



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 31 MARCH 2012  
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 2011.

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 2011, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2012.

**2. Auditors’ Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2011.

**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 2012, there were no new ordinary shares exercised and issued pursuant to the Company’s Employee Share Option Scheme.

Share Buyback

During the quarter, the Company’s share buyback transactions totalled 600,000 shares. Number of shares retained as treasury shares as at 31 March 2012 stood at 600,000.



**7. Dividend Paid**

There were no dividends paid during the current quarter ended 31 March 2012. The Board of Directors has proposed a final dividend of 3.5% tax exempt amounting to RM 11.9 million in respect of the financial year ended 31 December 2011 which is to be paid on 28 June 2012. The final dividend is subject to shareholders approval at the upcoming Annual General Meeting to be held on 30 May 2012.

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
2010	1 <sup>st</sup> interim tax exempt dividend 2 <sup>nd</sup> interim tax exempt dividend Final tax exempt dividend	01.10.2010 18.03.2011 28.07.2011	5.0% 5.0% 5.0%	8,486 8,502 8,502
2011	1 <sup>st</sup> Interim tax exempt dividend Final tax exempt dividend*	08.12.2011 28.06.2012*	6.0% 3.5%^	10,202 11,903e
	<b>Total</b>			<b>119,679e</b>

\* = Proposed by the Board of Directors and subject to shareholders' approval at upcoming Annual General Meeting

e = estimated

^ = note that the dividend rate is based on 680.2 million shares following a 1-for-1 bonus issue completed on 31<sup>st</sup> January 2012



**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	-	95,011	153,511	-	-	248,522
Inter-segment sales	-	135,799	17,927	1,092	(154,818)	-
	-	230,810	171,438	1,092	(154,818)	248,522
Segmental results	(174)	20,057	3,938	(82)		23,739
Finance costs						(2,587)
Interest income						629
Share of profit in associated companies						8,924
PBT						30,705
Tax expenses						(2,680)
Minority Interest						(43)
PAT						27,982

**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 May 2012, the Group had capital commitments amounting to RM 30.7 million for the purchase of plant and equipment. Plant & equipment includes the production lines as well as ancillary machineries to be fabricated and installed at its factories.



**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 current quarter.

**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 an Originating Motion 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 has filed an appeal to the Court of Appeal against the decision on 11 May 2011 which is now pending disposal.



**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	1 <sup>st</sup> Qtr 2012 RM '000	1 <sup>st</sup> Qtr 2011 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	248,522	241,370	7,152	+ 3.0
Profit before tax (PBT)	30,705	25,614	5,091	+ 19.9
Profit after tax (PAT)	28,025	24,404	3,621	+ 14.8

The Group recorded a 3.0 % increase in revenue compared to the corresponding quarter last year on the back of stronger demand for rubber gloves. The stronger demand was attributed to customers taking advantage of average selling prices that were about 20% lower compared to last year.

Meanwhile, Profit before Tax and Profit after Tax rose by 19.9% and 14.8% respectively compared to last year. The improvement in profitability was largely due to lower raw material costs (natural rubber latex prices fell by 27% during this period) as well as greater operating efficiency at all of its factories.

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

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

Description	1 <sup>st</sup> Qtr 2012	4 <sup>th</sup> Qtr 2011	Increase/(Decrease)	
	RM '000	RM '000	RM'000	%
Revenue	248,522	276,200	(27,678)	(10.0)
Profit before tax (PBT)	30,705	29,311	1,394	+4.8%
Profit after tax (PAT)	28,025	28,056	(31)	(0.1%)

The Group's revenue was lower by 10.0% despite a 2.5% increase in the number of gloves sold compared to the preceding quarter. This is largely due to the current trend whereby more and more customers are opting for thinner and lighter gloves.

Despite the abovementioned lower revenue as well as higher latex costs by about 3% and weaker USD also by about 3%, the Group did well to maintain its profitability. The local manufacturing operations continue to run efficiently while profit contribution from overseas subsidiaries and associated companies was higher as they took advantage of lower priced stocks carried over. In the previous quarter, Management had taken the prudent decision to clear the high priced stocks.



