



## **NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013**

### **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 2012.

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 2012.

#### **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 2012 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 2013.

#### **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 2013.

#### **6. Changes in Debt and Equity Securities**

##### **6.1 Share Buy-back**

In the current quarter, the Company purchased 10,000 ordinary shares of RM0.50 each from Bursa Malaysia Securities Berhad, for a total consideration of RM7,404. The shares are currently maintained as Treasury Shares.

As at 30 June 2013, a total of 1,949,900 ordinary shares were held as Treasury Shares by the Company.

#### **7. Dividends Paid**

A first interim tax-exempt dividend of 2.5 sen per ordinary share of RM0.50 each held in respect of the current financial year was paid on 30 January 2013.



## 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 2013 RM'000	Cumulative year-to- date RM'000
<b>Segment Revenue:</b>		
Malaysia	33,203	64,652
People's Republic of China	85,185	162,200
Europe	11,820	23,530
	130,208	250,382
Adjustments	(52,536)	(99,638)
Total	<b>77,672</b>	<b>150,744</b>
<b>Segment Results:</b>		
Malaysia	3,348	9,213
People's Republic of China	(610)	(190)
Europe	1,161	2,106
	3,899	11,129
Adjustments	1,987	815
Total	<b>5,886</b>	<b>11,944</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 30 June 2013.

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements ended 31 December 2012.

## 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 2013.

## 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 2012.

## 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 2012.

## 13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 30 June 2013 is as follows:-

	RM'000
Capital expenditure approved and contracted for	4,619



**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 RM77.7 million for the second quarter ended 30 June 2013 (2012: RM101.1 million). Group pretax profit recorded in the current quarter was RM0.5 million (2012: RM6.8 million). The decrease in both sales turnover and profit before tax is mainly caused by the high input cost for the disposable gloves division mainly plastic resins and plasticizer as well as sluggish demand of the product as compared to that in 2012.

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

Sales for the second quarter 2013 amounted to RM77.7 million compared to RM73.1 million reported for the first quarter, an increase of 6%. However, pre-tax profit was lower in the current quarter at RM0.5 million compared to RM1.1 million in the previous quarter, a decrease of 54%. Overall demand for the Group's products especially disposable gloves have improved further as compared to the first quarter. However, selling prices for this product remain depressed as raw material costs such as plastic resins and plasticizer remained high.

**3. Current Year Prospects**

The Management foresees the second half of this year to be very challenging. Demand for the Group's products is expected to sustain well with the exception of vinyl disposable gloves where high raw materials costs such as plastic resins and plasticizer, coupled with depressed product prices shall continue to impact the Group's performance. The continuous strengthening of the Chinese Yuan and rising labour costs are also expected to further aggravate the situation.

Headwinds from the European debt crisis, fluctuations in the exchange rates of Ringgit Malaysia and the Chinese Yuan against US Dollar and Euro as well as the uncertainty in raw material prices will continue to be determining factors in the Group's earnings and profitability through the remaining part of this year.

**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 2013 RM'000	Cumulative year-to- date RM'000
Current year – Malaysian income tax	841	1,586
Current year – Foreign income tax	214	372
Deferred Taxation	(800)	(800)
Total income tax expense	<u>255</u>	<u>1,158</u>

**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 2013.

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

There were no purchase and/or disposal of quoted securities for the current quarter ended 30 June 2013.



## 8. Status of Corporate Proposals

On 03 July 2013, the Company announced that its sub-subsidiary, Rubberex Alliance Sdn Bhd (formerly known as Biogreen Medical Sdn Bhd) has proposed to acquire the glove business and entire production facilities including plant, machinery, equipment, land and buildings from Alliance Rubber Products Sdn Bhd (“vendor”), for a total consideration of RM113.0 million.

As at today, the Management is still in the midst of finalizing details of the proposal with the vendor prior to the signing of the Sale and Purchase Agreement.

## 9. Group Borrowings and Debt Securities

	As at 30 June 2013		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term borrowings including trade financing	7,493	48,455	55,948
Term Loans	772	28,600	29,372
	<b>8,265</b>	<b>77,055</b>	<b>85,320</b>

## 10. Financial Instruments Risks

As at 30 June 2013, 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)	12,340	38,531	39,151	July – December 2013
Euro (EUR)	3,480	14,104	14,388	July – December 2013
		<b>52,635</b>	<b>53,539</b>	

The above foreign currency contracts are entered into with a local licensed bank to hedge the Group’s receivables and payables 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 2012.

## 11. Changes in Material Litigation

There is no outstanding material litigation as at 30 June 2013.

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

Group	Current period ended 30 June 2013 RM'000	Current period ended 30 June 2012 RM'000
Total retained profits/(loss):		
- Realised	40,773	36,579
- Unrealised	24	(3,124)
	<b>40,797</b>	<b>33,455</b>



### 13. Dividend Payable

No dividend is proposed for the current quarter under review.

### 14. Earnings per Share (“EPS”)

		Cumulative Year-to-Date ended 30 June 2013	Cumulative Year-to-Date ended 30 June 2012
Comprehensive income attributable to ordinary shareholders of the Company	RM'000	440	9,759
Weighted average number of ordinary shares in issue	Shares	227,337,250	201,637,405
<b>Basic EPS</b>	<b>sen</b>	<b>0.19</b>	<b>4.84</b>
Diluted weighted average number of ordinary shares in issue	Shares	227,337,250	227,912,954
<b>Fully diluted EPS</b>	<b>sen</b>	<b>0.19</b>	<b>4.28</b>

### 15. Authorisation for Issue

The interim financial statements and explanatory notes were authorised for issue by the Board of Directors on 26 August 2013.

**CHAN CHEE KHEONG**  
(MAICSA 0810287)  
Company Secretary  
Ipoh, Perak

26 August 2013