

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	UNAUDITED AS AT END OF CURRENT PERIOD 30/09/2017 RM '000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 31/12/2016 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant & equipment	906,208	862,530
Investment properties	5,223	5,223
Investment in joint venture	1,381	1,381
Other investments	166	91
Goodwill on consolidation	4,926	4,926
Intangible assets	1,639	1,639
Deferred tax assets	61	61
	<b>919,604</b>	<b>875,851</b>
<b>Current Assets</b>		
Inventories	200,757	210,671
Trade receivables	330,612	304,969
Derivative financial liabilities	3,885	13,773
Other receivables	90,877	36,793
Cash and bank balances	174,633	109,847
	<b>800,764</b>	<b>676,053</b>
<b>TOTAL ASSETS</b>	<b>1,720,368</b>	<b>1,551,904</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	319,734	319,734
Reserves	823,948	725,533
	<b>1,143,682</b>	<b>1,045,267</b>
Non-controlling interests	29,873	28,929
<b>Total Equity</b>	<b>1,173,555</b>	<b>1,074,196</b>
<b>Non-Current Liabilities</b>		
Loans and borrowings	116,385	55,951
Deferred tax liabilities	89,365	82,318
Finance lease liabilities	0	3,040
	<b>205,750</b>	<b>141,309</b>
<b>Current Liabilities</b>		
Trade and other payables	141,641	200,774
Derivative financial liabilities	0	14,810
Finance lease liabilities	4,952	12,292
Bank borrowings	181,248	79,637
Term loans	26,375	26,566
Taxation	-13,153	2,320
	<b>341,063</b>	<b>336,399</b>
<b>Total liabilities</b>	<b>546,813</b>	<b>477,708</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,720,368</b>	<b>1,551,904</b>
<b>Net assets per share (sen)</b>	<b>178</b>	<b>163</b>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of Company				Total RM '000	Non-Controlling Interests RM '000	Total RM '000
	Share Capital	Share Premium	Translation Reserve	Retained earnings			
	RM '000	RM '000	RM '000	RM '000			
<b>Unaudited - period ended 30 September 2017</b>							
<b>At 01 January 2017</b>	319,734	4,151	8,238	713,144	1,045,267	28,929	1,074,196
<b>Dividends</b>							
To non-controlling interests	0	0	0	0	0	(450)	(450)
To owners of the Company	0	0	0	(38,368)	(38,368)	0	(38,368)
<b>Foreign currency translation difference from foreign operations</b>	0	0	(941)	0	(941)	0	(941)
<b>Total comprehensive income for the period (cumulative)</b>	0	0	0	137,724	137,724	1,394	139,118
<b>At 30 September 2017</b>	319,734	4,151	7,297	812,500	1,143,682	29,873	1,173,555
<b>Unaudited - period ended 30 September 2016</b>							
<b>At 01 January 2016</b>	319,734	4,151	7,417	619,619	950,921	25,525	976,446
<b>Dividends</b>							
To non-controlling interests	0	0	0	0	0	(301)	(301)
To owners of the Company	0	0	0	(41,565)	(41,565)	0	(41,565)
<b>Total comprehensive income for the period (cumulative)</b>	0	0	(337)	126,298	125,961	2,566	128,527
<b>At 30 September 2016</b>	319,734	4,151	7,080	704,352	1,035,317	27,790	1,063,107

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016

**KOSSAN RUBBER INDUSTRIES BHD**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>INDIVIDUAL PERIOD</b>		<b>CUMULATIVE PERIOD</b>	
	Current year Quarter	Preceding Year Corresponding Quarter	Current year to Date	Preceding Year to Date
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Revenue</b>	489,180	414,039	1,479,672	1,230,092
Operating expenses	(428,733)	(370,210)	(1,303,736)	(1,065,937)
Other operating income	865	1,076	2,755	2,263
Profit from operations	61,312	44,905	178,691	166,418
Finance cost	(3,117)	(2,297)	(8,083)	(7,416)
<b>Profit before taxation</b>	58,195	42,608	170,608	159,002
Taxation	(12,170)	(7,893)	(31,490)	(30,138)
<b>Profit after taxation</b>	46,025	34,715	139,118	128,864
<b>Other comprehensive income, net of tax</b>				
- Exchange difference translation	0	0	0	0
<b>Total comprehensive income for the period</b>	46,025	34,715	139,118	128,864
<b>Attributable to:</b>				
Equity shareholders of the Company	45,680	34,023	137,724	126,298
Non-controlling interests	345	692	1,394	2,566
	46,025	34,715	139,118	128,864
<b>Total comprehensive income for the period attributable to:</b>				
Equity shareholders of the Company	45,680	34,023	137,724	126,298
Non-controlling interests	345	692	1,394	2,566
	46,025	34,715	139,118	128,864
<b>Earnings per share attributed to equity holders of the Company</b>				
Basic (sen)	7.14	5.32	21.54	19.75