#### 4. Prospects

##### **Rubber Glove Industry To Resume Profit Growth**

With the very challenging year of 2011 behind us, the Group looks forward to a better year ahead. The signs are positive as natural rubber prices have eased to the RM 7 per kg wet level after rising to nearly RM 8 per kg wet earlier this year. With more and more rubber supply coming on stream, we expect prices to continue to moderate to RM 6.00 to RM 6.50 per kg wet for this year. Nitrile prices have also eased by about 11% to the USD 1,600 per metric ton level compared to nearly USD 1,800 at the end of the last year and this should contribute to greater profitability.

The signs are also good in terms of foreign exchange rates as we are seeing the USD strengthening. In recent weeks, the USD has climbed to USD1/RM3.15 levels after languishing at the USD1/RM3.02 levels at the beginning of this month.

##### **Expansion Plans**

###### ***Expansion of Surgical Glove Capacity***

The surgical glove capacity expansion at the Sg Buloh plant is progressing with 2 of the 7 lines planned having been commissioned last month. The remaining lines will continue to be commissioned in stages and once completed we would be well placed to secure greater market share in this segment. Additional contribution of sales of surgical gloves would be reflected from 2nd Quarter, 2012 onwards.

###### ***Expansion of Nitrile Latex Examination Gloves Capacity***

Besides surgical gloves, the Group is also moving ahead with its plans to build plants #10 and #11 over the next 2 years in Meru, Klang. These new plants will have lines that are built to be inter-switchable between natural rubber and Nitrile rubber glove production but have currently been earmarked for Nitrile in tandem with market demand.

Works are also ongoing to refurbish the older plants by replacing old lines with newer more efficient lines including one particular plant currently being converted from a natural rubber plant into a full Nitrile producing facility.

When the 2 new plants as well as the converted plant have been fully commissioned by the 4<sup>th</sup> quarter of 2013, it would more than double the Supermax Group's current Nitrile capacity from 5.2 billion pieces per annum to **10.5 billion pieces per annum**. This increase in production capacity of Nitrile Gloves will result in total contribution of **52%** of the entire Supermax Group's total installed capacity to be **on Nitrile Gloves & 48%** composition of installed capacity remain to be on NR Latex Gloves.



The additional capacity from the Group's new plants as well as the rebuilt plant will not only enable the Group to reduce the lead times to meet demand of Nitrile Gloves but also improve profitability through higher efficiency and better productivity. In addition, the increase in production capacity of Nitrile Glove would provide Not only to Manufacturing Division's additional new sales & additional profits, it also provides additional new sales and additional profits contribution to Supermax Group's overseas distribution activities, providing additional income and increase in market shares of Nitrile Gloves where the Group's overseas distribution companies operate.

#### **Expansion of National Distribution Headquarters in USA**

In February 2012, a subsidiary of Supermax Group purchased a 14.06 acres of land in the suburb of Chicago, Illinois, USA to custom designed and build a new office and a warehouse. The entire warehouse facility when it is fully completed, would have approximately 225,000 square feet and this facility would be Supermax's National Distribution Headquarters for the US operations. The East Building of the facility would be operational by Spring, 2013.

#### **Supermax Healthcare Canada Inc will become a subsidiary of Supermax Group**

Effective from July 1, 2012, Supermax Canada Inc will become Supermax Healthcare Canada Inc (SHCI) and it will be 67% owned by Supermax Corporation Bhd. Therefore, starting from Q3 2012, SHCI's financial results would be consolidated into the Supermax Group's results. As at December 2011, Supermax Canada is among the top 3 largest glove providers in the healthcare industry in Canada. It is our aim to continue to work hard and to achieve market leadership by being the most popular brand of gloves in the Canadian market. We are optimistic that SHCI will continue to contribute positively to the bottom line of Supermax Group starting from Q3 2012.

