

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 31 MARCH 2011  
PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134**

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**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 2010.

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 2010, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2011.

**2. Auditors’ Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2010.

**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 2011, there were no new ordinary shares exercised and issued pursuant to the Company’s Employee Share Option Scheme.

**7. Dividend Paid**

An interim dividend of 5% tax exempt amounting to RM8.5 million was paid on 18 March 2011 in respect of the financial year ended 31 December 2010.

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	09.01.2006	3.0%	2,695
	Final tax exempt dividend	18.07.2006	3.5%	3,960
2006	First & final tax exempt dividend	18.06.2007	6.5%	7,357
2007	Interim tax exempt dividend	28.01.2008	3.0%	3,979
	Final tax exempt dividend	28.06.2008	3.5%	4,626
2008	Interim tax exempt dividend	08.01.2009	3.0%	3,922
	Final tax exempt dividend	08.07.2009	3.5%	4,545
2009	Interim tax exempt dividend	18.11.2009	5.0%	6,567
	Special tax exempt dividend	20.04.2010	9.0%	12,213
	Final tax exempt dividend	28.06.2010	8.0%	10,856
2010	1 <sup>st</sup> Interim tax exempt dividend	01.10.2010	5.0%	8,486
	2 <sup>nd</sup> interim tax exempt dividend	18.03.2011	5.0%	8,502
	<u>Proposed</u> Final tax exempt dividend *	TBC	5.0%*	8,502e
	<b>Total</b>			<b>97,574e</b>

\* = subject to shareholders' approval at upcoming Annual General Meeting

e = estimated

## 8. Segmental Reporting

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

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

<b>THE GROUP CUMULATIVE 3 MONTHS</b>	<b>Investment Holding RM'000</b>	<b>Manu- facturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>						
External sales	3,950	43,363	194,057	-	-	241,370
Inter-segment sales	-	216,219	17,236	969	(234,424)	-
	<u>3,950</u>	<u>259,582</u>	<u>211,293</u>	<u>969</u>	<u>(234,424)</u>	<u>241,370</u>
Segmental results	3,773	12,657	2,202	(190)	-	18,442
Finance costs						(3,316)
Interest income						-
Share of profit in associated companies						10,488
PBT						<u>25,614</u>
Tax expenses						<u>(1,210)</u>
PAT						<u>24,404</u>
Minority interest						<u>(11)</u>
Net profit						<u><u>24,393</u></u>

## 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 6 May 2011, the Group had capital commitments amounting to RM8.0 million for the purchase of land, plant and equipment. Plant & equipment includes the production lines to be fabricated and installed at its plants in Sg Buloh, Meru and Alor Gajah.

**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: -

SPENSER (Spenser Glove Manufacturing 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, SPENSER 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, SPENSER 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 SPENSER. 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 SPENSER 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 SPENSER within thirty (30) days from 21 January 2009. The Vendor has deposited a sum of RM928,000 with their solicitors.

Hearing of the Vendor's appeal proceeded on 14 October 2009 whereby the Court allowed the appeal. The matter proceeded with full trial on 24 and 25 February 2011 at the High Court at Taiping. On 28 April 2011, the court dismissed SPENSER's claim. SPENSER shall be filing an appeal against the decision.

**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	1st Qtr 2011 RM '000	1st Qtr 2010 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	241,370	220,652	20,718	9.4
Profit before tax (PBT)	25,614	54,282	(28,668)	(52.8)
Profit after tax (PAT)	24,404	51,473	(27,069)	(52.6)

While revenue has grown for the current quarter compared to the corresponding quarter last year, profit margins have been eroded mainly due to continuous high latex prices and unfavourable exchange rates which are tabled below:

Description	1st Qtr 2011	1st Qtr 2010	Increase/(Decrease) %
Average latex price (per kg/wet)	RM10.18	RM6.98	45.8
USD/MYR	3.05	3.37	(9.5)

