

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2016 PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134**

---

**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of the Malaysian Financial Reporting Standard 134 (MFRS 134): Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 (Appendix 9B part A) of the Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the unaudited consolidated financial statements.

The significant accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 December 2014. The adoption of the new MFRS, amendments/improvements to MFRSs and new IC Interpretations does not have any significant impact on the financial performance and financial position of the Group.

As announced on 13 May 2015, the Company had changed its financial year-end from December to June. As such, the current financial period will be an 18-month financial period ending 30 June 2016.

**2. Auditors’ Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2014.

**3. Seasonal and Cyclical Factors**

The principal business operations of the Group were not affected by any seasonal and cyclical factors.

**4. Exceptional and Extraordinary Items**

There were no exceptional or extraordinary items in the current quarter under review.

**5. Changes in Accounting Estimates**

There were no changes in accounting estimates for the current quarter under review.



**6. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities**

Share Buyback

During the current quarter under review, the Company did not conduct any share buy-back transactions.

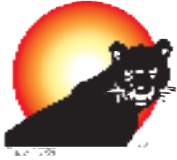
As at 30 June 2016, the number of treasury shares stood at 8,889,000.

**7. Dividend Paid**

Dividends paid to-date are tabulated below:

Financial Year	Description	Payment Date	Dividend (%)	Value (RM'000)
2001	1st & final tax exempt dividend	28.08.2002	3.6%	1,440
2002	1st & final tax exempt dividend	27.08.2003	4.5%	1,800
2003	1st & final tax exempt dividend	27.08.2004	4.5%	3,638
2004	1st & final tax exempt dividend	18.07.2005	5.0%	4,486
2005	Interim tax exempt dividend	09.01.2006	3.0%	2,695
	Final tax exempt dividend	18.07.2006	3.5%	3,960
2006	1st & final tax exempt dividend	18.06.2007	6.5%	7,357
2007	Interim tax exempt dividend	28.01.2008	3.0%	3,979
	Final tax exempt dividend	28.06.2008	3.5%	4,626
2008	Interim tax exempt dividend	08.01.2009	3.0%	3,922
	Final tax exempt dividend	08.07.2009	3.5%	4,545
2009	Interim tax exempt dividend	18.11.2009	5.0%	6,567
	Special tax exempt dividend	20.04.2010	9.0%	12,213
	Final tax exempt dividend	28.06.2010	8.0%	10,856
2010	1 <sup>st</sup> interim tax exempt dividend	01.10.2010	5.0%	8,486
	2 <sup>nd</sup> interim tax exempt dividend	18.03.2011	5.0%	8,502
	Final tax exempt dividend	28.07.2011	5.0%	8,502
2011	Interim tax exempt dividend	08.12.2011	6.0%	10,202
	Final tax exempt dividend	28.06.2012	3.5% <sup>^</sup>	11,903
2012	Interim tax exempt dividend	18.01.2013	4.0% <sup>^</sup>	13,583
	Final tax exempt dividend	18.06.2013	6.0% <sup>^</sup>	20,404
2013	Interim tax exempt dividend	21.01.2014	4.0% <sup>^</sup>	13,583
	Final tax exempt dividend	30.06.2014	6.0% <sup>^</sup>	20,374





**9. Valuation of property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment.

**10. Capital Commitments**

As at 23 August 2016, the Group had capital commitments amounting to RM 39.5 million for the purchase of plant and equipment to be installed at its various factories.

**11. Material Events Subsequent to the End of Period Reported**

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

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

There were no significant changes in the composition of the Group during the quarter ended 30 June 2016.

**13. Contingent liabilities and contingent assets**

The Group has no outstanding contingent liabilities and contingent assets as at 23 August 2016 which might materially and adversely affect the position or business of the Group.

