

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 2ND QUARTER ENDED 30 JUNE 2010
PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134**

1. Basis of Preparation

The interim financial report has been prepared in accordance with requirement of Financial Reporting Standard (FRS) 134 “Interim Financial Reporting” (previously known as MASB 26) issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Bhd. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2009, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2010.

2. Auditors’ Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2009.

3. Seasonal and Cyclical Factors

The principal business operations of the Group were not affected by any seasonal and cyclical factors.

4. Exceptional and Extraordinary Items

There were no exceptional or extraordinary items in the current quarter under review.

5. Changes in Accounting Estimates

There were no changes in accounting estimates for the current quarter under review.

6. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities

Employee Share Option Scheme

During the current quarter ended 31 March 2010, 366,000 new ordinary shares of RM0.50 each were exercised and issued pursuant to the Company’s Employee Share Option Scheme.

Bonus Issue

On 16 June 2010, 67,891,808 new ordinary shares of RM0.50 each were issued pursuant to the Company’s bonus issue exercise.

7. Dividend Paid

During the current quarter ended 30 June 2010, Supermax paid out a special tax exempt dividend (9%) and final tax exempt dividend (8%) amounting to RM12.2 million and RM10.8 million respectively.

Dividends paid to-date are tabulated below:

| Financial Year | Description | Payment Date | Dividend (%) | Value (RM'000) |
|----------------|---|--|----------------------|---------------------------|
| 2001 | First & final tax exempt dividend | 28.08.2002 | 3.6% | 1,440 |
| 2002 | First & final tax exempt dividend | 27.08.2003 | 4.5% | 1,800 |
| 2003 | First & final tax exempt dividend | 27.08.2004 | 4.5% | 3,638 |
| 2004 | First & final tax exempt dividend | 18.07.2005 | 5.0% | 4,486 |
| 2005 | Interim tax exempt dividend Final tax exempt dividend | 09.01.2006 18.07.2006 | 3.0% 3.5% | 2,695 3,960 |
| 2006 | First & final tax exempt dividend | 18.06.2007 | 6.5% | 7,357 |
| 2007 | Interim tax exempt dividend Final tax exempt dividend | 28.01.2008 28.06.2008 | 3.0% 3.5% | 3,979 4,626 |
| 2008 | Interim tax exempt dividend Final tax exempt dividend | 08.01.2009 08.07.2009 | 3.0% 3.5% | 3,922 4,545 |
| 2009 | Interim tax exempt dividend Special tax exempt dividend Final tax exempt dividend | 18.11.2009 20.04.2010 28.06.2010 | 5.0% 9.0% 8.0% | 6,567 12,213 10,856 |
| | Total | | | 72,084 |

8. Segmental Reporting

For management purposes, the Group is organized into the following operating divisions:

- Investment holding
- Manufacturing of gloves
- Trading of gloves
- Others

| THE GROUP CUMULATIVE 6 MONTHS | Investment Holding RM'000 | Manu- facturing RM'000 | Trading RM'000 | Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|--|---------------------------------------|---------------------------|--------------------------|-------------------------------|--------------------------------|
| Revenue | | | | | | |
| External sales | - | 64,726 | 390,751 | - | - | 455,477 |
| Inter-segment sales | - | 433,570 | 27,137 | 2,336 | (463,043) | - |
| | - | 498,296 | 417,888 | 2,336 | (463,043) | 455,477 |
| Segmental results | (345) | 44,934 | 2,806 | 138 | - | 89,262 |
| Finance costs | | | | | | (7,026) |
| Interest income | | | | | | 41 |
| Share of profit in associated companies | | | | | | 20,837 |
| PBT | | | | | | 103,115 |
| Tax expenses | | | | | | (5,786) |
| Net profit | | | | | | 97,329 |

9. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment.

10. Capital Commitments

As at 23 August 2010, the Group had capital commitments amounting to RM8.4 million for the purchase of plant and equipment. The amount was in respect of production lines to be fabricated and installed at its latest plant.

11. Material Events Subsequent to the End of Period Reported

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

12. Changes in the Composition of the Group

There were no significant changes in the composition of the Group in the interim financial period.

