



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND INTERIM FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 September 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 September 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 75,866 ICULS were converted into 89,254 new ordinary shares of RM0.50 each.

As at 30 September 2010, a total of 23,321,120 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 September 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.

As at 30 September 2010, a total of 50,000 ordinary shares were held as Treasury Shares by the Company.

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 September 2010 RM'000 | Cumulative year-to- date ending 31 December 2010 RM'000 |
|----------------------------|---|--|
| Segment Revenue: | | |
| Malaysia | 34,872 | 100,742 |
| People's Republic of China | 88,683 | 279,676 |
| Europe | 9,388 | 30,792 |
| | 132,892 | 411,210 |
| Adjustments | (46,151) | (147,265) |
| Total | 86,741 | 263,945 |
| Segment Results: | | |
| Malaysia | 5,267 | 13,719 |
| People's Republic of China | 1,549 | 8,912 |
| Europe | 771 | 2,049 |
| | 7,587 | 24,680 |
| Adjustments | 16 | 1,428 |
| Total | 7,603 | 26,108 |

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 September 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 September 2010.

11. Changes in the Composition of the Group

On 14 October 2010, the Company successfully completed its acquisition exercise to purchase the remaining 20% equity interest in Rubberex (Hong Kong) Limited. Consequently, Rubberex (Hong Kong) Limited is a wholly-owned subsidiary of the Company.

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 September 2010 is as follows:-

| | RM'000 |
|---|--------|
| Capital expenditure approved and contracted for | 6,447 |

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 RM86.7 million for the third quarter ended 30 September 2010 (2009: RM85.2 million). Group pretax profit recorded in the current quarter was RM2.3 million compared to RM6.0 million in the corresponding quarter of year 2009, a decrease of 62%. The decrease in profits was due to the persistently high raw material costs and strengthening of the Ringgit and Chinese Yuan against major trading currencies such as the U.S. Dollar and Euro.

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

Sales for the third quarter 2010 amounted to RM86.7 million compared to RM85.8 million reported for the second quarter, a slight increase of 1%. Pre-tax profit of RM2.3 million was recorded in the third quarter of 2010 compared to RM3.0 million in the previous quarter, a decline of 23%. 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 and Chinese Yuan against major trading currencies. The softening of demand of certain Group products in the third quarter also aggravated the negative effects.

3. Current Year Prospects

The Group's overall earnings for the first nine months of this year was adversely affected by strong headwinds from the strengthening of the Ringgit and Chinese Yuan against major trading currencies such as the U.S. Dollar and Euro as well as persistently high raw material costs.

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 September 2010 RM'000 | Cumulative year-to- date RM'000 |
|-------------------------------------|--|---------------------------------------|
| Current year – Malaysian income tax | 440 | 1,673 |
| Current year – Foreign income tax | 154 | 284 |
| Deferred Taxation | (157) | (437) |
| Total income tax expense | 437 | 1,520 |
| Effective tax rate | 18.9% | 14.6% |

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 September 2010.

7. Purchase/disposal of Quoted Securities

There were no purchase and/or disposal of quoted securities for the current quarter ended 30 September 2010.

8. Status of Corporate Proposals

On 23 September 2010, the Company announced its proposal to acquire the remaining 20% equity interest Rubberex (Hong Kong) Limited, from Diamond Silk International Sdn Bhd., for a total consideration of RM5.6 million.

The acquisition was completed on 14 October 2010 and announced to Bursa Malaysia Securities Berhad on 18 October 2010.

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

9. Group Borrowings and Debt Securities

| | As at 30 September 2010 | | |
|--|-------------------------|---------------------|-----------------|
| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
| Short Term Borrowings including trade financing | 58,906 | 13,454 | 72,360 |
| Term Loans | 6,198 | - | 6,198 |
| Medium Term Notes (“MTN”) | - | 43,000 | 43,000 |
| Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) | - | 20,519 | 20,519 |
| | 65,104 | 76,973 | 142,077 |



10. Financial Instruments Risks

As at 30 September 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) | 4,940 | 16,085 | 15,232 | December 2010 – March 2011 |
| Euro (EUR) | 2,800 | 11,350 | 11,768 | December 2010 – March 2011 |
| | | 27,435 | 27,000 | |

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

There is no outstanding material litigation as at 30 September 2010.

12. Dividend Payable

Notice of book closure

NOTICE IS HEREBY GIVEN that a first interim dividend of 2.5 sen less tax per ordinary share of RM0.50 each in respect of the financial year ending 31 December 2011 will be payable on 24 January 2011. The entitlement date for the dividend payment is 03 January 2011.

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 03 January 2011 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 2010 | Cumulative Year-to-Date ended 30 September 2009 <i>(Restated)</i> |
|--|------------|---|--|
| Profit attributable to ordinary shareholders of the Company | RM’000 | 7,734 | 10,512 |
| Weighted average number of ordinary shares in issue | Shares | 200,484,317 | 81,561,780 |
| Basic EPS | sen | 3.86 sen | 12.89 sen |
| Diluted weighted average number of ordinary shares in issue | Shares | 227,923,282 | 131,972,870 |
| Fully diluted EPS | sen | 3.39 sen | 7.96 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 22 November 2010.

CHAN CHEE KHEONG (MAICSA 0810287)

CHANG POOI YEE (MAICSA 7036213)

Company Secretaries

Ipoh, Perak

22 November 2010