**The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016**

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<b>Current Quarter ended 30/09/2017</b>	<b>Financial period ended 30/09/2017</b>
<b>RM '000</b>	<b>RM '000</b>

**Other operating income**

Interest income	341	895
Rental income	12	36
Other income	512	1,824
Gain/(loss) in disposal of assets	-	-
Bad debts recovered	-	-
	<b>865</b>	<b>2,755</b>

<b>Interest expenses</b>	<b>3,117</b>	<b>8,083</b>
<b>Depreciation</b>	<b>17,887</b>	<b>54,176</b>
<b>Provision for/write off of receivables</b>	<b>-</b>	<b>-</b>
<b>Provision for/write off of inventories</b>	<b>-</b>	<b>-</b>
<b>Gain/(loss) on disposal of unquoted investment</b>	<b>-</b>	<b>-</b>
<b>Gain/(loss) on disposal of properties</b>	<b>-</b>	<b>-</b>
<b>Impairment of assets</b>	<b>-</b>	<b>-</b>
<b>Foreign exchange gain/(loss) - realised</b>	<b>5,231</b>	<b>20,674</b>
<b>Foreign exchange gain/(loss) - unrealised</b>	<b>(2,621)</b>	<b>(3,227)</b>
<b>Gain/ (loss) on derivatives - unrealised</b>	<b>(1,435)</b>	<b>3,885</b>
<b>Exceptional items</b>	<b>-</b>	<b>-</b>

**KOSSAN RUBBER INDUSTRIES BHD**

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Year to date ended 30/09/2017 <b>RM '000</b>	Year to date ended 30/09/2016 <b>RM '000</b>
<b>Net profit before taxation</b>	170,608	159,002
<b>Adjustment for non-cash items</b>		
Depreciation	54,176	52,234
Gain on Derivatives	(3,885)	0
Interest and dividend income	(895)	(895)
Interest expenses	8,083	7,416
Foreign exchange gain/(loss) - unrealised	(3,227)	0
Gain/(loss) on derivatives - unrealised	3,885	0
<b>Operating profit before changes in working capital</b>	<u>228,745</u>	<u>217,757</u>
<b>Changes in Working Capital</b>		
Net change in current assets	(67,419)	34,189
Net change in current liabilities	<u>(77,828)</u>	<u>(51,517)</u>
<b>Cash from operating activities</b>	83,498	200,429
Dividends paid	(38,818)	(35,472)
Interest expenses	(8,083)	(7,416)
Interest income	895	895
Taxation paid	<u>(26,143)</u>	<u>(41,958)</u>
<b>Net cash from operating activities</b>	11,349	116,478
<b>Investing activities</b>		
Acquisition of other investments	(75)	(1,400)
Acquisition of property, plant and equipment	<u>(97,854)</u>	<u>(125,833)</u>
	(86,580)	(10,755)
<b>Financing activities</b>		
Additional/(Repayment) of finance lease liabilities	(10,380)	(18,748)
Additional/(Repayment) of bank borrowings	<u>161,854</u>	<u>17,432</u>
<b>Net change in cash &amp; cash equivalent</b>	64,894	(12,071)
<b>Cash &amp; cash equivalent at beginning of year</b>	109,739	168,275
<b>Cash &amp; cash equivalent at end of the period</b>	<u>174,633</u>	<u>156,204</u>
<b>Cash &amp; cash equivalent at end of the period</b>		
Cash & bank balances	46,833	28,404
Short term deposits with licensed banks	<u>127,908</u>	<u>127,908</u>
	174,741	156,312
Less Deposits pledged to banks	<u>(108)</u>	<u>(108)</u>
	<u>174,633</u>	<u>156,204</u>

The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016

**KOSSAN RUBBER INDUSTRIES BHD**

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**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2017****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 2016.

