



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2017 PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134**

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**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 30 June 2017 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 30 June 2017. 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.

**2. Auditors’ Report**

There was no qualification on the audited financial statements of the Group for the financial period ended 30 June 2017.

**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 repurchased 7,799,100 ordinary shares from the open market at an average price of RM1.94 per share. As at 31 December 2017, the number of treasury shares stood at 24,500,000.

**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



**7. Dividend Paid (cont'd)**

Financial Year	Description	Payment Date	Dividend (%)	Value (RM'000)
2014	Interim single tier dividend	28.01.2015	4.0% ^	13,541
	Final single tier dividend	08.07.2015	6.0% ^	20,311
2016#	1 <sup>st</sup> Interim single tier dividend	22.10.2015	4.0% ^	13,425
	2 <sup>nd</sup> Interim single tier dividend	08.04.2016	4.0% ^	13,425
	3 <sup>rd</sup> Interim single tier dividend	18.07.2016	4.0% ^	13,425
	Final single tier dividend	19.12.2016	4.0% ^	13,425
2017	Interim single tier dividend	28.07.2017	2.5 sen	16,686
	Final single tier dividend	18.12.2017	3.0 sen	19,738
	<b>Total</b>			<b>311,599</b>

^ Note that the dividend rate is based on 680.2 million shares (less treasury shares if any) following a 1-for-1 bonus issue completed on 31 January 2012

# 18-month period ended 30.6.2016 due to change in financial year-end from December to June

**8. Segmental Reporting**

For management purposes, the Group is organized into the following operating divisions:

- Investment holding
- Manufacturing of gloves
- Trading of gloves
- Others

THE GROUP CUMULATIVE 6 MONTHS	Investment Holding RM'000	Manu-facturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	1,444	320,518	325,113	859	-	647,934
Inter-segment sales	20,062	275,305	98,950	3,414	(397,731)	-
	<u>21,506</u>	<u>595,823</u>	<u>424,063</u>	<u>4,273</u>	<u>(397,731)</u>	<u>647,934</u>
Segmental results	(18,241)	117,235	4,752	2,825	-	122,991
Depreciation & Amortisation						(20,402)
Finance costs						(6,648)
Interest income						-
Share of profit in associated cos.						2,348
PBT						98,289
Tax expenses						(32,896)
PAT						<u>65,393</u>



**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 8 February 2018, the Group had capital commitments amounting to RM 41.9 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 31 December 2017.

**13. Contingent liabilities and contingent assets**

The Group has no outstanding contingent liabilities and contingent assets as at 8 February 2018 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 is tabled below:

Description	2 <sup>nd</sup> Quarter ended 31.12.2017 RM '000	2 <sup>nd</sup> Quarter ended 31.12.2016 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	335,914	236,737	+99,177	+41.9
EBITDA	69,310	37,981	+31,329	+82.5
Profit Before Tax (PBT)	57,634	26,985	+30,649	+113.6

The Group recorded total revenue of RM 335.9 million from global sales of its natural rubber and nitrile rubber gloves. In terms of profitability, the Group recorded EBITDA and PBT margins of 20.6% and 17.1% respectively. Comparing to the previous year corresponding quarter, the group's revenue increased by 41.9%, EBITDA increased by 82.5% and PBT increased by 113.6% respectively.

Group revenue has risen on the back of strong demand for gloves and higher output recorded.

Profitability has improved in line with the higher revenue recorded, higher production capacity and also improved operational efficiency.

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

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

Description	2 <sup>nd</sup> Qtr ended 31.12.2017 RM '000	1st Qtr ended 30.9.2017 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	335,914	312,021	+23,893	+7.6
EBITDA	69,310	56,029	+13,281	+23.7
PBT	57,634	40,655	+16,979	+41.8

On a preceding quarter basis, the Group's revenue rose by 7.6% or RM23.9 million from higher sales volume. The higher sales coupled with continuous improvement in operational efficiency contributed to EBITDA and PBT rising by 23.7% and 41.8% respectively.



**3. Prospects**

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 driving demand growth. These positive factors continue to augur well for the Company and the industry as a whole.