13. Contingent liabilities and contingent assets

Save as disclosed below, there were no contingent liabilities and contingent assets since the last annual balance sheet date: -

1. SPOLYMR (Seal Polymer Industries Berhad) entered into two (2) Sale and Purchase Agreements on 17 August 2004 (the said agreement) to purchase two (2) pieces of property, namely P.N. No. 145074, Lot No. 19789 and H.S.(D) LM 10723, Lot No. 5911, both of Mukim Asam Kumbang, Taiping from Gunung Resources Sdn Bhd (the "Vendor") for the total sum of RM9,280,000 and has since paid to the Vendor a deposit of RM928,000 (deposit). Due to the breach of the terms and conditions of the said agreement, the solicitors for the Company have given notice to the Vendor to terminate the said agreement and for the refund of the deposit.

On 7 September 2006, SPOLYMR filed a writ of summons against the Vendor seeking a declaration that the said agreement is rescinded and the return of the deposit together with interest at the rate of 8% per annum over the deposit amount until date of realisation of the payment and whatsoever relief the court deems fit. The Vendor filed their defence on 12 October 2006. On 6 March 2007, SPOLYMR filed an application by way of summons in chambers seeking an order for the rescission of the said agreement and the return of the deposit. On 25 October 2007, judgment was granted in favour of SPOLYMR. On 6 November 2007 and 23 November 2007, the Vendor filed an appeal and a stay of execution against the judgment granted in favour of SPOLYMR respectively whereupon the stay application was dismissed with costs.

The Vendor then filed a Notis Usul to the Court of Appeal for Stay of Execution and was granted a stay of execution pending hearing of Vendor's appeal subject to the Vendor depositing the judgment sum of RM928,000 in the joint account of the solicitors of the Vendor and SPOLYMR within thirty (30) days from 21 January 2009. The Vendor has deposited a sum of RM928,000 with their solicitors.

Hearing date for the Vendor's appeal proceeded on 14 October 2009 where the Court allowed the Vendor's appeal. The Taiping High Court has now fixed this matter for full hearing on 25, 26 and 27 October 2010.

Additional information required by Bursa Malaysia Securities Bhd Listing Requirements

1. Review of the Performance of the Company and Its Principal Subsidiaries

The Supermax Group's performance for the quarter under review versus the corresponding quarter of the previous financial year is tabled below:

| Description | 2 nd Qtr 2010 RM '000 | 2 nd Qtr 2009 RM '000 | Increase/(Decrease) | |
|-------------------------|-------------------------------------|-------------------------------------|---------------------|-------|
| | | | RM'000 | % |
| Revenue | 234,825 | 188,485 | 46,340 | 24.6% |
| Profit before tax (PBT) | 48,832 | 31,349 | 17,483 | 55.8% |
| Profit after tax (PAT) | 45,856 | 25,783 | 20,073 | 77.9% |

Group revenue rose by 24.6% or RM46.3 million on the back of strong global demand for rubber gloves as well as higher selling prices.

However, despite a challenging operating environment, the Group did well to record profitability growth over the corresponding quarter a year ago. Profit before tax and Profit after tax rose by 55.8% (RM17.5 million) and 77.9% (RM20.1 million) respectively. The improvement in profitability is attributed to the revenue growth as well as cost savings from higher efficiency and productivity from improved processes and refurbished lines.

2. Comparison with Preceding Quarter's Result

The Group's current quarter performance versus the preceding quarter is tabled below:

| Description | 2 nd Qtr 2010 RM '000 | 1 st Qtr 2010 RM '000 | Increase/(Decrease) | |
|-------------------------|-------------------------------------|-------------------------------------|---------------------|---------|
| | | | RM'000 | % |
| Revenue | 234,825 | 220,652 | 14,173 | 6.4% |
| Profit before tax (PBT) | 48,832 | 54,283 | (5,451) | (10.0%) |
| Profit after tax (PAT) | 45,856 | 51,473 | (5,617) | (10.9%) |

Group revenue is higher compared to the preceding quarter by 6.4% or RM14.2 million. The increase is mainly attributed to increased capacity from its newest plant following the commissioning of new lines during the current quarter.

However, latex prices rose to new historical highs during this current quarter and coupled with the strengthening Ringgit, they gave rise to some margin erosion. Profit before tax and Profit after tax fell by of 10.0% (RM5.5 million) and 10.9% (RM5.6 million) respectively.

3. Prospects

The outlook for the rubber glove industry in the medium to longer term remains bright. At present, the industry is confronted by several headwinds, namely high latex prices and a

weak US dollar. However, these headwinds are expected to be temporary in nature and are likely to reverse in the near future.

