



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING

1. Basis of Preparation of the Financial Statements and Adoption of New and Revised Financial Reporting Standards (“FRSs”)

The interim financial statements of the Group are unaudited and have been prepared in accordance with FRS 134: 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 2009.

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 2009. 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 2009, except for the adoption of the following new FRSs, Amendments to FRSs and IC Interpretations (“Int.”) with effect from 01 January 2010:

FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 7 Financial Instruments: Disclosures	01 January 2010
FRS 8 Operating Segment	01 July 2010
FRS 101 Presentation of Financial Statements (Revised in 2009)	01 January 2010
FRS 123 Borrowing Costs (Revised)	01 January 2010
FRS 139 Financial Instruments: Recognition and Measurement	01 January 2010
Improvements to FRSs (2009)	01 January 2010
IC Int. 10 Interim Financial Reporting and Impairment	01 January 2010
IC Int. 11 FRS 2 – Group and Treasury Share Transactions	01 January 2010
IC Int. 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	01 January 2010

The Group is exempted in the respective FRSs from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

Other than the application of FRS 8, FRS 101 and FRS 123, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any material impacts on the financial statements of the Group in the current quarter or the comparative financial quarter of the prior financial year.



(a) FRS 8 – Operating Segment

FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting segments based on internal reports that are regularly reviewed by our Board and Management in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its geographical and business segments. As a result, following the adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.

(b) FRS 101 – Presentation of Financial Statements (Revised in 2009)

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. This standard does not have any impact on the financial position and results of the Group.

(c) FRS 123 – Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This principal change in the Standard has no impact on the financial statements of the Group in the period of initial application as it has always been the accounting policy of the Group to capitalise borrowing costs incurred on qualifying assets.

In addition, the following FRSs, Amendments to FRSs and IC Interpretations have been issued but are not yet effective and have not been applied by the Group:

FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 3	Business Combinations (Revised in 2010)	01 July 2010
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)	01 January 2011
FRS 127	Consolidated and Separate Financial Statements (Revised in 2010)	01 July 2010
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)	01 July 2010

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 2009 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 31 March 2010.

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 ended 31 March 2010.

6. Changes in Debt and Equity Securities

6.1 Medium Term Notes (“MTN”) Programme

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

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

As a result of the Share Split exercise involving the subdivision of every one(1) ordinary share of RM1.00 each into two(2) ordinary shares of RM0.50 each in the Company, the conversion price of ICULS have been adjusted from RM1.70 to RM0.85 per ordinary share with effect from 10 February 2010.

During the current quarter, a total of 3,652,819 ICULS were converted into 2,472,884 new ordinary shares as shown below:

Number of ICULS	Conversion price	Number of new shares issued	
3,101,722	RM1.70	1,824,535	Ordinary shares of RM1.00 each
551,097	RM0.85	648,349	Ordinary shares of RM0.50 each
3,652,819		2,472,884	

As at 31 March 2010, a total of 23,561,619 ICULS remain outstanding.

Pursuant to the adjustments arising from the Share Split exercise, the exercise price of Warrants has also been adjusted to RM0.85 for every one(1) new ordinary share of RM0.50 each in the Company. A total of 26,490,710 additional Warrants were listed and quoted on Bursa Malaysia Securities Berhad on 10 February 2010.



During the current quarter, a total of 3,000 Warrants were exercised into 3,000 new ordinary shares as shown below:

Number of Warrants	Exercise price	Number of new shares issued	
1,000	RM1.70	1,000	Ordinary shares of RM1.00 each
2,000	RM0.85	2,000	Ordinary shares of RM0.50 each
3,000		3,000	

As at 31 March 2010, a total of 52,979,420 Warrants remain outstanding.

6.3 Share Buy-back

The Company did not carry out any share buy-back exercise during the current quarter.

On 16 April 2010, the Company announced that it proposes to seek a renewal of the Authority for Share Buy-back and during the Annual General Meeting of the Company held on 27 May 2010, this resolution was passed.

7. Dividends Paid

A first interim dividend of 6 sen tax-exempt per ordinary share of RM1.00 each held as at 08 January 2010 in respect of the current financial year was paid on 22 January 2010.

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 31 March 2010 RM'000	Cumulative year-to-date ending 31 December 2010 RM'000
Segment Revenue:		
Malaysia	31,515	31,515
People's Republic of China	101,450	101,450
Europe	10,235	10,235
	143,200	143,200
Adjustments	(51,800)	(51,800)
Total	91,400	91,400
Segment Results:		
Malaysia	4,362	4,362
People's Republic of China	3,631	3,631
Europe	638	638
	8,631	8,631
Adjustments	1,836	1,836
Total	10,467	10,467



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 period ended 31 March 2010.

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements ended 31 December 2009.

10. Subsequent Events

There was no other material events subsequent to the end of the current quarter that have not been reflected in the interim financial period ended 31 March 2010.

11. Changes in the Composition of the Group

There were no changes to the composition of the Group since the last financial year ended 31 December 2009.

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 2009.

