



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND INTERIM FINANCIAL PERIOD ENDED 30 JUNE 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 3	Business Combinations (Revised in 2010)	01 July 2010
FRS 7	Financial Instruments: Disclosures	01 January 2010
FRS 7 **	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)	01 January 2011
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 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
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

** This FRS has been issued but is not yet effective and has not been applied by the Group.

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.

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 30 June 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 30 June 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 164,633 ICULS were converted into 193,684 new ordinary shares of RM0.50 each.

As at 30 June 2010, a total of 23,396,986 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.

No warrants were exercised during the current quarter and as at 30 June 2010, a total of 52,979,420 Warrants remain outstanding.

6.3 Share Buy-back

During the current quarter, the Company purchased 50,000 ordinary shares of RM0.50 each from Bursa Malaysia Securities Berhad, for a total consideration of RM50,778. The shares are currently maintained as Treasury Shares.

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 30 June 2010 RM'000	Cumulative year-to- date ending 31 December 2010 RM'000
Segment Revenue:		
Malaysia	34,406	65,921
People's Republic of China	89,543	190,993
Europe	11,169	21,404
	135,118	278,318
Adjustments	(49,314)	(101,114)
Total	85,804	177,204
Segment Results:		
Malaysia	4,090	8,452
People's Republic of China	3,573	7,363
Europe	640	1,278
	8,303	17,093
Adjustments	(409)	1,428
Total	7,894	18,521

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 30 June 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 30 June 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 30 June 2010 is as follows:-

	RM'000
Capital expenditure approved and contracted for	4,530



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 RM85.80 million for the second quarter ended 30 June 2010 (2009: RM73.5 million, which is an increase of 17%). Group pretax profit recorded in the current quarter was RM3.0 million compared to RM6.0 million in the corresponding quarter of year 2009, a decrease of 50%. The decrease in profits was due to the persistently high raw material costs and strengthening of the Ringgit against major trading currencies such as the US Dollars and Euros.

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

Sales for the second quarter 2010 amounted to RM85.8 million compared to RM91.4 million reported for the first quarter, a decrease of 6%. Pre-tax profit of RM3.0 million was recorded in the second quarter of 2010 compared to RM5.0 million in the previous quarter, a decline of 40%. The overall lower performance was mainly due to the persistently high raw material costs especially natural latex and plastic resins and the strengthening of the Ringgit against major trading currencies. The softening of demand of certain Group products in the second quarter also aggravated the negative effects.

3. Current Year Prospects

During the first half of 2010, the Group faced tough operating conditions with strong headwinds from the strengthening of the Ringgit and Chinese Yuan against major trading currencies as well as persistently high raw material costs. The negative impact of the financial crisis in certain EU member countries since the end of last year had also affected demand for some of the Group's products.

The Board and Management foresee such 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 30 June 2010 RM'000	Cumulative year-to- date RM'000
Current year – Malaysian income tax	542	1,233
Current year – Foreign income tax	66	130
Deferred Taxation	(280)	(280)
Total income tax expense	328	1,083
Effective tax rate	13.3%	14.5%

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 30 June 2010.

7. Purchase/disposal of Quoted Securities

There were no purchase and/or disposal of quoted securities for the current quarter ended 30 June 2010 other than the purchase of 50,000 ordinary shares under Share Buy-back.

8. Status of Corporate Proposals

There are no corporate proposals not announced or outstanding as at 30 June 2010.

9. Group Borrowings and Debt Securities

	As at 30 June 2010		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings including trade financing	52,298	12,874	65,172
Term Loans	6,914	-	6,914
Medium Term Notes ("MTN")	-	43,000	43,000
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	-	20,585	20,585
	59,212	76,459	135,671

10. Financial Instruments Risks

As at 30 June 2010, the Group has the following foreign currency contracts outstanding:-

Currency	Contracted Amounts '000	Ringgit Equivalent RM'000	Fair Values RM'000	Expiry Period(s)
U.S. Dollar (USD)	8,200	26,957	26,519	July 2010 – December 2010
Euro Dollar (EUR)	3,554	14,247	14,037	July 2010 – December 2010
		41,204	40,556	

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 30 June 2010	Cumulative Year-to-Date ended 30 June 2009 <i>(Restated)</i>
Profit attributable to ordinary shareholders of the Company	RM’000	5,928	5,268
Weighted average number of ordinary shares in issue	Shares	199,332,441	80,499,798
Basic EPS	sen	2.97 sen	6.54 sen
Diluted weighted average number of ordinary shares in issue	Shares	269,746,379	107,148,143
Fully diluted EPS	sen	2.20 sen	4.92 sen

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 18 August 2010.

CHAN CHEE KHEONG (MAICSA 0810287)

CHANG POOI YEE (MAICSA 7036213)

Company Secretaries

Ipoh, Perak

18 August 2010