**Additional information required by Bursa Malaysia Securities Bhd Listing Requirements****1. Review of the Performance of the Company and Its Principal Subsidiaries**

The Supermax Group's performance for the quarter under review versus the corresponding quarter of 2015 is tabled below:

Description	Qtr ended 30.6.2016 RM '000	Qtr ended 30.6.2015 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	266,539	229,382	+37,157	+16.2
EBITDA	50,923	39,005	+11,918	+30.6
Profit Before Tax (PBT)	34,783	29,538	+5,245	+17.8

The Group's revenue rose by 16.2% or RM 37.0 million compared to the previous year's corresponding quarter on the back of a stronger USD vs MYR; and higher average selling prices in line with higher raw material prices during this period. In addition, there are higher contribution of sales revenue from oversea distribution subsidiaries.

The higher sales revenue contributed to improved profitability with the Group's EBITDA and PBT higher by 30.6% (RM11.9 million) and 17.8% (RM5.2 million) respectively.

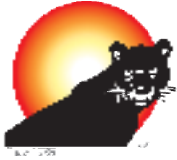
**2. Comparison with Preceding Quarter's Result**

The Group's current quarter performance versus the preceding quarter is tabled below:

Description	Qtr ended 30.6.2016 RM '000	Qtr ended 31.3.2016 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	266,539	225,002	+41,537	+18.5
EBITDA	50,923	43,761	+7,162	+16.4
PBT	34,783	33,484	+1,299	+3.9

On a preceding quarter basis, the Group's revenue increased by 18.5% (RM41.5 million). Although the USD had fallen against the MYR by 4% during this period, the Group had revised average selling prices higher in response to the surge in NR latex prices by 26% since the last quarter.

The higher revenue provided a boost to profitability with EBITDA and PBT rising by 16.4% (RM7.2 million) and 3.9% (RM1.3 million) respectively compared to the preceding quarter.



### 3. Prospects

The global demand for both natural rubber and nitrile gloves remains strong with healthcare awareness continuing to rise, increasing regulation of the healthcare sector and ever higher healthcare spending in both the public and private sectors.

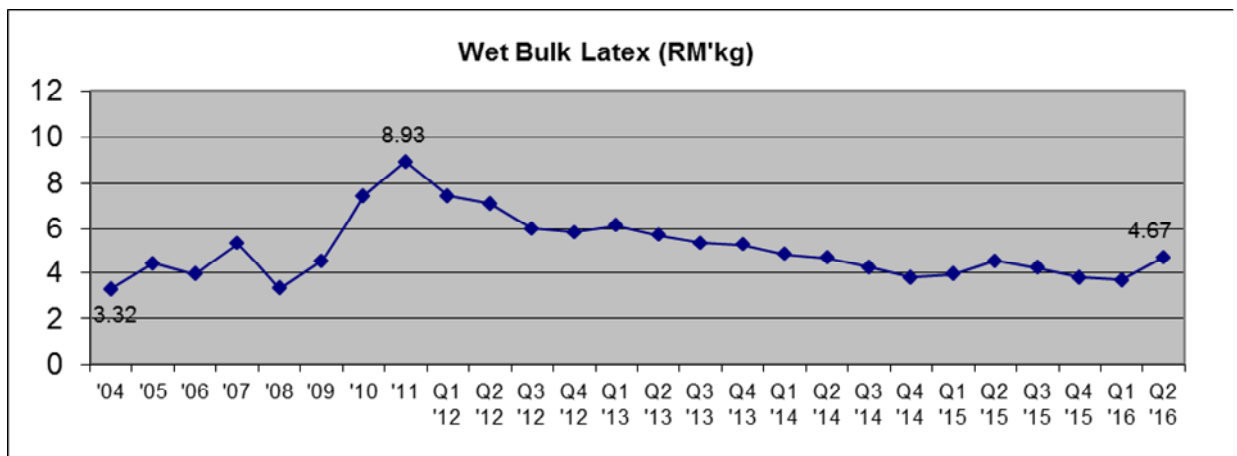
#### Raw Material Prices

##### I) Natural Rubber Latex

Natural rubber latex prices have been on a downward trend over the longer term but had risen sharply in March and April to as high as RM5.12 per kg/wet before tapering off in May & June, falling to as low as RM4.18 per kg/wet in mid-June.

