

KOSSAN RUBBER INDUSTRIES BHD
Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2012

Explanatory Notes

1. Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with FRS 134 Interim Financial Reporting and Chapter 9 Part K of the Bursa Securities Listing Requirements. The accounting policies and method of computation adopted for the interim financial reports were consistent with those adopted for the audited financial statements for the year ended 31 December 2011 and includes the adoption of new Financial Reporting Standards (“FRS”) applicable to the Group.

Unless otherwise described below, the adoption of the above pronouncements are expected to have no significant impact to the financial statements of the Group upon their initial application.

FRS 8, Operating Segments

FRS 8 replaces FRS 114²⁰⁰⁴, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business segments. As for geographical segments, the Group operations are principally located in Malaysia and customer base does not reflect the actual location of shipment/deliveries. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

2. Annual Audit Report

The audit report of the audited financial statements for the year ended 31 December 2011 was not subject to any qualification.

3. Seasonal or Cyclical Operations

The operations of the Group were not affected by any seasonal or cyclical factors.

4. Extraordinary and Exceptional Items

There were no extraordinary and exceptional items of an unusual nature affecting assets, liabilities, equity, net income, or cash flows for the current quarter and unaudited financial year.

5. Changes in Material Estimates

There were no estimates used in the current quarter and unaudited financial period ended 30 September 2012 or in prior interim periods of the current financial year or prior financial year.

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6. Movement of Company's Securities

a) Movement of Companies Securities

Other than share-buy back, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares in the current quarter and financial period ended 30 September 2012.

b) Share Buy Back

	Price paid per share		Units of Shares	Value RM '000
	Lowest RM	Highest RM		
As at beginning of period 01 January 2012			1,114,400	3,460
Purchase in the period ended 30 September	-	-	-	-
As at end of 30 September 2012			<u>1,114,400</u>	<u>3,460</u>

7. Dividend

The proposed final tax exempt dividend of 4.0 sen per ordinary share, in respect of the financial year ended 31 December 2011 was approved by the members at the Annual General Meeting on 21 June 2012, and the dividend of RM 12,744,782 was paid on 18 July 2012.

On 22 November 2012, the directors approved a tax exempt interim dividend of 5.0 sen per share of RM0.50 each for the financial year ending 31 December 2012. The net dividend of RM 15,930,978 will be paid on 21 December 2012.

There were no other dividends declared or paid in the current quarter and financial period ended 30 September 2012.

8. Segmental Reporting

Analysis by activities	Unaudited financial period ended			
	30 September 2012		30 September 2011	
	Revenue RM '000	Results RM '000	Revenue RM '000	Results RM '000
Manufacturing sector				
Technical rubber products division	108,147	13,265	97,193	8,037
Gloves division	796,843	87,199	713,394	77,639
Clean-room products division	11,927	(721)	0	0
Engineering division	0	0	0	0
	<u>916,917</u>	<u>99,743</u>	<u>810,587</u>	<u>85,676</u>

9. Valuation of Property, Plant and Equipment

There were no changes or amendments to the valuation of property plant and equipment from the previous year's audited financial statements.

10. Material Events Subsequent to the End of the Interim Report

No other significant event has occurred between 01 October 2012 and the date of this announcement which will materially affect the earnings or income of the Group.

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There were no significant changes in the composition of the Group including disposal of subsidiaries and long-term investment, restructuring and discontinuing operations of the Group in the current quarter and financial period ended 30 September 2012.

12. Contingent Liabilities

As at 30 September 2012, the Company has unsecured outstanding contingent liabilities amounting to RM 142,618 million (31 Dec 2011: RM 140.195 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

13. Capital and other Commitments

	As at financial period ended	
	30/09/2012	30/09/2011
	RM'000	RM'000
Property plant and equipment		
Within one year: Contracted but not provided	<u>-</u>	<u>-</u>

14. Additional Information required by the Bursa Securities Listing Requirements**14.1 Review of Results**

	Quarter ended			Financial period ended		
	30/09/12	30/09/11	%	30/09/12	30/09/11	%
	RM '000	RM '000	chg	RM '000	RM '000	chg
Turnover						
Technical rubber division	36,701	29,013	+ 26.50	108,147	97,193	+ 11.27
Gloves division	281,185	249,518	+ 12.69	796,843	713,394	+ 11.70
Clean-room division	4,844	0	na	11,927	0	na
Engineering division	0	0	na	0	0	na
	<u>322,730</u>	<u>278,531</u>	+ 14.79	<u>916,917</u>	<u>810,587</u>	+ 12.75
Net Profit Before Taxation						
Technical rubber division	5,480	2,750	+ 99.27	13,265	8,037	+ 65.05
Gloves division	34,646	28,373	+ 22.11	87,199	77,639	+ 12.31
Clean-room division	(113)	0	na	(721)	0	na
Engineering division	0	0	na	0	0	na
	<u>40,013</u>	<u>31,123</u>	+ 28.56	<u>99,743</u>	<u>85,676</u>	+ 16.64

Technical rubber division

Turnover increase is mainly from higher demand. The higher profit is partly due to lower raw material cost and better efficiency.