**2. Comparison with Preceding Quarter's Result**

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

Description	1st Qtr 2011	4th Qtr 2010	Increase/(Decrease)	
	RM '000	RM '000	RM'000	%
Revenue	241,370	232,669	8,701	3.7
Profit before tax (PBT)	25,614	32,808	(7,194)	(21.9)
Profit after tax (PAT)	24,404	32,706	(8,302)	(25.4)

The continuous rise in latex costs and the weakening of the USD are proving to be persistent challenges faced by the rubber glove industry. Nevertheless, Management is taking all possible measures to tackle these headwinds and minimise their effects. Glove prices are raised in tandem with latex price increases and Management has taken steps to adjust glove prices on a more regular basis to pass through the cost increases. Cost-cutting measures are also being put in place. However, the good news is that since middle of April, 2011, natural rubber latex prices have been declining, from the all time high of RM10.87 per kg wet on April 7, 2011 to RM9.46 per kg wet on May 6, 2011.

### 3. Prospects

#### *Global Demand & Consumption of Gloves Remains Robust*

The rubber glove industry continues to face strong challenges at present but the industry remains resilient as shown over the years. The USD has remained weak and the latex prices stubbornly high for an unusually long period. We believe the USD will not see as drastic a fall this year as last year and the latex prices are already well-off their highs (from record high of RM10.87 per kg wet on April 7, 2011 to RM9.46 per kg wet on May 6, 2011) and are expected to continue to correct itself to more reasonable levels this year as more supply comes into the market and the wintering season ends at the end of the first quarter of 2011.

Fundamentally and on the whole, rubber glove demand is still robust. While demand had normalised to 45 – 60 days lead times in Q3 last year, demand has come back strongly and lead times have again stretched to 75 – 90 days. Buyers have come to terms with the high latex prices and come back to replenish their stocks. Some have taken the added steps of switching their demand from powder free NR gloves, which are now the most expensive range of gloves, to nitrile gloves which are currently cheaper than even powdered NR gloves. Traditionally, nitrile gloves were 15 – 20% more expensive than powder-free NR gloves.

Moving forward, we expect demand to remain strong, driven by new usages for gloves, rising demand from developing countries that are growing more affluent and spending more on healthcare and more and more countries regulating their healthcare industry.

#### *Switching More Production to Nitrile Powder-Free Gloves*

On the existing capacity, the Group has switched more of its production lines to produce nitrile glove up to 33% currently and possibly up to between 40%-45% of total installed capacity. This is in line with the growing demand for nitrile gloves from the Hospital sector as nitrile glove prices are now lower than natural rubber latex glove prices.

Should the demand for nitrile gloves continue to rise, the Group is well placed to meet the market demands as up to 70% of the Group's production lines are built to be inter-switchable between natural rubber and nitrile rubber.

#### *Expansion Plans*

Meanwhile, the Supermax Group will continue to implement its expansion plan for this year and also next. The Group has recently acquired a piece of land behind an existing plant in Meru, Klang and will fast track the construction of a new plant here where basic infrastructure is available. The Group is also continuing to rebuild its Sg Buloh Lot 42 plant into a full surgical glove production facility which when completed will increase the Group's surgical glove capacity by more than 10-fold. The new capacity from the new plant in Meru and the rebuilt Sg Buloh Lot 42 plant will enable the Group to reduce the lead times to meet demand and also to capitalise on the expected rise in demand.

***Earnings Guidance for FY2011***

Management had earlier in the year targeted earnings growth of between 15% and 20% for FY 2011. However, in view of the significant volatility of foreign exchange rates and latex prices, we will conduct a review of our earnings guidance after completion of Q2 2011.

