



## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

### **INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2021**

#### **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 1/1/2021 inclusive of those adopted for the audited financial statements for the year ended 31 December 2020.

##### **2. Annual Audit Report**

The audit report of the audited financial statements for the year ended 31 December 2020 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**

During the current quarter and financial period ended 31 March 2021, the Group made a contribution of RM 50 million to the Government of Malaysia for the COVID-19 fund which will be used to fund the purchase of vaccines and health equipment expenses.

There were no other 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 2021.

##### **5. Changes in Material Estimates**

There were no significant changes in estimates used in the current quarter and financial period ended 31 March 2021.

##### **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 2021.

##### **7. Dividend**

On 16 February 2021 the directors approved a second interim dividend and special dividend of 3.0 sen per ordinary share totalling RM76,593,588 and 8.0 sen per ordinary share totalling RM204,249,569 respectively for the financial year ended 31 December 2020. These dividends were paid on 17 March 2021.

There were no other dividends declared or paid in the current quarter and financial period ended 31 March 2021.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

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

	<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>Quarter and financial period ended - 31/03/2021</b>					
Revenue	41,543	2,092,936	56,329	322,013	2,512,821
Intercompany elimination	0	0	0	(320,672)	( 320,672)
	<u>41,543</u>	<u>2,092,936</u>	<u>56,329</u>	<u>1,341</u>	<u>2,192,149</u>
Profit before tax	<u>8,940</u>	<u>1,354,655</u>	<u>11,498</u>	<u>( 1,553)</u>	<u>1,373,540</u>
<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>

**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**

There were no significant event that has occurred between 01 April 2021 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****Treasury Shares**

	<b>No of shares '000</b>	<b>Total Cost RM '000</b>
Balance as at 01 January 2021	2,752	13,797
Bought back during the quarter ended 31 March 2021	<u>3,500</u>	<u>12,967</u>
Balance as at 31 March 2021	<u>6,252</u>	<u>26,764</u>

Of the total 2,557,871,616 issued and fully paid ordinary shares as at 31 March 2021, 6,252,000 ordinary shares are held as treasury shares by the Company.

Other than the above, there were no other 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 2021.

**12. Contingent Liabilities**

As at 31 March 2021, the Company has unsecured outstanding contingent liabilities amounting to RM479.553 million (31 Dec 2020: RM554.737 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**Explanatory Notes****13. Capital and other Commitments**

	As at financial period ended	
	31/03/2021	31/12/2020
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	nil	17,671

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

	Current Quarter		
	Financial period ended		
	31/03/21	31/03/20	Changes
	RM '000	RM '000	%
Revenue	2,192,149	611,465	258.51
Operating profit	1,376,345	86,272	1,495.36
Profit Before			
Interest and Tax	1,376,345	86,272	1,495.36
Profit before tax	1,373,540	82,534	1,564.21
Profit after tax	1,042,930	65,270	1,497.87
Profit attribute To Ordinary Equity Shareholders	1,041,823	64,803	1,507.68

	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 - 31/03/2021</b>					
Revenue	41,543	2,092,936	56,329	322,013	2,512,821
Intercompany elimination	0	0	0	(320,672)	( 320,672)
	41,543	2,092,936	56,329	1,341	2,192,149
Profit before tax	8,940	1,354,655	11,498	( 1,553)	1,373,540
PBT/Revenue %	21.52	64.73	20.41	na	62.66
<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)
	38,391	548,247	24,532	295	611,465
Profit before tax	3,455	77,130	1,842	107	82,534
PBT/Revenue %	9.00	14.07	7.51	36.27	13.50
<b>Comparison of financial period</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	8.21	281.75	129.61	354.58	258.51
Profit before tax	158.75	1,656.33	524.21	na	1,564.21

**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 ("1Q21") with Preceding year quarter and financial period to date ("1Q20")**

For 1Q21, the Group recorded revenue of RM2.192 billion, an increase of 258.51% as compared with RM611.47 million in 1Q20. Profit before taxation was RM1.374 billion, rising 1564.21% as compared with RM82.53 million in 1Q20. The improved performance was mainly attributable to the performance of the Gloves division, with TRP and Cleanroom also showing an improvement.