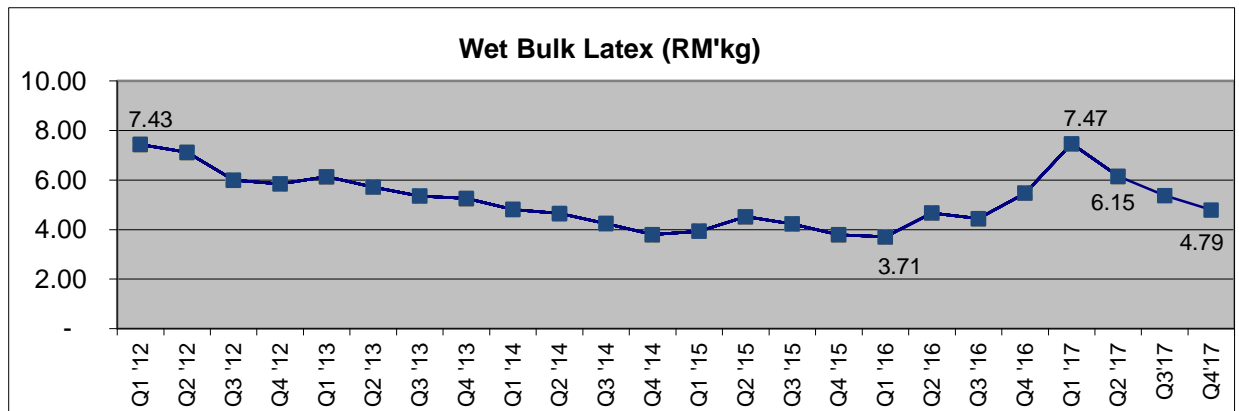
While the Group is able to benefit from new lines commissioned at its latest and most advanced and efficient manufacturing plants, the Management team reckons that lean manufacturing processes is crucial for reaping full potential gain from all of its manufacturing plants.

**Glove Division**

**I) Natural Rubber Latex**

After peaking at average RM7.47 per kg wet in the first quarter of 2017, natural rubber latex prices has been on a downward trend, falling to an average RM4.79 per kg wet in the fourth quarter of 2017. Prices have eased further to an average of RM4.75 per kg wet in the month of January 2018 and RM4.66 as at 8 February 2018.

While this downward trend in the natural rubber latex prices may help offset the upward pressure from other costs such as labour and energy costs, market participants would soon price in the lower raw material costs into average selling prices after a lag period. As such, the Group will remain focused on improving overall operational efficiency and productivity.



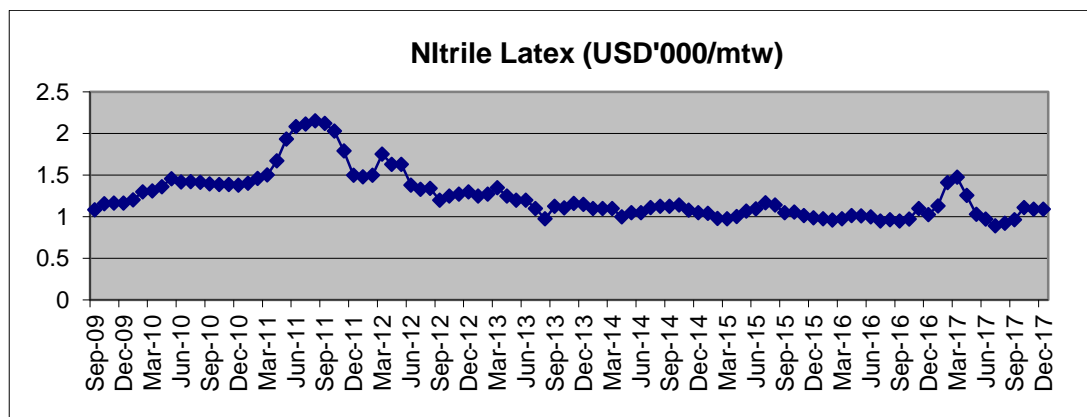


**II) Synthetic Nitrile Latex**

Synthetic nitrile latex prices have relatively lower price volatility as compared to natural rubber latex prices, with prices hovering around USD 1,000 per metric ton wet (mtw) level.

Since the one-off global butadiene supply disruption in early 2017, nitrile latex prices had been relatively stable, fluctuating around the mean price of USD1,000 per mtw since May 2017. For Q4'2017, month to month nitrile prices has been fairly stable, with an average figure of USD 1,097 per mtw in Q4'2017. However, tighter supply in the nitrile market at the start of the year has seen an upturn in nitrile prices to an average of USD1,145 in January 2018.

