

## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2005**

#### **Explanatory Notes**

##### **1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with FRS 134 Interim Financial Reporting and Chapter 9 Part K of the Bursa Securities Listing Requirements.

The accounting policies and method of computation adopted for the interim financial statements were consistent with those adopted for the audited annual financial statements for the year ended 31 December 2004 and includes the adoption of new Financial Reporting Standards (“FRS”), if any, applicable to the Group.

##### **2. Annual Audit Report**

The audit report of the audited annual financial statements for the year ended 31 December 2004 was not subject to any qualification.

##### **3. Seasonal or Cyclical of 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 financial period to date.

##### **5. Changes in Material Estimates**

There were no material changes in the nature and amount of estimates used in the current quarter and interim financial statements ended 31 March 2005 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-buy backs, share cancellations, shares held as treasury shares and resale of treasury shares in the interim financial period ended 31 March 2005.

##### **7. Dividend**

There were no dividend declared or paid for the current quarter and the interim financial period ended 31 March 2005. On 15 April 2005 the board proposed a first and final dividend of 10% less income tax for the financial year ended 31 December 2004 subject to the approval of members at the forthcoming Annual General Meeting.

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### **Explanatory Notes**

#### **8. Segmental Reporting**

	Interim Financial Statements ended 31 March 2005	
	Segment Revenue RM '000	Segment Results RM '000
<b>Analysis by activities</b>		
Manufacturing sector	85,407	8,545
Engineering sector	0	0
Total	<u>85,407</u>	<u>8,545</u>

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

There were no revaluation of property, plant and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on its property, plant and equipment.

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

No significant event has occurred between 01 April 2005 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 the interim financial period ended 31 March 2005.

#### **12. Contingent Liabilities**

As at 31 March 2005, the Company has unsecured outstanding contingent liabilities amounting to RM 58,442,851 (2004: RM 45,762,161) being corporate guarantees given to financial institutions for banking/hire purchase facilities granted to certain subsidiaries.

#### **13. Additional Information required by the Bursa Securities Listing Requirements**

##### **13.1 Review of Results**

The additional 9 lines in the Group's gloves operations contributed to the increased turnover for the quarter. For the financial period ended 31 March 2005, the Group recorded a turnover and pre-tax profit of RM 85.407 million and RM 8.545 million compared to RM 58.883 million and RM 6.398 million for the same period last year, an improvement of 45.05% and 33.56% respectively.

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**Explanatory Notes****13.2 Explanatory comments on any material change in the profit before taxation for the quarter reported on as compared with the preceding quarter.**

	Current quarter ended 31/03/2005 RM '000	Preceding quarter ended 31/12/2004 RM '000
<b><u>Group Results</u></b>		
Turnover	<u>85,407</u>	<u>71,720</u>
Net Profit Before Taxation	<u>8,545</u>	<u>8,620</u>
<b>Segmental Analysis</b>		
Manufacturing sector	8,545	8,620
Engineering sector	<u>0</u>	<u>0</u>
<b>Net Profit Before Taxation</b>	<u>8,545</u>	<u>8,620</u>

The higher profit in the preceding quarter was attributed to the net write-back of reserve on consolidation and amortisation of goodwill amounting to RM 1.384 million.

**13.3 Current Year Prospects**

The Group's operations will continue to grow and contribute to increased turnover and profitability. The Group is optimistic of continuing good results for 2005.

**13.4 Explanatory notes for variance of actual from forecast profit and shortfall in the profit guarantee (only applicable to the final quarter)**

Not applicable.

**13.5 Taxation**

	Current quarter ended 31/03/2005 RM '000	Interim financial period ended 31/03/2005 RM '000
Current tax expense	457	457
Deferred taxation	<u>1,095</u>	<u>1,095</u>
	<u>1,552</u>	<u>1,552</u>

The effective income tax rate for the current quarter and interim financial period ended 31 March 2005 was lower than the statutory rate due to the availability of tax incentives.

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### **Explanatory Notes**

#### **13.6 Profit on Sale of Investment and/or Properties**

There were no sale of investments or properties in the current quarter and interim financial period ended 31 March 2005.

#### **13.7 Quoted Securities**

There were no purchase or disposal of quoted securities in the current quarter and interim financial period ended 31 March 2005.

#### **13.8 Status of Corporate Proposal announced but not completed**

The Company had announced on 24 February 2005 that it propose to undertake the following corporate exercise (Proposals);

- (i) Proposed share split of each ordinary share of RM 1.00 into 2 ordinary share of RM 0.50 each;
- (ii) Proposed Bonus Issue of 2 new subdivided ordinary shares of RM 0.50 each for every 5 ordinary shares of RM 1.00 each (equivalent to 10 subdivided ordinary shares of RM 0.50 each);
- (iii) Proposed Executives' Share Option Scheme;
- (iv) Proposed amendments to the M & A to accommodate the share split.

Further to that announcement, the Company announced on 13 May 2005 that the Securities Commission had on 10 May 2005 approved the Proposed Share Split and the listing of and quotation for the subdivided shares on the main board of Bursa Securities. The Proposals remain subject to the following approvals:

- (i) Bursa Securities for the following:
  - (a) the Proposed Share Split;
  - (b) approval in principle for the listing of and quotation for the 26,644,496 Bonus Shares to be issued pursuant to the Proposed Bonus Issue; and
  - (c) approval in principle the listing of and quotation for the new Kossan Shares or Subdivided Kossan shares (as the case may be) to be issued pursuant to the exercise of options under the Proposed ESOS; and
- (ii) shareholders of the Company at an Extraordinary General Meeting to be convened.

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**Explanatory Notes****13.9 Group Borrowings**

a) The Group borrowings as at 31 March 2005 were as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	RM'000	RM'000	RM'000
<b>Short Term</b>	51,987	2,306	54,293
<b>Long Term</b>	<u>11,777</u>	<u>0</u>	<u>11,777</u>
	<u>63,764</u>	<u>2,306</u>	<u>66,070</u>

Included in secured short-term borrowings is a line of credit of US\$ 101,093.40, obtained by the overseas subsidiary. The Ringgit equivalent as at 31 March 2005 was RM 384,155.00. Other than the above, all the other borrowings were denominated in Ringgit Malaysia.

b) There were no debt securities in the interim financial period ended 31 March 2005.

**13.10 Financial Instruments with Off Balance Sheet Risk**

Foreign currency forward contracts were entered and continue to be entered to limit the exposure of the Group to fluctuations in foreign currency exchange rates on foreign currency receipts and payments.

**13.11 Material Litigation**

There is no pending material litigation since the last audited annual balance sheet date to the date of issue of the quarterly report.

On behalf of the Board

**Lim Kuang Sia**  
**Managing Director**

19 May 2005  
Klang