The Gloves division recorded revenue of RM2.093 billion in 1Q21, rising 281.75% from RM548.25 million in 1Q20. PBT rose 1656.33% to RM1.355 billion in 1Q21 as compared with RM77.13 million in 1Q20. The strong performance by the Gloves division which contributes 95% and 98% of the Group's revenue and profit before taxation respectively in 1Q21 was mainly attributable to higher average selling price.

The TRPs division recorded revenue of RM41.54 million in 1Q21, increasing 8.21% as compared with RM38.39 million in 1Q20. PBT rose 158.75% to RM8.94 million as compared with RM3.46 million in 1Q20. The performance was mainly attributable to higher deliveries and sales of higher margin products.

The Cleanroom division recorded revenue and PBT of RM56.33 million and RM11.50 million respectively in 1Q21, as compared with RM24.53 million and RM1.84 million in 1Q20.

**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 31/03/2021 RM '000</b>	<b>Immediate Preceding Quarter 31/12/2020 RM '000</b>	<b>Changes %</b>
Revenue	2,192,149	1,307,022	67.72
Operating profit	1,376,345	770,086	78.73
Profit Before Interest and Tax	1,376,345	770,086	78.73
Profit before tax	1,373,540	764,868	79.58
Profit after tax	1,042,930	543,824	91.78
Profit attributed To Ordinary Equity Shareholders	1,041,823	542,487	92.05

**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)**

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
<b>Current Quarter ended - 31/03/2021 (1Q21)</b>					
Revenue	41,543	2,092,936	56,329	322,013	2,512,821
Intercompany elimination	0	0	0	(320,672)	( 320,672)
	41,543	2,092,936	56,329	1,341	2,192,149
Profit before tax	8,940	1,354,655	11,498	( 1,553)	1,373,540
PBT/Revenue %	21.52	64.73	20.41	na	62.66
<b>Preceding Quarter ended - 31/12/2020 (4Q20)</b>					
Revenue	53,256	1,207,662	45,556	356,225	1,662,699
Intercompany elimination	0	0	0	(355,677)	( 355,677)
	53,256	1,207,662	45,556	548	1,307,022
Profit before tax	7,694	753,427	10,843	( 7,096)	764,868
PBT/Revenue %	14.45	62.39	23.80	na	58.52
<b>Comparison of quarters</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	( 21.99)	73.30	23.65	144.71	67.72
Profit before tax	16.19	79.80	6.04	na	79.58

For 1Q21, the Group recorded revenue of RM2.192 billion, an increase of 67.72% as compared with RM1.307 billion in 4Q20. Profit before taxation was RM1.374 billion, rising 79.58% as compared with RM764.87 million in 4Q20. The improved performance was mainly attributable to the improvement in the Gloves division.

The Gloves division recorded revenue of RM2.093 billion in 1Q21, rising 73.30% from RM1.208 billion in 4Q20. PBT rose 79.80% to RM1.355 billion in 1Q21 as compared with RM753.43 million in the immediate preceding quarter. The strong performance by the Gloves division which contributes 95% and 98% of the Group's revenue and profit before taxation respectively in 1Q21 was mainly attributable to higher average selling price.

The TRPs division recorded revenue of RM41.54 million in 1Q21, easing 21.99% as compared with RM53.26 million in 4Q20. PBT rose 16.19% to RM8.94 million as compared with RM7.69 million in the immediate preceding quarter. The performance was attributable to sales of higher margin products.

The Cleanroom division recorded revenue and PBT of RM56.33 million and RM11.50 million respectively in 1Q21, as compared with RM45.56 million and RM10.84 million in 4Q20.

## **KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

### **Explanatory Notes**

#### **14.3 Current Year Prospects**

One year into the COVID-19 pandemic, global prospects remain highly uncertain. Economic recoveries are diverging across countries and sectors, reflecting differences in pandemic-induced disruptions and the extent of policy support. The International Monetary Fund (“IMF”) in its April 2021 World Economic Outlook (“WEO”) report projects global growth at 6 percent in 2021 (Jan 2021 WEO: +5.5%), moderating to 4.4 percent in 2022 (Jan 2021 WEO: +4.2%). The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook - related to the trajectory of the pandemic, the effectiveness of policy support to provide a link to vaccine-fuelled normalization, and the evolution of financial conditions, according to the IMF.

