



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 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 2018 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 2018. 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 year ended 30 June 2018.

**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

There were no share buyback transactions in the quarter under review. As at 31 December 2018, the number of treasury shares stood at 24,501,100.



## 7. Dividend Paid

Dividends paid in respect of Financial Year ended 30 June 2018 is as follows:

Financial Year	Description	Payment Date(s)	Dividend (%)	Value (RM'000)
2018	Interim single tier dividend	28.03.2018	3.0 sen	19,670
	Interim single tier dividend	28.06.2018	3.0 sen	19,670
	Final single tier dividend	18.12.2018	2.0 sen	13,113
	<b>Total</b>			<b>52,453</b>

## 8. Segmental Reporting

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

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

<b>THE GROUP CUMULATIVE 6 MONTHS</b>	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	-	399,256	350,949	1,948	-	752,153
Inter-segment sales	13,205	327,625	100,250	4,731	(445,811)	-
	<u>13,205</u>	<u>726,881</u>	<u>451,199</u>	<u>6,679</u>	<u>(445,811)</u>	<u>752,153</u>
Segmental results						135,844
Depreciation & Amortisation						(21,645)
Finance costs						(9,276)
Interest income						97
Share of profit in associated cos.						1,973
PBT						<u>106,993</u>
Tax expenses						(32,303)
PAT						<u><u>74,690</u></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 7 February 2019, the Group had capital commitments amounting to RM 55.7 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 2018.

**13. Contingent liabilities and contingent assets**

The Group has no outstanding contingent liabilities and contingent assets as at 7 February 2019 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 31.12.2018 RM '000	2 <sup>nd</sup> Quarter ended 31.12.2017 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	385,101	335,914	+49,187	+14.6
EBITDA	70,225	69,310	+915	+1.3
Profit Before Tax (PBT)	54,317	57,634	(3,317)	(5.7)

The Group recorded total revenue of RM 385.1 million from global sales of its natural rubber and nitrile rubber gloves, an increase of 14.6% or RM49.2 million compared to the corresponding period a year ago. The increase was attributed to the commissioning of the new replacement lines at its Perak plant and full quarter contribution from Plant's #10 & #11.

EBITDA was higher by 1.3% and PBT lower by 5.7%. Profitability was impacted by higher nitrile latex prices; as well as an increase in advertising & promotion expenses (A&P) as the Group steps up its efforts to promote its brand of contact lens products, Aveo.

Year-to-date (6 months ended 31.12.2018) ) revenue of RM752.1 million recorded by the Group was 16% higher (by RM104.2 million) compared to a year ago, while PBT of RM107.0 million and PAT of RM74.7 million were 8.8% (RM8.7 million) and 14.2% (RM9.3 million) higher respectively.

**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 31.12.2018 RM '000	1 <sup>st</sup> Qtr ended 30.9.2018 RM '000	Increase/(Decrease)	
			RM'000	%
Revenue	385,101	367,052	+18,049	+4.9
EBITDA	70,225	67,688	+2,537	+3.7
PBT	54,317	52,676	+1,641	+3.1

On a preceding quarter basis, the Group's revenue was higher by 4.9% or RM18.0 million from increased sales and a stronger USD vs RM.

Meanwhile, EBITDA and PBT were higher by 3.7% and 3.1% respectively. The improvement was attributed to higher sales recorded, improved efficiency from new production lines and favourable exchange rate.



### 3. Prospects

#### **Glove Division**

The global market for disposable gloves remains vibrant for both the natural rubber and nitrile variants, driven by various factors including rising healthcare awareness and healthcare reforms mandating its use in the medical and other sectors non-traditional sectors. Global demand continues to grow at a rate of 8 – 10% p.a. These positive factors continue to augur well for the Company and the industry as a whole.

Commercial production at the rebuilt plant in Perak commenced in July 2018. Construction works to build its 12<sup>th</sup> plant had also commenced and will further add to the Group's production capacity when completed.

#### **Contact Lens Division**

The Group continues to make progress in developing its contact lens business. Not only has it successfully set up its production operations but it is also bringing its products to more global markets following intensive efforts to secure the necessary certifications and approvals from the various overseas authorities. The Group was able to meet the very stringent requirements of the Japanese medical device authority and had in June 2018 successfully obtained the product license to export its contact lenses to Japan, the second largest contact lens market in the world. In October 2018, the Group had also launched its brand of contact lenses locally in Malaysia. Aveo lenses are available at [www.aveovision.my](http://www.aveovision.my).

Going forward, the Group will continue to work on obtaining the necessary product licences and approvals; expanding its product range to include other types of lenses such as toric and colour lenses; and increasing market penetration for its products globally.



