



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020 PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134**

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**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of the Malaysian Financial Reporting Standard 134 (MFRS 134): Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 (Appendix 9B part A) of the Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the unaudited consolidated financial statements.

The significant accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 30 June 2019. The adoption of the new MFRS, amendments/improvements to MFRSs and new IC Interpretations does not have any significant impact on the financial performance and financial position of the Group.

**2. Auditors’ Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 30 June 2019.

**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**

Share Buyback & Distribution

During the quarter under review, the Company distributed 20,088,223 treasury shares as dividend to shareholders for FYE 30.6.2019 at a ratio of 1 for every 65 existing ordinary shares held. As at 31 March 2020, the number of treasury shares stood at 40,099,977. In April 2020, the Company activated Share BuyBack & purchased a total of 28,788,023 ordinary shares from the open market. As at May 15, 2020, the total Treasury Shares stood at 68,888,000 Shares.



## 7. Dividend Paid

Dividends paid in respect of the preceding 3 financial years and to-date are as follows:

Financial Year	Description	Payment Date(s)	Dividend per share	Value (RM'000)
2017	Interim single tier dividend	28.07.2017	2.5 sen <sup>^</sup>	16,686
	Final single tier dividend	18.12.2017	3.0 sen <sup>^</sup>	19,738
2018	Interim single tier dividend	28.03.2018	3.0 sen <sup>^</sup>	19,670
	Interim single tier dividend	28.06.2018	3.0 sen <sup>^</sup>	19,670
	Final single tier dividend	18.12.2018	2.0 sen <sup>^</sup>	13,113
2019	Interim single tier dividend	18.04.2019	1.5 sen <sup>#</sup>	19,670
	Final share dividend 1-for-65	08.01.2020	1.6 sen <sup>*</sup>	21,946 <sup>*</sup>

<sup>^</sup> Note that the dividend rate is based on 680.2 million shares (less treasury shares if any) following a 1-for-1 bonus issue completed on 31 January 2012

<sup>#</sup> Note that the dividend rate is based on 1,360.4 million shares (less treasury shares if any) following a 1-for-1 bonus issue completed on 8 January 2019

<sup>\*</sup> The 20,088,223 shares issued as final dividend are valued at the average cost of RM1.09

## 8. Segmental Reporting

For management purposes, the Group is organized into operating divisions as shown in the table below:

THE GROUP CUMULATIVE 9 MONTHS	Investment Holding RM'000	Manu-facturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	-	607,809	579,346	15,530	-	1,202,685
Inter-segment sales	50,000	576,246	173,350	9,506	(809,102)	-
	<u>50,000</u>	<u>1,184,055</u>	<u>752,696</u>	<u>25,036</u>	<u>(809,102)</u>	<u>1,202,685</u>
Segmental results						214,525
Depreciation & Amortisation						(38,467)
Finance costs						(12,341)
Interest income						725
Share of profit in associated cos.						5,107
PBT						169,549
Tax expenses						(42,218)
PAT						<u>127,331</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 13<sup>th</sup> May 2020, the Group had capital commitments amounting to RM 252.2 million for the purchase of plant and equipment to be installed at its various 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 during the current quarter ended 31 March 2020.

**13. Contingent liabilities and contingent assets**

The Group has no outstanding contingent liabilities and contingent assets as at 13 May 2020 which might materially and adversely affect the position or business of the Group.

**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 is tabled below:

Description	3 <sup>rd</sup> Quarter ended 31.3.2020 RM '000	3 <sup>rd</sup> Quarter ended 31.3.2019 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	447,247	361,199	+86,048	+23.8
EBITDA	111,892	64,296	+47,596	+74.0
EBITDA Margin (%)	25%	17.8%	+7.2 %	+40.4
Profit Before Tax (PBT)	95,277	49,416	+45,861	+92.8
PBT Margin (%)	21.3%	13.7%	+7.6 %	+55.5
Profit After Tax ( PAT )	72,349	34,963	+37,386	+106.9
PAT Margin (%)	16.2%	9.7 %	+6.5 %	+67.0

The Group recorded total revenue of RM 447.2 million from global sales of its natural rubber and nitrile rubber gloves, an increase of 23.8% or RM 86.0 million compared to the corresponding period a year ago.

