



**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

**Explanatory Notes**

**1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards and paragraph 9.22 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad. The accounting policies and method of computation adopted for the interim financial reports were consistent with new standards effective from 1/1/2020 inclusive of those adopted for the audited financial statements for the year ended 31 December 2019.

**2. Annual Audit Report**

The audit report of the audited financial statements for the year ended 31 December 2019 was not subject to any qualification.

**3. Seasonal or Cyclical 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 unaudited financial period ended 31 March 2020.

**5. Changes in Material Estimates**

There were no significant changes in estimates used in the current quarter and financial period ended 31 March 2020.

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

There were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares in the current quarter and financial period ended 31 March 2020.

**7. Dividend**

On 23 December 2019, the directors approved an interim tax exempt dividend of 3.0 sen per ordinary share for the financial year ending 31 December 2019. The dividend of RM 38,368,074 was paid on 20 January 2020.

On 21 May 2020 the directors approved a second interim tax exempt dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2019. The dividend of RM 38,368,074 will be paid on 19 June 2020.

The total dividend for the financial year ended 31 December 2019 is 6.0 sen per ordinary share.

There were no other dividends declared or paid in the current quarter and financial period ended 31 March 2020.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**Explanatory Notes****8. Segmental Reporting**

	<b>Divisions</b>				<b>Total RM '000</b>
	<b>Technical Rubber RM '000</b>	<b>Gloves RM '000</b>	<b>Clean-Room RM '000</b>	<b>Investment Holding RM '000</b>	
<b>Quarter and financial period ended - 31/03/2020</b>					
Revenue	38,391	548,247	24,532	8,263	619,433
Intercompany elimination	0	0	0	( 7,968)	( 7,968)
	<u>38,391</u>	<u>548,247</u>	<u>24,532</u>	<u>295</u>	<u>611,465</u>
Profit before tax	<u>3,455</u>	<u>77,130</u>	<u>1,842</u>	<u>107</u>	<u>82,534</u>
<b>Quarter and financial period ended - 31/03/2019</b>					
Revenue	46,678	496,988	17,110	4,416	565,192
Intercompany elimination	0	0	0	( 3,724 )	( 3,724)
	<u>46,678</u>	<u>496,988</u>	<u>17,110</u>	<u>692</u>	<u>561,468</u>
Profit before taxation	<u>6,811</u>	<u>67,961</u>	<u>575</u>	<u>( 269 )</u>	<u>75,078</u>

**9. Valuation of Property, Plant and Equipment**

There were no changes or amendments to the valuation of property plant and equipment from the previous year audited financial statements.

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

On 15 January 2020, Ideal Quality Sdn Bhd, a subsidiary of the Company entered into a conditional sale and purchase agreement ("SPA") for the disposal of its vacant freehold industrial land measuring approximately 390,397 sq. metres (4,202,194.27 sq.ft) ("Land") in the District of Kuala Langat, State of Selangor for a total cash consideration of RM 147,749,148.00. The audited net book value of this land as at 31 December 2019 was RM 96,697,695.00. The Company had on 16 March 2020 terminated the said Sale and Purchase Agreement ("SPA") for the non-fulfillment of the terms and conditions as stipulated in the SPA by the Purchaser. Upon the termination, neither party shall have any claim against the other in relation to the SPA.

On 01 April 2020, the same subsidiary of the Company entered into a conditional sale and purchase agreement ("SPA") for the disposal of its vacant freehold industrial land measuring approximately 390,397 sq. metres (4,202,194.27 sq.ft) ("Land") in the District of Kuala Langat, State of Selangor for a total cash consideration of RM153,380,091.00. The audited net book value of this land as at 31 December 2019 was RM 96,697,695.00. This SPA is not completed at the date of this announcement.

On 18 May 2020, Perusahaan Getah Asas Sdn Bhd, a subsidiary of the Company entered into a sale and purchase agreement ("SPA") with Imrogen Sdn Bhd, a related party company (under Chapter 10 of Listing Requirements), for the acquisition of the vacant freehold industrial land measuring approximately 11,314 square metres in the District of Klang, State of Selangor for a total cash consideration of RM6,570,000.00. This SPA is not completed at the date of this announcement.