Domestically, Malaysia was not spared from the effects of the pandemic. In this regard, as one of the largest glove manufacturers in the world, KOSSAN has committed to support the country’s fight against COVID-19. As announced during the tabling of the Budget 2021 in November 2020, the Group has pledged to donate RM50 million towards the country’s COVID-19 fund which will be used to partially fund the purchase of vaccines and health equipment expenses. We are pleased to state that payment of the RM50 million to the government has been made in March 2021. As a responsible corporate citizen, we are conscious of the instrumental role we play not just within the healthcare sector, but also in the lives of Malaysians and wider society.

As a result of the pandemic, the demand for personal protective equipment (PPE) including protective gloves grew significantly. In its March 2021 projections, the Malaysian Rubber Glove Manufacturers Association (“MARGMA”) expects Malaysia’s glove export revenue for 2021 to hit RM38 billion compared with RM35.3 billion in 2020. MARGMA projects annual global demand growth of 15-20% moving forward, with global demand at 420 billion pieces for 2021.

Against this backdrop, KOSSAN has delivered its best-ever performance with profit before tax surpassing the RM1 billion mark in the quarter under review, driven by the unprecedented demand for the Group’s glove products. To ensure the uninterrupted supply of our protective gloves, the Group has put in place stringent COVID-19 measures since the start of the pandemic to minimise the risk of infection and disruption to our operations. The Group expects the Gloves division to continue to perform significantly better in 2021 as compared with 2020.

Post-pandemic, the demand for gloves will continue to undergo structural growth as a result of increased healthcare standards and hygiene awareness in both the medical and non-medical sectors. As such, even though average selling prices are projected to moderate as the demand-supply imbalance eases, demand will remain above pre-pandemic levels.

For the Technical Rubber Products (TRP) division, the anticipated gradual uptick in economic activity and infrastructure spending domestically and regionally will continue to bode well for the infrastructure and automotive segment, and the Group expects this division to remain profitable in 2021.

With the strong long-term relationships with our customers and robust demand for the Group’s products in the Gloves and Cleanroom division coupled with a stable TRPs division, Management is confident that FY2021 will be an exceptional 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.

**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**Explanatory Notes****14.5 Taxation**

	<b>Quarter and Financial period ended</b>	
	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Tax expense	319,110	15,514
Deferred taxation	11,500	1,750
	<u>330,610</u>	<u>17,264</u>

**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 2021.

**14.7 Group Borrowings**

a) The Group borrowings as at 31 March 2021 were as follows:

	<b>Total Unsecured</b>	
	<b>As at 31/03/2021</b>	<b>As at 31/12/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term</b>		
Revolving credit	131,000	188,000
Bankers' acceptance	193,168	195,214
Term loans due within 12 months	<u>64,551</u>	<u>64,551</u>
	388,719	447,765
<b>Long Term</b>		
Term loans due after 12 months	<u>90,834</u>	<u>106,972</u>
	<u>479,553</u>	<u>554,737</u>

b) There were no debt securities for the financial period ended 31 March 2021.

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

	<b>As at 31/03/2021</b>			<b>As at 31/12/2020</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 to sell	<u>1,238,914</u>	-	<u>27,857</u>	<u>788,230</u>	17,860	-
Contracts to buy	<u>122,357</u>	1,424	-	<u>141,881</u>	-	<u>2,747</u>

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

**KOSSAN RUBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**Explanatory Notes****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.

**15.0 Earnings Per Share**

	<b>Current Quarter and Financial period ended</b>	
	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after tax and minority interest</b>	1,041,823	64,803
<b>Basic earnings per share</b>		
Weighted average number of ordinary shares in issue ('000)	2,555,855	2,557,752
Basic earnings per share (sen)	40.76	2.53

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

On 12 October 2020, the Company ordinary shares in issue were increased with a bonus issue of 1:1 share and the number of shares was increase from 1,278,936,000 to 2,557,872,000 shares.

On behalf of the Board

**Tan Sri Dato' Lim Kuang Sia**  
**Managing Director**  
**20 April 2021**