



KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918 (48166-W)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 year ended 31 December 2021.

5. Changes in Material Estimates

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

7. Dividend Paid

Details of dividends paid in the current quarter and financial year ended 31 December 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
21 Oct 2021	3 rd interim	31 Dec 2021	12.0 sen	306,194	19 Nov 2021

Other than the above, there were no other dividends paid in the current quarter and financial year ended 31 December 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 year ended					
- 31/12/2021					
Revenue	174,356	6,271,668	205,817	2,185,888	8,837,729
Intercompany elimination	0	0	0	(2,180,242)	(2,180,242)
	<u>174,356</u>	<u>6,271,668</u>	<u>205,817</u>	<u>5,646</u>	<u>6,657,487</u>
Profit/(loss) before tax	<u>19,260</u>	<u>3,717,321</u>	<u>31,513</u>	<u>(20,324)</u>	<u>3,747,770</u>
- 31/12/2020					
Revenue	163,176	3,321,918	152,058	419,822	4,056,974
Intercompany elimination	0	0	0	(418,505)	(418,505)
	<u>163,176</u>	<u>3,321,918</u>	<u>152,058</u>	<u>1,317</u>	<u>3,638,472</u>
Profit/(loss) before tax	<u>21,809</u>	<u>1,395,212</u>	<u>31,441</u>	<u>(7,052)</u>	<u>1,441,410</u>
Quarter ended					
- 31/12/2021 (4Q21)					
Revenue	45,911	836,414	41,952	944,379	1,868,656
Intercompany elimination	0	0	0	(944,101)	(944,101)
	<u>45,911</u>	<u>836,414</u>	<u>41,952</u>	<u>278</u>	<u>924,555</u>
Profit/(loss) before tax	<u>2,207</u>	<u>286,832</u>	<u>1,116</u>	<u>(16,451)</u>	<u>273,704</u>
- 31/12/2020 (4Q20)					
Revenue	53,256	1,207,662	45,556	356,225	1,662,699
Intercompany elimination	0	0	0	(355,677)	(355,677)
	<u>53,256</u>	<u>1,207,662</u>	<u>45,556</u>	<u>548</u>	<u>1,307,022</u>
Profit/(loss) before tax	<u>7,694</u>	<u>753,427</u>	<u>10,843</u>	<u>(7,096)</u>	<u>764,868</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 January 2022 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****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
Buy back during the quarter ended 31 December 2021	0	0
Balance as at 31 December 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 December 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 year ended 31 December 2021.

12. Contingent Liabilities

As at 31 December 2021, the Company has unsecured outstanding contingent liabilities amounting to RM237.43 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	
	31/12/2021	31/12/2020
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	<u>127,416</u>	<u>17,671</u>

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

	Individual Period (4 th Quarter)			Cumulative Period		
	Current Year Quarter 31/12/21 RM '000	Preceding Year Corresponding Quarter 31/12/20 RM '000	Changes %	Current Year to-date 31/12/21 RM '000	Preceding Year Corresponding Period 31/12/20 RM '000	Changes %
Revenue	924,555	1,307,022	(29.26)	6,657,487	3,638,472	82.97
Operating profit	274,291	770,086	(64.38)	3,753,820	1,456,373	157.75
Profit Before						
Interest and Tax	274,291	770,086	(64.38)	3,753,820	1,456,373	157.75
Profit before tax	273,704	764,868	(64.22)	3,747,770	1,441,410	160.01
Profit after tax	219,072	543,824	(59.72)	2,856,848	1,092,103	161.59
Profit attributed						
To Ordinary Equity						
Shareholders	218,674	543,424	(59.76)	2,853,548	1,086,670	162.60

