

## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2006**

#### **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 2005 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 2005 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 year 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 year ended 31 December 2006 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 current quarter and interim financial year ended 31 December 2006.

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#### **7. Dividend**

A final dividend of 10% less income tax and a special tax-exempt dividend of 2% for the year ended 31 December 2005 were paid on 10 August 2006.

There were no other dividends declared or paid in the current quarter and the interim financial year ended 31 December 2006.

#### **8. Segmental Reporting**

<b>Analysis by activities</b>	Interim Financial	
	year ended 31 December 2006	
	Revenue	Results
	RM '000	RM '000
<b>Manufacturing sector</b>		
Gloves division	480,861	42,025
Technical rubber products division	<u>92,999</u>	<u>6,541</u>
	<u>573,860</u>	<u>48,566</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 January 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**

On 31 March 2006, the Company acquired the remaining 720,000 ordinary shares of RM1.00 each representing 30% equity interest in Hibon Corporation Sdn Bhd ("HCSB") for a total cash consideration of RM 2,586,456. With the acquisition, HCSB is now a wholly owned subsidiary of the Company. 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 year ended 31 December 2006.

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#### **12. Contingent Liabilities**

As at 31 December 2006, the Company has unsecured outstanding contingent liabilities amounting to RM 138,778,345 (2005: RM 73,231,461) 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 573.860 million and RM 48.566 million for the interim financial year ended 31 December 2006 compared to RM 384.192 million and RM 36.181 million for the same period last year, an improvement of 49.37% and 34.23% respectively. The increase in revenue is mainly contributed by higher production capacity and also in the higher average selling price to cover the cost of raw materials.

##### **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 31/12/2006 RM '000	Preceding quarter ended 31/09/2006 RM '000
<b><u>Group Results</u></b>		
Turnover	<u>170,716</u>	<u>162,643</u>
Net Profit Before Taxation	<u>14,844</u>	<u>13,250</u>

The performance for the current quarter was in line with the completion of expansion program undertaken by the Group during the year. The selling price was increased to recover mainly the increases in cost of raw materials.

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#### **13.3 Current Year Prospects**

For the financial year ended 31 December 2006, the additional 26 gloves lines had been fully commissioned and in production. In 2007, the Group plans for further organic growth in its operations. The gloves division is expanding with an additional 13 lines producing high valued gloves. In the technical rubber products division, another rubber compounding plant is expected to meet the higher demand in this sector. The Group is excited over the increase in turnover for 2006 and is optimistic of continuing to perform well for 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 31/12/2006 RM '000	Financial year ended 31/12/2006 RM '000
Current tax expense	528	2,806
Deferred taxation	2,603	6,182
	<u>3,131</u>	<u>8,988</u>

The effective income tax rate for the current quarter and the interim financial year ended 31 December 2006 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 2006.

#### **13.7 Quoted Securities**

There were no purchase or disposal of quoted securities in the current quarter and the financial year ended 31 December 2006.

#### **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 year ended 31 December 2006, to the date of this report.

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#### **13.9 Group Borrowings**

a) The Group borrowings as at 31 December 2006 were as follows:

	<b>Secured</b> RM'000	<b>Unsecured</b> RM'000	<b>Total</b> RM'000
<b>Short Term</b>			
Bank overdraft & Revolving credit	13,195	2,652	15,847
Bankers' acceptance	53,828	24,665	78,493
Loan due within 12 months	4,942	1,038	5,980
	<u>71,965</u>	<u>28,355</u>	<u>100,320</u>
<b>Long Term</b>			
Loan due after 12 months	20,729	6,230	26,959
	<u>92,694</u>	<u>34,585</u>	<u>127,279</u>

All the above borrowings are denominated in Ringgit Malaysia.

b) There were no debt securities in the financial year ended 31 December 2006.

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

Foreign currency forward contracts were 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**

14 February 2007