Below are the tables showing historical price trend of NR and Nitrile latex, Foreign exchange fluctuations and glove price movements:

<b>Natural Rubber Latex</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>	<b>Q1 2011</b>	<b>Q1 vs Q2 %</b>
USD	2,230	2,210	2,735	3,338	+49.7%
RM	7,227	6,989	8,507	10,181	+40.9%
(MYR/USD)	3.24	3.16	3.11	3.05	(5.9%)

<b>Synthetic Latex (Nitrile)</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>	<b>Q1 2011</b>	<b>Q1 vs Q2 %</b>
USD	1,386	1,436	1,450	1,500	+8.2%
RM	4,491	4,535	4,510	4,575	(1.9%)
(MYR/USD)	3.24	3.16	3.11	3.05	(5.9%)

**Average Selling Prices**

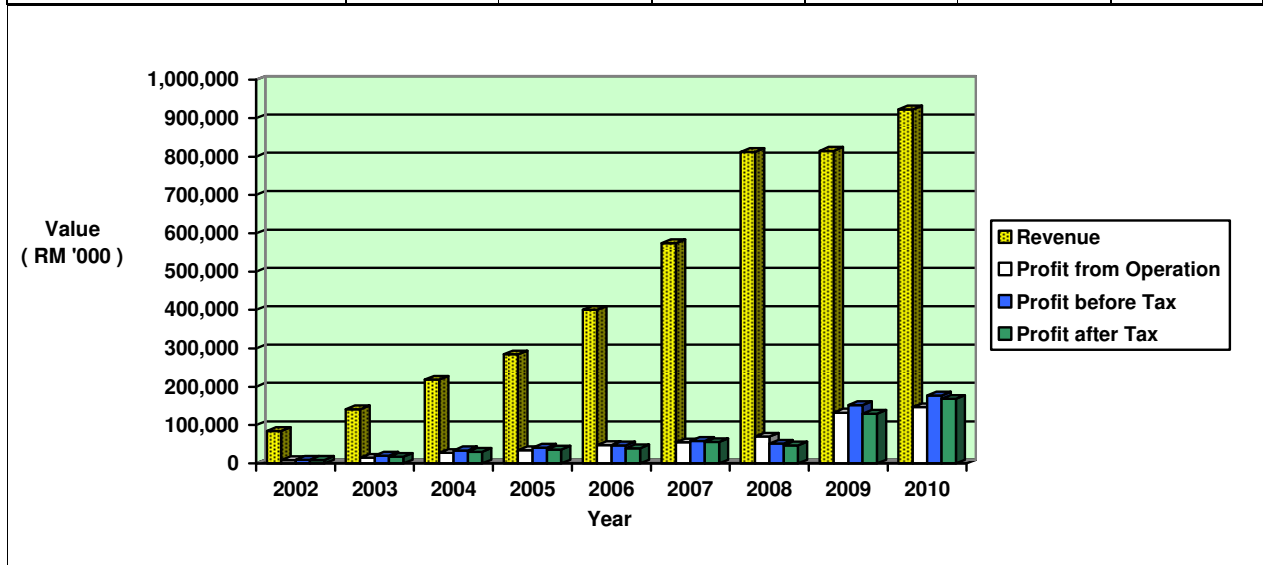
	<b>Q2 2010 USD</b>	<b>Q3 2010 USD</b>	<b>Q4 2010 USD</b>	<b>Q1 2011 USD</b>
(USD/ 1,000 pcs)				
Powdered Latex Gloves	25.55 - 28.95	24.95 - 28.95	25.50 - 36.95	31.50 - 38.95
Powder-Free Latex Gloves	32.95 - 34.95	31.45 - 34.95	33.65 - 40.95	40.95 - 43.95
Nitrile - 2.5mil	Not offered	Not offered	25.95 - 27.95	25.95 - 27.95
Nitrile - 3.0mil	31.75 - 33.95	28.95- 33.95	26.50 - 27.95	26.50 - 27.95
Nitrile - 4.0mil	32.75 - 34.95	29.95- 34.95	27.95 - 29.95	27.95 - 29.95
Nitrile - 5.0mil	33.75 - 35.75	32.95- 37.95	32.50 - 34.95	32.50 - 34.95
(MYR/USD)	3.24	3.16	3.11	3.05

Supermax Group has been actively adjusting selling prices to mitigate the impact of increased raw material prices as well as the unfavourable foreign exchange rates.