**2. Annual Audit Report**

The audit report of the audited financial statements for the year ended 31 December 2016 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 2017.

**5. Changes in Material Estimates**

There were no estimates used in the current quarter and financial period ended 30 September 2017 or in prior interim periods of the current financial year or prior financial year.

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

There were no issuance and repayment of debt and equity securities, share cancellations or resale of treasury shares in the current quarter and financial period ended 30 September 2017.

**7. Dividend**

On 22 November 2016, the directors approved an interim tax exempt dividend of 5.0 sen per ordinary share for the financial year ended 31 December 2016. The dividend of RM 31,973,395 was paid on 10 January 2017.

On 13 April 2017, the directors recommended a final tax exempt dividend of 6.0 sen per ordinary share for the financial year ended 31 December 2016. This was approved at the 2017 Annual General Meeting and the dividend of RM 38,368,074 was paid on 5 July 2017.

There were no other dividends declared or paid in the current quarter and financial period ended 30 September 2017.

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**Explanatory Notes****8. Segmental Reporting**

	Divisions				Total RM '000
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	
<b>Financial period ended</b>					
<b>- 30/09/2017</b>					
Revenue	119,772	1,302,147	56,135	13,792	1,491,846
Intercompany elimination	0	0	0	( 12,174 )	( 12,174 )
	119,772	1,302,147	56,135	1,618	1,479,672
Profit before tax	11,807	156,305	2,304	192	170,608
<b>- 30/09/2016</b>					
Revenue	122,316	1,055,880	49,116	332,503	1,559,815
Intercompany elimination	0	0	0	( 329,723 )	( 329,723 )
	122,316	1,055,880	49,116	2,780	1,230,092
Profit before tax	21,748	135,543	1,352	359	159,002
<b>Quarter ended</b>					
<b>- 30/09/2017 (3Q17)</b>					
Revenue	37,931	425,921	24,796	4,456	493,104
Intercompany elimination	0	0	0	( 3,924 )	( 3,924 )
	37,931	425,921	24,796	532	489,180
Profit before tax	3,632	53,618	794	151	58,195
<b>- 30/09/2016 (3Q16)</b>					
Revenue	40,242	355,823	17,119	4,563	417,747
Intercompany elimination	0	0	0	( 3,708 )	( 3,708 )
	40,242	355,823	17,119	855	414,039
Profit before tax	7,042	35,016	555	( 5 )	42,608

**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 events that had occurred between 01 October 2017 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 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 2017.

**12. Contingent Liabilities**

As at 30 September 2017, the Company had unsecured outstanding contingent liabilities amounting to RM263.396 million (31 Dec 2016: RM162.154 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	
	30/09/2017	31/12/2016
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	36,999	4,234

**KOSSAN RUBBER INDUSTRIES BHD**

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

	<b>Individual Period (3<sup>rd</sup> Quarter)</b>			<b>Cumulative Period</b>		
	<b>Current Year Quarter 30/09/17 RM '000</b>	<b>Preceding Year Corresponding Quarter 30/09/16 RM '000</b>	<b>Changes %</b>	<b>Current Year to-date 30/09/17 RM '000</b>	<b>Preceding Year Corresponding Period 30/09/16 RM '000</b>	<b>Changes %</b>
Revenue	489,180	414,039	18.15	1,479,672	1,230,092	20.29
Operating profit	61,312	44,905	36.54	178,691	166,418	7.37
Profit Before						
Interest and Tax	61,312	44,905	36.54	178,691	166,418	7.37
Profit before tax	58,195	42,608	36.58	170,608	159,002	7.30
Profit after tax	46,025	34,715	32.58	139,118	128,864	7.96
Profit attributed						
To Ordinary Equity						
Shareholders	45,680	34,023	34.26	137,724	126,298	9.05