#### **Earnings Guidance for FY2011/FY2012**

The Company recorded Profit after Tax of RM 104.0 million for the FYE 31<sup>st</sup> December 2011. This was a creditable performance in view of the continuous escalation in natural rubber latex prices and a weakening USD for the most part of the year.

In view of the high volatility of NR latex prices, anticipation of lower manufacturing margins on Nitrile gloves and high volatility of foreign exchange currencies, for the earnings guidance of financial year 2012, *we aim to achieve a 20% earnings growth from the previous year.*

This guidance is based on the assumption of both Nitrile & NR Gloves prices, the material prices & foreign exchange rates remain highly volatile & the Glove Industry Players remain operating under challenging environment. A further review of the Earnings Guidance for FY 2012 would be carried out upon completion of 1H2012.

Below are the tables showing historical average quarterly price trend of NR and nitrile latex, foreign exchange fluctuations and glove price movements:



**NR & Nitrile Latex Prices and MYR/USD Exchange Rates**

Natural Rubber Latex	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	YOY %
USD	3,338	3,213	2,858	2,284	2,429	(27%)
RM	10,181	9,704	8,630	7,220	7,433	(27%)
(MYR/USD)	3.05	3.02	3.02	3.16	3.06	+0.3%

Synthetic Latex (Nitrile)	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	YOY %
USD	1,500	1,896	2,128	1,773	1,578	+5%
RM	4,575	5,726	6,426	5,603	4,829	+6%
(MYR/USD)	3.05	3.02	3.02	3.16	3.06	+0.3%

**Average Selling Prices**

(USD/ 1,000 pcs)	Q1 2011 USD	Q2 2011 USD	Q3 2011 USD	Q4 2011 USD	Q1 2012 USD
Powdered Latex Gloves	31.50 – 38.95	30.55 – 39.95	26.95 – 35.95	23.95 - 29.95	25.50 – 30.95
Powder-Free Latex Gloves	40.95 – 43.95	41.75 – 43.95	35.50 – 39.95	31.50 – 39.95	32.75 – 41.95
Nitrile - 2.5mil	25.95 – 27.95	25.95 – 32.95	28.25 – 31.95	24.50 – 31.95	24.45 – 27.95
Nitrile - 3.2mil	26.50 – 27.95	26.50 – 32.95	28.95 – 31.95	24.95 – 31.95	25.95 – 27.95
Nitrile - 4.0mil	27.95 – 29.95	27.95 – 35.95	32.25 – 34.95	26.95 – 34.95	28.25 – 30.95
Nitrile - 5.0mil	32.50 – 34.95	32.50 – 41.95	37.95 – 39.95	30.95 – 39.95	32.95 – 33.95
(MYR/USD)	3.05	3.02	3.02	3.16	3.06

Supermax Group has been actively adjusting selling prices to mitigate the negative impact of highly volatile raw material prices as well as the unfavourable foreign exchange rates. While we are increasing production output of Nitrile gloves, we have been maintaining our manufacturing margins of Nitrile Glove at between 11% - 15% to be in line with global prices, especially Nitrile gloves from China & Thailand. This is in line with our objective to be globally competitive.