The weakening USD against MYR has made raw material purchased in USD terms cheaper. Supermax Group sources almost 50% of its natural rubber latex from neighbouring countries which are quoted in USD. This serves as a natural hedge.

The Group's yearly performance is tabled below:

Description	Year 2006 (RM '000)	Year 2007 (RM '000)	Year 2008 (RM '000)	Year 2009 (RM '000)	Year 2010 (RM '000)	3 Months Q1 2011 (RM '000)
Revenue	400,325	574,260	811,824	803,633	977,281	241,370
Profit from operations	48,158	54,983	70,203	131,710	155,458	18,442
EBITDA	61,113	93,312	101,197	205,670	223,373	37,606
EBITDA Margin	15.3%	16.2%	12.5%	25.6%	22.9%	15.6%
Profit before Tax (PBT)	47,338	58,550	51,998	151,470	183,835	25,614
PBT Margin	11.8%	10.2%	6.4%	18.8%	18.8%	10.6%
Profit after Tax (PAT)	39,749	55,946	46,997	126,585	158,955	24,404
PAT Margin	9.9%	9.7%	5.8%	15.8%	16.3%	10.1%
No. of Shares	226,367	265,240	265,270	268,250	340,077	340,077
Net Tangible Asset (NTA)	239,904	383,789	416,380	558,835	691,468	708,351
NTA per share (RM)	1.06	1.45	1.57	2.08	2.03	2.08
EPS (sen)	17.61	24.25	17.82	48.61	46.74	7.18
Return on Assets (ROA)	7.6%	6.4%	5.0%	13.4%	14.9%	N/A
Return on Equity (ROE)	17.7%	16.6%	14.6%	11.3%	23.0%	N/A





**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**

	<b>Quarter Ended 31.3.2011 RM '000</b>	<b>Quarter Ended 31.3.2010 RM '000</b>
Income tax	1,210	2,809
Deferred Tax	-	-
<b>Total</b>	<b>1,210</b>	<b>2,809</b>

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**

There were no corporate proposals announced as at 6 May 2011 (the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report).

**9. Group Borrowings and Debt Securities**

Group borrowings as at 31.3.2011 are as follows: -

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Short term borrowings	2,819	141,343	144,162
Long term borrowings	2,384	178,283	180,667
<b>Total borrowings</b>	<b>5,203</b>	<b>319,626</b>	<b>324,829</b>

\* 89% of the short term borrowings comprise trade facilities amounting to RM128.3 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 6.5.2011 (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 a final dividend of 5% tax exempt for financial year ended 31 December 2010 subject to shareholders' approval at the upcoming Annual General Meeting.