The recent spike was largely on account of the wintering season for rubber trees in the region as well as the efforts by the tripartite of major rubber producing countries (Thailand, Indonesia & Malaysia) to shore up prices of the commodity.

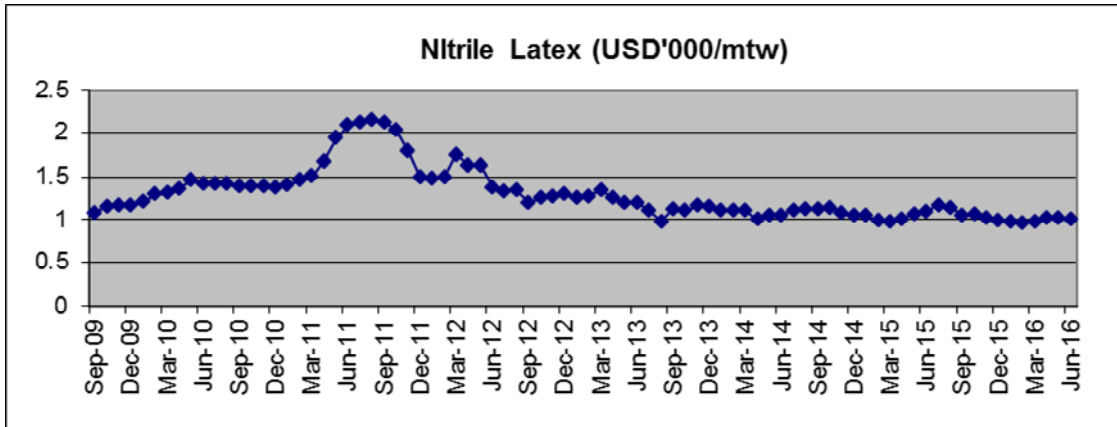
Rubber latex prices are expected to remain relatively muted in the near future. With natural rubber latex being a significant cost component, the low prices augurs well for the industry. Latex prices closed at RM4.30 per kg wet on 24 August 2016.



##### II) Synthetic Nitrile Latex

Synthetic nitrile latex prices continues to be relatively stable, with prices seldom moving far from the USD1,000 per metric ton wet level.

Stable prices for nitrile latex is a boon for the rubber glove industry which has to contend with the more volatile nature of natural rubber prices. This trend is expected to continue at least in the short to medium term.

