

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 30 June 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 30 June 2007.

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7. Dividend

A first and final dividend of 5% less 27% income tax and 8% tax-exempt dividend for the financial year ended 31 December 2006 were paid on 10 August 2007.

There were no other dividends declared or paid in the current quarter and the interim financial period ended 30 June 2007.

8. Segmental Reporting

Analysis by activities	Interim Financial Statements ended 30 June 2007	
	Revenue RM '000	Results RM '000
Manufacturing sector		
Gloves division	272,208	23,723
Technical rubber products division	<u>51,060</u>	<u>4,165</u>
	<u>323,268</u>	<u>27,888</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 July 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 30 June 2007.

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12. Contingent Liabilities

As at 30 June 2007, the Company has unsecured outstanding contingent liabilities amounting to RM 187.756 million 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 160.783 million and RM 13.790 million against the preceding year corresponding quarter's figure of RM 133.268 million and RM 11.671 million, an increase of 20.65% and 18.16% 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.

<u>Group Results</u>	Current quarter ended 30/06/2007 RM '000	Preceding quarter ended 31/03/2007 RM '000
Turnover	160,783	162,485
Net Profit Before Taxation	13,790	14,099

Turnover and pre-tax profit decreased by RM 1.702 million and RM 0.309 million in the current quarter compared to preceding quarter.

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13.3 Current Year Prospects

The appreciation of the Ringgit Malaysia against the United States Dollar and volatility of latex price in the current quarter has been most challenging for the rubber products industry. The additional 13 lines in the gloves division are in operations in July 2007 and will contribute positively to the revenue in the second half years' results. 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 30/06/2007 RM'000	Financial period ended 30/06/2007 RM'000
Current tax expense	1,450	2,750
Deferred taxation	950	2,110
	<u>2,400</u>	<u>4,860</u>

The effective income tax rate for the current quarter and the interim financial period ended 30 June 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 30 June 2007.

13.7 Quoted Securities

There were no purchase or disposal of quoted securities in the current quarter and the interim financial period ended 30 June 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 30 June 2007, to the date of this report.

13.9 Group Borrowings

a) The Group borrowings as at 30 June 2007 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Bank overdraft & revolving credit	10,525	37,516	48,041
Bankers' acceptance	60,774	30,012	90,786
Loan due within 12 months	4,677	1,567	6,244
	<u>75,976</u>	<u>69,095</u>	<u>145,071</u>
Long Term			
Loan due after 12 months	18,356	8,603	26,959
	<u>94,332</u>	<u>77,698</u>	<u>172,030</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 30 June 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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13.11 Material Litigation

The Company reported that it had received a letter from International Trade Commission (ITC) on 12 July 2007 on the complaint and allegation by Tillotson Corporation in the United States for intellectual property infringement of certain nitrile gloves under Section 337 of the Tariff Act of 1930 as amended (19 U.S.C 1337) for alleged Patent infringement. We have instructed our lawyers in the United States to handle this matter and should Tillotson Corporation be successful at the ITC, it is our understanding that the future royalty of USD2.00 per 1000 pieces of nitrile gloves would be payable. However, this cost will be passed on to the customers accordingly. As exports of nitrile gloves to United States constitute less than 5.5% of our Group's total turnover, the Company envisage that this matter will not have any material impact on the performance of the Group.

Other than the above 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	
	30/06/07	30/06/06	30/06/07	30/06/06
a) Basis earnings per share				
Profit for the interim financial period (RM'000)	11,390	9,657	23,028	17,119
Weighted average number of ordinary shares in issue ('000)	159,867	159,867	159,867	159,867
Basic earnings per share (sen)	7.12	6.04	14.40	10.71

b) Diluted earnings per share

There is no dilution in earnings per share.

On behalf of the Board

Lim Kuang Sia
Managing Director
17 August 2007