

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 30 June 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 30 June 2005.

7. Dividend

There were no dividend declared or paid for the current quarter and the interim financial period ended 30 June 2005. The proposed first and final dividend of 10% less income tax for the financial year ended 31 December 2004 announced on 15 April 2005 was approved by members at the Annual General Meeting held on 16 June 2005 and paid on 25 July 2005.

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8. Segmental Reporting

Analysis by activities	Interim Financial Statements ended 30 June 2005	
	Segment Revenue	Segment Results
	RM '000	RM '000
Manufacturing sector	173,867	17,387
Engineering sector	0	0
Total	<u>173,867</u>	<u>17,387</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 July 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 30 June 2005.

12. Contingent Liabilities

As at 30 June 2005, the Company has unsecured outstanding contingent liabilities amounting to RM 57,597,650 (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 Group recorded a turnover and pre-tax profit of RM 173.867 million and RM 17.387 million for the financial period ended 30 June 2005 compared to RM 130.165 million and RM 13.582 million for the same period last year, an improvement of 33.57% and 28.02% 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 30/06/2005 RM '000	Preceding quarter ended 31/03/2005 RM '000
<u>Group Results</u>		
Turnover	<u>88,460</u>	<u>85,407</u>
Net Profit Before Taxation	<u>8,842</u>	<u>8,545</u>
Segmental Analysis		
Manufacturing sector	8,842	8,545
Engineering sector	<u>0</u>	<u>0</u>
Net Profit Before Taxation	<u>8,842</u>	<u>8,545</u>

13.3 Current Year Prospects

The business of the Group continues to expand, both for the technical rubber products and gloves.

While the outlook for the industry remains excellent, recent sharp rises in the price of crude petroleum (to produce synthetic rubber and fuel) and latex, both main materials used by the Group, may have an impact on the profit margins. However the Group is confident such impact is only temporary as such cost increases can be passed on to customers.

The removal of the Ringgit Peg against the US Dollar, has resulted in a slight appreciation of the Ringgit. The Group has and continuously to hedged its sales and forecasted sales in US Dollar, thereby reducing the impact of the appreciation of the Ringgit.

Despite the above development, the Group is optimistic of continuing to achieve positive results in 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.

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13.5 Taxation	Current quarter ended 30/06/2005 RM '000	Interim financial period ended 30/06/2005 RM '000
Current tax expense	390	847
Deferred taxation	<u>1,265</u>	<u>2,360</u>
	<u><u>1,655</u></u>	<u><u>3,207</u></u>

The effective income tax rate for the current quarter and interim financial period ended 30 June 2005 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 interim financial period ended 30 June 2005.

13.7 Quoted Securities

There were no purchase or disposal of quoted securities in the current quarter and interim financial period ended 30 June 2005.

13.8 Status of Corporate Proposal announced but not completed

The Company had announced on 24 February 2005 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 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 had received the following approvals;

- Approval from the Securities Commission dated 10 May 2005
- Approval from Bursa Securities dated 30 May 2005
- Approval from shareholders of the Company at the Extraordinary General Meeting dated 16 June 2005

All the Proposals, with the exception of the Executives' Share Option Scheme, has been completed with the Company's entire issued and paid-up share capital of RM 79,933,488 comprising of 159,866,976 ordinary shares of RM0.50 each after the Share Split and Bonus Issue, being listed and quoted on Bursa Malaysia Securities Berhad on 29 July 2005.

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Explanatory Notes**13.9 Group Borrowings**

a) The Group borrowings as at 30 June 2005 were as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term	53,951	1,856	55,807
Long Term	<u>11,160</u>	<u>0</u>	<u>11,160</u>
	<u>65,111</u>	<u>1,856</u>	<u>66,967</u>

Included in secured short-term borrowings is a line of credit of US\$ 89,426.74, obtained by the overseas subsidiary. The Ringgit equivalent as at 30 June 2005 was RM 339,822.00. 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 30 June 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 August 2005
Klang