There were no other significant event that has occurred between 01 April 2020 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 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 financial period ended 31 March 2020.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**Explanatory Notes****12. Contingent Liabilities**

As at 31 March 2020, the Company has unsecured outstanding contingent liabilities amounting to RM632.539 million (31 Dec 2019: RM664.001 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

**13. Capital and other Commitments**

	As at financial period ended	
	31/03/2020	31/12/2019
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	<u>nil</u>	<u>nil</u>

**14. Additional Information required pursuant to MMLR.****14.1 Review of Results****Current Quarter**

	Financial period ended		
	31/03/20	31/03/19	Changes
	RM '000	RM '000	%
Revenue	611,465	561,468	8.90
<u>Operating profit</u>	<u>86,272</u>	<u>79,721</u>	<u>8.22</u>
Profit Before			
<u>Interest and Tax</u>	<u>86,272</u>	<u>79,721</u>	<u>8.22</u>
<u>Profit before tax</u>	<u>82,534</u>	<u>75,078</u>	<u>9.93</u>
<u>Profit after tax</u>	<u>65,270</u>	<u>59,472</u>	<u>9.75</u>
Profit attributed			
To Ordinary Equity			
<u>Shareholders</u>	<u>64,803</u>	<u>58,723</u>	<u>10.35</u>

**Divisions**

	Divisions				
	Technical Rubber	Gloves	Clean-Room	Investment Holding	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Quarter and financial period ended - 31/03/2020</b>					
Revenue	38,391	548,247	24,532	8,263	619,433
Intercompany elimination	0	0	0	( 7,968)	( 7,968)
	<u>38,391</u>	<u>548,247</u>	<u>24,532</u>	<u>295</u>	<u>611,465</u>
Profit before tax	<u>3,455</u>	<u>77,130</u>	<u>1,842</u>	<u>107</u>	<u>82,534</u>
PBT/Revenue %	9.00	14.07	7.51	36.27	13.50
<b>Quarter and financial period ended - 31/03/2019</b>					
Revenue	46,678	496,988	17,110	4,416	565,192
Intercompany elimination	0	0	0	( 3,724)	( 3,724)
	<u>46,678</u>	<u>496,988</u>	<u>17,110</u>	<u>692</u>	<u>561,468</u>
Profit before taxation	<u>6,811</u>	<u>67,961</u>	<u>575</u>	<u>( 269)</u>	<u>75,078</u>
PBT/Revenue %	14.59	13.68	3.36	( 38.87)	13.37
<b>Comparison of financial period</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	( 17.75)	10.31	43.38	( 57.37)	8.90
Profit before tax	( 49.27)	13.49	220.35	na	9.93

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**Explanatory Notes****14.1 Review of Results (continue)****Additional Information required by MMLR.****Comparison of Current quarter and financial period to date ("1Q20") with Preceding year quarter and financial period to date ("1Q19")**

For the 1st quarter ended 31 March 2020, the Group's revenue increased by 8.90% to RM611.47 million as compared with RM561.47 million in 1Q19. Profit before taxation (PBT) rose 9.93% to RM82.53 million as compared with RM75.08 million in the corresponding quarter last year.

The Gloves division's revenue increased 10.31% to RM548.25 million in 1Q20 from RM495.99 million in 1Q19, while PBT rose 13.49% to RM77.13 million in the current quarter as compared with RM67.96 million from a year ago. The improved performance was mainly attributable to higher volume sold (+7.4%) as compared with 1Q19.

The TRPs division recorded revenue of RM38.39 million in the current quarter, easing 17.75% as compared with RM46.68 million in 1Q19. PBT eased 49.27% to RM3.46 million as compared with RM6.81 million from a year ago. The performance was mainly attributable to lower sales deliveries and sales of lower margin products.

The Cleanroom division recorded revenue and PBT of RM24.53 million and RM1.84 million respectively in 1Q20, as compared with RM17.11 million and RM0.58 million in 1Q19.