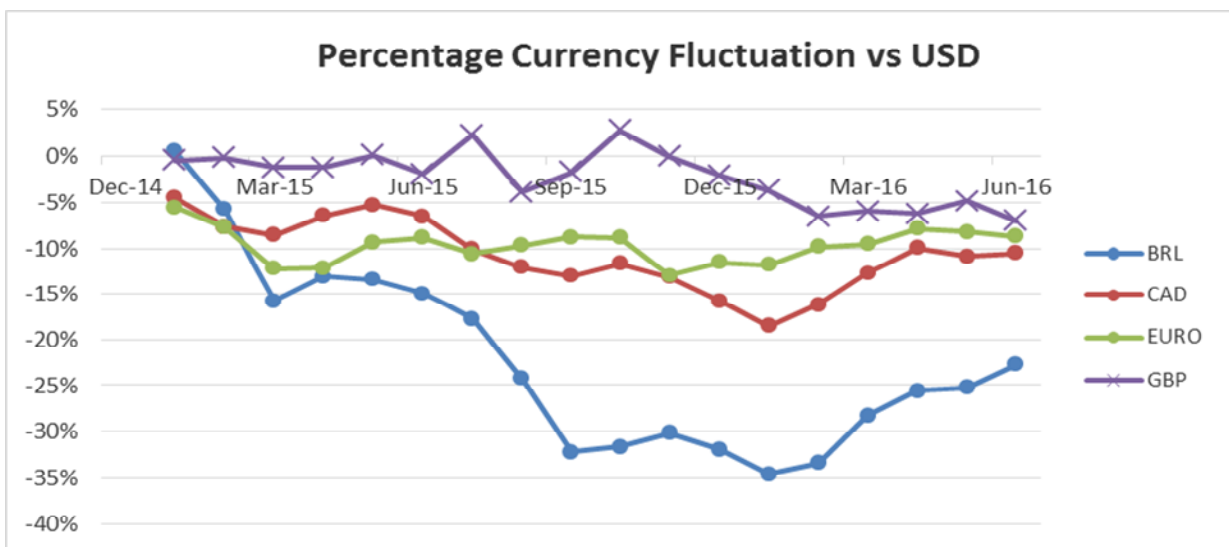


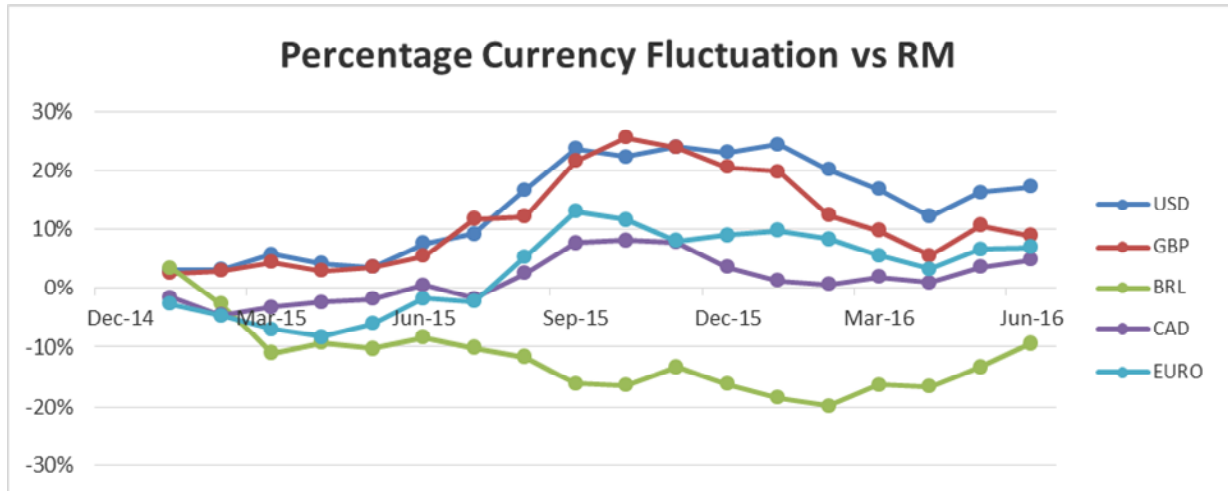
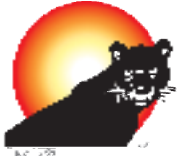
**III) Foreign exchange rates**

After surging higher for most of 2015, the USD:RM currency pairing has maintained its momentum going into 2016, peaking at RM4.40 in January before tapering off but generally remaining at elevated levels. As at 24 August 2016, the exchange rate stood at RM4.03. The USD is expected to remain strong against the RM in the short to medium term.

However, should the RM strengthen against the USD & /or other major currencies, we would be able to adjust the FOB prices accordingly as we have put in place a pricing mechanism to mitigate the impact of currency volatility.

In addition to managing the volatility of Ringgit against US Dollar, the Supermax Group is also managing the volatility of other foreign currencies where the Group operates. Below are the 2 tables showing the fluctuation of the foreign currencies against the US Dollar and Malaysian Ringgit.





