



KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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

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 30 June 2021.

5. Changes in Material Estimates

There were no significant changes in estimates used in the current quarter and financial period ended 30 June 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 30 June 2021.

7. Dividend Paid

On 16 February 2021 the directors approved a second interim dividend and special dividend of 3.0 sen per ordinary share totalling RM76.59 million and 8.0 sen per ordinary share totalling RM204.25 million respectively for the financial year ended 31 December 2020. These dividends were paid on 17 March 2021.

On 20 April 2021 the directors approved a first interim dividend of 12.0 sen per ordinary share amounting to RM306.11 million for the financial year ending 31 December 2021. This dividend were paid on 20 May 2021.

Other than the above, there were no other dividends paid in the current quarter and financial period ended 30 June 2021.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

Explanatory Notes**8. Segmental Reporting**

	Divisions				Total RM '000
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	
Financial period ended					
- 30/06/2021					
Revenue	91,938	4,217,607	117,508	827,205	5,254,258
Intercompany elimination	0	0	0	(824,094)	(824,094)
	<u>91,938</u>	<u>4,217,607</u>	<u>117,508</u>	<u>3,111</u>	<u>4,430,164</u>
Profit/(loss) before tax	<u>13,363</u>	<u>2,741,460</u>	<u>25,147</u>	<u>(2,681)</u>	<u>2,777,289</u>
- 30/06/2020					
Revenue	63,526	1,178,815	70,096	54,652	1,367,089
Intercompany elimination	0	0	0	(53,945)	(53,945)
	<u>63,526</u>	<u>1,178,815</u>	<u>70,096</u>	<u>707</u>	<u>1,313,144</u>
Profit before tax	<u>4,973</u>	<u>227,743</u>	<u>10,410</u>	<u>244</u>	<u>243,370</u>
Quarter ended					
- 30/06/2021					
Revenue	50,395	2,124,671	61,179	505,192	2,741,437
Intercompany elimination	0	0	0	(503,422)	(503,422)
	<u>50,395</u>	<u>2,124,671</u>	<u>61,179</u>	<u>1,770</u>	<u>2,238,015</u>
Profit/(loss) before tax	<u>6,892</u>	<u>1,384,335</u>	<u>13,650</u>	<u>(1,128)</u>	<u>1,403,749</u>
- 30/06/2020					
Revenue	25,136	630,568	45,564	46,389	747,657
Intercompany elimination	0	0	0	(45,977)	(45,977)
	<u>25,136</u>	<u>630,568</u>	<u>45,564</u>	<u>412</u>	<u>701,680</u>
Profit before tax	<u>1,518</u>	<u>150,612</u>	<u>8,569</u>	<u>137</u>	<u>160,836</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 July 2021 and the date of this announcement which will materially affect the earnings or income of the Group.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

Explanatory Notes**11. Changes in the Composition of the Group****Treasury Shares**

	No of shares '000	Total Price RM '000
Balance as at 01 January 2021	2,752	13,797
Buy back during the quarter ended 31 March 2021	3,500	12,967
Buy back during the quarter ended 30 June 2021	0	0
Balance as at 30 June 2021	<u>6,252</u>	<u>26,764</u>

Of the total 2,557,871,616 issued and fully paid ordinary shares as at 30 June 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 30 June 2021.

12. Contingent Liabilities

As at 30 June 2021, the Company has unsecured outstanding contingent liabilities amounting to RM349.19 million (31 Dec 2020: RM554.74 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	
	30/06/2021 RM'000	31/12/2020 RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	<u>nil</u>	<u>17,671</u>

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

	Individual Period (2 nd Quarter)			Cumulative Period		
	Current Year Quarter 30/06/21 RM '000	Preceding Year Corresponding Quarter 30/06/20 RM '000	Changes %	Current Year to-date 30/06/21 RM '000	Preceding Year Corresponding Period 30/06/20 RM '000	Changes %
Revenue	2,238,015	701,680	218.95	4,430,164	1,313,144	237.37
Operating profit	1,404,938	164,242	755.41	2,781,283	250,514	1010.23
Profit Before						
Interest and Tax	1,404,938	164,242	755.41	2,781,283	250,514	1010.23
Profit before tax	1,403,749	160,836	772.78	2,777,289	243,370	1041.18
Profit after tax	1,065,901	132,352	705.35	2,108,831	197,622	967.10
Profit attributed						
To Ordinary Equity						
Shareholders	1,064,847	131,057	712.51	2,106,670	195,860	975.60

