

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2003

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 Listing Requirements of the Kuala Lumpur Stock Exchange.

The accounting policies and method of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2002 except for the adoption of new MASB Standards applicable to the Group with effect from 01 January 2003.

The adoption of these new standards have no immediate effects on the interim financial statements for the current quarter ended 31 March 2003 except for the effect of applying MASB Standard No. 25 pertaining to deferred taxation on surplus arising from the revaluation of freehold land and buildings. Accordingly, the retained earnings as disclosed in the Condensed Consolidated Statement of Changes in Equity have been adjusted to conform to the change in the accounting policy.

2. Annual Audit Report

The audit report of the audited financial statements for the year ended 31 December 2002 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 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 statements ended 31 March 2003 as reported in prior interim periods of the current financial year or prior financial year.

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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 March 2003.

7. Dividend

No dividend was paid nor declared for the current quarter and interim financial statements ended 31 March 2003.

8. Segmental Reporting

Analysis by activities	Interim Financial Statements ended 31 March 2003	
	Segment Revenue RM '000	Segment Results RM '000
Manufacturing sector	36,851	3,021
Engineering sector	0	(0)
	<u>36,851</u>	<u>3,021</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 31 March 2003 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 in the interim financial period ended 31 March 2003, including business combination, acquisition or disposal of subsidiaries and long term investment, restructuring and discontinuing operations.

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12. Contingent Liabilities

As at 31 March 2003, the Company has outstanding unsecured contingent liabilities amounting to RM 23,000,000 (2002 – RM 63,400,000) being corporate guarantees given to financial institutions for banking/hire purchase facilities granted to certain subsidiaries and RM800,000 (2002- RM800,000) being trade and performance guarantee extended to its subsidiaries.

13. Additional Information required by the Kuala Lumpur Stock Exchange's Listing Requirements

13.1 Review of Results

The Group recorded a profit before taxation of RM 3.021 million for the current quarter ended 31 March 2003 against a profit before taxation of RM 3.862 million in the immediate preceding quarter. The lower profit before taxation was attributed to a lower turnover of RM 36.851 million compared to RM 38.336 million for the preceding quarter. The unexpected increases in latex price over the preceding quarter resulted in the lower profit margin in the current quarter.

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 31/03/2003	Preceding quarter ended 31/12/2002
<u>Group Results</u>	RM '000	RM '000
Turnover	<u>36,851</u>	<u>38,336</u>
Net Profit Before Taxation	<u>3,021</u>	<u>3,862</u>
Segmental Analysis		
Manufacturing sector	3,021	3,876
Engineering sector	(0)	(14)
Net Profit Before Taxation	<u>3,021</u>	<u>3,862</u>

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13.3 Current Year Prospects

The manufacturing sector recorded a slight decrease in sales for the current quarter. The increase in latex price is expected to stabilise in the third quarter of 2003. Selling price has been adjusted upwards to offset the increase in latex price.

With the adoption of strategic marketing and consolidation of the operating activities, the Group is optimistic of its performance in financial year 2003.

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

Taxation comprises:-

	Current quarter ended 31/03/2003 RM '000	Interim financial period ended 31/03/2003 RM '000
Current taxation	285	285
Deferred taxation	<u>175</u>	<u>175</u>
	<u>460</u>	<u>460</u>

The tax provision for the current quarter and financial period ended 31 March 2003 is lower than the statutory rate due to the availability of tax incentives.

13.6 Profit on Sale of Investment and/or Properties

There was no sale of investments or properties in the current quarter and the financial period ended 31 March 2003.

13.7 Quoted Securities

There was no purchase or disposal of quoted securities in the current quarter and in the financial period ended 31 March 2003.

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13.8 Status of Corporate Proposal announced but not completed

- (i) On 19 July 2002 the Company announced the proposed acquisition of a 70% equity interest in Hibon Corporation Sdn Bhd (“Hibon”) for a total cash consideration not exceeding RM 3,500,000.00. The Foreign Investment Committee (“FIC”) has via its letter dated 18 November 2002 approved the proposed acquisition subject to Hibon meeting at least 30% Bumiputra equity interest. The Board, at the request of the vendors, had appealed to the FIC for a waiver of the condition. This acquisition has not been completed at the date of this report.
- (ii) On 30 October 2002, the Company announced a proposed investment in China to produce rubber moulded articles with an initial capital outlay of US \$ 1.0 million. (approximately RM 3.80 million). Approval for the remittance of funds has been obtained from Bank Negara Malaysia. The Company is in the process of setting up the subsidiary company in China.
- (iii) On 19 December 2002, the Company announced a proposal to implement a Bonus Issue of up to 11,176,360 new shares of RM1.00 each on the basis of one (1) new share for every five (5) existing shares. On 19 May 2003, the Company announced that shares registered by 06 June 2003 would be entitled to the said Bonus Issue.

13.9 Group Borrowings

- a) The Group borrowings as at 31 March 2003 are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term	22,643	6,295	28,938
Long Term	<u>2,682</u>	<u>436</u>	<u>3,118</u>
	<u>25,325</u>	<u>6,731</u>	<u>32,056</u>

Included in secured short-term borrowings is a line of credit of US\$ 173,333.37, obtained by the overseas subsidiary. The Ringgit equivalent at 31 March 2003 is RM 658,666.80. Other than the above, all the other borrowings are in Ringgit denomination.

- b) There were no debt securities in the financial period ended 31 March 2003.

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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 the quarterly report.

13.11 Material Litigation

The Group has on 30 April 2002 announced that a Summon (complaint at law) has been instituted against one of its trade debtors for the recovery of debts. Other than the above, there were no pending material litigation since the last annual balance sheet date to the date of issue of the quarterly report.

On behalf of the Board

Lim Kuang Sia
Chief Executive Officer

29 May 2003
Klang