

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 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 September 2005, other than the bonus issue of 26,644,496 ordinary shares of RM 0.50 per share on 20 July 2005. On 16 June 2005 the par value of the Company’s issued and paid up share capital was changed from RM1.00 per share to RM 0.50 per share.

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Explanatory Notes**7. Dividend**

	Current quarter ended 30/09/2005 RM '000	Interim financial period ended 30/09/2005 RM '000
Dividend paid 10% less income tax (31 Dec 2004)	4,796	4,796

No dividend was declared for the current quarter and the interim financial period ended 30 September 2005.

8. Segmental Reporting

	Interim Financial Statements ended 30 September 2005	
	Segment Revenue RM '000	Segment Results RM '000
Analysis by activities		
Manufacturing sector	280,680	26,797
Engineering sector	0	0
Total	<u>280,680</u>	<u>26,797</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 October 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 September 2005.

12. Contingent Liabilities

As at 30 September 2005, the Company has unsecured outstanding contingent liabilities amounting to RM 68,286,033 (2004: RM 45,762,161) 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 Securities Listing Requirements****13.1 Review of Results**

The Group recorded a turnover and pre-tax profit of RM 280.680 million and RM 26.797 million for the financial period ended 30 September 2005 compared to RM 207.435 million and RM 20.639 million for the same period last year, an improvement of 35.31% and 29.84% respectively.

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 30/09/2005 RM '000	Preceding quarter ended 30/06/2005 RM '000
Turnover	<u>106,812</u>	<u>85,407</u>
Net Profit Before Taxation	<u>9,410</u>	<u>8,545</u>
Segmental Analysis		
Manufacturing sector	9,410	8,545
Engineering sector	<u>0</u>	<u>0</u>
Net Profit Before Taxation	<u>9,410</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.

High prices of oil have resulted in higher prices of synthetic rubber. The higher price of synthetic rubber has also induced increases in the price of natural rubber and latex. As synthetic rubber, natural rubber and latex are main materials used by the Group in its manufacturing activities, gross profit margins has been affected due to the time lapse between adjustments and increased cost.

Despite the above development, the Group is optimistic of continuing to achieve positive results in 2005.

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Explanatory Notes**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 30/09/2005 RM '000	Interim financial period ended 30/09/2005 RM '000
Current tax expense	402	1,249
Deferred taxation	1,380	3,740
	<u>1,782</u>	<u>4,989</u>

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

13.7 Quoted Securities

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

13.8 Status of Corporate Proposal announced but not completed

There were no corporate proposal announced but not completed, for the current quarter and the interim financial period, to the date of this report.

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Explanatory Notes**13.9 Group Borrowings**

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

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Bank overdraft & Revolving credit	12,594	3,175	15,769
Bankers' acceptance	42,869	0	42,869
Loan due in 12 months	2,640	0	2,640
	<u>58,103</u>	<u>3,175</u>	<u>61,278</u>
Long Term			
Loan due after 12 months	19,206	0	19,206
	<u>77,309</u>	<u>3,175</u>	<u>80,484</u>

All the above borrowings are denominated in Ringgit Malaysia.

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

17 November 2005
Klang