



## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

### A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134<sub>2004</sub> : INTERIM FINANCIAL REPORTING

#### 1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134<sub>2004</sub>: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2008. The interim financial report contain condensed consolidated financial statements and these explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2008.

#### 2. Auditor’s Report on Preceding Annual Financial Statements

The auditor’s report on the financial statements of the Group and the Company for the year ended 31 December 2008 was not subject to any qualification.

#### 3. Seasonal or Cyclical Factors

The Group’s products are mainly exported to temperate regions like Europe, USA and Latin America. In tandem with climatic changes, demand for the Group’s products may fluctuate with the seasons. Generally, demand is stronger in the second half of the year.

#### 4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting the Group’s assets, liabilities, equity, net income or cash flows in the interim financial statements ended 30 September 2009.

#### 5. Changes in Material Estimates

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the interim financial statements and current year.

#### 6. Changes in Debt and Equity Securities

##### 6.1 Executive Share Option Scheme (“ESOS”)

During the current financial year, the Company issued a total of 3,981,333 ordinary shares of RM1.00 each under ESOS at the exercise price of RM1.49 per option.

The ESOS scheme expired on 07 July 2009.

##### 6.2 Medium Term Notes (“MTN”) Programme

The Company did not issue any new medium term notes during the quarter under review.



### 6.3 Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) with free Warrants

During the current quarter, 3,104,088 nominal value of ICULS at RM1.00 each were converted to ordinary shares at the conversion price of RM1.70 per ordinary share of RM1.00 each.

As at 30 September 2009, a total of 10,786,288 ICULS have been converted to ordinary shares of RM1.00 each in the Company and a total of 42,198,098 ICULS remain outstanding.

### 6.4 Share Buy-back

There was no share buy-back exercise carried out during the quarter under review.

For the current financial year, the Company had purchased a total of 1,785,500 ordinary shares of RM1.00 each from Bursa Malaysia Securities Berhad, for a total consideration of RM2.72 million. The shares are currently maintained as Treasury Shares.

### 7. Dividends Paid

A first interim dividend of 7 sen less 25% tax per ordinary share of RM1.00 each in respect of the current financial year was paid on 15 January 2009.

### 8. Segmental Information

Segmental information is presented in accordance to the Group’s business and geographical segments by location of assets, which is the primary reporting format.

	Current Quarter ended 30 September 2009 RM’000	Cumulative year-to- date ending 31 December 2009 RM’000
<b>Segment Revenue:</b>		
Malaysia	23,237	82,800
People’s Republic of China	99,676	270,384
Europe	10,803	30,127
	-----	-----
	133,716	383,311
Eliminations	(48,487)	(149,583)
	-----	-----
Total	<b>85,229</b>	<b>233,728</b>
	=====	=====
<b>Segment Results:</b>		
Malaysia	2,378	10,900
People’s Republic of China	8,171	23,467
Europe	950	885
	-----	-----
	11,499	35,252
Eliminations	(26)	(2,584)
	-----	-----
Total	<b>11,473</b>	<b>32,668</b>
	=====	=====



**9. Valuation of Property, Plant and Equipment**

The Group did not carry out any revaluations on its property, plant and equipment during the current quarter and interim financial year ended 30 September 2009.

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements ended 31 December 2008.

**10. Subsequent Events**

There were no other material events subsequent to the end of the current quarter that have not been reflected in this financial report ended 30 September 2009.

**11. Changes in the Composition of the Group**

On 25 June 2009, the Company successfully completed its acquisition exercise to purchase the remaining 40% equity interest in Pioneer Vantage Limited and Lifestyle Investment (Hong Kong) Limited. In addition, the Company also acquired 20% equity interest from another subsidiary company, Rubberex (Hong Kong) Limited.

Pioneer Vantage Limited and Lifestyle Investment (Hong Kong) Limited are now wholly-owned subsidiaries of the Company and equity shareholding in Rubberex (Hong Kong) Limited has increased to 80%.

**12. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or assets since the last annual balance sheet date as at 31 December 2008.

**13. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2009 is as follows:-

	RM'000
Capital expenditure approved and contracted for	9,575



## **B. ADDITIONAL INFORMATION PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **1. Review of Performance**

The Group achieved a sales turnover of RM85.23 million for the third quarter ended 30 September 2009 (2008: RM87.30 million, which is a slight decrease of 2%). Group pretax profit recorded in the current quarter was RM6.03 million compared to RM3.47 million in the corresponding quarter of year 2008, a significant improvement of 74%. The increase in profits was due to sales contribution from our China subsidiaries and better profit margins of our Group's products compared to the corresponding period in 2008.

### **2. Material change in the profit before tax of the current quarter compared with preceding quarter**

Sales for the third quarter 2009 amounted to RM85.23 million compared to RM73.50 million reported for the second quarter, an increase of 16%. This increase was contributed by higher sales and operating efficiencies from our China subsidiaries where the earlier phases have achieved full capacities.

Pre-tax profit of RM6.03 million was recorded in the third quarter of 2009 compared to RM5.80 million in the previous quarter, an improvement of 4%. This improvement was attributable to increased production volumes and efficiencies achieved from our China subsidiaries.