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

Explanatory Notes**14.1 Review of Results (continue)**

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Financial period ended					
- 30/06/2021					
Revenue	91,938	4,217,607	117,508	827,205	5,254,258
Intercompany elimination	0	0	0	(824,094)	(824,094)
	<u>91,938</u>	<u>4,217,607</u>	<u>117,508</u>	<u>3,111</u>	<u>4,430,164</u>
Profit/(loss) before tax	<u>13,363</u>	<u>2,741,460</u>	<u>25,147</u>	<u>(2,681)</u>	<u>2,777,289</u>
PBT/Revenue %	14.53	65.00	21.40	na	62.69
- 30/06/2020					
Revenue	63,526	1,178,815	70,096	54,652	1,367,089
Intercompany elimination	0	0	0	(53,945)	(53,945)
	<u>63,526</u>	<u>1,178,815</u>	<u>70,096</u>	<u>707</u>	<u>1,313,144</u>
Profit before tax	<u>4,973</u>	<u>227,743</u>	<u>10,410</u>	<u>244</u>	<u>243,370</u>
PBT/Revenue %	7.83	19.32	14.85	34.51	18.53
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	44.72	257.78	67.64	340.03	237.37
Profit before tax	168.71	1103.75	141.57	na	1041.18
Divisions					
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Financial period ended					
Quarter ended					
- 30/06/2021					
Revenue	50,395	2,124,671	61,179	505,192	2,741,437
Intercompany elimination	0	0	0	(503,422)	(503,422)
	<u>50,395</u>	<u>2,124,671</u>	<u>61,179</u>	<u>1,770</u>	<u>2,238,015</u>
Profit/(loss) before tax	<u>6,892</u>	<u>1,384,335</u>	<u>13,650</u>	<u>(1,128)</u>	<u>1,403,749</u>
PBT/Revenue %	13.68	65.16	22.31	na	62.72
- 30/06/2020					
Revenue	25,136	630,568	45,564	46,389	747,657
Intercompany elimination	0	0	0	(45,977)	(45,977)
	<u>25,136</u>	<u>630,568</u>	<u>45,564</u>	<u>412</u>	<u>701,680</u>
Profit before tax	<u>1,518</u>	<u>150,612</u>	<u>8,569</u>	<u>137</u>	<u>160,836</u>
PBT/Revenue %	6.04	23.89	18.81	33.25	22.92
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	100.49	236.95	34.27	329.61	218.95
Profit before tax	354.02	819.14	59.30	na	772.78

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 financial period to date ("1H21") with Preceding year corresponding financial period to date ("1H20")

For 1H21, the Group's revenue increased by 237.37% to RM4.43 billion as compared with RM1.31 billion in 1H20 due to higher revenue from all three divisions. Profit before taxation (PBT) was RM2.78 billion, increased by 1041.18% as compared with RM243.37 million in 1H20 mainly due to the higher average selling price (ASP) and higher demand in the Gloves division.

The Gloves division's revenue increased by 257.78% to RM4.22 billion in 1H21 from RM1.18 billion in 1H20 due to the higher ASP and higher demand in Gloves products. PBT increased by 1,103.75% to RM2.74 billion in 1H21 as compared with RM227.74 million in 1H20 in tandem with the higher revenue.

The TRPs division's revenue increased by 44.72% to RM91.94 million in 1H21 as compared with RM63.53 million in 1H20 due to higher demand in TRP's products. PBT increased by 168.71% to RM13.36 million as compared with RM4.97 million in 1H20 in tandem with the higher revenue.

The Clean-Room division's revenue increased by 67.64% to RM117.51 million as compared with RM70.10 million in 1H20 due to higher demand in Clean-Room's products. PBT increased by 141.57% to RM25.15 million in 1H21 compared with RM10.41 million in 1H20 in tandem with the higher revenue

Comparison of Current quarter ("2Q21") with Preceding year corresponding quarter ("2Q20")

For 2Q21, the Group's revenue increased by 218.95% to RM2.24 billion as compared with RM701.68 million in 2Q20 due to the higher revenue from all three divisions. Profit before taxation (PBT) increased by 772.78% to RM1.40 billion as compared with RM160.84 million in the corresponding quarter last year mainly due to the higher average selling price (ASP) and higher demand in the Gloves division.