Gloves division

Turnover increased proportionately in the current quarter and financial period ended 30 September over the corresponding preceding year's quarter and financial period.

Profitability in the quarter ended 30 September 2012 compared to previous year quarter was higher by 22.11% partly due to lower latex price. The 12.31% increase in the financial period ended 30 September 2012 was within management's expectation.

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Explanatory Notes**14.2 Explanatory comments on any material change in the profit before taxation for the quarter reported on as compared with the preceding quarter.**

Group Results	Current quarter ended 30/09/2012	Preceding quarter ended 30/06/2012	
	RM '000	RM '000	%
Turnover			chg
Technical rubber products division	36,701	38,039	(3.52)
Gloves division	281,185	262,942	6.94
Clean-room division	4,844	3,772	28.42
Engineering division	0	0	na
	<u>322,730</u>	<u>304,753</u>	
	%	%	%
Net Profit Before Taxation	turnover	turnover	chg
Technical rubber products division	5,480 14.93	4,378 11.51	25.17
Gloves division	34,646 12.32	27,041 10.28	28.12
Clean-room division	(113)(2.33)	(322) (8.54)	64.90
Engineering division	0 na	0 na	na
	<u>40,013</u>	<u>31,097</u>	

Technical rubber products division

Compare to the immediate preceding quarter, turnover decreased by 3.52% due to lower raw material price. This has resulted in an increase profit before taxation of 25.17%

Gloves division

Compare to the immediate preceding quarter, turnover of gloves increased by 6.94% due to increased output. Profit before taxation increased by 28.12% due to lower material price and increased capacity utilisation.

Clean-room division

Turnover continued to grow due to the efforts by the Group to penetrate new market with new products. This division incurred losses due to development cost of clean-room gloves still in progress.

14.3 Current Year Prospects

The technical rubber products division is expected to grow steadily. Management is confident prevailing profits can be maintained for the remaining quarter of the financial year.

In the gloves division, management is confident that the strong demand can be sustained. The commissioning of new surgical gloves production line is progressing well and is expected to commence production in January 2013. With the sustainable demand, management is confident the profits will grow in tandem in the remaining quarter of the financial year.

For the clean-room division, sales of mask and wipes remain good. Sales of clean-room gloves continues to show promising growth. Management expects this division to break even for the financial year. However for the next financial year, management expects this division to show profits.

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14.4 Explanatory notes for variance of actual from forecast profit and shortfall in the profit guarantee (only applicable to the final quarter).

Not applicable.

14.5 Taxation

	Current quarter ended 30/09/2012 RM'000	Financial period ended 30/09/2012 RM'000
Tax expense	6,609	17,042
Deferred taxation	3,375	6,155
	<u>9,984</u>	<u>23,197</u>

The effective income tax rate for the current quarter and financial period ended 30 September 2012 was lower than the statutory rate due to the availability of tax incentives.

14.6 Status of Corporate Proposal announced but not completed

There were no corporate proposals announced but not completed, for the current quarter and financial period ended 30 September 2012, to the date of this report.

14.7 Group Borrowings

a) The Group borrowings as at 30 September 2012 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Bank overdraft & revolving credit	3,522	24,476	27,998
Bankers' acceptance	18,209	79,553	97,762
Term loan due within 12 months	0	6,366	6,366
	<u>21,731</u>	<u>110,935</u>	<u>132,126</u>
Term loan due after 12 months	0	12,385	12,385
	<u>21,731</u>	<u>122,780</u>	<u>144,511</u>

Included in unsecured short-term revolving credit is an amount of USD 8.0 million (31 December 2011: USD 8.0 million) obtained by two subsidiaries of the Company. Other than the above, all the other borrowings were denominated in Ringgit Malaysia.

b) There were no debt securities for the financial period ended 30 September 2012.

14.8 Material Litigation

There were no pending material litigation since the last audited annual balance sheet date to the date of issue of the quarterly report.

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14.9 Earnings Per Share

	Quarter ended		Financial period ended	
	30/09/12	30/09/11	30/09/12	30/09/11
	RM'000	RM'000	RM'000	RM'000
Profit after tax and minority interest	29,221	23,643	74,795	67,536
a) Basic earnings per share				
Basic number of ordinary shares in issue ('000)	319,734	319,734	319,734	319,734
Basic earnings per share (sen)	9.14	7.39	23.39	21.12
b) Diluted earnings per share for share buyback				
Basic number of ordinary shares in issue ('000)	318,620	318,620	318,620	318,620
Basic earnings per share (sen)	9.17	7.42	23.47	21.20

There is no dilution in ordinary shares in the quarter or financial period ended 30 September 2012.

14.10 Realised and Unrealised Retained Earnings

	Financial period ended	
	30/09/12	31/12/11
	RM'000	RM'000
Total retained earnings of Kossan Rubber Industries Bhd and its' subsidiaries		
Realised	447,619	380,086
Unrealised	(39,019)	(33,536)
	<u>408,600</u>	<u>346,550</u>
Less Consolidation adjustment	(7,240)	(7,240)
	<u>401,360</u>	<u>339,310</u>

On behalf of the Board

Dato' Lim Kuang Sia
Managing Director
 22 November 2012