5.191 million compared to profit after tax of RM8.357 million in the same quarter last year.

The slight decrease in the Group's revenue in the current quarter was attributed to the lower sales volume. The Group also recorded lower profit before tax and after tax during the current quarter compared to the corresponding quarter because of the higher labour cost as a result of the implementation of the minimum wage with effect from 1 January 2013, and higher depreciation charges in the current quarter compared to the corresponding quarter.

16. COMPARISON WITH PRECEDING QUARTER'S RESULT

Financial Year	**2013**	**2012**	
	1Q	**4Q**	**Inc/(Dec)**
	RM '000	**RM '000**	**%**
Revenue	94,586	84,116	12.4
Profit/(Loss) Before Tax	6,339	(99,219)	>100.0
Profit/(Loss) After Tax	5,191	(91,555)	>100.0

In comparison with the preceding quarter, revenue in the current quarter increased by 12.4%. The Group registered profit before tax and profit after tax during the current quarter as compared to the loss in the previous quarter.

The increase in the revenue is due to increase in sales volume as well as average selling price which were contributed by higher order book. The profit before tax and profit after tax recorded in current quarter as compared to the loss before tax and loss after tax in the previous quarter was due to certain write-downs, asset impairments and tax provisions in 4Q 2012.

17. PROSPECTS

The Group remains optimistic due to the fact that the demand for glove is still strong in all markets as there are increasing concerns on the importance of hand protection in all sectors. The near to mid-term outlook of the rubber glove industry remains to be positive.

However, the business environment of the glove industry remains to be challenging. Although the raw material prices have been relatively less volatile in the current quarter, it remains to be one of the main challenges that glove manufacturers face. The other challenges are the fluctuation of US dollar and the implementation of minimum wage with effect from 1/1/2013 that have impact on revenue.

To achieve sustainable competitiveness in the industry, the Group will continue to focus on good management control on costs to enable competitive sales prices. Further to this, the Group plans to step-up automation and to gradually phase out the relatively older machines to improve on productivity and to be more cost efficient.

The Group is confident that with the current undertakings and strategies, it is able to cope with the temporary headwinds and move on to advance its market presence.

18. PROFIT FORECAST

Not applicable as no profit forecast was published.

19. INCOME TAX EXPENSE

	Current Quarter 3 months ended 31.03.2013 RM'000
Income tax expense	(1,000)
Deferred tax expense	(148)
Total	(1,148)

20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale of unquoted investments and properties for the financial quarter under review.

21. PURCHASE OR SALE OF QUOTED INVESTMENTS

There was no purchase or sale of quoted investments during the financial quarter under review.

22. STATUS OF CORPORATE PROPOSALS

On 4 February 2013, the Board of Directors announced that it has received a proposal letter from Semperit Investments Asia Pte. Ltd. ("SIA"), the major shareholder of the Company, to consider undertaking a voluntary withdrawal of Latexx's listing and quotation from the official list of the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to Paragraph 16.06 of the Main Market Listing Requirements of Bursa Securities ("Proposed De-listing").

On 5 February 2013, the Company announced that AmInvestment Bank Berhad has been appointed as the Independent Adviser to advise and make recommendations for the consideration of Latexx's shareholders and warrantholders in connection with the Proposed De-listing as well as the fairness and reasonableness of the exit offer.

On 3 April 2013, the Company held an Extraordinary General Meeting and Warrantholders' Meeting to seek shareholders and warrantholders' approval for the Proposed De-listing. The resolutions on the Proposed De-listing were carried by way of poll.

On the same day, the Company received a notice of Exit Offer from RHB Investment Bank Berhad on behalf of SIA in respect of the latter's intention to acquire the following:

(i) all the remaining ordinary shares of RM0.50 each in Latexx ("Latexx Shares") not already held by SIA (excluding treasury shares);

(ii) all the remaining outstanding warrants 2007/2017 of Latexx ("Warrants") not already held by SIA ("Offer Warrant(s)"); and

(iii) any new Latexx Shares that may be issued arising from the exercise, before the close of the Exit Offer, of the outstanding Warrants and outstanding options granted by Latexx to its eligible directors and employees under its employees' share option scheme,

for a cash consideration of RM2.30 per Latexx Share and RM1.77 per Offer Warrant.

On 12 April 2013, Bursa Securities granted its approval for Latexx's application for the Proposed De-listing. Hence, the sole condition of the Exit Offer has been fulfilled and as such, the Exit Offer has become unconditional on 12 April 2013.