In the case of latex, we believe prices have been sustained at unusually high levels owing to several factors including the El Nino and La Nina weather anomalies (which affects rubber yield) and speculative buying of rubber commodity. These factors cannot continue indefinitely. As for the USD vs RM factor, this is less easy to forecast but the USD is traditionally a safe haven currency and has the potential to rebound against the RM. Demand also remains healthy with the Group selling forward about 60 days currently.

Global demand and consumption has been growing at between 8 to 10% per annum and this organic growth rate is expected to continue going forward. The industry would see spikes in demand with high demand retention should more countries implement regulations on rubber glove use (e.g. Brazil in 2009) and in the event of disease outbreaks (e.g. H1N1 in 2009).

The passing into law of the US Healthcare Reform Bill is also expected to take consumption of rubber gloves up a notch. The US is already the largest consumer of rubber gloves, accounting for about 40% of global consumption, and this is expected to grow upon implementation. China is another large populous country which has recently unveiled its healthcare reform plans and once implemented, rubber glove consumption would be brought to another level altogether.

Many manufacturers have recently announced capacity expansion plans to take advantage of the strong demand and to address the prevailing supply shortage situation. A severe supply/demand imbalance has arisen as most manufacturers had delayed their expansion plans since the onset of the global economic downturn in 2008 while global demand had continued to grow. These ambitious expansion plans have given rise to the concern of a supply glut. However, this concern is unfounded as the planned expansion cannot take place overnight. This is because there are several bottlenecks hampering capacity expansion. They include the lack of new natural gas supply as well as inability of support industries such as producers of ceramic formers and conveyor chains to meet the demand all at once.

Glove City Project

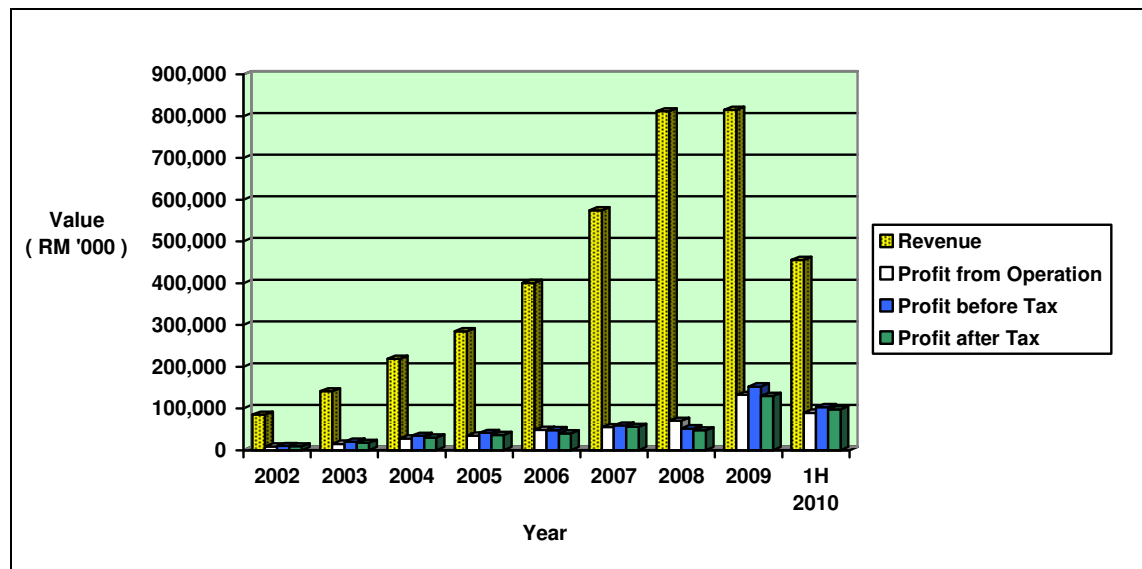
The Company has embarked on Phase No. 1 of the Glove City Project in March 2010 with the commencement of the groundbreaking works. The first factory would be operational by second half of 2011.