Going forward, the industry hopes to see stability in the price of nitrile latex for ease of planning and operations. Nevertheless, the Company has pricing mechanisms in place to mitigate the adverse impact to profit margins during times of price volatility.



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

**NR & Nitrile Latex Prices and MYR/USD Exchange Rates**

<b>Natural Rubber Latex</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>YOY %</b>
USD per kg/wet	1,267	1,682	1,420	1,263	1,151	-9.2
RM per kg/wet	5,473	7,470	6,150	5,380	4,790	-12.5
(USD:MYR)	4.32	4.44	4.33	4.26	4.16	-3.7
<b>Synthetic Latex (Nitrile)</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>YOY %</b>
USD per mtw	1,032	1,338	1,085	925	1,097	+6.3
RM per mtw	4,458	5,941	4,698	3,941	4,564	+2.4
(USD:MYR)	4.32	4.44	4.33	4.26	4.16	-3.7



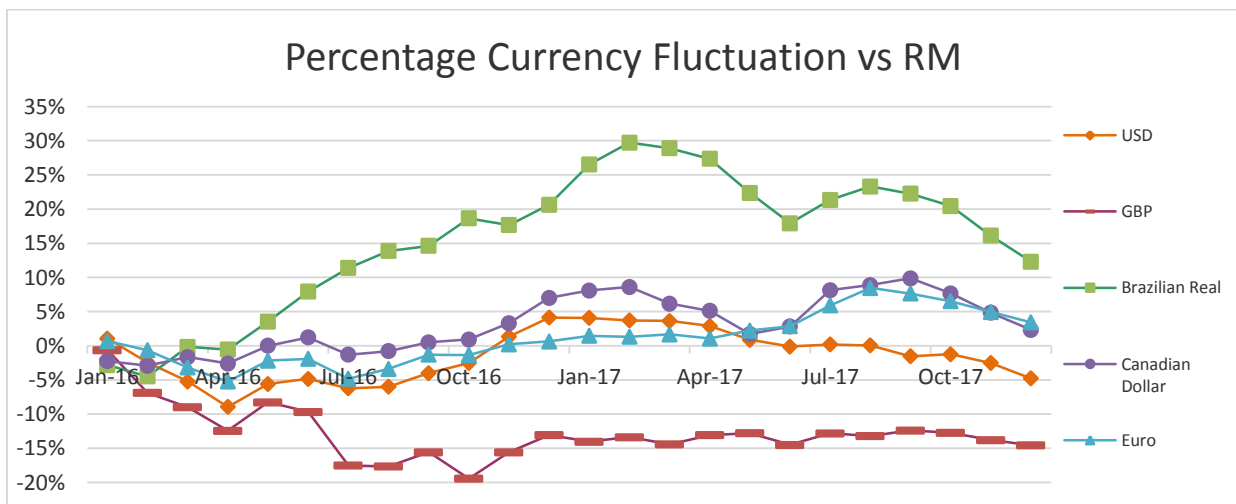
**Contact Lens Division**

The Group is making progress in developing its contact lens business. Not only has it successfully set up its production operations over the last few years, but it is also seeing its efforts to procure the necessary certifications and approvals to produce and bring its products to market bear fruit. The Group will continue launching its products in the various overseas markets after obtaining the necessary approvals.