The increase in overall Sales for the group were mainly due to surge in Sales from the Group's Overseas Distribution Centres as a results of exponential surge in demand due to the Covid-19 pandemic, contribution of higher Average Selling Prices from the Glove Manufacturing Division as a results of the global rush in stocking up on personal protective equipment (PPE) products including Medical Gloves.

In addition, the contribution from the increase in production output from new production lines commissioned at its latest plant during the current quarter.

EBITDA and PBT were 74.0% and 92.8% higher respectively, due to higher sales recorded and with lower operating expenses including lower raw material prices and stronger US Dollars against Ringgit.

EBITDA, PBT and PAT Margins have also improved substantially and recorded the highest among the last few years at 25.0%, 21.3% and 16.2% respectively during this quarter.



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

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

	<b>3<sup>rd</sup> Quarter ended 31.3.2020 RM ‘000</b>	<b>2<sup>nd</sup> Quarter ended 31.12.2019 RM ‘000</b>	<b>Increase/(Decrease)</b>	
			<b>RM’000</b>	<b>%</b>
Revenue	447,247	385,497	+61,750	+16.0
EBITDA	111,892	59,292	+52,600	+88.7
EBITDA Margin (%)	25.0 %	15.4%	+9.6 %	+62.3
Profit Before Tax (PBT)	95,277	41,829	+53,448	+128.0
PBT Margin (%)	21.3 %	10.9 %	+10.4 %	+95.4
Profit After Tax ( PAT )	72,349	30,022	+42,327	+141.0
PAT Margin (%)	16.2 %	7.8 %	+8.4 %	+107.7

On a preceding quarter basis, the Group’s revenue rose by 16.0% or RM 61.7 million while its EBITDA, PBT & PAT increased by 88.7%, 128.0% & 141.0% respectively.

The performance during this quarter was substantially higher mainly due to exponential increase in demand for Medical Gloves following the outbreak of the Covid-19 pandemic globally resulting buying rush happened started this quarter especially in Countries where Supermax Group operates. The group derives 2 streams of incomes; that is the income from distribution and income from manufacturing.

In addition, the new additional production capacity from the new plant added during the current quarter, lower production costs, higher average selling pricing from both distribution and manufacturing and stronger US Dollars against Ringgit are the 4 main reasons that have contributed to the better Financial Performance from both Distribution Centres and Glove Manufacturing Division during this quarter.



**Historical & Current Financial Performance**

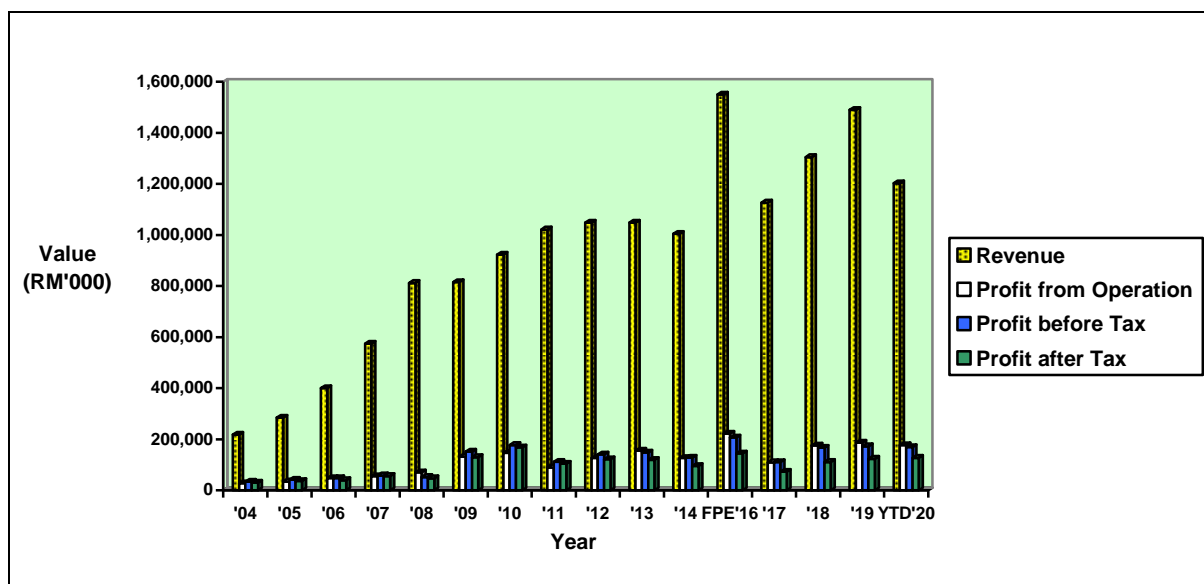
The Group’s historical and current year cumulative financial performances are shown below:

