

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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 period ended 30 September 2013.

**5. Changes in Material Estimates**

There were no estimates used in the current quarter and unaudited financial period ended 30 September 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 September 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 September 2013	-	-	-	-
As at end of 30 September 2013			<u>1,114,400</u>	<u>3,460</u>

The Company's treasury shares totalling 1,114,400 shares were fully sold through the Bursa Securities between 11 October 2013 and 31 October 2013.

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**Explanatory Notes****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 September 2013.

**8. Segmental Reporting**

Analysis by activities	Unaudited financial period ended			
	30 September 2013		30 September 2012	
	Revenue	Results	Revenue	Results
	RM '000	RM '000	RM '000	RM '000
<b>Manufacturing sector</b>				
Technical rubber division	117,030	15,321	108,147	13,265
Gloves division	843,432	119,688	796,843	87,199
Clean-room division	21,924	1,244	11,927	( 721)
	<u>982,386</u>	<u>136,253</u>	<u>916,917</u>	<u>99,743</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**

On 02 September 2013 the Company announced a proposed Bonus Issue, to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every one (1) Existing Share held by the entitled shareholders of the Company. The Bonus Issue exercise was completed on 8 November 2013 with the issuance of 319,733,952 Ordinary shares of RM0.50 each and the said Bonus Shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 11 November 2013.

The Company's treasury shares totalling 1,114,400 shares were fully sold through the Bursa Securities between 11 October 2013 and 31 October 2013.

Besides the above there were no other significant event that has occurred between 01 October 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 September 2013, other than the following:

**Date of event   Event**

10 June 2013   Acquisition of Assurguard Sdn Bhd a wholly owned subsidiary for RM 2.00

**12. Contingent Liabilities**

As at 30 September 2013, the Company has unsecured outstanding contingent liabilities amounting to RM 158.735 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>30/09/2013</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>Quarter ended</b>			<b>Financial period ended</b>		
	<b>30/09/13</b>	<b>30/09/12</b>	<b>%</b>	<b>30/09/13</b>	<b>30/09/12</b>	<b>%</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>chg</b>	<b>RM '000</b>	<b>RM '000</b>	<b>chg</b>
Turnover						
Technical rubber division	44,436	36,701	21.10	117,030	108,147	8.21
Gloves division	276,390	281,185	( 1.71)	843,432	796,843	5.85
Clean-room division	12,721	4,844	262.61	21,924	11,927	183.82
	<u>333,547</u>	<u>322,730</u>	3.35	<u>982,386</u>	<u>916,917</u>	7.14
Net Profit Before Taxation						
Technical rubber division	6,822	5,480	24.49	15,321	13,265	15.50
Gloves division	39,993	34,646	15.43	119,688	87,199	37.25
Clean-room division	911	( 113)	>100.00	1,244	( 721)	>100.00
	<u>47,726</u>	<u>40,013</u>	19.28	<u>136,253</u>	<u>99,743</u>	36.60

**Technical rubber division**

The higher turnover was partly due to sales of infrastructure and automotive products. The higher profits achieved was due to lower raw material prices and increased turnover.

**Gloves division**

On a quarterly basis, turnover in monetary value showed a slight decline compared to the corresponding quarter in the preceding year. However actual quantity sold showed significant increases but not reflected due to the lower selling price (due to lower raw material price). The 9 months financial period results better reflect the performance of the division.

Profits before taxation in the current quarter reflect the current market situation while the 9 months financial period ended 30 Sept 2013 reflected the Group's ability to gear its production to meet customers' needs and requirements. The better performance were due to lower cost of raw materials, better production efficiency and better product mix with higher sale of nitrile gloves.

**Clean-room division**

Better utilisation of newly installed facilities resulted in higher turnover. Profit has improved from a loss in the preceding year's corresponding quarter and financial period due to higher efficiency and cost control.

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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 30/09/2013</b>	<b>Preceding quarter ended 30/06/2013</b>	<b>% change</b>
	<b>RM '000</b>	<b>RM '000</b>	
Turnover			
Technical rubber products division	44,436	37,191	19.48
Gloves division	276,390	281,020	( 1.65)
Clean-room division	12,721	3,362	378.38
	<u>333,547</u>	<u>321,573</u>	3.72
	<b>%</b>	<b>%</b>	<b>%</b>
Net Profit Before Taxation	turnover	turnover	change
Technical rubber products division	6,822 15.35	4,162 11.19	63.91
Gloves division	39,993 14.47	39,667 14.12	0.82
Clean-room division	911 7.16	215 6.40	423.72
	<u>47,726</u>	<u>44,044</u>	

**Technical rubber division**

Turnover increased by 19.48% due to higher sales of infrastructure and automotive products. Profit before taxation increased by 63.91% due to sale of high margin products, lower raw material cost, production efficiency and increased turnover.

**Gloves division**

Quantity sold showed significant increases. However due to the lower selling prices arising from lower raw material price (natural latex and synthetic latex decreased by 10% and 12% respectively) over the preceding quarter, the turnover value showed a slight decline in the quarter. However profits before taxation, based on the quantity sold, reflected the performance of the Group. The favourable profit margin was due to lower cost of raw materials, better products mix sold and higher production efficiency.

**Clean-room division**

Turnover continued to grow due to the efforts by the Group to penetrate new markets especially in China. The higher profit before taxation was due to increased capacity utilisation and cost control.

**14.3 Current Year Prospects**

For the remaining quarter of 2013, management expects the good performance to be maintained.

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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 30/09/2013</b>	<b>Financial period ended 30/09/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Tax expense	9,046	25,730
Deferred taxation	2,000	5,715
	<u>11,046</u>	<u>31,445</u>

The effective income tax rate for the current quarter and financial period ended 30 September 2013 was lower than the statutory rate due to the availability of tax incentives.

**14.6 Status of Corporate Proposal announced but not completed**

Other than the Bonus Issue announced on 02 September 2013, there were no corporate proposals announced but not completed, for the current quarter and financial period ended 30 September 2013. The Bonus Issue was completed on 08 November 2013 (refer to Note 10.)

**14.7 Group Borrowings**

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

	<b>Total Unsecured RM'000</b>
<b>Short Term</b>	
Bank overdraft & revolving credit	47,131
Bankers' acceptance	71,322
Term loan due within 12 months	12,936
	<u>131,389</u>
Term loan due after 12 months	29,558
	<u>160,947</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 September 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>30/09/13</b>	<b>30/09/12</b>	<b>30/09/13</b>	<b>30/09/12</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>35,405</b>	<b>29,221</b>	<b>102,089</b>	<b>74,795</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)	11.07	9.14	31.93	23.39
<b>b) Earnings per share after share buyback</b>				
Basic number of ordinary shares in issue ('000)	318,620	318,620	318,620	318,620
Basic earnings per share (sen)	11.11	9.17	32.04	23.47

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

**14.10 Realised and Unrealised Retained Earnings**

	<b>Financial period ended</b>	
	<b>30/09/13</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	557,272	466,938
Unrealised	( 18,728)	( 8,180)
	<u>538,544</u>	<u>458,758</u>
Less Consolidation adjustment	( 10,427)	( 10,427)
	<u>528,117</u>	<u>448,331</u>

**14.11 Interim Dividend**

On 22 November 2013, the directors approved a tax exempt interim dividend of 3.5 sen per share of RM 0.50 each for the financial year ending 31 December 2013. The net dividend of RM 22,381,377 will be paid on 20 December 2013.

On behalf of the Board

**Dato' Lim Kuang Sia**  
**Managing Director**  
**22 November 2013**