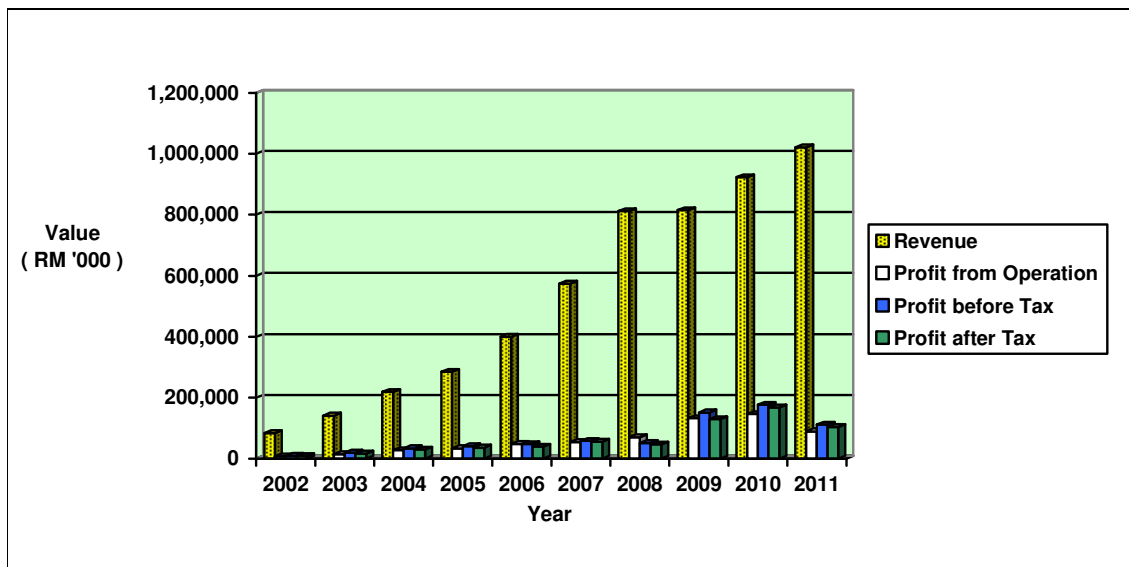




The Group's yearly performances are tabled below:

Description	Year 2007 (RM '000)	Year 2008 (RM '000)	Year 2009 (RM '000)	Year 2010 (RM '000)	Year 2011 (RM '000)	Q1 2012 (RM '000)
Revenue	574,260	811,824	803,633	977,281	1,021,358	248,522
Profit from operations	54,983	70,203	131,710	155,458	89,807	24,369
EBITDA	93,730	101,197	205,670	223,373	148,732	39,094
EBITDA Margin	16.3%	12.5%	25.6%	22.9%	14.6%	15.7%
Profit before Tax (PBT)	58,550	51,998	151,470	183,835	112,132	30,705
PBT Margin	10.2%	6.4%	18.8%	18.8%	11.0%	12.4%
Profit after Tax (PAT)	55,946	46,997	126,585	158,955	104,051	28,025
Core Profit after Tax (PAT)	55,946	63,658	126,585	158,955	108,051	28,025
Core PAT Margin	9.7%	7.8%	15.8%	16.3%	10.6%	11.3
No. of Shares	265,240	265,270	268,250	340,077	340,077	680,154
Net Tangible Asset (NTA)	383,789	416,380	558,835	691,468	769,038	795,130
NTA per share (RM)	1.45	1.57	2.08	2.03	2.26	1.17
Core EPS (sen)	19.40	24.00	48.61	46.74	31.77	4.12
Return on Assets (ROA)	6.4%	5.0%	13.4%	14.9%	8.6%	NM
Return on Equity (ROE)	14.6%	11.3%	22.7%	23.0%	13.5%	NM

NM= Not meaningful



**5. Variance of Actual and Forecasted Profit and Shortfall in Profit Guarantee**

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

**6. Taxation and Variance between the Effective and Statutory Tax Rate**

	<b>Quarter Ended 31.3.2012 RM '000</b>	<b>Year to Date Ended 31.3.2012 RM '000</b>
Income tax	-	-
Deferred Tax	2,680	2,680
Total	2,680	2,680

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

**7. 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.

**8. Quoted Investment**

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

**9. Status of Corporate Proposals Announced**

The Company had on 1<sup>st</sup> November 2011 announced a bonus issue exercise involving the issuance of 340,077,440 new ordinary shares of 50 sen each on the basis of one bonus share for every existing share held. This exercise was completed on 31<sup>st</sup> January 2012.

**10. Group Borrowings and Debt Securities**

Group borrowings as at 31.3.2012 are as follows: -

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Short term borrowings	4,992	161,988	166,980
Long term borrowings	6,004	150,831	156,835
Total borrowings	10,996	312,819	323,815



93% of the short term borrowings comprise trade facilities amounting to RM155 million that are revolving in nature for working capital purposes. The high trade loans balance recorded in the current quarter is largely due to high raw material prices. Nevertheless, these facilities bear interest rates that are attractive and competitive ranging from 1.0% to 3.5%.

