



## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND INTERIM FINANCIAL PERIOD ENDED 30 JUNE 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 30 June 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 30 June 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 27,200 ICULS were converted into 32,000 new ordinary shares of RM0.50 each.

As at 30 June 2011, a total of 22,988,860 ICULS remain outstanding.

No warrants were exercised during the current quarter and as at 30 June 2011, a total of 52,979,420 Warrants remain outstanding.



### 6.3 Share Buy-back

In the current quarter, the Company purchased 30,000 ordinary shares of RM0.50 each from Bursa Malaysia Securities Berhad, for a total consideration of RM21,116. The shares are currently maintained as Treasury Shares.

As at 30 June 2011, a total of 120,000 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<br>ended<br>30 June 2011<br>RM'000 | Cumulative year-to-<br>date ending<br>30 June 2011<br>RM'000 |
|----------------------------|--|--|
| <b>Segment Revenue:</b>    |  |  |
| Malaysia                   | 38,243   | 75,094   |
| People's Republic of China | 114,690  | 201,463  |
| Europe                     | 12,024   | 21,695   |
|                            | <hr/>  | <hr/>  |
|                            | 164,957  | 298,252  |
| Adjustments                | (68,138)   | (123,122)  |
| Total                      | <hr/> <b>96,819</b> <hr/>                          | <hr/> <b>175,130</b> <hr/>                                   |
| <b>Segment Results:</b>    |  |  |
| Malaysia                   | 4,272  | 6,274  |
| People's Republic of China | 3,721  | 5,201  |
| Europe                     | 878  | 1,756  |
|                            | <hr/>  | <hr/>  |
|                            | 8,871  | 13,231   |
| Adjustments                | (649)  | 1,982  |
| Total                      | <hr/> <b>8,222</b> <hr/>                           | <hr/> <b>15,213</b> <hr/>                                    |

### 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 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 30 June 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 30 June 2011 is as follows:-

|   | RM'000 |
|---|--------|
| Capital expenditure approved and contracted for | 5,494  |

**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 RM96.8 million for the second quarter ended 30 June 2011 (2010: RM85.8 million). Group pretax profit recorded in the current quarter was RM2.5 million, similar to that in the corresponding quarter of year 2010. Although sales turnover had increased, the lower profits were 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 second quarter 2011 amounted to RM96.8 million compared to RM78.3 million reported for the first quarter, an increase of 24%. Pre-tax profit of RM2.5 million was recorded in the first quarter of 2011 compared to RM1.5 million in the previous quarter, an increase of 67%. The improved profits were mainly due to better selling prices as well as higher volume of sales achieved.

**3. Current Year Prospects**

The Group's pretax profit shows further improvement from RM1.5 million in the first quarter to RM2.5 million in the current quarter. The improvement was contributed by overall increases in the sales volume as well as product prices especially from the China operation which produced PVC disposable gloves. However, meltdown of the world financial markets in early August, high raw material prices and the strong Ringgit and Chinese Yuan are expected to pose strong challenges for the Group in the coming quarters.



Nevertheless, the Management will strive to mitigate any negative impact 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<br>30 June 2011<br>RM'000 | Cumulative year-to-<br>date<br>RM'000 |
|-------------------------------------|---|---------------------------------------|
| Current year – Malaysian income tax | 681   | 1,284                                 |
| Current year – Foreign income tax   | 170   | 341                                   |
| Deferred Taxation                   | (165)   | (165)                                 |
| <b>Total income tax expense</b>     | <b>686</b>                                      | <b>1,460</b>                          |

**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 2011.

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

There were no purchase and/or disposal of quoted securities for the current quarter ended 30 June 2011.

**8. Status of Corporate Proposals**

There are no corporate proposals not announced or outstanding as at 30 June 2011.

**9. Group Borrowings and Debt Securities**

|  | As at 30 June 2011 |                     |                 |
|--|--------------------|---------------------|-----------------|
|  | Secured<br>RM'000  | Unsecured<br>RM'000 | Total<br>RM'000 |
| Short Term Borrowings including trade financing          | 61,802             | 17,667              | 79,469          |
| Term Loans   | 2,559              | 25,000              | 27,559          |
| Medium Term Notes (“MTN”)                                | -                  | 18,000              | 18,000          |
| Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) | -                  | 19,744              | 19,744          |
|  | <b>64,361</b>      | <b>80,411</b>       | <b>144,772</b>  |



### 10. Financial Instruments Risks

As at 30 June 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) | 15,096                  | 32,165                    | 32,182             | August 2011 – January 2012 |
| Euro (EUR)        | 7,661                   | 33,053                    | 32,418             | September 2011 – May 2012  |
| Swiss Franc (CHF) | 112                     | 367                       | 328                | September 2011             |
|                   |                         | <b>65,585</b>             | <b>64,928</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 30 June 2011.

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

| Group                          | Current quarter ended<br>30 June 2011<br>RM'000 |
|--------------------------------|---|
| Total retained profits/(loss): |   |
| - Realised                     | 24,967  |
| - Unrealised                   | (2,343)   |
|                                | <b>22,624</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”)

|   |            | Cumulative<br>Year-to-Date<br>ended<br>30 June 2011 | Cumulative<br>Year-to-Date<br>ended<br>30 June 2010 |
|---|------------|---|---|
| Comprehensive income attributable to ordinary shareholders of the Company | RM’000     | 2,790   | 5,281   |
| Weighted average number of ordinary shares in issue                       | Shares     | 202,083,602   | 199,332,411   |
| <b>Basic EPS</b>  | <b>sen</b> | <b>1.38</b>   | <b>2.65</b>   |
| Diluted weighted average number of ordinary shares in issue               | Shares     | 229,129,319   | 269,746,379   |
| <b>Fully diluted EPS</b>  | <b>sen</b> | <b>1.25</b>   | <b>2.01</b>   |

#### 15. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 19 August 2011.

**CHAN CHEE KHEONG (MAICSA 0810287)**

**CHANG POOI YEE (MAICSA 7036213)**

**Company Secretaries**

Ipoh, Perak

19 August 2011