The following table shows the quarterly price trend of NR and nitrile latex and USD:RM fluctuations:

**NR & Nitrile Latex Prices (per mtw) and MYR/USD Exchange Rates**

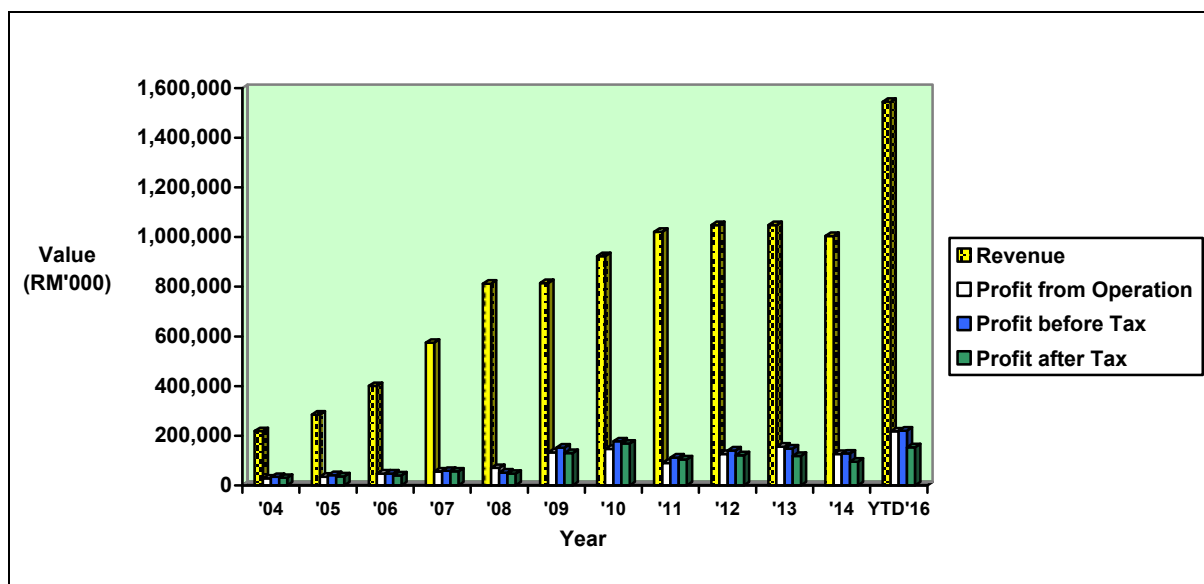
<b>Natural Rubber Latex</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>YOY %</b>
USD	1,234	1,044	886	884	1,165	(5.6)
RM	4,518	4,228	3,793	3,705	4,673	+3.4
(USD:MYR)	3.66	4.05	4.28	4.19	4.01	+9.6
<b>Synthetic Latex (Nitrile)</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>YOY %</b>
USD	1,055	1,102	1,018	970	1,007	(4.5)
RM	3,861	4,463	4,357	4,064	4,038	+4.6
(USD:MYR)	3.66	4.05	4.28	4.19	4.01	+9.6





The Group's yearly performances are shown below:

Description	Year 12/2010 (RM'000)	Year 12/2011 (RM'000)	Year 12/2012 (RM'000)	Year 12/2013 (RM'000)	Year 12/2014 (RM'000)	18 mths 06/2016 (RM'000)
Revenue	977,281	1,021,358	997,374	1,048,151	1,004,384	1,544,786
Profit from operations	155,458	89,807	122,677	155,789	126,653	217,304
EBITDA	223,373	148,732	170,408	182,481	164,399	282,570
EBITDA Margin	22.9%	14.6%	17.1%	17.4%	16.4%	18.3%
Profit before Tax (PBT)	183,835	112,132	137,306	148,157	128,292	220,593
PBT Margin	18.8%	11.0%	13.8%	14.1%	12.8%	14.3%
Profit after Tax (PAT)	158,955	104,051	121,412	118,990	95,195	153,443
Core Profit after Tax (PAT)	158,955	108,051	121,412	118,990	95,195	153,443
Core PAT Margin	16.3%	10.6%	12.2%	11.4%	9.5%	9.9%
No. of Shares	340,077	340,077	680,154	680,154	680,154	680,154
Net Tangible Asset (NTA)	691,468	769,038	833,780	897,648	944,082	1,035,885
NTA per share (RM)	2.03	2.26	1.23	1.32	1.39	1.52
Core EPS (sen)	46.74	31.77	17.90	17.63	14.00	22.55
Return on Assets (ROA)	14.9%	8.6%	9.7%	8.7%	6.5%	8.7%
Return on Equity (ROE)	23.0%	13.5%	14.6%	13.3%	10.1%	14.8%