On 24 April 2013, RHB Investment Bank Berhad on behalf of SIA, despatched out the Offer Document, which sets out the details, terms and conditions of the Exit Offer as well as the procedures for acceptance of the Exit Offer to the holders of the offer securities of Latexx. The closing date of the Exit Offer is on 15 May 2013.

On 6 May 2013, AmInvestment Bank Berhad issued the Independent Advice Circular in relation to the Exit Offer and recommended that the holders of the offer securities of Latexx accept the Exit Offer as the terms of the Exit Offer are fair and reasonable and not detrimental to the holders of the offer securities.

On 15 May 2013, the Exit Offer has closed at 5.00 p.m. (Malaysian time) ("**Closing Date**"). SIA has received valid acceptances from the holders of the offer securities of Latexx resulting in SIA holding 225,468,593 ordinary shares of RM0.50 in Latexx, representing 94.65% of the issued and paid-up share capital of Latexx on the Closing Date. As such, the trading in Latexx's securities will be suspended upon the expiry of five (5) market days from the Closing Date or effective 9.00 a.m. on Thursday, 23 May 2013.

23. GROUP BORROWINGS

Group borrowings as at 31 March 2013, all of which are denominated in Ringgit Malaysia

	Secured	**Unsecured**	**Total**
	RM'000	**RM'000**	**RM'000**
Trade facilities		31,155	31,155
Term loan	6,347	3,471	9,818
Finance Lease		29,467	29,467
Total	6,347	64,093	70,441

Payable	
	RM'000
Within 12 months	51,150
After 12 months	19,291
Total	70,441

Secured borrowings are collateralized by the following: -

- Legal charge over the specific machineries of a subsidiary company

24. FINANCIAL DERIVATIVE INSTRUMENTS

During the financial period, the Group had entered into forward foreign exchange contracts to hedge its exposure to fluctuations in foreign exchange risk arising from sales.

As at 31 March 2013, the Group's open forward contracts entered into as hedges of anticipated future transactions are as follows:

Foreign exchange forward contracts	**Period**	**Contract Value RM'000**	**Fair Value RM'000**
US Dollar	Within 2 months	15.595	15.492

The forward foreign exchange contracts are entered with local licensed banks with a view to limit the foreign exchange risk exposure of the Group.

25. MATERIAL LITIGATION

There was no material litigation pending as at the date of this announcement except for the below:

(i) Latexx Manufacturing Sdn Bhd (referred as LMSB), a wholly owned subsidiary of Latexx Partners Berhad, was served a Writ of Summons and Statement of Claims on 21 January 2013 by Sentinel Engineering (M) Sdn Bhd and Hartalega Sdn Bhd (referred as plaintiffs) for the alleged infringement of the arrangement of assembling former holders comprising the claimed feature of Malaysian Patent No MY 140770-A. The Writ of Summons was also served on 5 other glove manufacturing companies and 2 suppliers of glove machinery parts or components. During the case management on 6 March 2013, the court has granted LMSB an extension of time of one month to file the defence and counterclaim on or before 8 April 2013. The civil suit was fixed for further case management hearing on 29 April 2013, and the court directed the plaintiffs to file their reply and defence to counterclaim in response to LMSB's defence and counterclaim by the next case management hearing on 13 June 2013.

26. RETAINED PROFITS

The breakdown of the retained earnings of the Group as of 31 March 2013 into realized and unrealized profits or losses is as follows:

Total Retained Earnings of the Group	**As at 31.03.13 RM'000**	**As at 31.12.12 RM'000**
- Realized	89,362	84,320
- Unrealized	97	(51)
Total	89,459	84,269

27. EARNINGS PER SHARE

a) Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	Current Quarter 3 months ended 31.03.13	**Year To Date 3 months ended 31.03.13**
Net profit attributable to equity holders of the Parent (RM'000)	5,191	5,191
Weighted average number of ordinary shares in issue ('000)	226,197	226,197
Basic earnings per share (sen)	2.29	2.29

b) Diluted earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period after adjusting for the dilutive effects of all potential ordinary shares.

	Current Quarter 3 months ended 31.03.13	**Year To Date 3 months ended 31.03.13**
Net profit attributable to equity holders of the Parent (RM'000)	5,191	5,191
Weighted average number of ordinary shares in issue ('000)	226,197	226,197
Effects of dilutive potential ordinary shares on conversion of warrants ('000)	8,596	8,596
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	234,793	234,793
Diluted earnings per share (sen)	2.21	2.21