**11. Financial Instruments with Off Balance Sheet Risks**

There were no financial instruments with off balance sheet risk as at 23.5.2012 (the latest practicable date which shall not be earlier than 7 days from the date of this quarterly report).

**12. 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.

**13. Dividends Declared**

The Board of Directors has proposed a final dividend of 3.5% tax exempt amounting to RM 11.9 million to be paid on 28 June 2012 in respect of the financial year ended 31 December 2011, subject to shareholders' approval at the upcoming Annual General Meeting to be held on 30 May 2012.

**14. Earnings per Share (EPS)****Basic earnings per share**

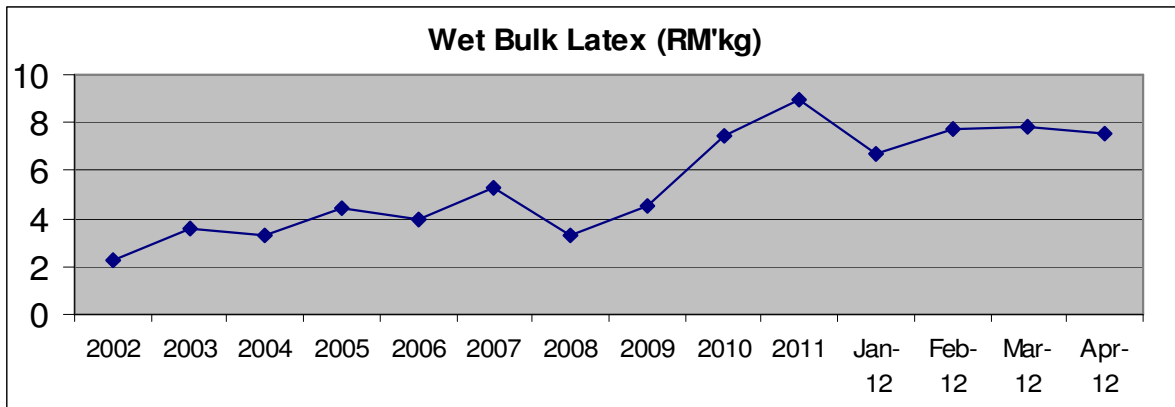
	<b>2012 Current Quarter Ended 31.3.2012</b>	<b>2012 Year to Date Ended 31.3.2012</b>
Net profit / (loss) (RM'000) attributable to ordinary shareholders	28,056	28,056
Weighted average ('000) Number of ordinary shares in issue	680,154	680,154
Basic earnings per share (sen)	4.12	4.12



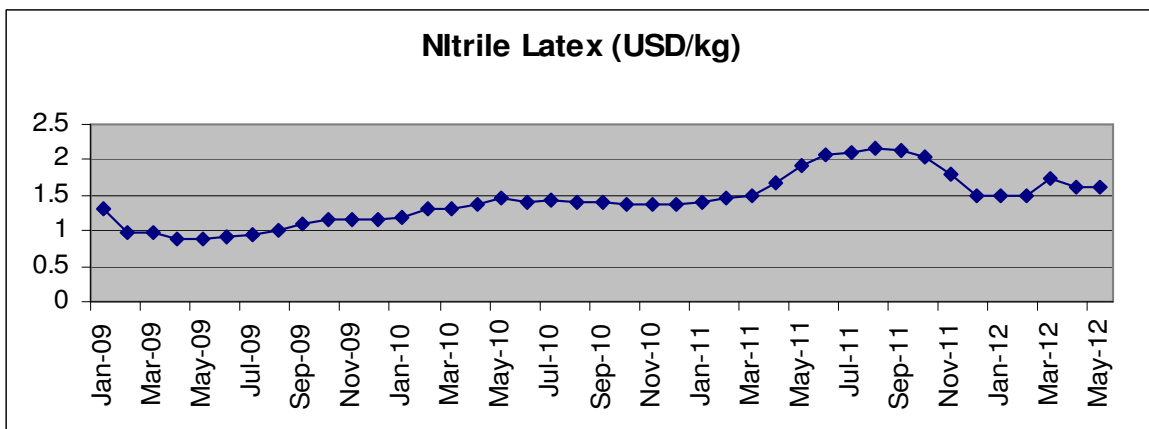
**15. Management of Latex Cost Fluctuations**