**14.2 Explanatory comments on any material change in the profit before taxation for the quarter reported on as compared with the preceding quarter.**

	<b>Current Quarter 31/03/2020 RM '000</b>	<b>Immediate Preceding Quarter 31/12/2019 RM '000</b>	<b>Changes %</b>
Revenue	611,465	578,349	5.73
Operating profit	86,272	74,492	15.81
Profit Before Interest and Tax	86,272	74,492	15.81
Profit before tax	82,534	72,279	14.19
Profit after tax	65,270	61,577	6.00
Profit attributed To Ordinary Equity Shareholders	64,803	61,003	6.23

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**Explanatory Notes****14.2 Explanatory comments on any material change in the profit before taxation for the quarter reported on as compared with the preceding quarter. (continue)**

	<b>Divisions</b>				
	<b>Technical Rubber RM '000</b>	<b>Gloves RM '000</b>	<b>Clean-Room RM '000</b>	<b>Investment Holding RM '000</b>	<b>Total RM '000</b>
<b>Current Quarter ended - 31/03/2020 (1Q20)</b>					
Revenue	38,391	548,247	24,532	8,263	619,433
Intercompany elimination	0	0	0	( 7,968)	( 7,968)
	<u>38,391</u>	<u>548,247</u>	<u>24,532</u>	<u>295</u>	<u>611,465</u>
Profit before tax	<u>3,455</u>	<u>77,130</u>	<u>1,842</u>	<u>107</u>	<u>82,534</u>
PBT/Revenue %	9.00	14.07	7.51	36.27	13.50
<b>Preceding Quarter ended - 31/12/2019 (4Q19)</b>					
Revenue	44,928	512,034	20,929	7,358	585,249
Intercompany elimination	0	0	0	( 6,900)	( 6,900)
	<u>44,928</u>	<u>512,034</u>	<u>20,929</u>	<u>458</u>	<u>578,349</u>
Profit before tax	<u>4,889</u>	<u>66,023</u>	<u>766</u>	<u>601</u>	<u>72,279</u>
PBT/Revenue %	10.88	12.89	3.66	131.22	12.50
<b>Comparison of quarters</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	( 14.55)	7.07	17.22	( 35.59)	5.73
Profit before tax	( 29.33)	16.82	140.47	( 82.20)	14.19

**Comparison of Current Quarter (“1Q20”) with immediate Preceding Quarter (“4Q19”)**

The Group recorded revenue of RM611.47 million in 1Q20, rising 5.73% as compared with RM 578.35 million in the immediate preceding quarter. PBT rose 14.19% to RM82.53 million from RM72.28 million in 4Q19. The performance was mainly attributable to the improvement in the Gloves division.

The Gloves division recorded revenue of RM548.25 million in 1Q20, rising 7.07% from RM512.03 million in 4Q19. PBT rose 16.82% to RM77.13 million in 1Q20 as compared with RM66.02 million in the immediate preceding quarter. The improved performance was mainly attributable to the higher volume sold (+8.3%) as compared with 4Q19.

The TRPs division recorded revenue of RM38.39 million in the current quarter, easing 14.55% as compared with RM44.93 million in 4Q19. PBT decreased 29.33% to RM3.46 million as compared with RM4.89 million in the immediate preceding quarter. The performance was mainly attributable to lower sales deliveries and sales of lower margin products.

The Cleanroom division recorded revenue and PBT of RM24.53 million and RM1.84 million respectively in 1Q20, as compared with RM20.93 million and RM0.77 million in 4Q19.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**14.3 Current Year Prospects**

The global economy, having shown signs of slowing as a result of the US-China trade protectionism and geopolitical risks, has been further compounded by the devastating outbreak of the coronavirus disease 2019 (COVID-19). The International Monetary Fund (IMF) now forecasts a global recession in 2020, one that could be worse than the 2008-2009 global financial crisis, with a recovery only expected in 2021. The COVID-19 pandemic is expected to have a significant impact on the world economy including markets where the Group operates. The effect of the pandemic to our operations will have to be actively monitored and managed.