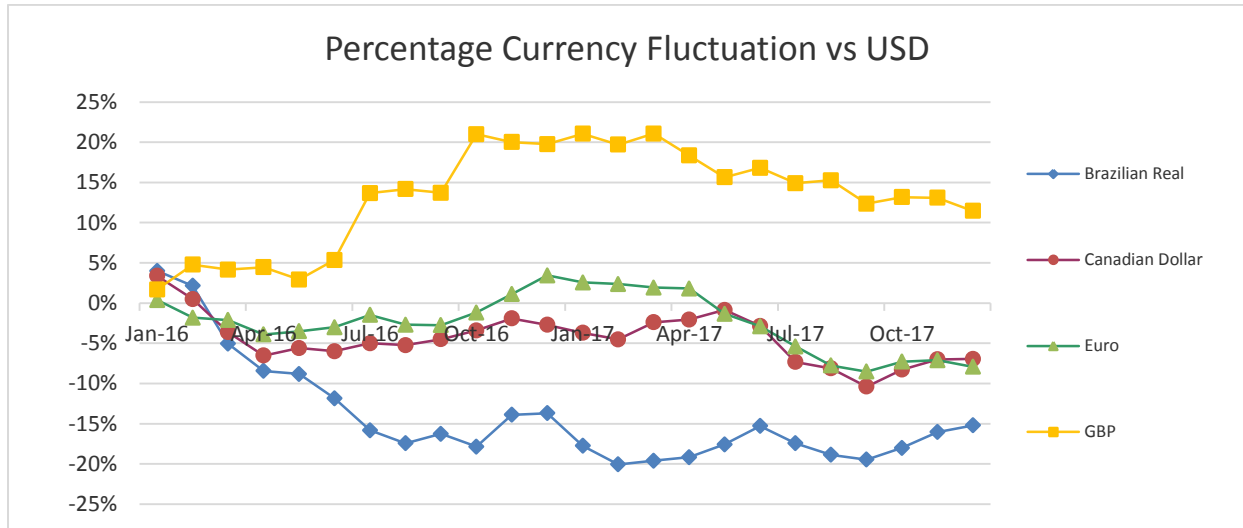
**Foreign exchange rates**

The ringgit continues to dominate the forex headline since the beginning of 2018, with analysts calling long on the undervalued local currency, forecasting ringgit to break and stay below the USD1:MYR4 level in 2018. The recent local interest rate hike coupled with oil price bull run in the past two months (Dec'17 – Jan'18) sent the ringgit soaring to a peak of USD1:MYR3.83 at the end of January 2018 before easing back gradually to USD1:MYR3.94 in the past week. Whilst a strong ringgit is generally unwelcomed by local exporters, the Group will remain focused on improving and enhancing core business operations to achieve improving financial performance. Whichever direction the ringgit goes against the greenback, the Company has in place a pricing mechanism which factors in currency volatility and mitigates its impact.

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 2 tables showing the fluctuation of the foreign currencies against the Malaysian Ringgit and the US Dollar.







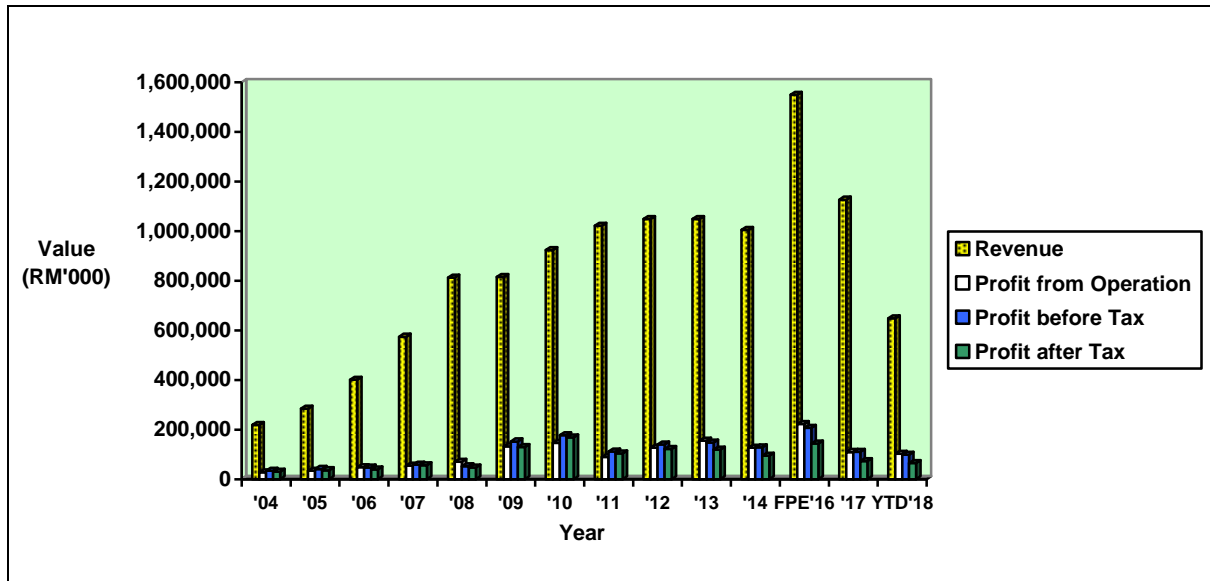
**Historical & Current Financial Performance**

The Group's historical and current financial performances are shown below:

Description	Year 12/2012 (RM'000)	Year 12/2013 (RM'000)	Year 12/2014 (RM'000)	*18 mths 06/2016 (RM'000)	Year 06/2017 (RM'000)	6 months 06/2018 (RM'000)
Revenue	997,374	1,048,151	1,004,384	1,549,529	1,126,550	647,935
Profit from operations	122,677	155,789	126,653	222,416	109,749	102,589
EBITDA	170,408	182,481	164,399	271,395	160,144	125,339
EBITDA Margin	17.1%	17.4%	16.4%	17.5%	14.2%	19.3%
Profit before Tax (PBT)	137,306	148,157	128,292	207,342	110,409	98,289
PBT Margin	13.8%	14.1%	12.8%	13.4%	9.8%	15.2%
Profit after Tax (PAT)	121,412	118,990	95,195	144,023	73,300	65,393
Core Profit after Tax (PAT)	121,412	118,990	95,195	144,023	73,300	65,393
Core PAT Margin	12.2%	11.4%	9.5%	9.3%	6.5%	10.1%
No. of Shares	680,154	680,154	680,154	680,154	680,154	680,154
Net Tangible Asset (NTA)	833,780	897,648	944,082	1,017,541	1,064,568	1,084,057
NTA per share (RM)	1.23	1.32	1.39	1.50	1.57	1.59
Core EPS (sen)	17.90	17.63	14.00	21.36	10.48	9.59
Return on Assets (ROA)	9.7%	8.7%	6.5%	8.8%	4.1%	NM
Return on Equity (ROE)	14.6%	13.3%	10.1%	14.2%	6.9%	NM

\* Period ended 30.6.2016 is a transitional 18-month period following change of financial year-end from December to June

NM = Not meaningful



Note: The financial period ended 30 June 2016 is an 18-month transition period following the change in financial year-end from December to June.

**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. Profit Before Tax**

Profit before Tax is arrived at after charging/(crediting):

	<b>2<sup>nd</sup> Quarter Ended 31.12.2017 RM'000</b>	<b>Year-to-date 31.12.2017 RM'000</b>
Interest Expense	3,325	6,648
Depreciation & Amortisation	8,351	20,402
Staff costs:		
- Salaries, wages & bonus	27,543	53,865
- EPF	1,122	2,177
- Other related staff costs	1,875	3,691
Foreign Exchange		
- Realised Gain or Loss	(2,042)	(164)
- Unrealised Gain or Loss	9,064	16,070

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

	<b>2<sup>nd</sup> Quarter Ended 31.12.2017 RM '000</b>	<b>Year-to-date 31.12.2017 RM '000</b>
Taxation	20,335	32,896

The Group's effective tax rate is higher than the statutory tax rate due to different tax rates in foreign jurisdictions.

**7. 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.

**8. Quoted Investment**

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

**9. Status of Corporate Proposals Announced**

There were no corporate proposals announced as at 8 February 2018 (the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report).

**10. Group Borrowings and Debt Securities**

Group borrowings as at 31 December 2017 are as follows: -

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Short term borrowings	19,466	269,781	289,247
Long term borrowings	1,825	112,929	114,754
Total borrowings	21,291	382,710	404,001

90% of the short term borrowings comprise trade facilities amounting to RM 260.3 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.

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

There were no financial instruments with off balance sheet risk as at 8 February 2018 (the latest practicable date which shall not be earlier than 7 days from the date of this quarterly report).



**12. 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 8 February 2018, being the latest practicable date.

**13. Dividends Declared/Proposed**

For the financial year ended 30 June 2018, the Board of Directors has declared an interim single tier dividend of 3 sen per share to be paid on 28th March, 2018.

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

	<b>Current Quarter Ended 31.12.2017</b>	<b>Year-to-date Ended 31.12.2017</b>
Net profit / (loss) (RM'000) attributable to ordinary shareholders	35,903	63,804
Weighted average ('000) Number of ordinary shares in issue	662,323	662,323
Basic earnings per share (sen)	5.42	9.63

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

	<b>As at 31.12.2017 RM '000</b>	<b>As at 30.6.2017 RM '000</b>
Total retained profits of the Company and its Subsidiaries:		
- Realised	602,728	588,378
- Unrealised	(23,539)	(50,108)
	579,189	538,270
Share of Retained Profits		
- Realised	286,230	283,881
	865,419	822,151
Consolidation adjustments	(29,643)	(29,643)
Total Group Retained Earnings as per consolidated accounts	835,776	792,508