The Group's yearly performance as well as current quarter performance is tabled below:

| Description | Year 2005 (RM '000) | Year 2006 (RM '000) | Year 2007 (RM '000) | Year 2008 9RM '000) | Year 2009 (RM '000) | Q1 2010 (RM '000) | Q2 2010 (RM '000) |
|------------------------|--|--|--|--|--|--------------------------------------|--------------------------------------|
| Revenue | 284,688 | 400,325 | 574,260 | 811,824 | 814,836 | 220,652 | 234,825 |
| Profit from operations | 34,444 | 48,158 | 54,983 | 70,203 | 132,445 | 47,576 | 41,728 |

| Description | Year 2005 (RM '000) | Year 2006 (RM '000) | Year 2007 (RM '000) | Year 2008 (RM '000) | Year 2009 (RM '000) | Q1 2010 (RM '000) | Q2 2010 (RM '000) |
|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------|----------------------|
| EBITDA | 44,938 | 61,113 | 93,312 | 101,197 | 205,891 | 66,147 | 60,021 |
| EBITDA Margin | 15.6% | 15.3% | 16.2% | 12.5% | 25.3% | 30.0% | 25.6% |
| Profit before Tax (PBT) | 41,301 | 47,338 | 58,550 | 51,998 | 152,139 | 54,283 | 48,832 |
| PBT Margin | 14.5% | 11.8% | 10.2% | 6.4% | 18.7% | 24.6% | 20.8% |
| Profit after Tax (PAT) | 36,273 | 39,749 | 55,946 | 46,997 | 129,753 | 51,473 | 45,856 |
| PAT Margin | 12.7% | 9.9% | 9.7% | 5.8% | 15.9% | 23.3% | 19.5% |
| No. of Shares | 179,576 | 226,367 | 265,240 | 265,270 | 268,250 | 271,405 | 339,463 |
| Net Tangible Asset (NTA) | 204,522 | 239,904 | 383,789 | 416,380 | 557,999 | 633,702 | 652,009 |
| NTA per share (RM) | 1.14 | 1.06 | 1.45 | 1.57 | 2.08 | 2.33 | 1.92* |
| EPS (sen) | 16.28 | 17.61 | 24.25 | 17.82 | 48.37 | 18.97 | 13.51* |
| Return on Assets (ROA) | 7.7% | 7.6% | 6.4% | 5.0% | 13.9% | NM | NM |
| Return on Equity (ROE) | 17.7% | 16.6% | 14.6% | 11.3% | 23.3% | NM | NM |

* Both NTA and EPS have seen some dilution in Q2'2010 owing to the increase in share base following the completion of a bonus issue exercise on 21 June 2010.
 NM Not meaningful



4. Variance of Actual and Forecasted Profit and Shortfall in Profit Guarantee

This is not applicable to the Group for the current quarter under review.

5. Taxation and Variance between the Effective and Statutory Tax Rate

| | Quarter Ended 30.6.2010 RM '000 | Year to Date Ended 30.6.2010 RM '000 |
|--------------|--|---|
| Income tax | 2,976 | 5,786 |
| Deferred Tax | - | - |
| Total | 2,809 | 2,809 |

The effective tax rate of the Group is lower than statutory income tax mainly because of reinvestment allowance claimed by certain subsidiary companies.

6. Profit/(Loss) On Sale Of Unquoted Investment and/or Properties

There were no sales of investment and /or properties for the financial period under review.

7. Quoted Investment

There were no purchases or sales of quoted securities during the current financial period.

8. Status of Corporate Proposals Announced

Supermax's bonus issue amounting to 67,891,808 new ordinary shares of 50 sen each was completed on 21 June 2010.

9. Group Borrowings And Debt Securities

Group borrowings as at 30.6.2010 are as follows: -

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|------------------------------------|---------------------------|-----------------------------|-------------------------|
| Short term borrowings | | | |
| Trade Facilities | - | 121,056 | 121,056 |
| Hire purchase due within 12 months | 4,084 | - | 4,084 |
| Term loan due within 12 months | 7,837 | 10,736 | 18,573 |
| | 11,921 | 131,792 | 143,713 |
| Long term borrowings | | | |
| Hire purchase due after 12 months | - | - | - |
| Term loan due after 12 months | 14,863 | 146,706 | 161,569 |
| | 14,863 | 146,706 | 161,569 |
| Total borrowings | 26,784 | 278,498 | 305,282 |

* 84% of the short term borrowings comprise trade facilities amounting to RM143.7 million that are revolving in nature for working capital purposes. These facilities bear relatively low interest rates ranging from 2.1% to 3.5%.