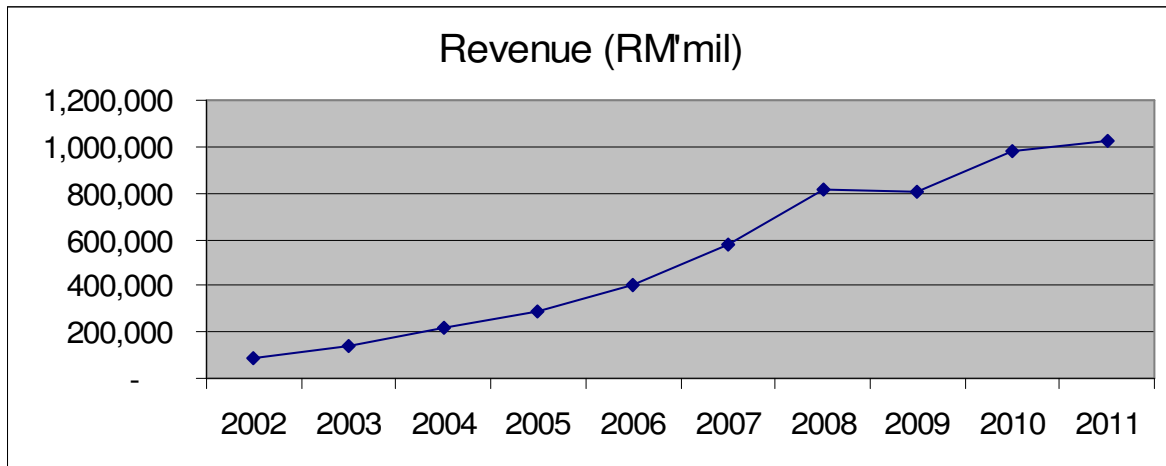
Rubber latex costs, the main raw material cost in the manufacturing of rubber gloves, forms a high percentage of the Group’s costs and any increase in this cost item must be well managed.

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. However, when latex costs are on a continuous rising trend, the ability to fully pass on all rising costs is adversely affected and results in margin squeeze. Below are 3 line graphs depicting the correlation between the price of NR and nitrile rubber latex and the Group’s Sales Revenue.



NR Latex	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	17-May	28-May
RM/kg	10.18	9.7	8.63	7.22	7.43	7.01	7.10





**16. Management of Foreign Exchange Rate Fluctuations**

**Currency trend for competing nations**

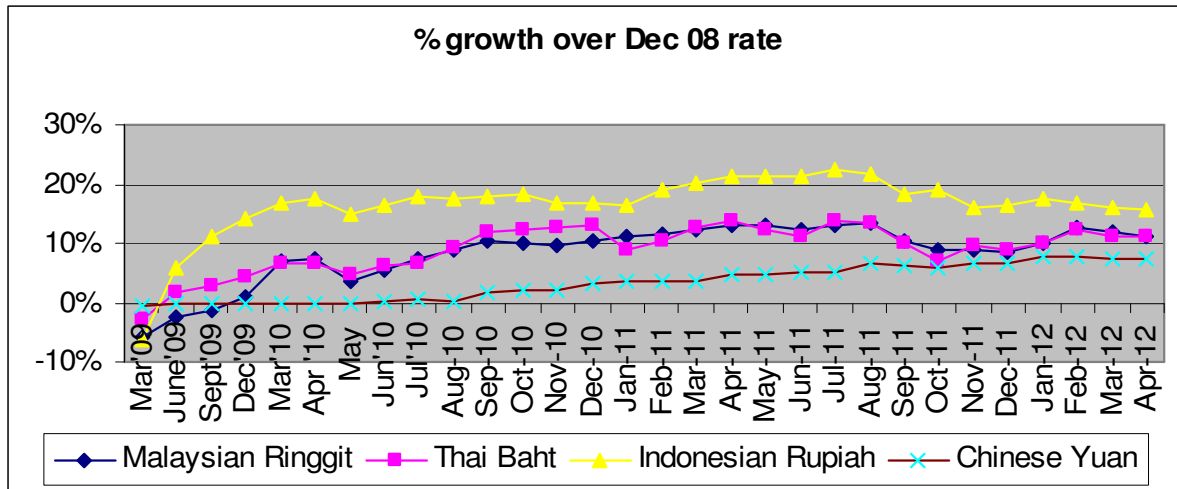
Foreign exchange is another factor that may have a significant impact on the Group's performance. While the Ringgit has been relatively strong against the USD in recent quarters, the currencies of most of the major rubber glove producing countries have similarly appreciated. In the case of the Indonesian Rupiah and the Thai Baht, they have both appreciated against the USD by 18% and 10% respectively compared to 10% for the Ringgit since 2008. In conclusion, Malaysian exports remain competitive against the major competing nations.

