



KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 September 2021.

5. Changes in Material Estimates

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

7. Dividend Paid

Details of dividends paid in the current quarter and financial period ended 30 September 2021.

Date declared	Details of dividend	Financial year end	Amount per ordinary share	Total Amount Payable RM '000	Date of payment
16 Feb 2021	2 nd interim	31 Dec 2020	3.0 sen	76,590	17 Mar 2021
16 Feb 2021	Special	31 Dec 2020	8.0 sen	204,250	17 Mar 2021
20 Apr 2021	1 st interim	31 Dec 2021	12.0 sen	306,194	20 May 2021
27 Jul 2021	2 nd interim	31 Dec 2021	12.0 sen	306,194	26 Aug 2021

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

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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					
- 30/09/2021 (9M21)					
Revenue	128,446	5,435,254	163,864	1,241,509	6,969,073
Intercompany elimination	0	0	0	(1,236,141)	(1,236,141)
	<u>128,446</u>	<u>5,435,254</u>	<u>163,864</u>	<u>5,368</u>	<u>5,732,932</u>
Profit/(loss) before tax	<u>17,054</u>	<u>3,430,489</u>	<u>30,397</u>	<u>(3,873)</u>	<u>3,474,067</u>
- 30/09/2020 (9M20)					
Revenue	109,992	2,125,382	110,351	63,596	2,409,321
Intercompany elimination	0	0	0	(62,829)	(62,829)
	<u>109,992</u>	<u>2,125,382</u>	<u>110,351</u>	<u>767</u>	<u>2,346,492</u>
Profit before tax	<u>14,725</u>	<u>644,396</u>	<u>20,598</u>	<u>44</u>	<u>679,763</u>
Quarter ended					
- 30/09/2021 (3Q21)					
Revenue	36,508	1,217,648	46,356	414,303	1,714,815
Intercompany elimination	0	0	0	(412,047)	(412,047)
	<u>36,508</u>	<u>1,217,648</u>	<u>46,356</u>	<u>2,256</u>	<u>1,302,768</u>
Profit/(loss) before tax	<u>3,691</u>	<u>689,030</u>	<u>5,249</u>	<u>(1,192)</u>	<u>696,778</u>
- 30/09/2020 (3Q20)					
Revenue	46,465	946,567	40,255	8,944	1,042,231
Intercompany elimination	0	0	0	(8,884)	(8,884)
	<u>46,465</u>	<u>946,567</u>	<u>40,254</u>	<u>60</u>	<u>1,033,347</u>
Profit/(loss) before tax	<u>9,751</u>	<u>416,654</u>	<u>10,187</u>	<u>(199)</u>	<u>436,393</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 October 2021 and the date of this announcement which will materially affect the earnings or income of the Group.

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Explanatory Notes**11. Changes in the Composition of the Group****11.1 Incorporation of new subsidiary**

On 08 September 2021, the Company incorporated a subsidiary called Kossan Ceramics Sdn Bhd with a paid-up capital of RM2.00, under the Companies Act 2016 in Malaysia. As at 30 September 2021, this subsidiary remained dormant.

11.2 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
Buy back during the quarter ended 30 September 2021	0	0
Balance as at 30 September 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 September 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 September 2021.

12. Contingent Liabilities

As at 30 September 2021, the Company has unsecured outstanding contingent liabilities amounting to RM304.76 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	
	30/09/2021	31/12/2020
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	nil	<u>17,671</u>

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

	Individual Period (3rd Quarter)			Cumulative Period		
	Current Year Quarter 30/09/21 RM '000	Preceding Year Corresponding Quarter 30/09/20 RM '000	Changes %	Current Year to-date 30/09/21 RM '000	Preceding Year Corresponding Period 30/09/20 RM '000	Changes %
Revenue	1,302,768	1,033,347	26.07	5,732,932	2,346,492	144.32
Operating profit	698,247	438,928	59.08	3,479,530	689,442	404.69
Profit Before						
Interest and Tax	698,247	438,928	59.08	3,479,530	689,442	404.69
Profit before tax	696,778	436,393	59.67	3,474,067	679,763	411.07
Profit after tax	528,945	351,165	50.63	2,637,776	548,787	380.66
Profit attributed						
To Ordinary Equity						
Shareholders	528,203	348,741	51.46	2,634,873	544,602	383.82