	<b>Divisions</b>				
	<b>Technical Rubber RM '000</b>	<b>Gloves RM '000</b>	<b>Clean-Room RM '000</b>	<b>Investment Holding RM '000</b>	<b>Total RM '000</b>
<b>Financial period ended - 30/09/2017</b>					
Revenue	119,772	1,302,147	56,135	13,792	1,491,846
Intercompany elimination	0	0	0	( 12,174 )	( 12,174 )
	<u>119,772</u>	<u>1,302,147</u>	<u>56,135</u>	<u>1,618</u>	<u>1,479,672</u>
Profit before tax	<u>11,807</u>	<u>156,305</u>	<u>2,304</u>	<u>192</u>	<u>170,608</u>
PBT/Revenue %	9.86	12.00	4.10	11.87	11.53
<b>Financial period ended - 30/09/2016</b>					
Revenue	122,316	1,055,880	49,116	332,503	1,559,815
Intercompany elimination	0	0	0	( 329,723 )	( 329,723 )
	<u>122,316</u>	<u>1,055,880</u>	<u>49,116</u>	<u>2,780</u>	<u>1,230,092</u>
Profit before tax	<u>21,748</u>	<u>135,543</u>	<u>1,352</u>	<u>359</u>	<u>159,002</u>
PBT/Revenue %	17.78	12.84	2.75	12.91	12.93
<b>Comparison of financial period Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	( 2.08)	23.32	14.29	( 41.80)	20.29
Profit before tax	( 45.71)	15.32	70.41	( 46.52)	7.30



**KOSSAN RUBBER INDUSTRIES BHD**

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**Explanatory Notes****14.1 Review of Results (continued)**

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
<b>Quarter ended - 30/09/2017 (3Q17)</b>					
Revenue	37,931	425,921	24,796	4,456	493,104
Intercompany elimination	0	0	0	( 3,924 )	( 3,924 )
	37,931	425,921	24,796	532	489,180
Profit before tax	3,632	53,618	794	151	58,195
PBT/Revenue %	9.58	12.59	3.20	28.38	11.90
<b>Quarter ended - 30/09/2016 (3Q16)</b>					
Revenue	40,242	355,823	17,119	4,563	417,747
Intercompany elimination	0	0	0	( 3,708 )	( 3,708 )
	40,242	355,823	17,119	855	414,039
Profit before tax	7,042	35,016	555	( 5 )	42,608
PBT/Revenue %	17.50	9.84	3.24	( 0.58 )	10.29
<b>Comparison of financial period</b>					
Percentage change	%	%	%	%	%
Revenue	( 5.74 )	19.70	44.84	( 37.78 )	18.15
Profit before tax	( 48.42 )	53.12	43.06	n/a	36.58

**Comparison of Current Year To Date ("9M17") with Preceding Year To Date ("9M16")**

For the 9 months of FY2017, the Group recorded revenues of RM1,479.7 million, a 20.3% increase as compared with 9M16 of RM1,230.1 million. Profit before tax (PBT) also registered higher at RM170.6 million for 9M17, representing an increase of 7.3% compared with RM159.0 million for the previous year corresponding period. The improved year-to-date performance was mainly attributable to the improved performance in the Gloves division as compared with the corresponding YTD of the previous financial year.

The Gloves division's revenue for the 9M17 was up 23.3% to RM1,302.1 million from RM1,055.9 million in 9M16. Its PBT also posted an increase to RM156.3 million, up 15.3% from RM135.5 million recorded in the previous year corresponding YTD. The division's YTD improvement in PBT were driven by continued strong demand growth for its glove products on the back of the increase in volume sold, improvement in manufacturing efficiency and effective cost controls, despite higher raw material prices (NR +48.1%, NBR +17.6%), with the production plants essentially operating at full capacity.

For 9M17, the TRPs division recorded revenues of RM119.8 million as compared with RM122.3 million in 9M16, a marginal decrease of 2.1%. PBT was also lower by 45.7% to RM11.8 million from RM21.7 million, resulting from the sharp increase in natural rubber prices (SMR20 +44.5%) and chemical costs. As infrastructure products are on a project-basis with a longer timeframe, with sales prices locked-in at contract commencement while raw materials are purchased on a rolling-basis and subject to price fluctuations, the infrastructure segment is consequently exposed to greater time-lag and variations in cost structure. The automotive segment remained more stable.

For 9M17, the Cleanroom division recorded higher revenues of RM56.1 million from RM49.1 million, while PBT also increased to RM2.3 million from RM1.4 million compared to the previous year corresponding YTD.