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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 year ended					
- 31/12/2021					
Revenue	174,356	6,271,668	205,817	2,185,888	8,837,729
Intercompany elimination	0	0	0	(2,180,242)	(2,180,242)
	<u>174,356</u>	<u>6,271,668</u>	<u>205,817</u>	<u>5,646</u>	<u>6,657,487</u>
Profit/(loss) before tax	<u>19,260</u>	<u>3,717,321</u>	<u>31,513</u>	<u>(20,324)</u>	<u>3,747,770</u>
PBT/Revenue %	11.05	59.27	15.31	na	56.29
- 31/12/2020					
Revenue	163,176	3,321,918	152,058	419,822	4,056,974
Intercompany elimination	0	0	0	(418,505)	(418,505)
	<u>163,176</u>	<u>3,321,918</u>	<u>152,058</u>	<u>1,317</u>	<u>3,638,472</u>
Profit/(loss) before tax	<u>21,809</u>	<u>1,395,212</u>	<u>31,441</u>	<u>(7,052)</u>	<u>1,441,410</u>
PBT/Revenue %	13.37	42.00	20.68	na	39.62
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	6.85	88.80	35.35	328.70	82.97
Profit/(loss) before tax	(11.69)	166.43	0.23	188.20	160.01
Divisions					
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Quarter ended					
- 31/12/2021 (4Q21)					
Revenue	45,911	836,414	41,952	944,379	1,868,656
Intercompany elimination	0	0	0	(944,101)	(944,101)
	<u>45,911</u>	<u>836,414</u>	<u>41,952</u>	<u>278</u>	<u>924,555</u>
Profit/(loss) before tax	<u>2,207</u>	<u>286,832</u>	<u>1,116</u>	<u>(16,451)</u>	<u>273,704</u>
PBT/Revenue %	4.81	34.29	2.66	na	29.60
- 31/12/2020 (4Q20)					
Revenue	53,256	1,207,662	45,556	356,225	1,662,699
Intercompany elimination	0	0	0	(355,677)	(355,677)
	<u>53,256</u>	<u>1,207,662</u>	<u>45,556</u>	<u>548</u>	<u>1,307,022</u>
Profit/(loss) before tax	<u>7,694</u>	<u>753,427</u>	<u>10,843</u>	<u>(7,096)</u>	<u>764,868</u>
PBT/Revenue %	14.45	62.39	23.80	na	58.52
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	(13.79)	(30.74)	(7.91)	(49.27)	(29.26)
Profit/(loss) before tax	(71.32)	(61.93)	(89.71)	131.83	(64.22)

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Explanatory Notes

14.1 Review of Results (continue)

Additional Information required by MMLR.

Comparison of Current financial period to date ("CY21") with Preceding year corresponding financial period to date ("CY20")

For the 12 months ended 31 December 2021, the Group recorded revenue of RM6.66 billion, an increase of 82.97% as compared with RM3.64 billion in FY2020 due to higher revenue from all three divisions. Profit before taxation increased by 160.01% to RM3.74 billion as compared with RM1.44 billion in FY2020 mainly due to the higher average selling price (ASP) in the Gloves division.

The Gloves division's revenue increased by 88.80% to RM6.27 billion in FY2021 as compared with RM3.32 billion in FY2020 due to the higher ASP. PBT increased by 166.43% to RM3.72 billion in FY2021 as compared with RM1.40 billion in FY2020 in tandem with the higher revenue.

The TRPs division's revenue increased by 6.85% to RM174.36 million in FY2021 as compared with RM163.18 million in FY2020 due to higher demand in TRPs products. PBT decreased by 11.69% to RM19.26 million as compared with RM21.81 million in FY2020 mainly due to the increase in administrative expenses and sales of lower margin products.

The Clean-Room division's revenue increased by 35.35% to RM205.82 million in FY2021 as compared with RM152.06 million in FY2020 due to higher demand in Clean-Room's products. PBT increased by 0.23% to RM31.51 million in FY2021 as compared with RM31.44 million in FY2020 in tandem with the higher revenue.

Comparison of Current quarter ("4Q21") with Preceding year corresponding quarter ("4Q20")

For 4Q21, the Group's revenue decreased by 29.26% to RM924.56 million as compared with RM1.31 billion in 4Q20 due to lower revenue from all three divisions. Profit before taxation (PBT) decreased by 64.22% to RM273.70 million as compared with RM764.87 million in 4Q20 in tandem with the decrease in revenue from all three divisions.

