

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 30 June 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 30 June 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

On 16 June 2003 the company issued 10,348,000 new shares being bonus issue shares approved. There were no other 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 June 2003.

7. Dividend

No dividend was paid nor declared for the current quarter and interim financial statements ended 30 June 2003.

8. Segmental Reporting

Analysis by activities	Interim Financial Statements ended 30 June 2003	
	Segment Revenue RM '000	Segment Results RM '000
Manufacturing sector	46,281	4,546
Engineering sector	0	(0)
	<u>46,281</u>	<u>4,546</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 30 June 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 30 June 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 30 June 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 RM 800,000 (2002- RM 800,000) 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 4.546 million for the current quarter ended 30 June 2003 against a profit before taxation of RM 3.021 million in the immediate preceding quarter. For the half-year period ended 30 June 2003, the Group recorded a profit before tax of RM 7.568 million against a profit before taxation of RM 7.744 million in the previous year corresponding period.

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 30/06/2003 RM '000	Preceding quarter ended 31/03/2003 RM '000
<u>Group Results</u>		
Turnover	<u>46,281</u>	<u>36,851</u>
Net Profit Before Taxation	<u>4,546</u>	<u>3,021</u>
Segmental Analysis		
Manufacturing sector	4,546	3,021
Engineering sector	(0)	(0)
Net Profit Before Taxation	<u>4,546</u>	<u>3,021</u>

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13.3 Current Year Prospects

The manufacturing sector recorded a 26% increase in sales for the current quarter compare to the immediate quarter partly contributed by the consolidation of the results of Hibon Corporation Sdn Bhd (“Hibon”). The Group is confident the successful acquisition of Hibon operations shall install greater synergy effects to improving quality and product diversification for market capitalisation. Together with ongoing upgrading of existing production capacity and 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 30/06/2003 RM '000	Interim financial period ended 30/06/2003 RM '000
Current taxation	446	732
Deferred taxation	<u>70</u>	<u>245</u>
	<u>516</u>	<u>977</u>

The tax provision for the current quarter and financial period ended 30 June 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 30 June 2003.

13.7 Quoted Securities

There was no purchase or disposal of quoted securities in the current quarter and in the financial period ended 30 June 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 of RM 3,500,000.00. This acquisition was completed on 19 June 2003 with the transfer of 1,680,000 ordinary shares of RM1.00 each, fully paid up in Hibon to our company.
- (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 13 June 2003, the Company announced that the Securities Commission via its letter dated 10 June 2003, has approved it’s proposed transfer to the Main Board of the Kuala Lumpur Stock Exchange. Accordingly, the shares of the Company will be transferred and listed on the Main Board on 18 August 2003.

13.9 Group Borrowings

- a) The Group borrowings as at 30 June 2003 are as follows:

	Secured	Unsecured	Total
	RM’000	RM’000	RM’000
Short Term	23,667	8,389	32,056
Long Term	<u>4,840</u>	<u>252</u>	<u>5,092</u>
	<u>28,507</u>	<u>8,641</u>	<u>37,148</u>

Included in secured short-term borrowings is a line of credit of US\$ 156,666.67, obtained by the overseas subsidiary. The Ringgit equivalent as at 30 June 2003 is RM595,333.00 . Other than the above, all the other borrowings are in Ringgit denomination.

- b) There were no debt securities in the financial period ended 30 June 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

14 Aug 2003
Klang