The Gloves division's revenue increased by 236.95% to RM2.12 billion in 2Q21 from RM630.57 million in 2Q20 due to the higher ASP and higher demand in Gloves products. PBT increased by 819.14% to RM1.38 billion in the current quarter as compared with RM150.61 million in 2Q20 in tandem with the higher revenue.

The TRPs division's revenue increased by 100.49% to RM50.40 million in the current quarter as compared with RM25.14 million in 2Q20 due to higher demand in TRP's products. PBT increased by 354.02% to RM6.89 million as compared with RM1.52 million in 2Q20 in tandem with the higher revenue.

The Clean-Room division's revenue increased by 34.27% to RM61.18 million in the current quarter as compared with RM45.56 million in 2Q20 due to higher demand in Clean-Room's products. PBT increased by 59.30% to RM13.65 million in 2Q21, as compared with RM8.57 million in 2Q20 in tandem with the higher revenue.

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.**

	Current Quarter 30/06/2021 RM '000	Immediate Preceding Quarter 31/03/2021 RM '000	Changes %
Revenue	2,238,015	2,192,149	2.09
Operating profit	1,404,938	1,376,345	2.08
Profit Before Interest and Tax	1,404,938	1,376,345	2.08
Profit before tax	1,403,749	1,373,540	2.20
Profit after tax	1,065,901	1,042,930	2.20
Profit attributed To Ordinary Equity Shareholders	1,064,847	1,041,823	2.21

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Current Quarter ended - 30/06/2021 (2Q21)					
Revenue	50,395	2,124,671	61,179	505,192	2,741,437
Intercompany elimination	0	0	0	(503,422)	(503,422)
	<u>50,395</u>	<u>2,124,671</u>	<u>61,179</u>	<u>1,770</u>	<u>2,238,015</u>
Profit/(loss) before tax	<u>6,892</u>	<u>1,384,335</u>	<u>13,650</u>	<u>(1,128)</u>	<u>1,403,749</u>
PBT/Revenue %	13.68	65.16	22.31	na	62.72
Preceding Quarter ended - 31/03/2021 (1Q21)					
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/(loss) before tax	<u>6,471</u>	<u>1,357,124</u>	<u>11,498</u>	<u>(1,553)</u>	<u>1,373,540</u>
PBT/Revenue %	15.58	64.84	20.41	na	62.66
Comparison of quarters					
Percentage change	%	%	%	%	%
Revenue	21.31	1.52	8.61	31.99	2.09
Profit before tax	6.51	2.00	18.72	27.37	2.20

Comparison of Current Quarter (“2Q21”) with immediate Preceding Quarter (“1Q21”)

For 2Q21, the Group’s revenue increased by 2.09% to RM2.24 billion as compared with 1Q21 due to higher revenue from all three divisions. Profit before taxation (PBT) was RM1.40 billion increased by 2.20% as compared with RM1.37 billion in 1Q21 mainly due to the higher profit from the Gloves division.

The Gloves division’s revenue increased by 1.52% to RM2.12 billion in 2Q21 from RM2.09 billion in 1Q21 due to the higher average selling price. PBT increased by 2.00% to RM1.38 billion in 2Q21 as compared with RM1.36 billion in the previous quarter in tandem with the higher revenue.

The TRPs division’s revenue increased by 21.31% to RM50.40 million in 2Q21 as compared with RM41.54 million in 1Q21 due to higher demand for TRP’s products. PBT increased by 6.51% to RM6.89 million as compared with RM6.47 million in the previous quarter in tandem with the higher revenue.

The Clean-Room division’s revenue increased by 8.61% to RM61.18 million as compared with RM56.33 million in 1Q21 due to higher demand in Clean-Room’s products. PBT increased by 18.72% to RM13.65 million in 2Q21 as compared with RM11.50 million in 1Q21 in tandem with the higher revenue.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

Explanatory Notes

14.3 Current Year Prospects

The World Bank in its June 2021 Global Economic Prospects (“GEP”) report, expects the world economy to experience an exceptionally strong but highly uneven recovery. Global growth is set to reach 5.6 percent in 2021 - its strongest post-recession pace in 80 years - in part underpinned by steady but highly unequal vaccine access. Growth is concentrated in a few major economies, with most emerging market and developing economies lagging behind.