**KOSSAN RUBBER INDUSTRIES BHD**

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**Explanatory Notes****14.1 Review of Results (continued)****Comparison of Current Quarter ("3Q17") with Previous Year Corresponding Quarter ("3Q16")**

On a year-on-year basis, the Group recorded higher revenues of RM489.2 million in the current 3Q17 quarter as compared with RM414.0 million in 3Q16, an increase of 18.2%, while PBT was RM58.2 million compared with RM42.6 million in 3Q16, an increase of 36.6% from the previous year corresponding quarter. The improved year-on-year performance was mainly attributable to the improved performance in the Gloves divisions as compared with the corresponding quarter of the previous financial year.

The Gloves division recorded revenues of RM425.9 million, a 19.7% increase compared with RM355.8 million in the previous year corresponding quarter, while PBT improved significantly by 53.1% to RM53.6 million in the current quarter as compared with RM35.0 million in the same quarter of the previous year. The improvement in PBT was achieved on the back of the increase in volume sold, efficiency gains in the manufacturing process as well as effective cost controls as compared with 3Q16, despite the higher raw material costs (NR +21%, NBR +0.5%).

The TRPs division's revenue and PBT were 5.7% and 48.4% lower respectively in the current quarter as compared with its previous year corresponding period. The results were mainly attributable to the lower sales contribution from infrastructure products as a result of the completion of certain contracts which are on a project-basis as well as the sharp increase in raw material prices (SMR20 +23.3%). As infrastructure products are on a project-basis with a longer timeframe, with sales prices locked-in at contract commencement while raw materials are purchased on a rolling-basis and subject to price fluctuations, the infrastructure segment is consequently exposed to greater time-lag and variations in cost structure. The automotive segment remained more stable.

The Cleanroom division recorded higher revenues of RM24.8 million from RM17.1 million in 3Q16, while PBT also increased to RM0.79 million from RM0.56 million in the same quarter of the previous year.

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

	<b>Current Quarter 30/09/17 RM '000</b>	<b>Immediate Preceding Quarter 30/06/17 RM '000</b>	<b>Changes %</b>
Revenue	489,180	490,514	( 0.27)
Operating profit	61,312	58,659	4.52
Profit Before			
Interest and Tax	61,312	58,659	4.52
Profit before tax	58,195	56,084	3.76
Profit after tax	46,025	45,841	0.40
Profit attributed			
To Ordinary Equity			
Shareholders	45,680	45,510	0.37

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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 (continued)**

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Current Quarter ended - 30/09/2017 (3Q17)					
Revenue	37,931	425,921	24,796	4,456	493,104
Intercompany elimination	0	0	0	( 3,924 )	( 3,924 )
	37,931	425,921	24,796	532	489,180
Profit before tax	3,632	53,618	794	151	58,195
PBT/Revenue %	9.58	12.59	3.20	28.38	11.90
Preceding Quarter ended - 30/06/2017 (2Q17)					
Revenue	33,721	442,832	13,115	4,338	494,006
Intercompany elimination	0	0	0	( 3,492 )	( 3,492 )
	33,721	442,832	13,115	846	490,514
Profit before tax	2,792	52,617	658	17	56,084
PBT/Revenue %	8.28	11.88	5.02	2.01	11.43
Comparison of quarters					
Percentage change	%	%	%	%	%
Revenue	12.48	( 3.82)	89.07	( 37.12)	( 0.27)
Profit before tax	30.09	1.90	20.67	788.24	3.76

**Changes in Results Against Preceding Quarter****Comparison of Current Quarter ("3Q17") with immediate Preceding Quarter ("2Q17")**

On a sequential basis, revenue remained relatively unchanged recording a marginal decrease of 0.27%, with PBT increasing by 3.76% contributed by an improvement in all three segments.

On a quarter-on-quarter basis, the Glove division's revenues and PBT were inline, on the back of continued strong demand for gloves. Sales volumes remained robust, with the production plants essentially operating at full capacity. Despite the marginal decrease in revenues of 3.8% due to the lower average selling prices arising from the lower raw material costs (NR -12.5%, NBR -12.2%), PBT increased by 1.9% vis a vis the preceding quarter driven by the increase in volume sold, improvement in manufacturing efficiency and automation, and effective cost controls.

The TRPs division recorded revenues of RM37.9 million in the current quarter, an increase of 12.5% compared with the RM33.7 million recorded in the immediate preceding quarter, while PBT came in at RM3.63 million compared with RM2.79 million in 2Q17, an increase of 30.1% quarter-on-quarter. The improved contributions were mainly attributable to higher sales deliveries.

