

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013****Explanatory Notes****1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards 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 2012.

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.

**2. Annual Audit Report**

The audit report of the audited financial statements for the year ended 31 December 2012 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 31 December 2012 or in prior interim periods of the current financial year or prior financial year.

**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 31 March 2013.

**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 2013			1,114,400	3,460
Purchase in the period ended 31 March	-	-	-	-
As at end of 31 March 2013			<u>1,114,400</u>	<u>3,460</u>

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**Explanatory Notes****7. Dividend**

On 18 April 2013, the Company proposed a final tax exempt dividend of 7.0 sen per ordinary share, in respect of the financial year ended 31 December 2012. Subject to members' approval at the forthcoming Annual General Meeting, the dividend of RM 22,303,369 will be paid on 16 July 2013.

There were no other dividends declared or paid in the current quarter and financial period ended 31 March 2013.

**8. Segmental Reporting**

Analysis by activities	Unaudited financial period ended			
	31 March 2013		31 March 2012	
	Revenue RM '000	Results RM '000	Revenue RM '000	Results RM '000
<b>Manufacturing sector</b>				
Technical rubber products division	35,403	4,337	33,407	3,407
Gloves division	286,023	40,028	251,216	25,512
Clean-room products division	5,841	119	4,811	( 286)
	<u>327,267</u>	<u>44,484</u>	<u>289,434</u>	<u>28,633</u>

**9. Valuation of Property, Plant and Equipment**

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

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

There were no significant event that has occurred between 01 April 2013 and the date of this announcement which will materially affect the earnings or income of the Group.

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

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 31 March 2013, other than the following;

<u>Date of event</u>	<u>Event</u>
6 Feb 2013	Formation of, PT. KOSSAN SETIA JAYA ("PT KOSSAN") a wholly owned subsidiary

**12. Contingent Liabilities**

As at 31 March 2013, the Company has unsecured outstanding contingent liabilities amounting to RM 166.680 million (31 Dec 2012: RM 184.426 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

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**Explanatory Notes****13. Capital and other Commitments**

	<b>As at financial period ended</b>	
	<b>31/03/2012</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
Within one year: Contracted but not provided	<u>36,066</u>	<u>44,074</u>

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

	<b>Current Quarter and financial period ended</b>		
	<b>31/03/13</b>	<b>31/03/12</b>	<b>%</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>change</b>
Turnover			
Technical rubber division	35,403	33,407	+ 5.97
Gloves division	286,023	251,216	+ 13.86
Clean-room division	5,841	4,811	+ 21.41
	<u>327,267</u>	<u>289,434</u>	+ 13.07
Net Profit Before Taxation			
Technical rubber division	4,337	3,407	+ 27.30
Gloves division	40,028	25,512	+ 56.90
Clean-room division	119	( 286)	>100.00
	<u>44,484</u>	<u>28,633</u>	+ 55.36

**Technical rubber division**

The turnover achieved was within management expectation. The higher profit was partly due to lower raw material prices, better production efficiency and cost control.

**Gloves division**

The increase in turnover for the current year's quarter compared to the preceding year's quarter of 13.86% was within management expectation. Profit in current year's quarter compared to previous year quarter was higher by 56.90% due partly to softening of latex price, increased output and optimum product mix biased towards nitrile gloves.

**Clean-room division**

The increased turnover by 21.41% was mainly contributed from the demand for the clean-room gloves. Under utilisation of newly installed facilities and expenditure of ongoing development cost of clean-room gloves have resulted in low profit but improved from a loss in the preceding year's quarter.

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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.**

<u>Group Results</u>	<b>Current quarter ended 31/03/2013</b>	<b>Preceding quarter ended 31/12/2012</b>	<b>% change</b>
	<b>RM '000</b>	<b>RM '000</b>	
Turnover			
Technical rubber products division	35,403	35,184	0.60
Gloves division	286,023	277,821	2.95
Clean-room division	5,841	5,570	4.87
	<u>327,267</u>	<u>318,575</u>	2.73
	%	%	%
Net Profit Before Taxation	turnover	turnover	change
Technical rubber products division	4,337 12.25	6,848 19.46	36.67)
Gloves division	40,028 13.99	33,444 12.04	19.69
Clean-room division	119 2.04	824 14.80	( 85.56)
	<u>44,484</u>	<u>41,116</u>	

**Technical rubber products division**

Compared to the immediate preceding quarter, turnover was maintained but the profit before taxation decreased by 36.67%. The implementation of minimum wages affected the profit margin as this division pricing mechanism involved longer contracted period hence was unable to absorb these higher cost immediately.