Malaysia has not been spared the effects of the pandemic. As one of the leading producers of gloves in the world, KOSSAN is conscious of the role we play not just within the healthcare sector, but also in the lives of Malaysians and the wider society. In July 2021, under the Selangor State Government’s Vaccination Programme, Vaksin Selangor (Selvax), KOSSAN administered close to 5,000 first dose of vaccines to both local and foreign employees who have opted into the programme. In addition, the Group had also completed the balance payment of remediation fees amounting to RM25 million (total: RM54 million) in June 2021, ahead of the targeted completion in March 2022.

The COVID-19 pandemic has led to the significant increase in the demand for personal protective equipment (PPE) including protective gloves. The Malaysian Rubber Glove Manufacturers Association (“MARGMA”) projects annual global demand growth of 15-20% moving forward, with global demand at 420 billion pieces for 2021 (2020: 360 billion pieces).

Against this backdrop, KOSSAN has delivered its highest-ever PBT of RM1.40 billion, driven by the higher average selling price (ASP) and demand for the Group’s glove products. As we move into the 2nd half of 2021, with the on-going vaccinations and higher vaccination rates recorded in the developed and developing countries, Covid-19 cases categorised as severe has declined. As the demand for gloves eases, the ASP will decline on a gradual basis. The Group expects the results for the remaining quarters of 2021 to be satisfactory. 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.

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 higher demand for the Group’s products in the Gloves and Clean-Room division coupled with a stable TRP division, Management is confident that 2021 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.

14.5 Taxation

	Quarter period ended		Financial period ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM’000	RM’000	RM’000	RM’000
Tax expense - current	327,348	26,734	646,458	42,248
Deferred taxation	10,500	1,750	22,000	3,500
	<u>337,848</u>	<u>28,484</u>	<u>668,458</u>	<u>45,748</u>

KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

Explanatory Notes**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 30 June 2021.

14.7 Group Borrowings

a) The Group borrowings as at 30 June 2021 were as follows:

	Total Unsecured	
	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Short Term		
Revolving credit	-	188,000
Bankers' acceptance	209,941	195,310
Term loans due within 12 months	<u>64,551</u>	<u>64,551</u>
	274,492	447,861
Long Term		
Term loans due after 12 months	<u>74,697</u>	<u>107,176</u>
	<u>349,189</u>	<u>555,037</u>

b) There were no debt securities for the financial period ended 30 June 2021.

14.8 Derivative Financial assets/(liabilities)

	As at 30/06/2021			As at 31/12/2020		
	Nominal Value RM'000	Assets RM'000	Liabilities RM'000	Nominal Value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives at fair value through profit and loss -Forward foreign exchange						
Contracts to sell	1,414,876	-	11,700	788,230	17,860	-
Contracts to buy	<u>123,274</u>	<u>371</u>	<u>-</u>	<u>141,881</u>	<u>-</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.

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)

Explanatory Notes**15.0 Interim Dividends**

Details of the dividend under single-tier tax system approved and declared by the Board are as follows:

Interim Dividend	Financial period ended 30/06/21
First Interim dividend per share	12.0 sen
Second Interim dividend per share	<u>12.0 sen</u>
Total dividend per share	<u><u>24.0 sen</u></u>
For the financial year ending	31 December 2021
Approved and declared on	27 July 2021
Entitlement to dividend based on records of depositors as at	13 August 2021
Date payable	26 August 2021

The total dividend for the current financial year ending 31 December 2021 is 24.0 sen per share.

15.1 Earnings Per Share

	Current Quarter ended		Financial period ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM'000	RM'000	RM'000	RM'000
Profit after tax and minority interest	1,064,847	131,057	2,106,670	195,860
Basic earnings per share				
Weighted average number of ordinary shares in issue ('000)	2,552,324	2,557,872	2,552,324	2,557,872
Basic earnings per share (sen)	41.72	5.12	82.54	7.66

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
27 July 2021