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(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					
- 30/09/2021 (9M21)					
Revenue	128,446	5,435,254	163,864	1,241,509	6,969,073
Intercompany elimination	0	0	0	(1,236,141)	(1,236,141)
	<u>128,446</u>	<u>5,435,254</u>	<u>163,864</u>	<u>5,368</u>	<u>5,732,932</u>
Profit/(loss) before tax	<u>17,054</u>	<u>3,430,489</u>	<u>30,397</u>	<u>(3,873)</u>	<u>3,474,067</u>
PBT/Revenue %	13.28	63.12	18.55	na	60.60
- 30/09/2020 (9M20)					
Revenue	109,992	2,125,382	110,351	63,596	2,409,321
Intercompany elimination	0	0	0	(62,829)	(62,829)
	<u>109,992</u>	<u>2,125,382</u>	<u>110,351</u>	<u>767</u>	<u>2,346,492</u>
Profit before tax	<u>14,725</u>	<u>644,396</u>	<u>20,598</u>	<u>44</u>	<u>679,763</u>
PBT/Revenue %	13.39	30.32	18.67	5.74	28.97
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	16.78	155.73	48.49	599.87	144.32
Profit/(loss) before tax	15.82	432.36	47.57	na	411.07
Divisions					
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Financial period ended					
- 30/09/2021 (3Q21)					
Revenue	36,508	1,217,648	46,356	414,303	1,714,815
Intercompany elimination	0	0	0	(412,047)	(412,047)
	<u>36,508</u>	<u>1,217,648</u>	<u>46,356</u>	<u>2,256</u>	<u>1,302,768</u>
Profit/(loss) before tax	<u>3,691</u>	<u>689,030</u>	<u>5,249</u>	<u>(1,192)</u>	<u>696,778</u>
PBT/Revenue %	10.11	56.59	11.33	na	53.48
- 30/09/2020 (3Q20)					
Revenue	46,465	946,567	40,255	8,944	1,042,231
Intercompany elimination	0	0	0	(8,884)	(8,884)
	<u>46,465</u>	<u>946,567</u>	<u>40,255</u>	<u>60</u>	<u>1,033,347</u>
Profit/(loss) before tax	<u>9,751</u>	<u>416,654</u>	<u>10,187</u>	<u>(199)</u>	<u>436,393</u>
PBT/Revenue %	20.99	44.02	25.31	na	42.23
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	(21.43)	28.64	15.16	3,660.00	26.07
Profit/(loss) before tax	(62.15)	65.37	(48.47)	na	59.67

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Explanatory Notes

14.1 Review of Results (continue)

Additional Information required by MMLR.

Comparison of Current financial period to date ("9M21") with Preceding year corresponding financial period to date ("9M20")

For 9M21, the Group recorded revenue of RM5.73 billion, an increase of 144.32% as compared with RM2.35 billion in 9M20 due to higher revenue from all three divisions. Profit before taxation increased by 411.07% to RM3.47 billion as compared with RM679.76 million in 9M20 mainly due to the higher average selling price (ASP) in the Gloves division.

The Gloves division's revenue increased by 155.73% to RM5.44 billion in 9M21 as compared with RM2.13 billion in 9M20 due to higher ASP. PBT increased by 432.36% to RM3.43 billion in 9M21 as compared with RM644.40 million in 9M20 in tandem with the higher revenue.

The TRPs division's revenue increased by 16.78% to RM128.45 million in 9M21 as compared with RM109.99 million in 9M20 due to higher demand in TRP's products. PBT increased by 15.82% to RM17.05 million as compared with RM14.73 million in 9M20 in tandem with the higher revenue.

The Clean-Room division's revenue increased by 48.49% to RM163.86 million in 9M21 as compared with RM110.35 million in 9M20 due to higher demand in Clean-Room's products. PBT increased by 47.57% to RM30.40 million in 9M21 as compared with RM20.60 million in 9M20 in tandem with the higher revenue.

