

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

**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2015**

**Explanatory Notes**

**1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with the 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 2014.

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 2014 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 2015.

**5. Changes in Material Estimates**

There were no estimates used in the current quarter and financial period ended 30 September 2015 or in prior interim periods of the current financial year or prior financial year.

**6. Movement of Company's Securities**

There were no other 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 2015.

**7. Dividend**

On 22 April 2015, the directors recommended a final ordinary tax exempt dividend of 4.5 sen per ordinary share of RM 0.50 each for the financial year ended 31 December 2014. The dividend of RM 28,776,056 was approved by the members at the Annual General Meeting held on 18 June 2015, and paid on 22 July 2015.

There were no other dividends declared or paid in the current quarter and financial period ended 30 September 2015.

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**8. Segmental Reporting**

<b>Analysis by activities</b>	<b>Unaudited financial period ended</b>			
	<b>30 Sept 2015</b>		<b>30 Sept 2014</b>	
	<b>Revenue</b>	<b>Results</b>	<b>Revenue</b>	<b>Results</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Manufacturing sector</b>				
Technical rubber division	114,404	9,490	115,030	12,752
Gloves division	1,035,972	176,533	795,571	123,278
Clean-room division	46,403	4,003	27,754	1,176
	<u>1,196,779</u>	<u>190,026</u>	<u>938,355</u>	<u>137,206</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 audited financial statements.

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

There were no significant event that has occurred between 01 October 2015 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 2015.

**12. Contingent Liabilities**

As at 30 September 2015, the Company has unsecured outstanding contingent liabilities amounting to RM192.891 million (31 Dec 2014: RM202.697 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

**13. Capital and other Commitments**

	<b>As at financial period ended</b>	
	<b>30/09/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
Within one year: Contracted but not provided	<u>0</u>	<u>44,811</u>

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**14. Additional Information required by the Bursa Securities Listing Requirements**

**14.1 Review of Results**

	Quarter ended			Financial period ended		
	30/09/15 RM '000	30/09/14 RM '000	% chg	30/09/15 RM '000	30/09/14 RM '000	% chg
Revenue						
Technical rubber division	40,126	34,957	14.79	114,404	115,030	( 0.54)
Gloves division	383,906	283,511	35.41	1,035,972	795,571	30.22
Clean-room division	<u>17,711</u>	<u>9,884</u>	79.19	<u>46,403</u>	<u>27,754</u>	67.19
	<u>441,743</u>	<u>328,352</u>	34.53	<u>1,196,779</u>	<u>938,355</u>	27.54
Net Profit Before Taxation						
Technical rubber division	5,757	3,330	72.88	9,490	12,752	( 25.58)
Gloves division	63,096	41,608	51.64	176,533	123,278	43.20
Clean-room division	<u>1,993</u>	<u>322</u>	518.95	<u>4,003</u>	<u>1,176</u>	240.39
	<u>70,846</u>	<u>45,260</u>	56.53	<u>190,026</u>	<u>137,206</u>	39.50

The Group reported an increase of 27.5% in its year-to-date revenue for the current year as compared with its corresponding period of FY2014. With better product-mix and improved efficiency, the year-to-date profit before taxation of the current year grew stronger by 39.5%, surpassing the growth in revenue. All three divisions continued to perform well with positive increases in turnover and profit before taxation for the quarter under reviewed compared with its corresponding quarter of previous year.

**Technical rubber division (“TRPs”)**

Our TRPs division delivered a 14.8% and 72.9% growth in revenue and profit before taxation for the current quarter versus its corresponding quarter of FY2014. Nevertheless, the year-to-date profit before taxation of current year was 25.6% lower amid stable revenue; and this was largely attributed to the absorption of group’s management fees.

**Gloves division**

The year-to-date revenue and profit before taxation of current year grew by 30.2% and 43.2% respectively as compared with the previous year. As for quarter-to-quarter (“q-o-q”) basis, the revenue and profit before taxation recorded a 35.41% and 51.64% growth respectively. The strong q-o-q earnings performance was mainly attributed to 33% (34% year-to-date) higher in quantity of glove sold, better product mix and improved operational efficiency. As usual, all our production facilities was running consistently above 80% of its available capacity. The product mix of nitrile and natural rubber for the 1<sup>st</sup> 9 months was 68:32 (versus 60:40 of FY2014)

**Clean-room division**

Cleanroom division continued to record positive growth in both revenue and earnings. This division delivered a 79.2% q-o-q (67.2% year-to-date) growth in revenue and 519.0% q-o-q (240.4% year-to-date) in profit before taxation for the current year as compared with its corresponding period of FY2014. Higher sales volume of various cleanroom products and lower overhead cost were the major factor for this set of strong performance.