Description	*18 mths 06/2016 (RM'000)	FYE 06/2017 (RM'000)	FYE 06/2018 (RM'000)	FYE 06/2019 (RM'000)	9M FYE2020 (RM'000)
Revenue	1,549,529	1,126,879	1,304,460	1,538,157	1,202,685
Profit from operations	222,416	107,731	169,879	192,116	176,783
EBITDA	271,395	160,304	217,720	237,194	220,357
EBITDA Margin	17.5%	14.2%	16.7%	15.4%	18.3%
Profit before Tax (PBT)	207,342	107,939	161,894	172,408	169,549
PBT Margin	13.4%	9.6%	12.4%	11.2%	14.1%
Profit after Tax (PAT)	144,023	70,295	110,142	123,103	127,331
Core Profit after Tax (PAT)	144,023	70,295	110,142	118,147	127,331
Core PAT Margin	9.3%	6.2%	8.4%	7.7%	10.6%
No. of Shares	680,154	680,154	680,154	1,360,308	1,360,308
Net Tangible Asset (NTA)	1,017,541	1,070,236	1,022,710	1,134,226	1,253,548
NTA per share (RM)#	0.75	0.78	0.75	0.83	0.92#
EPS (sen)#	10.68	5.02	8.09	9.4#	9.62#^
Return on Assets (ROA)	8.8%	3.9%	6.4%	6.7%	N/A
Return on Equity (ROE)	14.2%	6.6%	10.8%	10.8%	N/A

\* Period ended 30.6.2016 is a transitional 18-month period following change of financial year-end from December to June.

# NTA per share and EPS for the financial year ended 30.6.2019 and current year to-date are based on enlarged share capital of 1.36 billion shares following 1:1 bonus issue on 8 January 2019. For comparative purposes, the NTA per share and EPS in previous years’ have been adjusted to reflect the said bonus issue.

^ EPS for 9M’FY2020 only



Note: The financial period ended 30 June 2016 is an 18-month transition period following the change in financial year-end from December to June.



### 3. Prospects

#### Glove Division

##### **Re: Financial Gains starting from March, 2020 for Supermax Group.**

The demand of gloves has exponentially increased this year amid the global COVID-19 pandemic. The surge in demand has resulted in a rapid rise in average selling prices (ASPs), as buyers rush to secure their supply of personal protective equipment (PPE), including medical gloves.

As a result of the outbreak, the prices of oil and raw materials have fallen. Specifically, nitrile and natural rubber material prices have decreased by 11% and 6% respectively Year-on-Year, and 7.3% and 2.5% respectively Quarter-on-Quarter.

At the same time, the USD has strengthened against the MYR, by 2.18% Year-on-Year and 0.36% Quarter-on-Quarter.

The current market conditions favour Supermax Group, and our outlook is expected to remain strong for at least the next 1.5 to 2 years, while a vaccine against COVID-19 is still under development.

The pandemic has brought Supermax Group bumper profits beginning March/April, 2020, for both the Distribution Division from the 7 countries where Supermax Group operates and the Glove Manufacturing Division in Malaysia.

Following the outbreak of COVID-19 globally, the Company is seeing the emergence of new consumers and new consumption not previously seen. The pandemic has resulted in a demand surge for PPE products, including medical gloves. The use of these protective and infection-control products has expanded beyond healthcare and frontline workers to also include the general public.

From the distribution centres where Supermax Group operates, we have seen significant increases in the demand of gloves for immediate supply. Our usual 4-month working inventory at our distribution centres were sold within 6 weeks and at higher ASPs.

Supermax Group's Glove Manufacturing Division is strongly positioned for this opportunity to boost earnings and expedite and its capacity expansion plans. The Company is building 3 new factories in tandem, allowing us to capitalize on the exponential growth in demand of medical gloves, reduce its widening capacity oversold position, and increase overall capacity to cater to the acute global shortage of PPE.