The Cleanroom division recorded higher revenues of RM24.8 million from RM13.1 million in 2Q17, while PBT also increased to RM0.79 million from RM0.66 million in the immediate preceding quarter.

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### Explanatory Notes

#### 14.3 Current Year Prospects

The demand for gloves remains robust, with the Group's production plants running at full capacity. The Group's latest Plant 16 located along Jalan Meru, was initially expected to be completed in July 2017. However, there was a slight delay due to machine installation and water supply issues. Two of the eight production lines were completed in October which are now under production-trial, with the rest six lines going to be completed by Dec. We expect contributions from this plant for this year to be minimal, with full contributions to start from Jan 2018 onwards. Plant 16 which has an installed capacity of 3 billion pieces per annum, will focus on the Group's patented Low Derma Technology gloves. This latest state-of-the-art plant incorporates many of the latest technologies, including high-speed dipping technology with a high-degree of automation to reduce the dependence on manpower. Construction works for Plant 17 and 18, also along Jalan Meru have commenced and expected to be completed by 2018. These 2 new plants would be capable of producing up to 4.5 billion pieces (1.5 and 3.0 billion pieces respectively) of nitrile gloves per annum once completed.

Research & development remains one of the cornerstones of Kossan's success. The construction of the Group's integrated Research and Development cum Training Centre ("RDTC") is completed in the 4<sup>th</sup> quarter of 2017. The RDTC will house the Group's world class research, lab and testing facilities for new innovations and quality improvements. It will also serve as the nerve centre for research into engineering and robotic implementations as well as automation systems for existing and new manufacturing plants.

With the strong demand of gloves and improvement in production efficiency, Management is optimistic of the performance for the remaining quarter of the year.

#### 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

	<u>Quarter period ended</u>		<u>Financial period ended</u>	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Tax expense - current	9,820	6,338	24,295	25,473
Deferred taxation	2,350	1,555	7,195	4,665
	<u>12,170</u>	<u>7,893</u>	<u>31,490</u>	<u>30,138</u>

The effective income tax rate for the current quarter and financial period ended 30 September 2017 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 2017.

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**Explanatory Notes****14.7 Group Borrowings**

a) The Group borrowings were as follows:

	<b>Total Unsecured</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2017</b>	<b>30/09/2016</b>
	<b>RM</b>	<b>RM</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term</b>		
Revolving credit	98,612	65,717
Bankers' acceptances	82,636	46,226
Term loans due within 12 months	26,375	26,375
	<u>207,623</u>	<u>138,318</u>
<b>Long Term</b>		
Term loans due after 12 months	116,385	62,668
	<u>324,008</u>	<u>200,986</u>

Included in the above Group borrowings in foreign denomination were as follows:

	<b>As at</b>	<b>As at</b>
	<b>30/09/2017</b>	<b>30/09/2016</b>
Unsecured Short term – revolving credit		
Foreign currency	US\$ nil	US\$10,000,000
RM equivalent	RM nil	RM 40,717,000
Average exchange rate RM to US\$ 1.00	RM nil	RM 4.0717

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 2017.

**14.8 Material Litigation**

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

**14.9 Earnings Per Share**

	<b>Current Quarter ended</b>		<b>Financial period ended</b>	
	<b>30/09/2017</b>	<b>30/09/2016</b>	<b>30/09/2017</b>	<b>30/09/2016</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>	45,680	34,023	137,724	126,298
<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)	7.14	5.32	21.54	19.75

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**Explanatory Notes****14.10 Realised and Unrealised Retained Earnings**

	<b>Financial period ended</b>	
	<b>30/09/2017</b>	<b>30/09/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of Kossan Rubber Industries Bhd and its subsidiaries		
Realised	881,230	758,221
Unrealised	( 41,383)	( 33,530)
	<hr/>	<hr/>
	839,847	724,691
Share of retained earnings of joint venture – realised	( 19)	( 0)
	<hr/>	<hr/>
	839,828	724,691
Less Consolidation adjustment	( 27,328)	( 20,339)
	<hr/>	<hr/>
	812,500	704,352
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On behalf of the Board

**Tan Sri Dato' Lim Kuang Sia**  
**Managing Director**  
**23 November 2017**