

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 30 June 2013 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 30 June 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 30 June 2013	-	-	-	-
As at end of 30 June 2013			<u>1,114,400</u>	<u>3,460</u>

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7. Dividend

A final tax exempt dividend of 7.0 sen per ordinary share, in respect of the financial year ended 31 December 2012 amounting to RM 22,303,369 was paid on 16 July 2013.

There were no other dividends declared or paid in the current quarter and financial period ended 30 June 2013.

8. Segmental Reporting

Analysis by activities	Unaudited financial period ended			
	30 June 2013		30 June 2012	
	Revenue	Results	Revenue	Results
	RM '000	RM '000	RM '000	RM '000
Manufacturing sector				
Technical rubber products division	72,594	8,499	71,446	7,785
Gloves division	567,043	79,695	515,658	52,553
Clean-room products division	9,203	334	7,083	(608)
	<u>648,840</u>	<u>88,528</u>	<u>594,187</u>	<u>59,730</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 July 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 30 June 2013, other than the following;

<u>Date of event</u>	<u>Event</u>
02 May 2013	Subscribe additional 100,000 ordinary shares of RM1.00 each at RM4.00 per share in the share capital in Hibon Corporation Sdn. Bhd. ("Hibon") by way of cash.
10 June 2013	Acquisition of Assurguard Sdn Bhd a wholly owned subsidiary for RM 2.00

12. Contingent Liabilities

As at 30 June 2013, the Company has unsecured outstanding contingent liabilities amounting to RM 167.115 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**

	As at financial period ended	
	30/06/2013	31/12/2012
	RM'000	RM'000
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**

	Quarter ended			Financial period ended		
	30/06/13	30/06/12	%	30/06/13	30/06/12	%
	RM '000	RM '000	chg	RM '000	RM '000	chg
Turnover						
Technical rubber divisions	37,191	38,039	(2.23)	72,594	71,446	1.61
Gloves divisions	281,020	262,942	6.88	567,043	515,658	9.96
Clean-room division	3,362	3,772	(10.87)	9,203	7,083	29.93
	<u>321,573</u>	<u>304,753</u>	5.52	<u>648,840</u>	<u>594,187</u>	9.20
Net Profit Before Taxation						
Technical rubber divisions	4,162	4,378	(4.89)	8,499	7,785	9.17
Gloves divisions	39,667	27,041	46.69	79,695	52,553	51.65
Clean-room division	215	(322)	>100.00	334	(608)	>100.00
	<u>44,044</u>	<u>31,097</u>	41.63	<u>88,528</u>	<u>59,730</u>	48.21

Technical rubber division

Turnover for the quarter and the half year were within management's expectation. Profitability was stable and any variance compare to the previous quarter/half year was due to actual delivery, raw material prices and cost control.

Gloves division

Physical sales continued to grow compared to the preceding years corresponding quarter and half year. Better profits were achieved due to lower material cost, improved production efficiency and better product mix with more nitrile gloves produced and sold.

Clean-room division

Performance of the clean-room continues to improve. The higher turnover was due to improved sales of clean-room gloves and wipes. Profitability was within management 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		Preceding quarter		% change
	ended 30/06/2013		ended 31/03/2013		
	RM '000		RM '000		
Turnover					
Technical rubber products division	37,191		35,403		5.05
Gloves division	281,020		286,023		(1.75)
Clean-room division	3,362		5,841		(42.44)
	<u>321,573</u>		<u>327,267</u>		1.74
		%		%	%
Net Profit Before Taxation		turnover		turnover	change
Technical rubber products division	4,162	11.19	4,337	12.25	(4.04)
Gloves division	39,667	14.12	40,028	13.99	(0.90)
Clean-room division	215	6.40	119	2.04	80.67
	<u>44,044</u>		<u>44,484</u>		

Technical rubber products division

Turnover continues to grow due to better performance in the automotive components market and improving market in the USA. Profit was lesser due to lesser deliveries at the tail end of certain projects. Performance remains stable.

Gloves division

Turnover value reduced slightly due to deliveries scheduling while the actual volume exported continued to grow. Profits achieved were within managements targets.

Clean-room division

Turnover dropped due to slower deliveries and lower selling price. Profits recorded due to lower material price better efficiency.

14.3 Current Year Prospects**Technical rubber products division**

The market for technical rubber products remained stable. With the continuing improvement in the world economy, especially in the automotive sector in USA, management expects this division to continue to contribute positively to the Group.

Gloves division

The group is vigorously upgrading its plant and machinery to produce customised grade gloves which will provide better margin. In the examination gloves sector, the installation of modern fast production capacity for the nitrile gloves will further enhance production capacity and profitability. In the surgical gloves sector, the installed capacity continues to see expanding production and sales which will contribute towards higher turnover and profitability. The Group is expecting the sale of its in-house brand surgical gloves to grow.

Clean-room division

Management has made adjustment in the clean-room division. The labour intensive method of producing masks are being phased out, to be replaced by automated processes. Further expansions in the clean-room sector are expected as more customers have approved the clean-room gloves for use in the electronic industry.

The Group is optimistic in its profitability for the financial year.

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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

	Current quarter ended 30/06/2013	Financial period ended 30/06/2013
	RM'000	RM'000
Tax expense	8,090	16,684
Deferred taxation	<u>1,858</u>	<u>3,715</u>
	<u>9,948</u>	<u>20,399</u>

The effective income tax rate for the current quarter and financial period ended 30 June 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 30 June 2013, to the date of this report.

14.7 Group Borrowings

a) The Group borrowings as at 30 June 2013 were as follows:

	Total Unsecured RM'000
Short Term	
Bank overdraft & revolving credit	45,454
Bankers' acceptance	81,235
Term loan due within 12 months	13,334
	<u>140,023</u>
Term loan due after 12 months	28,688
	<u>168,711</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 9.0 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 30 June 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**

	Quarter ended		Financial period ended	
	30/06/13	30/06/12	30/06/13	30/06/12
	RM'000	RM'000	RM'000	RM'000
Profit after tax and minority interest	33,462	23,621	66,633	45,575
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)	10.47	7.39	20.84	14.25
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)	10.50	7.41	20.91	14.30

There is no dilution in ordinary shares in the quarter or financial period ended 30 June 2013.

14.10 Realised and Unrealised Retained Earnings

	Financial period ended	
	30/06/13	31/12/12
	(unaudited)	(audited)
	RM'000	RM'000
Total retained earnings of Kossan Rubber Industries and its' subsidiaries		
Realised	538,325	466,938
Unrealised	(12,934)	(8,180)
	<u>525,391</u>	<u>458,758</u>
Less Consolidation adjustment	(10,427)	(10,427)
	<u>514,964</u>	<u>448,331</u>

On behalf of the Board

Dato' Lim Kuang Sia
Managing Director
26 August 2013