The Gloves division's revenue decreased by 30.74% to RM836.41 million in 4Q21 from RM1.21 billion in 4Q20 due to the lower ASP and demand for the Gloves divisions products. PBT decreased by 61.93% to RM286.83 million in 4Q21 as compared with RM753.43 million in 4Q20 in tandem with the lower revenue.

The TRPs division's revenue decreased by 13.79% to RM45.91 million in 4Q21 as compared with RM53.26 million in 4Q20 due to lower demand in TRP's products. PBT decreased by 71.32% to RM2.21 million in 4Q21 as compared with RM7.69 million in 4Q20 in tandem with the lower revenue.

The Clean-Room division's revenue decreased by 7.91% to RM41.95 million in 4Q21 as compared with RM45.56 million in 4Q20 while PBT decreased by 89.71% to RM1.12 million in 4Q21 as compared with RM10.84 million in 4Q20 due to the decrease in 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.**

	Current Quarter 31/12/2021 RM '000	Immediate Preceding Quarter 30/09/2021 RM '000	Changes %
Revenue	924,555	1,302,768	(29.03)
Operating profit	274,291	698,247	(60.72)
Profit Before Interest and Tax	274,291	698,247	(60.72)
Profit before tax	273,704	696,778	(60.72)
Profit after tax	219,072	528,945	(58.58)
Profit attributed To Ordinary Equity Shareholders	218,674	528,202	(58.60)

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Current Quarter ended - 31/12/2021 (4Q21)					
Revenue	45,911	836,414	41,952	944,379	1,868,656
Intercompany elimination	0	0	0	(944,101)	(944,101)
	<u>45,911</u>	<u>836,414</u>	<u>41,952</u>	<u>278</u>	<u>924,555</u>
Profit/(loss) before tax	<u>2,207</u>	<u>286,832</u>	<u>1,116</u>	<u>(16,451)</u>	<u>273,704</u>
PBT/Revenue %	4.81	34.29	2.66	na	29.60
Preceding 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
Comparison of quarters					
Percentage change	%	%	%	%	%
Revenue	25.76	(31.31)	(9.50)	(87.68)	(29.03)
Profit/(loss) before tax	(40.21)	(58.37)	(78.74)	1280.12	(60.72)

Comparison of Current Quarter ("4Q21") with immediate Preceding Quarter ("3Q21")

For 4Q21, the Group's revenue decreased by 29.03% to RM924.56 million as compared with 3Q21 of RM1.30 billion due to lower revenue from the Gloves and Cleanroom divisions offset by the higher revenue from the TRPs division. Profit before taxation (PBT) decreased by 60.72% to RM273.70 million in 4Q21 as compared with RM696.78 million in 3Q21 due to the lower profit from all three divisions.

The Gloves division's revenue decreased by 31.31% to RM836.41 million in 4Q21 from RM1.22 billion in 3Q21 due to the lower ASP, mitigated by the higher demand in Gloves products. PBT decreased by 58.37% to RM286.83 million in 4Q21 as compared with RM689.03 million in 3Q21 in tandem with the lower revenue. Performance in the current quarter was mainly impacted by the decrease in ASP with the rate of decline in ASP faster than the decrease in raw material prices thereby lowering margins. In addition, the performance in the quarter was also affected by logistic challenges caused by the global shipping container shortage.

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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 increased by 25.76% to RM45.91 million in 4Q21 as compared with RM36.51 million in 3Q21 due to higher demand in TRPs products. PBT decreased by 40.21% to RM2.21 million as compared with RM3.69 million in 3Q21 mainly due to the increase in administrative expenses and sales of lower margin products.

The Clean-Room division's revenue decreased by 9.50% to RM41.95 million in 4Q21 as compared with RM46.36 million in 3Q21 while PBT decreased by 78.74% to RM1.12 million in 4Q21 as compared with RM5.25 million in 3Q21 due to the decrease in ASP.

14.3 Commentary on Prospects

Almost 2 years after WHO declared it a pandemic, COVID-19 continues to impact the world economy. The International Monetary Fund ("IMF") in its January 2022 World Economic Outlook ("WEO") report projects global growth to moderate from 5.9 in 2021 to 4.4 percent in 2022. Global growth is expected to slow to 3.8 percent in 2023, according to the IMF.