Under these circumstances, however, the demand for protective gloves is expected to remain robust, with the Malaysian Rubber Glove Manufacturers Association (“MARGMA”) projecting global glove demand to grow to 345 billion pieces in 2020 (2019: 298 billion pieces), out of which 65% is expected to come from Malaysia, with Thailand and China at 18% and 9% respectively. Malaysia is expected to export 225 billion pieces of gloves valued at RM20bil in 2020 compared with 170 billion pieces worth RM17.4 billion in 2019.

The Technical Rubber Products division is subject to the cyclical nature of both the infrastructure as well as the automotive industry. Due to COVID-19, demand for motor vehicles has dropped which will affect the automotive segment. However, the TRP’s segment only constitutes less than 10% of revenue currently.

Due to the effect of COVID-19 the demand for gloves has increased and with a supply shortage in the market, this has driven selling prices higher. With the Group’s continued improvements in operating efficiency, management is confident that FY2020 will be a strong growth year for the Group.

**14.4 Explanatory notes for variance of actual from forecast profit and shortfall in the profit guarantee (only applicable to the final quarter).**

Not applicable.

**14.5 Taxation**

	Quarter and Financial period ended	
	31/03/2020	31/03/2019
	RM’000	RM’000
Tax expense	15,514	13,331
Deferred taxation	<u>1,750</u>	<u>2,275</u>
	<u>17,264</u>	<u>15,606</u>

The effective income tax rate for the current quarter and financial period ended 31 March 2020 was lower than the statutory rate due to the availability of tax incentives.

**14.6 Status of Corporate Proposal announced but not completed**

There were no corporate proposals announced but not completed, for the current quarter and financial period ended 31 March 2020.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**14.7 Group Borrowings**

a) The Group borrowings as at 31 March 2020 were as follows:

	<b>Total Unsecured</b>	
	<b>As at 31/03/2020 RM'000</b>	<b>As at 31/12/2019 RM'000</b>
<b>Short Term</b>		
Revolving credit	274,125	229,017
Bankers' acceptance	136,848	95,726
Term loans due within 12 months	<u>64,450</u>	<u>77,200</u>
	475,423	401,943
<b>Long Term</b>		
Term loans due after 12 months	<u>157,117</u>	<u>163,291</u>
	<u>632,540</u>	<u>565,234</u>

Included in the above Group borrowings in foreign denomination were as follows:

	<b>As at 31/03/2020</b>	<b>As at 31/12/2019</b>
	Unsecured Short term – revolving credit	
Foreign currency	<u>US\$20,000,000</u>	<u>US\$10,000,000</u>
RM equivalent	<u>RM 86,125,000</u>	<u>RM 41,018,000</u>
Average exchange rate RM to US\$ 1.00	<u>RM 4.3063</u>	<u>RM 4.1450</u>

Other than the above, all the other borrowings were denominated in Ringgit Malaysia.

b) There were no debt securities for the financial period ended 31 March 2020.

**14.8 Derivative Financial assets/(liabilities)**

	<b>As at 31/03/2020</b>			<b>As at 31/12/2019</b>		
	<b>Nominal Value RM'000</b>	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>	<b>Nominal Value RM'000</b>	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Group</b>						
Derivatives at fair value through profit and loss -Forward foreign exchange contracts	<u>321,365</u>	<u>-</u>	<u>13,500</u>	<u>207,097</u>	<u>2,349</u>	<u>-</u>

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables denominated in currencies other than the functional currencies of Group entities. Most of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period.

**14.9 Material Litigation**

There were no pending material litigation since the last audited annual financial statements date to the date of issue of the quarterly report.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**15.0 Earnings Per Share**

	<b>Current Quarter and Financial year ended</b>	
	<b>31/03/2020</b>	<b>31/03/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after tax and minority interest</b>	64,803	58,723
<b>Basic earnings per share</b>		
Basic number of ordinary shares in issue ('000)	1,278,936	1,278,936
Basic earnings per share (sen)	5.07	4.59

There is no dilution in earnings per share as there are no potential dilutive ordinary shares.

On behalf of the Board

**Tan Sri Dato' Lim Kuang Sia**  
**Managing Director**  
**21 May 2020**