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 31 March 2010 is as follows:-

	RM'000
Capital expenditure approved and contracted for	6,354



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 RM91.4 million for the first quarter ended 31 March 2010 (2009: RM75.0 million, which is an increase of 22%). Group pretax profit recorded in the current quarter was RM5.1 million compared to RM4.9 million in the corresponding quarter of year 2009, a slight increase of 4%. The increase in turnover and profits were mainly contributed by its China operations.

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

Sales for the first quarter 2010 amounted to RM91.4 million compared to RM83.9 million reported for the fourth quarter of 2009, an increase of 9%. The increase was contributed by its China and Malaysia operations as a result of increased demand for its products.

Pre-tax profit of RM5.1 million was recorded in the first quarter of 2010 compared to RM6.2 million in the previous quarter, a decline of 19%. The decrease was mainly due to the sudden rising costs of raw materials especially raw latex and plastic resins as well as the strength of the Ringgit against major currencies such as the US Dollar and Euro.

3. Current Year Prospects

The first quarter results showed a revenue growth of 9% from the fourth quarter of 2009, however the sudden increase in raw material prices and the continuous strengthening of the Ringgit as described above have hurt our overall products' margin. Going forward, the recent sovereign debt crisis in certain EU member countries triggering a continent-wide austerity drive and the weakening of the Euro currency will continue to have some impact on our revenue and earnings as Europe is one of the two major markets of the Group's products, the other being the United States.

Despite the above, the Management is hopeful in passing the increased costs to customers through our price adjustment mechanism. Accordingly, the negative impact on the Group's earnings will only be temporary. In addition, our PVC disposable gloves, the Group's major revenue and earnings contributor, is considered a product of necessity where it is mainly used in food processing and handling, personal hygiene needs in hospitals or nursing homes and hence, is less susceptible to any economic slowdown. The negative impact on its demand, if any, is expected to be minimal.

The Board and Management foresee the challenging operating conditions to persist for the remaining part of this year and will strive to achieve a satisfactory performance under the circumstances.

4. Profit Forecast or Profit Guarantee

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



5. Taxation

	Current quarter ended 31 March 2010 RM'000	Cumulative year-to- date RM'000
Current year – Malaysian income tax	691	691
Current year – Foreign income tax	64	64
Total income tax expense	755	755
Effective tax rate	15.1%	15.1%

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 ended 31 March 2010.

7. Purchase/disposal of Quoted Securities

There were no purchase and/or disposal of quoted securities for the current quarter ended 31 March 2010.

8. Status of Corporate Proposals

On 30 November 2009, the Company announced a proposed share split exercise involving the sub-division of each ordinary share of RM1.00 each in the Company into two ordinary shares of RM0.50 each and a proposed amendment to the Company's Memorandum and Articles of Association to facilitate the implementation of the proposed share split. A circular to shareholders was distributed on 31 December 2009 and an Extraordinary General Meeting held on 22 January 2010, on which date shareholders' approval were obtained. The share split exercise was completed on 10 February 2010.

On 16 April 2010 the Company announced its intention to seek shareholders' approval during the upcoming Annual General Meeting, for the proposed renewal of authority to purchase its own shares up to 10% of its issued and paid up share capital. A Share Buy-Back Statement was sent to shareholders on 03 May 2010 and at the Annual General Meeting of the Company held on 27 May 2010, shareholders' approval were obtained.

9. Group Borrowings and Debt Securities

	As at 31 March 2010	
	Secured RM'000	Unsecured RM'000
Short Term Borrowings including trade financing	17,821	44,882
Term Loans	12,338	-
Medium Term Notes ("MTN")	-	43,000
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	-	21,122
	30,159	109,004



10. Financial Instruments with Off Balance Sheet Risks

As at 31 March 2010, the Group has the following foreign currency contracts outstanding:-

Currency	Contracted Amounts '000	Ringgit Equivalent RM'000	Expiry Period(s)
U.S. Dollar (USD)	4,516	15,400	April 2010 - September 2010
Euro Dollar (EUR)	1,412	7,146	April 2010 - July 2010
		22,546	

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. 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 2009.

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. The Ipoh High Court had on 02 April 2010, dismissed this case.

12. Dividend Payable

No dividend is proposed for the current quarter under review.

13. Earnings per Share ("EPS")

		Cumulative Year-to-Date ended 31 March 2010	Cumulative Year-to-Date ended 31 March 2009 (Restated)
Profit attributable to ordinary shareholders of the Company	RM'000	3,923	2,358
Weighted average number of ordinary shares in issue	Shares	198,210,548	80,311,124
Basic EPS	sen	1.98 sen	2.94 sen
Diluted weighted average number of ordinary shares in issue	Shares	244,533,560	107,838,586
Fully diluted EPS	sen	1.60 sen	2.19 sen



Rubberex Corporation (M) Berhad (Company no. 372642-U)

The EPS has been diluted in the current financial year as a result of the increase in the number of issued and paid-up ordinary shares of our Company pursuant to the Share Split.

14. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 27 May 2010.

CHAN CHEE KHEONG (MAICSA 0810287)

CHANG POOI YEE (MAICSA 7036213)

Company Secretaries

Ipoh, Perak

27 May 2010