Comparison of Current quarter ("3Q21") with Preceding year corresponding quarter ("3Q20")

For 3Q21, the Group's revenue increased by 26.07% to RM1.30 billion as compared with RM1.03 billion in 3Q20 due to higher revenue from the Gloves and Clean-Room division but offset by the lower revenue from the TRP division. Profit before taxation (PBT) increased by 59.67% to RM696.78 million as compared with RM436.39 million in 3Q20 mainly due to the higher ASP from the Gloves division.

The Gloves division's revenue increased by 28.64% to RM1.22 billion in 3Q21 from RM946.57 million in 3Q20 due to the higher ASP. PBT increased by 65.37% to RM689.03 million in 3Q21 as compared with RM416.65 million in 3Q20 in tandem with the higher revenue. Performance in the current quarter was impacted by the Enhanced Movement Control Order (EMCO) imposed in the state of Selangor as well as by the subsequent National Recovery Plan (NRP) where affected plants were only allowed to operate at 60% workforce capacity.

The TRPs division's revenue decreased by 21.43% to RM36.51 million in 3Q21 as compared with RM46.47 million in 3Q20. PBT decreased by 62.15% to RM3.69 million in 3Q21 as compared with RM9.75 million in 3Q20 in tandem with the lower revenue. Performance in the current quarter was impacted by the Enhanced Movement Control Order (EMCO) imposed in the state of Selangor as well as by the subsequent National Recovery Plan (NRP) where affected plants were only allowed to operate at 60% workforce capacity.

The Clean-Room division's revenue increased by 15.16% to RM46.36 million in 3Q21 as compared with RM40.26 million in 3Q20. PBT decreased by 48.47% to RM5.25 million in 3Q21 as compared with RM10.19 million in 3Q20 due to higher sales of lower margin products.

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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 30/09/2021 RM '000	Immediate Preceding Quarter 30/06/2021 RM '000	Changes %
Revenue	1,302,768	2,238,015	(41.79)
Operating profit	698,247	1,404,938	(50.30)
Profit Before Interest and Tax	698,247	1,404,938	(50.30)
Profit before tax	696,778	1,403,749	(50.36)
Profit after tax	528,945	1,065,901	(50.38)
Profit attributed To Ordinary Equity Shareholders	528,203	1,064,847	(50.40)

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Current Quarter ended - 30/09/2021 (3Q21)					
Revenue	36,508	1,217,648	46,356	414,303	1,714,815
Intercompany elimination	0	0	0	(412,047)	(412,047)
	<u>36,508</u>	<u>1,217,648</u>	<u>46,356</u>	<u>2,256</u>	<u>1,302,768</u>
Profit/(loss) before tax	<u>3,691</u>	<u>689,030</u>	<u>5,249</u>	<u>(1,192)</u>	<u>696,778</u>
PBT/Revenue %	10.11	56.59	11.33	na	53.48
Preceding 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
Comparison of quarters					
Percentage change	%	%	%	%	%
Revenue	(27.56)	(42.69)	(24.23)	27.46	(41.79)
Profit/(loss) before tax	(46.45)	(50.23)	(61.55)	5.67	(50.36)

Comparison of Current Quarter ("3Q21") with immediate Preceding Quarter ("2Q21")

For 3Q21, the Group's revenue decreased by 41.79% to RM1.30 billion as compared with 2Q21 of RM2.24 billion due to lower revenue from all three divisions. Profit before taxation (PBT) decreased by 50.36% to RM696.78 million in 3Q21 as compared with RM1.40 billion in 2Q21 in tandem with the lower revenue from all three divisions.

The Gloves division's revenue decreased by 42.69% to RM1.22 billion in 3Q21 from RM2.12 billion in 2Q21. PBT decreased by 50.23% to RM689.03 million in 3Q21 as compared with RM1.38 billion in 2Q21 in tandem with the lower revenue. Performance in the current quarter was impacted by the Enhanced Movement Control Order (EMCO) imposed in the state of Selangor as well as by the subsequent National Recovery Plan (NRP) where affected plants were only allowed to operate at 60% workforce capacity, as well as lower ASP.