**Gloves division**

Turnover increased by 2.95%. Profit before taxation over turnover increased by 19.69%. This is partly contributed by the increased output capacity utilisation achieved from our research and development on machines optimisation and also slight decrease in the price of raw materials in the current quarter. The result was within management expectation.

**Clean-room division**

Turnover continued to grow due to the efforts by the Group to penetrate new markets. Higher turnover were due to increased capacity utilisation and cost control.

**14.3 Current Year Prospects**

The technical rubber products division is expected to continue to grow mainly from overseas sales. The recent investment from Flexible Products USA in one of the subsidiary shall provide a good platform for this division to grow further in financial year 2013. Profitability is expected to be maintained.

In the gloves division, management is vigorously upgrading and increasing capacity expansion to produce more latex and nitrile gloves to meet customers demand. This will improve and maximise optimum product mix; and in turn increase turnover and profitability. With stronger demand and increase output, management is confident profits are expected to grow in tandem.

The clean-room division expects strong growth in 2013 as the clean-room gloves has been approved by more customers.

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**Explanatory Notes****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**

	<b>Current quarter ended 31/03/2013 RM'000</b>	<b>Financial period ended 31/03/2013 RM'000</b>
Tax expense	8,594	8,594
Deferred taxation	1,857	1,857
	<u>10,451</u>	<u>10,451</u>

The effective income tax rate for the current quarter and financial period ended 31 March 2013 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 31 March 2013, to the date of this report.

**14.7 Group Borrowings**

a) The Group borrowings as at 31 March 2013 were as follows:

	<b>Total Unsecured RM'000</b>
<b>Short Term</b>	
Bank overdraft & revolving credit	43,271
Bankers' acceptance	78,593
Term loan due within 12 months	13,651
	<u>135,515</u>
Term loan due after 12 months	33,088
	<u>168,603</u>

Included in the above bank borrowings are revolving credit amounting to USD 13.0 million (31 Dec 2012: USD 13.0 million) and term loan amounting to USD 10.0 million (31 Dec 2012: USD 10.0 million) obtained by three 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 31 March 2013.

**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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**Explanatory Notes**

**14.9 Earnings Per Share**

	<b>Quarter ended</b>		<b>Financial period ended</b>	
	<b>31/03/13</b>	<b>31/03/12</b>	<b>31/03/13</b>	<b>31/03/12</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after tax and minority interest</b>	<b>33,224</b>	<b>21,954</b>	<b>33,224</b>	<b>21,954</b>
<b>a) Basic earnings per share</b>				
Basic number of ordinary shares in issue ('000)	319,734	319,734	319,734	319,734
Basic earnings per share (sen)	10.39	6.87	10.39	6.87
<b>b) Diluted earnings per share for share buyback</b>				
Basic number of ordinary shares in issue ('000)	318,620	318,620	318,620	318,620
Basic earnings per share (sen)	10.43	6.89	10.43	6.89

There is no dilution in ordinary shares in the quarter or financial period ended 31 March 2013.

**14.10 Realised and Unrealised Retained Earnings**

	<b>Financial period ended</b>	
	<b>31/03/13</b>	<b>31/12/12</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of Kossan Rubber Industries and its' subsidiaries		
Realised	503,058	466,938
Unrealised	( 11,076)	( 8,180)
	<u>491,982</u>	<u>458,758</u>
Less Consolidation adjustment	( 10,427)	( 10,427)
	<u><u>481,555</u></u>	<u><u>448,331</u></u>

On behalf of the Board

**Dato' Lim Kuang Sia**  
**Managing Director**  
 27 May 2013