



## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 financial statements ended 31 December 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 financial statements ended 31 December 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. A total of RM35,000,000 was repaid at maturity in the current financial year.

As at 31 December 2011, RM8,000,000 of MTN remain outstanding.

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

During the current quarter, a total of 222,700 ICULS were converted into 262,000 new ordinary shares of RM0.50 each.

As at 31 December 2011, a total of 22,747,060 ICULS remain outstanding.



No warrants were exercised during the current quarter and as at 31 December 2011, a total of 52,979,420 Warrants remain outstanding.

The ICULS and Warrants shall expire on 14 August 2012.

### 6.3 Share Buy-back

In the current quarter, the Company purchased 899,800 ordinary shares of RM0.50 each from Bursa Malaysia Securities Berhad, for a total consideration of RM631,564. The shares are currently maintained as Treasury Shares.

As at 31 December 2011, a total of 1,065,800 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.

On 23 November 2011, the Company declared a first interim tax-exempt dividend of 2.5 sen per ordinary share of RM0.50 each in respect of the financial year 2012; this was paid on 20 February 2012.

### 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 December 2011 RM'000	Cumulative year-to- date ended 31 December 2011 RM'000
<b>Segment Revenue:</b>		
Malaysia	32,452	144,493
People's Republic of China	132,582	454,135
Europe	11,804	44,218
	<hr/>	<hr/>
	176,838	642,846
Adjustments	(74,003)	(269,143)
Total	<hr/> <b>102,835</b> <hr/>	<hr/> <b>373,703</b> <hr/>
<b>Segment Results:</b>		
Malaysia	9,126	24,997
People's Republic of China	3,654	14,048
Europe	696	3,507
	<hr/>	<hr/>
	13,476	42,552
Adjustments	(4,583)	(8,754)
Total	<hr/> <b>8,893</b> <hr/>	<hr/> <b>33,798</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 financial period ended 31 December 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 financial period ended 31 December 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.

On 29 July 2011, Diamond Grip (M) Sdn Bhd, a wholly-owned subsidiary of the Company, acquired the remaining 1,600,000 ordinary shares of RM1.00 each representing 40% equity interest in Biogreen Medical Sdn Bhd, for a nominal sum of RM2.00. Consequently, Biogreen Medical Sdn Bhd is now a wholly-owned subsidiary of Diamond Grip (M) Sdn Bhd.

**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 financial statements as at 31 December 2011 is as follows:-

	RM'000
Capital expenditure approved and contracted for	5,546



**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 RM102.8 million for the fourth quarter ended 31 December 2011 (2010: RM79.3 million). Group pretax profit recorded in the current quarter was RM3.4 million (2010: RM0.3 million). The improvement was mainly contributed by improved sales and operating efficiencies which resulted in better product margins for the Group.

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

Sales for the fourth quarter 2011 amounted to RM102.8 million compared to RM95.7 million reported for the third quarter, an increase of 7%. However, pre-tax profit of RM3.4 million was recorded in the fourth quarter of 2011 compared to RM4.1 million in the previous quarter, a decrease of 17%. The decrease in profits was mainly due to the strengthening of RMB against USD and Euro in the current quarter compared to the third quarter.

**3. Current Year Prospects**

The Management foresees this year to be as challenging as year 2011. Demand for the Group's products is expected to sustain well, however, negative factors such as headwinds from the European debt crisis, fluctuations in the exchange rates of Ringgit Malaysia and Chinese Yuan against the US Dollar and Euro as well as the uncertainty in raw material prices continue to be determining factors in the Group's earnings and profitability.

In addition, our China operation which contributes more than 60% of the Group's revenue is faced with rising labour costs. The Management is mitigating this effect by intensifying efforts to reduce dependence on manual labour through various mechanical automation in its production processes.

Despite the above and barring any unforeseen circumstances, the Management is cautiously optimistic that overall Group performance for the current year is expected to improve.

**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 December 2011 RM'000	Cumulative year-to- date RM'000
Current year – Malaysian income tax	1,223	2,920
Current year – Foreign income tax	40	610
Deferred Taxation	(244)	(409)
Total income tax expense	<b>1,019</b>	<b>3,121</b>



**6. Sale of Unquoted Investments and/or Properties**

There were no sales of unquoted investments and/or properties for the current quarter ended 31 December 2011.

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

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

**8. Status of Corporate Proposals**

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

**9. Group Borrowings and Debt Securities**

	As at 31 December 2011		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings including trade financing	62,667	11,576	74,243
Term Loans	2,264	35,000	37,264
Medium Term Notes ("MTN")	-	8,000	8,000
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	-	19,103	19,103
	<b>64,931</b>	<b>73,679</b>	<b>138,610</b>

**10. Financial Instruments Risks**

As at 31 December 2011, the Group has the following foreign currency contracts outstanding:-

Currency	Contracted Amounts '000	Ringgit Equivalent RM'000	Fair Values RM'000	Expiry Periods
U.S. Dollar (USD)	7,291	23,061	22,963	February – June 2012
Euro (EUR)	3,864	16,848	17,832	March – August 2012
		<b>39,909</b>	<b>40,795</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 December 2011.



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

Group	Current period ended 30 December 2011 RM'000	Current period ended 31 December 2010 RM'000
Total retained profits/(loss):		
- Realised	29,660	25,162
- Unrealised	(919)	(1,540)
	<b>28,741</b>	<b>23,622</b>

## 13. Dividend Payable

No dividend is proposed for the current quarter under review.

## 14. Earnings per Share ("EPS")

		Cumulative Year-to-Date ended 31 December 2011	Cumulative Year-to-Date ended 31 December 2010
Comprehensive income attributable to ordinary shareholders of the Company	RM'000	8,907	6,604
Weighted average number of ordinary shares in issue	Shares	202,038,167	200,484,317
<b>Basic EPS</b>	<b>sen</b>	<b>4.41</b>	<b>3.28</b>
Diluted weighted average number of ordinary shares in issue	Shares	228,799,414	228,719,305
<b>Fully diluted EPS</b>	<b>sen</b>	<b>3.91</b>	<b>2.93</b>

## 15. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 24 February 2012.

**CHAN CHEE KHEONG (MAICSA 0810287)**

**CHANG POOI YEE (MAICSA 7036213)**

**Company Secretaries**

Ipoh, Perak

24 February 2012