

## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2007**

#### **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 2006 except for the changes, if any, arising 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 2006 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 2007 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-buy backs, share cancellations, shares held as treasury shares and resale of treasury shares in the interim financial period ended 31 March 2007.

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#### **7. Dividend**

A first and final dividend of 5% less 27% income tax and 8% tax-exempt dividend was proposed for the financial year ended 31 December 2006 on 13 April 2007, and upon approval by shareholders in the forthcoming Annual General Meeting, will be paid on 10 August 2007.

There were no other dividends declared or paid in the current quarter and the interim financial period ended 31 March 2007.

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

<b>Analysis by activities</b>	<b>Interim Financial Statements ended 31 March 2007</b>	
	<b>Revenue RM '000</b>	<b>Results RM '000</b>
<b>Manufacturing sector</b>		
Gloves division	137,687	12,346
Technical rubber products division	<u>24,798</u>	<u>1,753</u>
	<u>162,485</u>	<u>14,099</u>

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

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

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

No significant event has occurred between 01 April 2007 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 other 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 in the interim financial period ended 31 March 2007.

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

As at 31 March 2007, the Company has unsecured outstanding contingent liabilities amounting to RM 142,097,311 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's turnover and pre-tax profit for the quarter under review is RM 162.485 million and RM 14.099 million against the preceding year corresponding quarter's figure of RM 107.233 million and RM 8.801 million, an increase of 51.53% and 60.02% respectively. The robust expansion programme in 2006 contributes the increase in revenue and pre-tax profit.

##### **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>	<b>Current quarter ended 31/03/2007 RM '000</b>	<b>Preceding quarter ended 31/12/2006 RM '000</b>
Turnover	<u>162,485</u>	<u>170,716</u>
Net Profit Before Taxation	<u>14,099</u>	<u>14,844</u>

Turnover and pre-tax profit decreased by RM 8.231 million and RM 0.745 million in the current quarter compared to preceding quarter.

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

In the gloves division, the additional 13 lines under construction are expected to contribute positively to the group. The technical rubber products division is expanding its marketing, and research and development to further penetrate the high end products. Overall the Group is optimistic to perform well for the year 2007.

#### **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 31/03/2007 RM'000	Financial period ended 31/03/2007 RM'000
Current tax expense	1,300	1,300
Deferred taxation	1,160	1,160
	<u>2,460</u>	<u>2,460</u>

The effective income tax rate for the current quarter and the interim financial period ended 31 March 2007 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 2007.

#### **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 2007.

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#### **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 2007, to the date of this report.

#### **13.9 Group Borrowings**

a) The Group borrowings as at 31 March 2007 were as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	RM'000	RM'000	RM'000
<b>Short Term</b>			
Bank overdraft & revolving credit	10,827	37,740	48,567
Bankers' acceptance	49,292	23,856	73,148
Loan due within 12 months	4,793	1,038	5,831
	<u>64,912</u>	<u>62,634</u>	<u>127,546</u>
<b>Long Term</b>			
Loan due after 12 months	19,506	5,813	25,319
	<u>84,418</u>	<u>68,447</u>	<u>152,865</u>

Included in unsecured short-term revolving credit is an amount of US\$ 10.0 million obtained by the subsidiaries of the company. Other than the above, all the other borrowings are denominated in Ringgit Malaysia.

b) There were no debt securities in the financial period ended 31 March 2007.

#### **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.

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**Explanatory Notes****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.

**13.12 Earnings Per Share**

	Quarter ended		Financial period ended	
	31/03/07	31/03/06	31/03/07	31/03/06
a) Basis earnings per share				
Profit for the interim financial period (RM'000)	11,639	7,461	11,639	7,461
Weighted average number of ordinary shares in issue ('000)	159,867	159,867	159,867	159,867
Basic earnings per share (sen)	7.28	4.67	7.28	4.67
b) Diluted earnings per share				

There is no dilution in earnings per share.

On behalf of the Board

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

18 May 2007