10. Financial Instruments with Off Balance Sheet Risks

There were no financial instruments with off balance sheet risk as at 23.8.2010 (the latest practicable date which shall not be earlier than 7 days from the date of this quarterly report).

11. Pending Material Litigation

There are no major changes in material litigation since the last annual balance sheet date except where disclosed in Note 13 to the Interim Financial Report.

12. Dividends Proposed

The Board of Directors has proposed an interim dividend of 5% tax exempt amounting to RM8.4 million to be paid on 1 October 2010 in respect of the financial year ending 31 December 2010.

13. Earnings per Share (EPS)

Basic earnings per share

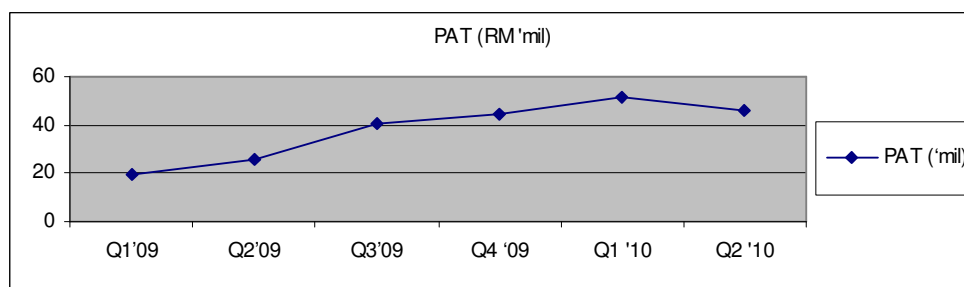
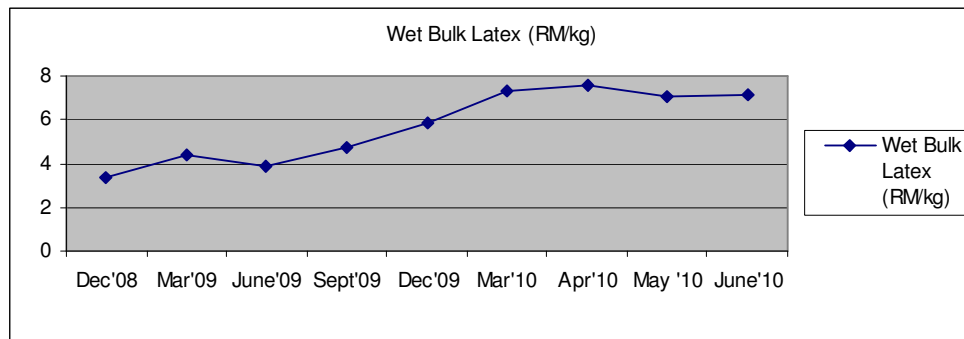
| | 2010 Current Quarter Ended 30.6.2010 | 2010 6 months Cumulative to date |
|--|---|---|
| Net profit / (loss) (RM'000) attributable to ordinary shareholders | 45,856 | 97,329 |
| Weighted average ('000) Number of ordinary shares in issue | 339,463 | 339,463 |
| Basic earnings per share (sen) | 13.51 | 28.67 |

14. Management of Latex Cost Fluctuations

Rubber latex costs, the main raw material cost in the manufacturing of rubber gloves, forms between 50% and 60% of the Group's costs and any increase in this cost item must be well managed.

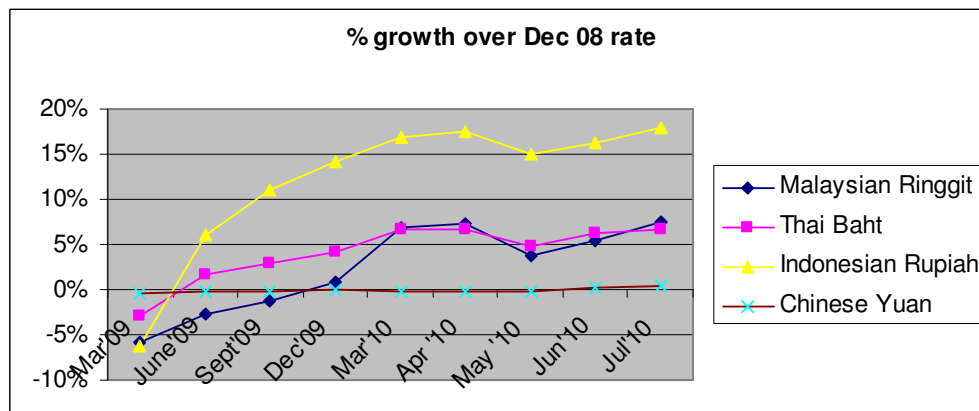
The Group has a pricing mechanism in place whereby any fluctuation in this cost component is factored into the pricing process for the Group's rubber glove products. What this means is that effectively, the cost increases can be passed on to consumers, albeit with a short time lag, thus maintaining the Group's profitability.

