

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 financial statements ended 31 December 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 financial period ended 31 December 2005, other than the bonus issue of 26,644,496 ordinary shares of RM 0.50 each 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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7. Dividend

	Current quarter ended 31/12/2005 RM '000	Financial period ended 31/12/2005 RM '000
Dividend paid 10% less income tax (31 Dec 2004)	<u>0</u>	<u>4,796</u>

No dividend was declared in the current quarter and the financial period ended 31 December 2005.

8. Segmental Reporting

	Financial Statements ended 31 December 2005	
	Segment Revenue RM '000	Segment Results RM '000
Analysis by activities		
Manufacturing sector	387,966	36,148
Engineering sector	<u>0</u>	<u>0</u>
Total	<u>387,966</u>	<u>36,148</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 January 2006 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 financial period ended 31 December 2005.

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12. Contingent Liabilities

As at 31 December 2005, the Company has unsecured outstanding contingent liabilities amounting to RM 70,318,385 (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 387.966 million and RM 36.148 million for the financial period ended 31 December 2005 compared to RM 279.155 million and RM 29.259 million for the same period last year, an improvement of 38.98% and 23.54% respectively.

The business activities of the Group continued to expand in 2005 to achieve another year of successive growth both in turnover and profitability.

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 31/12/2005 RM '000	Preceding quarter ended 31/09/2005 RM '000
Turnover	107,287	106,810
Net Profit Before Taxation	9,351	9,410
Segmental Analysis		
Manufacturing sector	9,351	9,410
Engineering sector	0	0
Total	9,351	9,410

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13.3 Current Year Prospects

The business of the Group continues to expand, both for the technical rubber products and gloves. For 2006, the expansion in the gloves division will see an additional 26 lines to boost revenue. The industrial rubber division will continue to expand. The recent rises in the prices of both natural and synthetic rubber and latex have caused some concern for the rubber manufacturing industry. However the Group has anticipated this by increasing the products selling price in tandem with the higher cost of raw materials.

The Group is optimistic of performing well in 2006.

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 31/12/2005 RM '000	Financial period ended 31/12/2005 RM '000
Current tax expense	1,091	2,340
Deferred taxation	1,001	4,741
	<u>2,092</u>	<u>7,081</u>

The effective income tax rate for the current quarter and the financial period ended 31 December 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 31 December 2005.

13.7 Quoted Securities

There were no purchase or disposal of quoted securities in the current quarter and the financial period ended 31 December 2005.

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 financial period ended 31 December 2005, to the date of this report.

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Explanatory Notes**13.9 Group Borrowings**

a) The Group borrowings as at 31 December 2005 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Bank overdraft & Revolving credit	12,579	1,612	14,191
Bankers' acceptance	44,114	0	44,114
Loan due within 12 months	3,579	0	3,579
	<u>60,272</u>	<u>1,612</u>	<u>61,884</u>
Long Term			
Loan due after 12 months	20,182	0	20,182
	<u>80,454</u>	<u>1,612</u>	<u>82,066</u>

All the above borrowings are denominated in Ringgit Malaysia.

b) There were no debt securities in the financial period ended 31 December 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

23 February 2006