##### **Re: Increase in Capital Expenditure to boost Production Capacity**

Towards the end of 2019, the Company had completed the acquisition of a piece of land in Meru, Klang on which it plans to build 3 new plants. On March 11<sup>th</sup>, 2020, the Company had also entered into an agreement to purchase another piece of industrial land in Meru, Klang, on which the Company plans to build plant #16. Construction work has already commenced on 2 plants and work on a 3<sup>rd</sup> plant would commence soon.



The 3 plants would add 12.0 billion pieces per annum to the Group's installed capacity from 26.18 billion gloves to 38.18 billion gloves when these 3 plants have completed commissioning and in commercial production fully by CY2022. The Group will invest total Capital Expenditure of **RM715 million** & this amount has been budgeted to boost Production Capacity.

### **Contact Lens Division**

The Group has made good progress in its contact lens business during the current year-to-date. It has continued to expand its global marketing reach, which has extended to over 65 countries presently. Various platforms have been employed to market its contact lenses worldwide, from wholesale distribution, to mobile trucks, to online B2C sales via websites launched in the US (aveovision.com), Malaysia (aveovision.my), the UK (aveovision.co.uk), and most recently in Brazil (aveovision.com.br). Top-line performance is improving as a result of continued market expansion and increasing recurring revenue.

*The prospect from Distribution, Manufacturing of Gloves and Contact Lens divisions remain robust and we are optimistic that Supermax's Own Brand Manufacturing (OBM) cum Distribution business model yields better returns than the traditional OEM model when demand spikes exponentially.*

### **4. Corporate Social Responsibility**

The Group has been active in participating in disaster relief efforts around the world whenever disasters and epidemics strike, including the likes of the Katrina Hurricane, the Ebola outbreak, SARS and the devastating H1N1 global pandemic.

Supermax Group has stepped up again this time with the Covid-19 pandemic. In February, 2020, the Group has donated 3 million Medical Gloves and co-sponsored 8.9 million more to China.

In Malaysia, the Group has donated and co-sponsored total 6 million gloves to the Local Hospitals, Police Stations and to the Frontliners in March & April, 2020.

The Group is truly appreciative of the efforts of the Healthcare Workers and Frontliners and has endeavoured to provide the necessary support to ensure the people stay safe and healthy.

### **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. Profit Before Tax**

Profit before Tax is arrived at after charging/ (crediting):

	<b>3<sup>rd</sup> Quarter Ended 31.3.2020 RM'000</b>	<b>Financial Year-to-date 31.3.2020 RM'000</b>
Interest Expense	3,527	12,341
Depreciation & Amortisation	13,088	38,467
Staff costs:		
- Salaries, wages & bonus	27,842	89,311
- EPF	1,223	4,356
- Other related staff costs	1,362	4,060
Foreign Exchange		
- Realised (Gain) or Loss	(1,856)	(4,541)
- Unrealised (Gain) or Loss	9,263	2,519
Other Costs & Expenses	302,097	891,730
Total Operating Expenses	<b><u>353,018</u></b>	<b><u>1,025,902</u></b>

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

	<b>3<sup>rd</sup> Quarter Ended 31.3.2020 RM '000</b>	<b>Financial Year-to-date 31.3.2020 RM '000</b>
Taxation	22,928	42,218

**8. 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.

**9. Quoted Investment**

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

**10. Status of Corporate Proposals Announced**

There were no corporate proposals announced as at 13 May 2020 (the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report).

**11. Group Borrowings and Debt Securities**

Group borrowings as at 31 March 2020 are as follows: -

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Short term borrowings	889	355,238	356,127
Long term borrowings	778	115,792	116,570
Total borrowings	1,667	471,030	472,697

85% of the short term borrowings comprise trade facilities amounting to RM 302.7 million that are revolving in nature for working capital purposes.

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

There were no financial instruments with off balance sheet risk as at 13 May 2020 (the latest practicable date which shall not be earlier than 7 days from the date of this quarterly report).

**13. Pending Material Litigation**

The Group has no outstanding material litigation which might materially and adversely affect the position or business of the Group as at 13 May 2020, being the latest practicable date.

**14. Dividends Declared/Proposed**

There is no dividend declared during this quarter under review.

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

	<b>Current Quarter Ended 31.3.2020</b>	<b>Financial Year-to-date Ended 31.3.2020</b>
Net profit / (loss) (RM'000) attributable to ordinary shareholders	71,056	125,968
Weighted average ('000) Number of ordinary shares in issue	1,309,870	1,309,870
Basic earnings per share (sen)	5.42	9.62