

## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2004**

#### **Explanatory Notes**

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

The unaudited interim financial statements have been prepared in accordance with MASB 26 Interim Financial Reporting and Chapter 9 Part K of the Bursa Malaysia Listing Requirements.

The accounting policies and method of computation adopted for the interim financial statements are consistent with those adopted for the audited annual financial statements for the year ended 31 December 2003 and includes the adoption of new MASB Standards, if any, applicable to the Group.

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

The audit report of the audited financial statements for the year ended 31 December 2003 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 September 2004 as reported 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 September 2004.

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| <b>7. Dividend</b> | Current quarter<br>ended<br>30/09/2004<br>RM '000 | Interim financial<br>period ended<br>30/09/2004<br>RM '000 |
|--------------------|---|--|
| Dividend paid      | <u>2,398</u>                                      | <u>4,796</u>   |

No dividend was declared for the current quarter and the interim financial period ended 30 September 2004. The above dividends paid are dividends declared in respect for the financial year ended 31 December 2003.

### **8. Segmental Reporting**

| Analysis by activities | Interim Financial Statements<br>ended 30 September 2004 |                               |
|------------------------|---|-------------------------------|
|                        | Segment<br>Revenue<br>RM '000                           | Segment<br>Results<br>RM '000 |
| Manufacturing sector   | <u>207,435</u>  | <u>20,639</u>                 |

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

There was 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 30 September 2004 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 interim financial period ended 30 September 2004.

### **12. Contingent Liabilities**

As at 30 September 2004, the Company has unsecured outstanding contingent liabilities amounting to RM45,922,111 (2003: RM22,410,805) being corporate guarantees given to financial institutions for banking/hire purchase facilities granted to certain subsidiaries.

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**Explanatory Notes****13. Additional Information required by the Bursa Malaysia Listing Requirements****13.1 Review of Results**

For the nine months period ended 30 September 2004, the Group recorded a pre-tax profit of RM 20.639 million compared to RM 13.295 million for the same period last year, an improvement of 55.23%.

Turnover for the current quarter increased to RM77.269 million from RM 71.282 million in the immediate preceding quarter. The pre-tax profit for the current quarter declined to RM 7.057 million from RM 7.184 million in the immediate preceding quarter. The lower profit margin was attributed to the competitive pricing environment and continued increasing cost of raw materials for both the industrial rubber and gloves operations.

**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<br>ended 30/09/2004<br>RM '000 | Preceding quarter<br>ended 30/06/2004<br>RM '000 |
|-----------------------------------|--|--|
| <b><u>Group Results</u></b>       |  |  |
| Turnover                          | <u>77,269</u>                                  | <u>71,282</u>                                    |
| Net Profit Before Taxation        | <u>7,057</u>                                   | <u>7,184</u>                                     |
| <b>Segmental Analysis</b>         |  |  |
| Manufacturing sector              | 7,057  | 7,184  |
| Engineering sector                | <u>0</u>                                       | <u>0</u>   |
| <b>Net Profit Before Taxation</b> | <u>7,057</u>                                   | <u>7,184</u>                                     |

**13.3 Current Year Prospects**

The Group continues to expand its operations to increase production and turnover, amidst the increasing cost of raw materials, to improve profit. The Group is optimistic of continuing good results for the rest of the year.

**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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**Explanatory Notes****13.5 Taxation**

|                     | Current quarter<br>ended 30/09/2004<br>RM '000 | Interim financial<br>period ended<br>30/09/2004<br>RM '000 |
|---------------------|--|--|
| Current tax expense | 336  | 1,248  |
| Deferred taxation   | 885  | 2,325  |
|                     | <u>1,221</u>                                   | <u>3,573</u>   |

The tax rate for the current quarter and interim financial period ended 30 September 2004 is 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 September 2004.

**13.7 Quoted Securities**

There were no purchase or disposal of quoted securities in the current quarter and interim financial period ended 30 September 2004.

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

There were no corporate proposals announced but not completed at the date of issue of this quarterly report.

**13.9 Group Borrowings**

a) The Group borrowings as at 30 September 2004 are as follows:

|                   | <b>Secured</b><br>RM'000 | <b>Unsecured</b><br>RM'000 | <b>Total</b><br>RM'000 |
|-------------------|--------------------------|----------------------------|------------------------|
| <b>Short Term</b> | 39,615                   | 2,427                      | 42,042                 |
| <b>Long Term</b>  | <u>10,191</u>            | <u>0</u>                   | <u>10,191</u>          |
|                   | <u>49,806</u>            | <u>2,427</u>               | <u>52,233</u>          |

Included in secured short-term borrowings is a line of credit of US\$ 121,093.00, obtained by the overseas subsidiary. The Ringgit equivalent as at 30 September 2004 is RM460,155.00. Other than the above, all the other borrowings are denominated in Ringgit Malaysia.

b) There were no debt securities in the interim financial period ended 30 September 2004.

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**Explanatory Notes**

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

There were no financial instruments with off balance sheet financial risk at the date of issue of this quarterly report.

**13.11 Material Litigation**

On 11 December 2003 the Group announced that a legal suit has been instituted in the United States of America (USA) District Court by one of its customer against its subsidiary companies for compensatory damages. On 24 September 2004 the Group announced a General Release and Settlement Agreement to dismiss the said lawsuit whereby neither parties shall pay anything whatsoever to the other party except for their own legal cost.

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.

On behalf of the Board

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

09 November 2004  
Klang