**13. Earnings per Share (EPS)**

**Basic earnings per share**

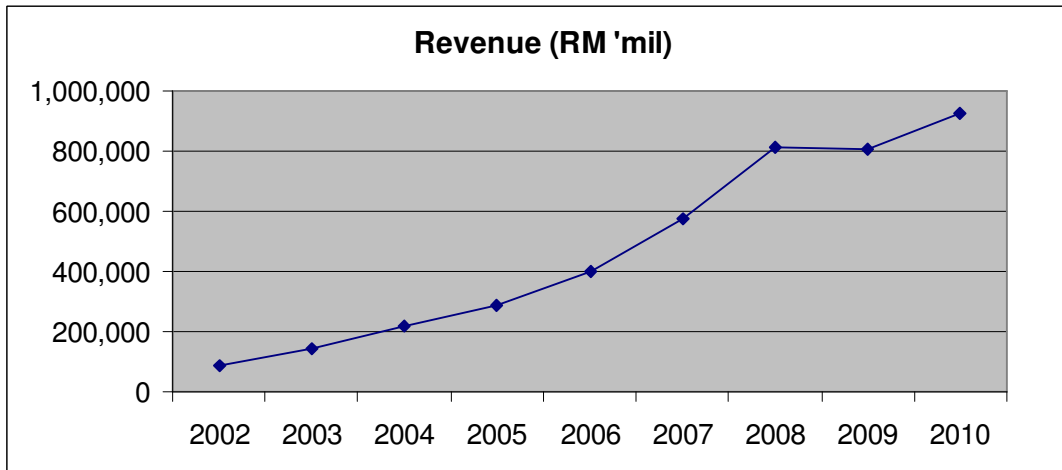
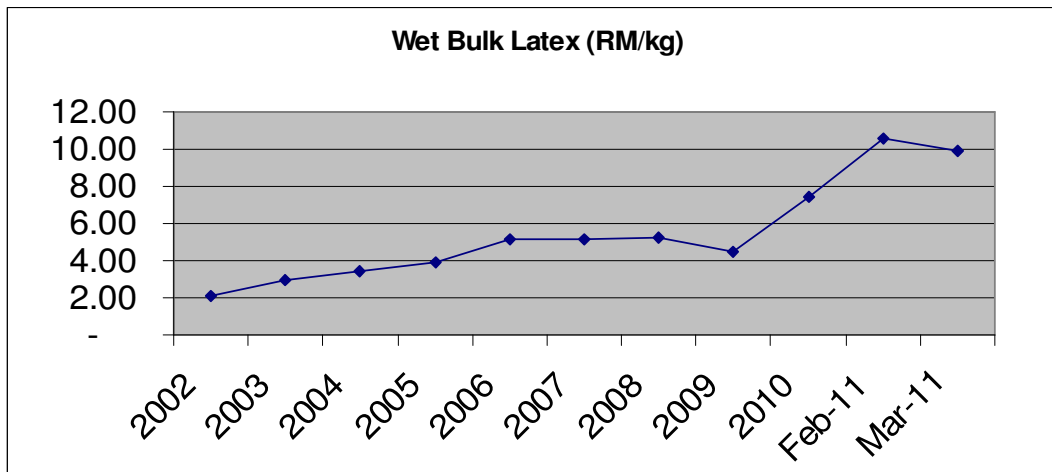
	<b>2011 Current Quarter Ended 31.3.2011</b>	<b>2011 3 months Cumulative to date</b>
Net profit / (loss) (RM'000) attributable to ordinary shareholders	24,404	24,404
Weighted average ('000) Number of ordinary shares in issue	340,077	340,077
Basic earnings per share (sen)	7.18	7.18

**14. Management of Latex Cost Fluctuations**

Rubber latex costs, the main raw material cost in the manufacturing of rubber gloves, forms between 60% and 70% 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 Sales Revenue.

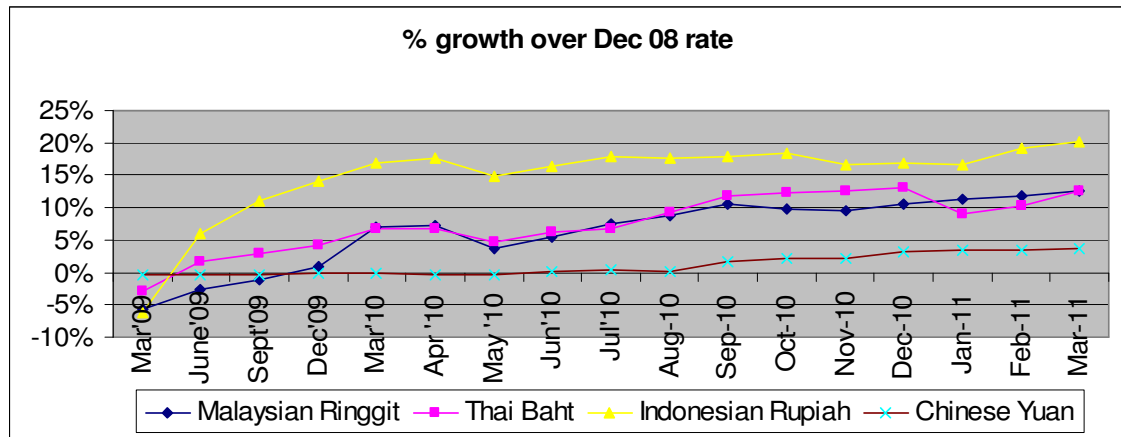


## 15. Management of Foreign Exchange Rate Fluctuations

### Currency trend for competing nations

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 and the Thai Baht, they have both appreciated against the USD by 20% and 13% respectively compared to 12% for the Ringgit since 2008. In conclusion, Malaysian exports remain competitive against the major competing nations.

