

## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 and includes 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 December 2003 except for MASB Standard No. 25 on 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 December 2003 as reported in prior interim periods of the current financial year or prior financial year.

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**Explanatory Notes****6. Movement of Company's Securities**

	Current quarter ended 31/12/2003 RM '000	Interim financial period ended 31/12/2003 RM '000
Bonus issue	0	10,348
Issue of ESOS shares	<u>2,629</u>	<u>4,523</u>
	<u>2,629</u>	<u>14,871</u>

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 31 December 2003.

**7. Dividend**

	Current quarter ended 31/12/2003 RM '000	Interim financial period ended 31/12/2003 RM '000
Dividend paid	<u>0</u>	<u>1,366</u>

No dividend was declared for the current quarter and the interim financial period ended 31 December 2003.

**8. Segmental Reporting**

Analysis by activities	Interim Financial Statements ended 31 December 2003	
	Segment Revenue RM '000	Segment Results RM '000
Manufacturing sector	180,757	18,736
Engineering sector	<u>104</u>	<u>0</u>
	<u>180,861</u>	<u>18,736</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.

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**Explanatory Notes****10. Material Events Subsequent to the End of the Interim Report**

No significant event has occurred between 31 December 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**

In the interim financial period ended 31 December 2003, there were two acquisition of subsidiaries as follows:

<b>Company</b>	<b>% of equity acquisition</b>
Hibon Corporation Sdn Bhd	70%
Wear Safe (Malaysia) Sdn Bhd	100%

The effect of the above acquisitions on the financial position of the Group as at 31 December 2003 is as follows:

	RM '000
Plant & equipment	7,209
Inventories	811
Trade and other receivables	2,689
Cash and bank balances	122
Trade and other payables	( 1,142)
Leasing and hire purchase liabilities	( 1,075)
Term loan	( 406)
Deferred tax	871
Minority interest	( 1,220)
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Net asset acquired	7,859
Reserves on consolidation	( 4,426)
Goodwill on consolidation	902
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Purchase consideration	4,335
Less Cash and bank balances	122
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Cash outflow on acquisition net of cash acquired	<u>4,213</u>

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 interim financial period ended 31 December 2003.

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### **Explanatory Notes**

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

As at 31 December 2003, the Company has outstanding unsecured contingent liabilities amounting to RM 45,459,750 (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 6.752 million for the current quarter ended 31 December 2003 against a profit before taxation of RM 5.433 million in the immediate preceding quarter. For the interim financial period ended 31 December 2003, the Group recorded a profit before tax of RM 18.736 million against a profit before taxation of RM 16.129 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 31/12/2003	Preceding quarter ended 30/09/2003
	RM '000	RM '000
<b><u>Group Results</u></b>		
Turnover	<u>47,933</u>	<u>49,796</u>
Net Profit Before Taxation	<u>6,752</u>	<u>5,433</u>
<b>Segmental Analysis</b>		
Manufacturing sector	6,752	5,433
Engineering sector	<u>0</u>	<u>0</u>
<b>Net Profit Before Taxation</b>	<u>6,752</u>	<u>5,433</u>

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### **Explanatory Notes**

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

Turnover and net profit before taxation for the interim financial period ended 31 December 2003 recorded an increase of 18.11% and 16.16% over the previous year corresponding period.

The manufacturing sector of gloves is now well in placed with an installed capacity of 3 billion pieces of gloves per annum, an increase of 76% over 2003 gloves sector. As for the industrial rubber sector the management is confident in its steady growth. The Group is optimistic of its performance in the year 2004.

#### **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 31/12/2003 RM '000	Interim financial period ended 31/12/2003 RM '000
Current taxation	261	1,291
Overprovision in prior years	( 589)	( 589)
Deferred taxation	932	1,205
	<u>604</u>	<u>1,907</u>

The tax provision for the current quarter and interim financial period ended 31 December 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 interim financial period ended 31 December 2003.

#### **13.7 Quoted Securities**

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

#### **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 the quarterly report.

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**Explanatory Notes****13.9 Group Borrowings**

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

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	RM'000	RM'000	RM'000
<b>Short Term</b>	21,077	6,514	27,591
<b>Long Term</b>	4,185	0	4,185
	<u>25,262</u>	<u>6,514</u>	<u>31,776</u>

Included in secured short-term borrowings is a line of credit of US\$ 176,667.00, obtained by the overseas subsidiary. The Ringgit equivalent as at 31 December 2003 is RM671,334.00 . Other than the above, all the other borrowings are in Ringgit denomination.

b) There were no debt securities in the interim financial period ended 31 December 2003.

**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.

On 11 December 2003 the Group announced that a legal suit has been instituted in the United States of America (USA) District Court by one of its customer against its subsidiaries companies for compensatory damages for alleged breach of warranties of sale of goods and misrepresentation in respect of gloves sold in year 2000. Solicitors for the Group have advised that there are no merits to the claims and there is a good prospect of success in defending the suit.

Other than the above, there is 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**  
**Managing Director**

25 February 2004

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