

## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2006**

#### **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 2005 except for the changes from the adoption of new Financial Reporting Standards (“FRS”) applicable to the Group.

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

The audit report of the audited annual financial statements for the year ended 31 December 2005 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 interim 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 2006, 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 2006.

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#### **7. Dividend**

No dividend was declared or paid in the current quarter and the interim financial period ended 31 March 2006.

On 19 April 2006, the Company proposes a final dividend of 10% less income tax and a special tax-exempt dividend of 2% for the year ended 31 December 2005 subject to the approval of the members at the forthcoming Annual General Meeting.

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

<b>Analysis by activities</b>	<b>Interim Financial Statements ended 31 March 2006</b>	
	<b>Segment Revenue RM '000</b>	<b>Segment Results RM '000</b>
<b>Manufacturing sector</b>		
Gloves division	85,842	7,293
Technical rubber products division	21,391	1,508
	<hr/>	<hr/>
	107,233	8,801
<b>Engineering sector</b>	0	0
	<hr/>	<hr/>
Total	<u>107,233</u>	<u>8,801</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 2006 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 2006.

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

As at 31 March 2006, the Company has unsecured outstanding contingent liabilities amounting to RM 98,942,571 (2005: RM 73,231,461) 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 Group recorded a turnover and pre-tax profit of RM 107.233 million and RM 8.801 million for the interim financial period ended 31 March 2006 compared to RM 85.407 million and RM 8.545 million for the same period last year.

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

<b><u>Group Results</u></b>	Current quarter ended 31/03/2006 RM '000	Preceding quarter ended 31/12/2005 RM '000
Turnover	<u>107,233</u>	<u>107,287</u>
Net Profit Before Taxation	<u>8,801</u>	<u>9,351</u>
<b>Segmental Analysis</b>		
Manufacturing sector	8,801	9,351
Engineering sector	<u>0</u>	<u>0</u>
<b>Total</b>	<u>8,801</u>	<u>9,351</u>

The rises in the prices of both natural and synthetic rubber and latex have caused some concern for the rubber products manufacturing industry. In the current quarter ended 31 March 2006, the Malaysian Ringgit has recorded sharp appreciation against the United States Dollar. Together with the time lag between adjustment of the products selling price and the cost of raw materials, the Group experienced a slight drop in margin. The results in the prior interim period includes a net surplus of RM 0.346 million on write-back of reserves on consolidation and amortisation of goodwill. There is no surplus in the current financial period ended 31 March 2006.

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#### **13.3 Current Year Prospects**

The business of the Group continues to expand, both for the technical rubber products and gloves. The expansion in the gloves division of an additional 26 lines will boost revenue commencing from the next quarter. The Group is optimistic of performing well in 2006.

#### **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 31/03/2006 RM '000	Financial period ended 31/03/2006 RM '000
Current tax expense	632	632
Deferred taxation	800	800
	<u>1,432</u>	<u>1,432</u>

The effective income tax rate for the current quarter and the interim financial period ended 31 March 2006 was lower than the statutory rate due to the availability of tax incentives.

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

There were no sale of investments or properties in the current quarter and the interim financial period ended 31 March 2006.

#### **13.7 Quoted Securities**

There were no purchase or disposal of quoted securities in the current quarter and the interim financial period ended 31 March 2006.

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

There were no corporate proposals announced but not completed, for the current quarter and the interim financial period ended 31 March 2006, to the date of this report.

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#### **13.9 Group Borrowings**

a) The Group borrowings as at 31 March 2006 were as follows:

	<b>Secured</b> RM'000	<b>Unsecured</b> RM'000	<b>Total</b> RM'000
<b>Short Term</b>			
Bank overdraft & Revolving credit	11,599	2,613	14,212
Bankers' acceptance	38,338	24,889	63,227
Loan due within 12 months	3,693	0	3,693
	<u>53,630</u>	<u>27,502</u>	<u>81,132</u>
<b>Long Term</b>			
Loan due after 12 months	19,475	0	19,475
	<u>73,105</u>	<u>27,502</u>	<u>100,607</u>

All the above borrowings are denominated in Ringgit Malaysia.

b) There were no debt securities in the financial period ended 31 March 2006.

#### **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**

18 May 2006