The USD has strengthened against the MYR in recent weeks to as high as USD1:RM3.14 on 24 May 2012. A table showing the movement in USD:MYR exchange rate since the beginning of 2011 is as follows:

FOREX	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	24-May
(MYR/USD)	3.05	3.02	3.02	3.16	3.06	3.14



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**

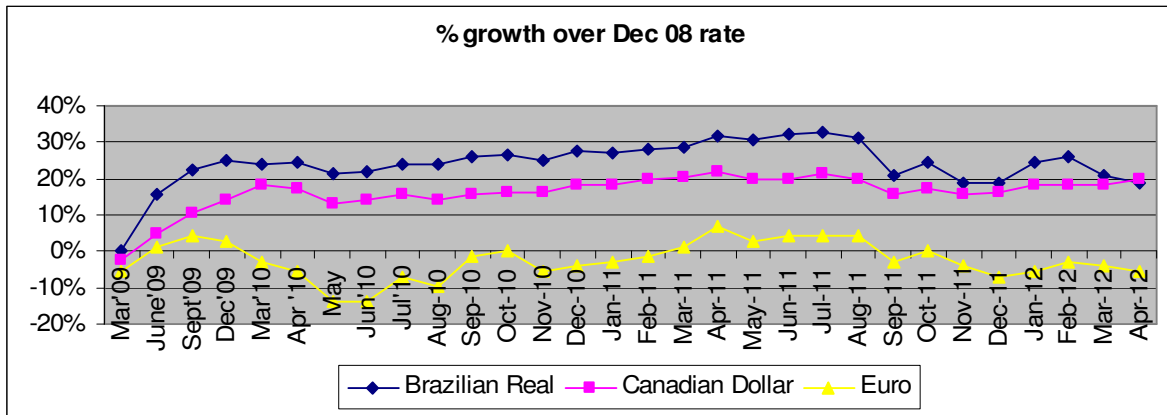
	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
Malaysian Ringgit	10%	9%	9%	8%	10%	12%	12%	11%
Thai Baht	10%	7%	10%	9%	10%	12%	11%	11%
Indonesian Rupiah	18%	19%	16%	16%	18%	17%	16%	16%
Chinese Yuan	6%	6%	6%	7%	8%	8%	7%	7%

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.



**Currency trend for associated companies and overseas subsidiaries**

The USD has been depreciating against most of the currencies of the countries in which Supermax Group has associated companies, namely the Brazilian Real and Canadian Dollar. This has allowed the associated companies to derive foreign exchange gains and thereafter 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 and Overseas Subsidiaries Operate**

	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
Brazilian Real	21%	25%	19%	19%	24%	26%	21%	19%
Canadian Dollar	16%	17%	16%	16%	18%	18%	18%	20%
Euro	-3%	0%	-4%	-7%	-6%	-3%	-4%	-6%