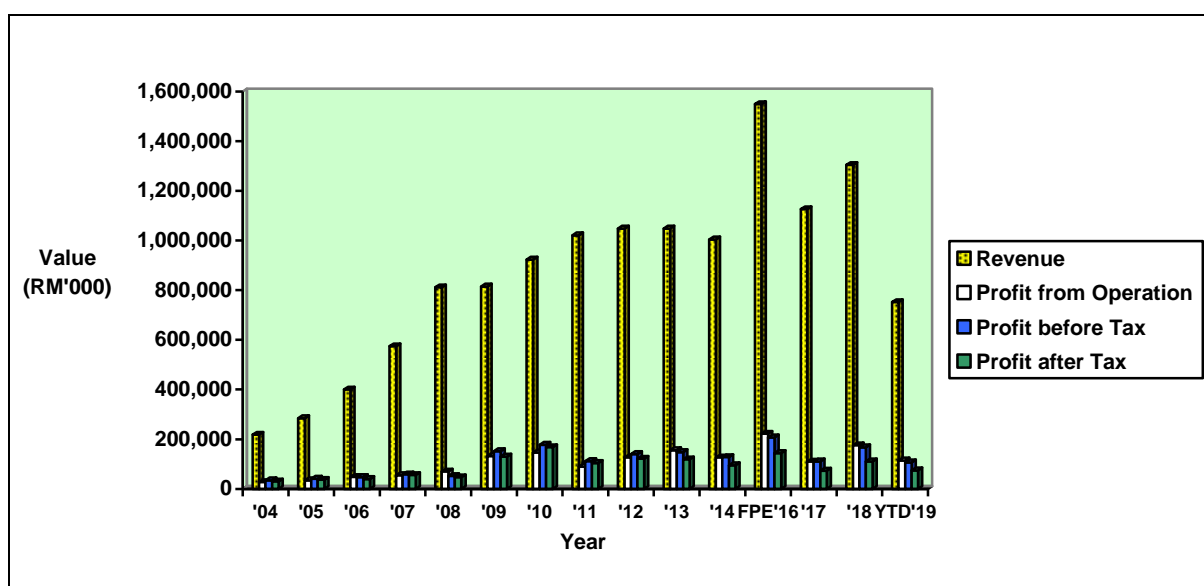
**Historical & Current Financial Performance**

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

Description	Year 12/2014 (RM'000)	*18 mths 06/2016 (RM'000)	Year 06/2017 (RM'000)	Year 06/2018 (RM'000)	6 months 06/2019 (RM'000)
Revenue	1,004,384	1,549,529	1,126,879	1,304,460	752,153
Profit from operations	126,653	222,416	107,731	175,633	114,296
EBITDA	164,399	271,395	160,304	221,925	137,914
EBITDA Margin	16.4%	17.5%	14.2%	17.0%	18.3%
Profit before Tax (PBT)	128,292	207,342	107,939	167,187	106,993
PBT Margin	12.8%	13.4%	9.6%	12.8%	14.2%
Profit after Tax (PAT)	95,195	144,023	70,295	110,971	74,690
Core Profit after Tax (PAT)	95,195	144,023	70,295	110,971	69,734
Core PAT Margin	9.5%	9.3%	6.2%	8.5%	9.3%
No. of Shares	680,154	680,154	680,154	680,154	680,154
Net Tangible Asset (NTA)	944,082	1,017,541	1,070,236	1,063,770	1,085,999
NTA per share (RM)	1.39	1.50	1.57	1.56	1.60
EPS (sen)	14.00	21.36	10.03	16.24	11.30^
Return on Assets (ROA)	6.5%	8.8%	3.9%	6.4%	
Return on Equity (ROE)	10.1%	14.2%	6.6%	10.4%	

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

^ EPS only for 1H 2019



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 31.12.2018 RM'000</b>	<b>Year-to-date 31.12.2018 RM'000</b>
Interest Expense	4,619	9,275
Depreciation & Amortisation	11,253	21,645
Staff costs:		
- Salaries, wages & bonus	29,437	56,739
- EPF	1,160	2,291
- Other related staff costs	1,651	3,353
Foreign Exchange		
- Realised (Gain) or Loss	(4,844)	(10,810)
- Unrealised (Gain) or Loss	3,181	9,285
Other Costs & Expenses	280,144	546,079
<b>Total Operating Expenses</b>	<b><u>326,601</u></b>	<b><u>637,857</u></b>

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

	<b>2<sup>nd</sup> Quarter Ended 31.12.2018 RM '000</b>	<b>Year-to-date 31.12.2018 RM '000</b>
Taxation	15,596	32,303

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

As at 7 February 2019, total income tax refundable to the Group from IRB amounted to RM 18.81 million while GST refundable to the Group amounted to RM 12.96 million.

**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**

The Company had on 29 August 2018 announced its proposal to undertake a bonus issue of up to 680,154,880 bonus shares on the basis of 1 bonus share for every 1 existing Supermax share held on the entitlement date. This proposal was approved by shareholders at the Extraordinary General Meeting held on 30 November 2018 and the exercise was completed on 8 January with the listing of 680,154,880 bonus shares on the stock exchange.

Except for the above completed corporate exercise, there are no other corporate proposals announced as at 7 February 2019 (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 2018 are as follows: -

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Short term borrowings	307	357,903	358,210
Long term borrowings	2,439	54,751	57,190
Total borrowings	2,746	412,654	415,400

93% of the short term borrowings comprise trade facilities amounting to RM 332.0 million that are revolving in nature for working capital purposes. These facilities bear interest rates that are attractive and competitive ranging from 1.59% to 4.22% p.a.

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

There were no financial instruments with off balance sheet risk as at 7 February 2019 (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 7 February 2019, being the latest practicable date.





**13. Dividends Declared/Proposed**

The Board of Directors has declared an interim single tier dividend of 1.5 sen for the current financial year ending 30 June 2019.

The book closure and payment dates are 20 March 2019 and 18 April 2019 respectively.

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

	<b>Current Quarter Ended 31.12.2018</b>	<b>Year-to-date Ended 31.12.2018</b>
Net profit / (loss) (RM'000) attributable to ordinary shareholders	38,136	74,078
Weighted average ('000) Number of ordinary shares in issue	655,654	655,654
Basic earnings per share (sen)	5.82	11.30