As a result of the pandemic, the demand for protective gloves has increased significantly. In its July 2021 statement, the Malaysian Rubber Glove Manufacturers Association ("MARGMA") projected global glove demand at 420 billion pieces for 2021 (2020: 360 billion pieces). For 2022 and 2023, MARGMA projected growth to be 10-15% higher than pre-pandemic levels.

In the near term, the glove industry remains challenging with the supply and demand imbalance persisting. The Group expects the continued tapering of glove demand and Average Selling Price ("ASP") from the heights of the pandemic as a result of the rollout of mass vaccinations globally. Even with the Omicron variant, the percentage of Covid-19 cases categorised as severe has declined compared to the earlier stages of the pandemic. As such, the exceptionally high ASPs which were due to the shortage and panic-buying of gloves during the onset of the pandemic, have decreased rapidly leading to inventory adjustments and delayed orders from customers. The glove sector is seeing increased competition and incoming capacity from domestic as well as foreign manufacturers. In addition, the global logistics disruptions and container shipping shortages have continued to affect glove shipments and deliveries. Based on these reasons, the glove sector is expected to face headwinds in the current year 2022.

For the Technical Rubber Products ("TRP") division, the anticipated gradual uptick in economic activity and infrastructure spending domestically and regionally will continue to spur the infrastructure and automotive segments and the Group expects this division to remain profitable in 2022.

As we move forward, the Group will continue with its transformation where structural changes have been implemented throughout the organisation, with a focus on operating efficiency which will allow the Group to be resilient even in the face of rising costs and heightened competition. The Group has accelerated reinvestments into digitalisation and automation of its plants to increase productivity and to prepare the Group for its next phase of growth. Post pandemic, the glove industry will continue to experience stable growth underpinned by higher healthcare standards and hygiene awareness in both the medical and non-medical sectors. The Group remains committed to its future growth and is optimistic of the long-term prospects of the glove industry.

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.

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Explanatory Notes**14.5 Taxation**

	Quarter period ended		Financial period ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Tax expense - current	77,779	185,592	880,070	312,026
Deferred taxation	(23,147)	35,452	10,852	37,281
	<u>54,632</u>	<u>221,044</u>	<u>890,922</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 year ended 31 December 2021.

14.7 Group Borrowings

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

	Total Unsecured	
	As at 31/12/2021	As at 31/12/2020
	RM'000	RM'000
Short Term		
Revolving credit	-	188,000
Bankers' acceptance	130,455	195,310
Term loans due within 12 months	<u>63,451</u>	<u>64,551</u>
	193,906	447,861
Long Term		
Term loans due after 12 months	<u>43,521</u>	<u>107,176</u>
	<u>237,427</u>	<u>555,037</u>

b) There were no debt securities for the financial year ended 31 December 2021.

14.8 Derivative Financial assets/(liabilities)

	As at 31/12/2021			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>627,349</u>	<u>650</u>	<u>83</u>	<u>788,230</u>	<u>17,860</u>	<u>-</u>
Contracts to buy	<u>78,612</u>		<u>433</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 Dividends

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

Interim Dividend	Financial year ended 31/12/2021
1 st Interim dividend per share	12.0 sen
2 nd Interim dividend per share	12.0 sen
3 rd Interim dividend per share	12.0 sen
4 th Interim dividend per share	<u>12.0 sen</u>
Total dividend per share	<u>48.0 sen</u>
For the financial year ended	31 December 2021
Approved and declared on	17 February 2022
Entitlement to dividend based on records of depositors as at	06 April 2022
Date payable	22 April 2022

15.1 Earnings Per Share

	Current Quarter ended		Financial year ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Profit after tax and minority interest	218,674	543,424	2,853,548	1,086,670
Basic earnings per share				
Weighted average number of ordinary shares in issue ('000)	2,552,324	2,557,751	2,552,324	2,557,751
Basic earnings per share (sen)	<u>8.57</u>	<u>21.25</u>	<u>111.80</u>	<u>42.49</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
17 February 2022