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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)

The TRPs division's revenue decreased by 27.56% to RM36.51 million in 3Q21 as compared with RM50.40 million in 2Q21. PBT decreased by 46.45% to RM3.69 million as compared with RM6.89 million in 2Q21 in tandem with the lower revenue. Performance in the current quarter was impacted by the Enhanced Movement Control Order (EMCO) imposed in the state of Selangor as well as by the subsequent National Recovery Plan (NRP) where affected plants were only allowed to operate at 60% workforce capacity.

The Clean-Room division's revenue decreased by 24.23% to RM46.36 million in 3Q21 as compared with RM61.18 million in 2Q21. PBT decreased by 61.55% to RM5.25 million in 3Q21 as compared with RM13.65 million in 2Q21 due to lower sales and sales of lower margin products.

14.3 Current Year Prospects

The COVID-19 pandemic continues to have a significant impact on the world economy. The International Monetary Fund ("IMF") in its October 2021 World Economic Outlook ("WEO") report projects the global economy is to grow 5.9 percent in 2021 and 4.9 percent in 2022, 0.1 percentage point lower for 2021 than in the July 2021 WEO forecast. The downward revision for 2021 reflects a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies. Rapid spread of Delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome. Policy choices have become more difficult, with limited room to manoeuvre.

As a result of the pandemic, the demand for personal protective equipment (PPE) including protective gloves has increased significantly. In its July 2021 statement, 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).

In line with the increased demand for gloves, the Group had also embarked on the construction of Plant 20 and to be fully commissioning in the 4th quarter of 2021.

As we move into the 4th quarter of 2021, with the on-going vaccinations and higher vaccination rates recorded in the developed and developing countries, Covid-19 cases categorised as severe have declined. As such, the demand for gloves has eased with ASP's also declining on a gradual basis. However, even with these external factors, the Group expects the results for the Gloves division for the 4th quarter of the year to be within expectations and for the overall full year 2021 to be satisfactory. The Group has always had an internal focus and is prepared for the post-pandemic period with a focus on operating efficiency, manufacturing excellence, research & development and innovation. 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 long-term relationships with our customers and continued 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 compared with FY2020.

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Explanatory Notes**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	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Tax expense - current	155,833	82,428	802,291	124,676
Deferred taxation	12,000	2,800	34,000	6,300
	<u>167,833</u>	<u>85,228</u>	<u>836,291</u>	<u>130,976</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 30 September 2021.

14.7 Group Borrowings

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

	Total Unsecured	
	As at 30/09/2021	As at 31/12/2020
	RM'000	RM'000
Short Term		
Revolving credit	-	188,000
Bankers' acceptance	181,654	195,310
Term loans due within 12 months	<u>64,551</u>	<u>64,551</u>
	246,205	447,861
Long Term		
Term loans due after 12 months	<u>58,559</u>	<u>107,176</u>
	<u>304,764</u>	<u>555,037</u>

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

14.8 Derivative Financial assets/(liabilities)

	As at 30/09/2021			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	<u>917,141</u>	<u>1,266</u>	<u>-</u>	<u>788,230</u>	<u>17,860</u>	<u>-</u>
Contracts to buy	<u>102,419</u>		<u>216</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.

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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 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 30/09/21
1 st Interim dividend per share	12.0 sen
2 nd Interim dividend per share	12.0 sen
3 rd Interim dividend per share	<u>12.0 sen</u>
Total dividend per share	<u>36.0 sen</u>
For the financial year ending	31 December 2021
Approved and declared on	21 October 2021
Entitlement to dividend based on records of depositors as at	09 November 2021
Date payable	19 November 2021

The total dividend for the current financial year ending 31 December 2021 is 36.0 sen per share.

15.1 Earnings Per Share

	Current Quarter ended		Financial period ended	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Profit after tax and minority interest	528,203	348,741	2,634,873	544,062
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)	<u>20.69</u>	<u>13.63</u>	<u>103.23</u>	<u>21.29</u>

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 October 2021