



## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND INTERIM FINANCIAL PERIOD ENDED 31 MARCH 2011

### 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 report is unaudited and has 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 2010.

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 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 previous year ended 31 December 2010 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 2011.

#### 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 2011.

#### 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

During the current quarter, a total of 30,000 ICULS were converted into 35,294 new ordinary shares of RM0.50 each.

As at 31 March 2011, a total of 23,016,060 ICULS remain outstanding.

No warrants were exercised during the current quarter and as at 31 March 2011, 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 31 March 2011, a total of 90,000 ordinary shares were held as Treasury Shares by the Company.

### 7. Dividends Paid

A first interim dividend of 2.5 sen less tax per ordinary share of RM0.50 each held in respect of the current financial year was paid on 24 January 2011.

### 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 2011 RM'000	Cumulative year-to- date ending 31 March 2011 RM'000
<b>Segment Revenue:</b>		
Malaysia	36,851	36,851
People's Republic of China	86,773	86,773
Europe	9,671	9,671
	<hr/> 133,295	<hr/> 133,295
Adjustments	(54,984)	(54,984)
Total	<hr/> <b>78,311</b>	<hr/> <b>78,311</b>
<b>Segment Results:</b>		
Malaysia	2,002	2,002
People's Republic of China	1,480	1,480
Europe	878	878
	<hr/> 4,360	<hr/> 4,360
Adjustments	2,632	2,632
Total	<hr/> <b>6,992</b>	<hr/> <b>6,992</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 period ended 31 March 2011.

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements ended 31 December 2010.

### 10. Subsequent Events

There was no material events subsequent to the end of the current quarter that have not been reflected in the interim financial period ended 31 March 2011.



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

On 04 April 2011, Rubberex (M) Sdn Berhad, a wholly-owned subsidiary of the Company, acquired the remaining 300,000 ordinary shares of RM1.00 each representing 30% equity in Rubberex Marketing (M) Sdn Bhd, for a total consideration of RM572,626. As a consequence, Rubberex Marketing (M) Sdn Bhd is now a wholly-owned subsidiary of Rubberex (M) Sdn Berhad.

**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 2010.

**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 2011 is as follows:-

	RM'000
Capital expenditure approved and contracted for	5,594

**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 RM78.3 million for the first quarter ended 31 March 2011 (2010: RM91.4 million). Group pretax profit recorded in the current quarter was RM1.5 million compared to RM5.0 million in the corresponding quarter of year 2010, a decrease of 70%. 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 first quarter 2011 amounted to RM78.3 million compared to RM79.3 million reported for the fourth quarter of 2010, a slight decrease of 1%. Pre-tax profit of RM1.5 million was recorded in the first quarter of 2011 compared to RM0.3 million in the previous quarter, an increase of 400%. The improved profits were mainly due to better selling prices as well as product mix.

**3. Current Year Prospects**

The Group's pretax profit in the first quarter 2011 showed a marked improvement to RM1.5 million from RM0.3 million in the fourth quarter of 2010. The improvement was achieved as a result of price adjustments implemented in the previous quarter that have yielded positive results. However, the Group still faces strong headwinds from high raw materials prices and the strengthening of the Ringgit and Chinese Yuan against major trading currencies such as the U.S. Dollars and the Euro.



The Board and Management foresee this challenging scenario to persist for the rest of this year. Nevertheless, the Management will strive to mitigate any negative impacts through constantly monitoring the product price adjustment mechanism as well as the implementation of various cost saving measures.

**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 2011 RM'000	Cumulative year-to- date RM'000
Current year – Malaysian income tax	603	603
Current year – Foreign income tax	171	171
Total income tax expense	<u>774</u>	<u>774</u>

**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 2011.

**7. Purchase/disposal of Quoted Securities**

There were no purchase and/or disposal of quoted securities for the current quarter ended 31 March 2011.

**8. Status of Corporate Proposals**

On 16 April 2011 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 2011 and at the Annual General Meeting of the Company held on 27 May 2011, shareholders' approval was obtained.

There are no corporate proposals not announced or outstanding as at 31 March 2011.

**9. Group Borrowings and Debt Securities**

	As at 31 March 2011		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings including trade financing	57,648	15,050	72,698
Term Loans	4,608	-	4,608
Medium Term Notes ("MTN")	-	43,000	43,000
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	-	20,164	20,164
	<u>62,256</u>	<u>78,214</u>	<u>140,470</u>



### 10. Financial Instruments Risks

As at 31 March 2011, 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)	7,837	24,061	24,308	June – October 2011
Euro (EUR)	6,069	25,370	24,500	May – December 2011
Swiss Franc (CHF)	120	407	415	August 2011
		<b>49,838</b>	<b>49,223</b>	

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 2010.

### 11. Changes in Material Litigation

There is no outstanding material litigation as at 31 March 2011.

### 12. Disclosure of Realised and Unrealised Profits/Losses

Group	Current quarter ended 31 March 2011 RM'000
Total retained profits/(loss):	
- Realised	22,812
- Unrealised	(2,301)
	<b>20,511</b>

Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses disclosure.

### 13. Dividend Payable

No dividend is proposed for the current quarter under review.



#### 14. Earnings per Share (“EPS”)

		Quarter ended 31 March 2011	Cumulative Year-to-Date ended 31 March 2010
Comprehensive income attributable to ordinary shareholders of the Company	RM’000	677	677
Weighted average number of ordinary shares in issue	Shares	202,074,612	202,074,612
<b>Basic EPS</b>	<b>sen</b>	<b>0.34</b>	<b>0.34</b>
Diluted weighted average number of ordinary shares in issue	Shares	229,152,329	229,152,329
<b>Fully diluted EPS</b>	<b>sen</b>	<b>0.30</b>	<b>0.30</b>

#### 15. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 27 May 2011.

**CHAN CHEE KHEONG (MAICSA 0810287)**

**CHANG POOI YEE (MAICSA 7036213)**

**Company Secretaries**

Ipoh, Perak

27 May 2011