Below are 2 line graphs depicting the correlation between the price of rubber latex and the Group's Profit after Tax.



15. Management of Foreign Exchange Rate Fluctuations

Foreign exchange is another factor that may have a significant impact on the Group's performance. While the Ringgit has been strengthening against the USD in recent quarters, the currencies of most of the major rubber glove producing countries have similarly appreciated. In the case of the Indonesian Rupiah, it has appreciated against the USD by 16% compared to just 6% for the Ringgit since 2008. In conclusion, Malaysian exports remain competitive against the major competing nations.

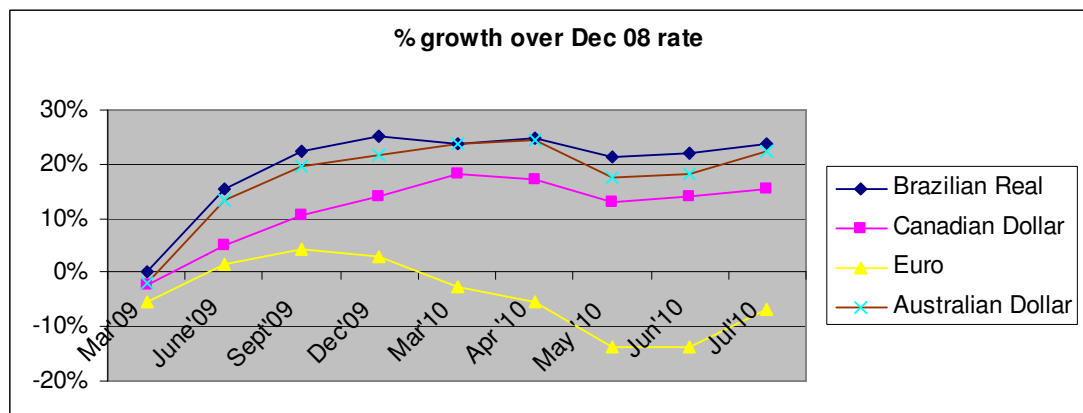


Exchange rate (1USD)

Currencies of Major Rubber Glove Producing Countries

| | Mar'09 | June'09 | Sept'09 | Dec'09 | Mar'10 | Apr '10 | May '10 | Jun'10 |
|-------------------|--------|---------|---------|--------|--------|---------|---------|--------|
| Malaysian Ringgit | -6% | -3% | -1% | 1% | 7% | 7% | 4% | 6% |
| Thai Baht | -3% | 2% | 3% | 4% | 7% | 7% | 5% | 6% |
| Indonesian Rupiah | -6% | 6% | 11% | 14% | 17% | 18% | 15% | 16% |
| Chinese Yuan | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

The USD has also been depreciating against most of the currencies of the countries in which the Supermax Group has associated companies. Besides the Euro, all the other currencies, i.e. Brazilian Real, Canadian Dollar, and Australian Dollar have all appreciated against the USD, allowing the associated companies to derive foreign exchange gains. This has resulted in the Supermax Group accounting for higher share of profit from associated companies.



Exchange rate (1USD)

Currencies of Associated Companies (foreign distribution centres)

| | Mar'09 | June'09 | Sept'09 | Dec'09 | Mar'10 | Apr '10 | May '10 | Jun'10 |
|-------------------|--------|---------|---------|--------|--------|---------|---------|--------|
| Brazilian Real | 0% | 16% | 23% | 25% | 24% | 25% | 21% | 22% |
| Canadian Dollar | -2% | 5% | 11% | 14% | 18% | 17% | 13% | 14% |
| Euro | -6% | 1% | 4% | 3% | -3% | -6% | -14% | -14% |
| Australian Dollar | -2% | 13% | 20% | 22% | 24% | 24% | 17% | 18% |