### **3. Current Year Prospects**

The Group continues to record a strong performance for the first nine months of this year with profit after tax exceeding the whole of financial year 2008 by more than 58%. This commendable achievement was contributed by China operations which mainly produce disposable gloves. The Group will continue to generate strong earnings for the rest of the year as global demand for disposable gloves is increasing and the China expansion is progressing satisfactorily.

The latest phase of expansion will boost the annual production capacity of disposable gloves in stages from the current 3.5 billion pieces to 4.4 billion pieces by end of the year and is expected to reach 5.6 billion pieces by second quarter of 2010.

While its Malaysian operations are expected to improve slowly with the recovery of major economies like USA and EU, the significant growth prospects for the Group will be derived mainly from its China operations.

Barring any unforeseen circumstances, the Board and Management remain positive on the Group's performance for the last quarter of this year.

### **4. Profit Forecast or Profit Guarantee**

No profit forecast or profit guarantee has been issued for the current quarter.



## 5. Taxation

	Current quarter ended 30 September 2009 RM'000	Cumulative year-to- date RM'000
Current year – Malaysian income tax	168	1,667
Current year – Foreign income tax	26	72
Deferred Taxation	-	178
	-----	-----
Total income tax expense/(credit)	194	1,917
	=====	=====
Effective tax rate	3.2%	11.2%

The lower effective tax rate during the current quarter was mainly due to profits generated from certain overseas subsidiaries that are exempted from income tax.

## 6. Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties for the current quarter and interim financial statements ended 30 September 2009.

## 7. Purchase/disposal of Quoted Securities

There was no purchase and/or disposal of quoted securities for the current financial year other than the purchase of 1,785,500 ordinary shares under Share Buy-back.

## 8. Status of Corporate Proposals

There are no corporate proposals not announced or outstanding as at 30 September 2009.

## 9. Group Borrowings and Debt Securities

	As at 30 September 2009	
	Secured RM'000	Unsecured RM'000
Short Term Borrowings including trade financing	9,723	41,155
Term Loans	8,476	-
Medium Term Notes (“MTN”)	-	43,000
Irredeemable Convertible Unsecured Loan Stocks (“ICULS”)	-	38,513
	-----	-----
	18,199	122,668
	=====	=====

## 10. Financial Instruments with Off Balance Sheet Risks

As at 30 September 2009, the Group has the following foreign currency contracts outstanding:-

Currency	Contracted Amounts '000	Ringgit Equivalent RM'000	Expiry Period(s)
US Dollars (USD)	4,217	14,900	December 2009 to March 2010
Euro Dollars (EUR)	5,555	27,800	November 2009 to March 2010



The above foreign currency contracts are entered into with a local licensed bank to hedge the Group's receivables in foreign currencies. The contracted rates will be used to translate the underlying foreign currencies into Ringgit Malaysia.

These foreign currency contracts are of a short-term nature and the Group does not take up any differences between the contracted rates and spot rates to the income statements.

The accounting policy adopted with regards to off balance sheet financial instruments was consistent with those applied in the last audited financial statements as at 31 December 2008.

#### **11. Changes in Material Litigation**

Rubberex (M) Sdn Berhad ("RMSB"), a wholly-owned subsidiary of Rubberex Corporation (M) Berhad, had on 08 April 2002 filed a legal action against Kesatuan Kebangsaan Pekerja-Pekerja Syarikat-Syarikat Pembuat Keluaran Getah, A. Subramanian, Sun Media Corporation Sdn Bhd and H'ng Hung Yong (collectively "the Defendants") at the Ipoh High Court under suit no. 22-72-2002. RMSB is alleging that a libelous and/or defamatory statement against RMSB has been made and published by the Defendants in The Sun newspaper on 17 October 2001. RMSB is claiming for a sum of RM750,000 as general damages together with interest and costs and a written public apology to be published in a national newspaper. The next hearing on this matter has not been determined by the Court.

Based on the opinion of RMSB's solicitors, the Defendants have no defense on merits to the claim.

#### **12. Dividend Payable**

##### **Notice of book closure**

**NOTICE IS HEREBY GIVEN** that a first interim dividend of 6% tax-exempt per ordinary share of RM1.00 each in respect of the financial year ending 31 December 2010 will be payable on 22 January 2010. The entitlement date for the dividend payment is 08 January 2010.

A Depositor shall qualify for entitlement only in respect of:-

- (i) Shares transferred into the Depositor's securities account before 4:00 p.m. on 08 January 2010 in respect of ordinary transfer; and
- (ii) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.



### 13. Earnings per Share (“EPS”)

		Cumulative Year-to-Date ended 30 September 2009	Cumulative Year-to-Date ended 30 September 2008
Profit attributable to ordinary shareholders of the Company	RM’000	10,952	5,026
Weighted average number of ordinary shares in issue	Shares	81,561,780	79,240,156
<b>Basic EPS</b>	<b>sen</b>	<b>13.43 sen</b>	<b>6.34 sen</b>
Diluted weighted average number of ordinary shares in issue	Shares	131,972,870	142,061,918
<b>Fully diluted EPS</b>	<b>sen</b>	<b>8.37 sen</b>	<b>3.54 sen</b>

### 14. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 29 October 2009.

**CHAN CHEE KHEONG (MAICSA 0810287)**

**CHANG POOI YEE (MAICSA 7036213)**

**Company Secretaries**

Ipoh, Perak

29 October 2009