Below is a graph and table depicting the currency growth of the major rubber glove producing countries:



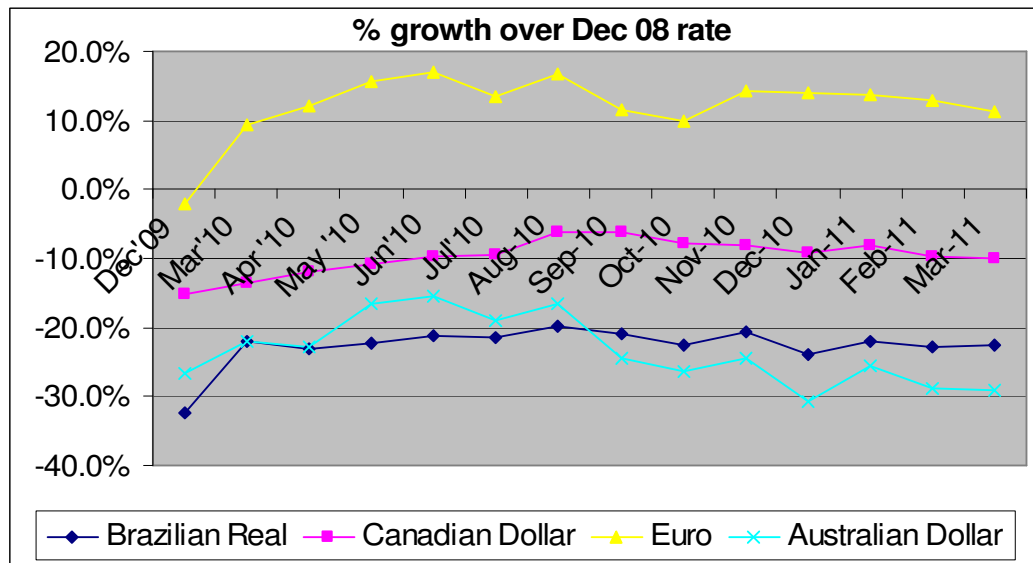
**Exchange rate (1USD) vs Dec 08 rate**

**Currencies of Major Rubber Glove Producing Countries**

	Aug10	Sep10	Oct-10	Nov10	Dec10	Jan-11	Feb-11	Mar-11
Malaysian Ringgit	9%	10%	10%	10%	10%	11%	12%	12%
Thai Baht	9%	12%	12%	13%	13%	9%	10%	13%
Indonesian Rupiah	18%	18%	18%	17%	17%	17%	19%	20%
Chinese Yuan	0%	2%	2%	2%	3%	4%	4%	4%

**Currency trend for associates**

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



**Exchange rate (1USD) vs Dec 08 rate**

**Currencies of Countries Where Our Associated Companies Operate**

	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan11	Feb11	Mar11
Brazilian Real	-19.8%	-21.0%	-22.5%	-20.8%	-23.9%	-21.9%	-22.8%	-22.6%
Canadian Dollar	-6.1%	-6.1%	-7.8%	-8.2%	-9.3%	-8.2%	-9.8%	-10.1%
Euro	16.8%	11.7%	9.9%	14.3%	14.0%	13.7%	13.0%	11.2%
Australian Dollar	-16.6%	-24.3%	-26.4%	-24.3%	-30.7%	-25.6%	-28.8%	-29.0%

In conclusion, so long as the MYR appreciation against the USD is in tandem with the currencies of the other major rubber glove producing countries, gloves made in Malaysia will remain globally competitive.