

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 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 31 December 2004.

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7. Dividend	Current quarter ended 31/12/2004 RM '000	Interim financial year ended 31/12/2004 RM '000
Dividend paid	<u>0</u>	<u>4,796</u>

No dividend was declared for the current quarter and the interim financial year ended 31 December 2004. The above dividend paid were in respect of dividend declared for the financial year ended 31 December 2003.

8. Segmental Reporting

Analysis by activities	Interim Financial Statements ended 31 December 2004	
	Segment Revenue RM '000	Segment Results RM '000
Manufacturing sector	279,155	29,295
Engineering sector	<u>0</u>	<u>0</u>
Total	<u>279,155</u>	<u>29,259</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 31 December 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 financial year ended 31 December 2004.

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12. Contingent Liabilities

As at 31 December 2004, the Company has unsecured outstanding contingent liabilities amounting to RM45,762,161 (2003: RM22,410,805) being corporate guarantees given to financial institutions for banking/hire purchase facilities granted to certain subsidiaries.

13. Additional Information required by the Bursa Malaysia Listing Requirements

13.1 Review of Results

For the financial year ended 31 December 2004, the Group recorded a turnover and pre-tax profit of RM 279.155 million and RM 29.259 million compared to RM 179.640 million and RM 18.669 million for the same period last year, an improvement of 55.39% and 56.73% respectively.

The pre-tax profit for the current quarter increased to RM 8.620 million from RM 7.057 million in the immediate preceding quarter. The increase is attributed to the net write-back of reserve on consolidation and amortisation of goodwill amounting to RM 1.384 million.

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 31/12/2004 RM '000	Preceding quarter ended 30/09/2004 RM '000
<u>Group Results</u>		
Turnover	<u>71,720</u>	<u>77,269</u>
Net Profit Before Taxation	<u>8,620</u>	<u>7,057</u>
Segmental Analysis		
Manufacturing sector	8,620	7,057
Engineering sector	<u>0</u>	<u>0</u>
Net Profit Before Taxation	<u>8,620</u>	<u>7,057</u>

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13.3 Current Year Prospects

The Group's gloves operations have completed its additional 9 lines in January 2005 which will contribute to increase production and turnover to improve profit. The Group is optimistic of continuing good results for the year 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.

13.5 Taxation

	Current quarter ended 31/12/2004 RM '000	Interim financial year ended 31/12/2004 RM '000
Current tax expense	568	1,816
Deferred taxation	2,514	4,839
	<u>3,082</u>	<u>6,655</u>

The current tax expense rate for the current quarter and interim financial year ended 31 December 2004 is lower than the statutory rate due to the availability of tax incentives.

Subject to agreement by the tax authorities, the group has unutilised reinvestment allowance amounting to RM 12,838,937 available for offset against with future business profits. This is not taken into account as deferred taxation assets under MASB 25.

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 year ended 31 December 2004.

13.7 Quoted Securities

There were no purchase or disposal of quoted securities in the current quarter and interim financial year ended 31 December 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.

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Explanatory Notes**13.9 Group Borrowings**

a) The Group borrowings as at 31 December 2004 are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term	41,234	1,872	43,106
Long Term	<u>10,132</u>	<u>0</u>	<u>10,132</u>
	<u>51,366</u>	<u>1,872</u>	<u>53,238</u>

Included in secured short-term borrowings is a line of credit of US\$ 106,093.40, obtained by the overseas subsidiary. The Ringgit equivalent as at 31 December 2004 is RM403,155.00. Other than the above, all the other borrowings are denominated in Ringgit Malaysia.

b) There were no debt securities in the interim financial year ended 31 December 2004.

13.10 Financial Instruments with Off Balance Sheet Risk

Foreign currency forward contracts are entered into 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

24 February 2005
Klang