**4. Variance of Actual and Forecasted Profit and Shortfall in Profit Guarantee**

This is not applicable to the Group for the current quarter under review.

**5. Taxation and Variance between the Effective and Statutory Tax Rate**

	<b>Quarter Ended 30.6.2016 RM '000</b>	<b>18-months Ended 30.6.2016 RM '000</b>
Taxation	27,924	67,150

The effective tax rate of the Group for the 18-month period ended 30.6.2016 is higher than the statutory income tax rate mainly because of additional tax paid amounting to RM7.7 million in respect of previous years' assessments (YA2007, 2009-2011); and provision for deferred tax.

**6. Profit/(Loss) On Sale Of Unquoted Investment and/or Properties**

There were no sales of investment and /or properties for the financial period under review.

**7. Quoted Investment**

There were no purchases or sales of quoted securities during the current financial period.

**8. Status of Corporate Proposals Announced**

There were no corporate proposals announced as at 23 August 2016 (the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report).

**9. Group Borrowings and Debt Securities**

Group borrowings as at 30 June 2016 are as follows: -

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Short term borrowings	16,968	219,230	236,198
Long term borrowings	3,548	136,661	140,209
Total borrowings	20,516	355,891	376,407

87% of the short term borrowings comprise trade facilities amounting to RM 205.5 million that are revolving in nature for working capital purposes. These facilities bear interest rates that are attractive and competitive ranging from 1.0% to 3.6% p.a.

**10. Financial Instruments with Off Balance Sheet Risks**

There were no financial instruments with off balance sheet risk as at 23 August 2016 (the latest practicable date which shall not be earlier than 7 days from the date of this quarterly report).

**11. Pending Material Litigation**

The Group has no outstanding material litigation which might materially and adversely affect the position or business of the Group as at 23 August 2016, being the latest practicable date.

**12. Dividends Declared/Proposed**

The Board of Directors has proposed a final single tier dividend of 4% for the current 18-month period ended 30 June 2016, subject to shareholders' approval at the upcoming Annual General Meeting to be held later this year.

The Board of Directors has thus far declared 3 interim single tier dividend payments of 4% each during the current financial period. Details are as follows:

- 1<sup>st</sup> interim single tier dividend of 4% of RM13.5 million paid on 22 October 2015
- 2<sup>nd</sup> interim single tier dividend of 4% of RM13.4 million paid on 8 April 2016
- 3<sup>rd</sup> interim single tier dividend of 4% of RM13.4 million paid on 18 July 2016

**13. Earnings per Share (EPS)**

	<b>06/2016 Current Quarter Ended 30.6.2016</b>	<b>06/2016 18-month period Ended 30.6.2016</b>
Net profit / (loss) (RM'000) attributable to ordinary shareholders	6,787	153,392
Weighted average ('000) Number of ordinary shares in issue	680,154	680,154
Basic earnings per share (sen)	1.00	22.55

**14. Realised and Unrealised Profits/Losses**

	<b>As at 30.6.2016 RM '000</b>	<b>As at 31.12.2014 RM '000</b>
Total retained profits of the Company and its Subsidiaries:		
- Realised	589,224	455,237
- Unrealised	(51,298)	11,518
	537,926	466,755
Less: Consolidation adjustments	226,910	205,276
Total Group retained earnings as per consolidated accounts	764,836	672,031