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**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>	Current quarter ended 30/09/15		Preceding quarter ended 30/06/15		% change
	RM '000		RM '000		
Revenue					
Technical rubber division	40,126		39,053		2.75
Gloves division	383,906		329,976		16.34
Clean-room division	17,711		16,750		5.74
	<u>441,743</u>		<u>385,779</u>		14.51
		%		%	%
Net Profit Before Taxation					change
Technical rubber division	5,757	14.35	2,385	6.11	141.38
Gloves division	63,096	16.44	56,665	17.17	11.35
Clean-room division	1,993	11.25	1,134	6.77	75.75
	<u>70,846</u>	16.04	<u>60,174</u>	15.60	17.74

**Technical rubber division (“TRPs”)**

Both revenue and profit before taxation of current quarter performed better as compared with its preceding quarter. Profit before taxation improved by 141.4% albeit a marginal 2.8% higher in revenue. Lower input cost and higher sales of various TRP products through more new projects commencing during the quarter under reviewed was the main contributory factor.

**Gloves division**

Both revenue and profit before taxation of current quarter were 16.3% and 11.4% higher than its preceding quarter. This higher revenue and earnings—was mainly due to all our plants in almost full operations and capacity fully taken up. The product mix of nitrile and natural rubber for the current quarter stood at 70:30 (versus 68:32 of its preceding quarter).

**Clean-room division**

Profit before taxation of current quarter grew impressively by 75.8% against a marginal 5.7% increase in revenue. This notable performance for the current quarter was mainly attributed to lower material cost, improved efficiency and effective cost control.

**14.3 Current Year Prospects**

The remaining quarter of current year remains strong as all our plants are in almost full operations with capacity fully taken up by customers from the 2 plants. Riding on the strong order book, the Management is confident to deliver another set of good result for the coming final quarter.

Currently, the Group is operating with 22 billion pieces of gloves per annum and with all the plants operating in almost full capacity, the Group’s product mix of nitrile and natural rubber glove is expected to be 70:30 for current year (versus 57:43 in FY2014).

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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**

	<b>Quarter ended ended 30/09/2015 RM'000</b>	<b>Financial period ended 30/09/2015 RM'000</b>
Tax expense - current	13,060	34,164
Deferred taxation	1,682	5,330
	<u>14,742</u>	<u>39,494</u>

The effective income tax rate for the current quarter and financial period ended 30 September 2015 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 2015.

**14.7 Group Borrowings**

a) The Group borrowings as at 30 September 2015 were as follows:

	<b>Total Unsecured RM'000</b>
<b>Short Term</b>	
Revolving credit	41,000
Bankers' acceptance	49,441
Term loan due within 12 months	16,375
	<u>106,816</u>
Term loan due after 12 months	87,261
	<u>194,077</u>

Included in the above bank borrowings are revolving credit amounting to USD nil (31 Dec 2014: USD 8.0 million) obtained by four 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 2015.

**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**

	<b>Current Quarter ended</b>		<b>Financial period ended</b>	
	<b>30/09/2015</b>	<b>30/09/2014</b>	<b>30/09/2015</b>	<b>30/09/2014</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>55,166</b>	<b>34,403</b>	<b>148,056</b>	<b>105,830</b>
<b>Basic earnings per share</b>				
Basic number of ordinary shares in issue ('000)	639,468	639,468	639,468	639,468
Basic earnings per share (sen)	8.63	5.38	23.15	16.55

**14.10 Realised and Unrealised Retained Earnings**

	<b>Financial period ended</b>	
	<b>30/09/2015</b>	<b>31/12/2014</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of Kossan Rubber Industries Bhd and its subsidiaries		
Realised	641,659	517,350
Unrealised	( 24,592)	( 19,262)
	<u>617,067</u>	<u>498,088</u>
Less Consolidation adjustment	( 17,052)	( 17,052)
	<u>600,015</u>	<u>481,036</u>

**14.11 Interim Dividend**

On 19 November 2015, the directors approved a tax exempt single tier dividend of 5.5 sen per share of RM0.50 each for the financial year ended 31 December 2015. The net dividend of RM35,170,734 will be paid on 12 January 2016.

On behalf of the Board

**Dato' Lim Kuang Sia**  
**Managing Director**  
**19 November 2015**