



**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 197901003918 (48166-W)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2022**

**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 1/1/2022 inclusive of those adopted for the audited financial statements for the year ended 31 December 2021.

**2. Annual Audit Report**

The audit report of the audited financial statements for the year ended 31 December 2021 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 2022.

**5. Changes in Material Estimates**

There were no significant changes in estimates used in the current quarter and financial period ended 31 March 2022.

**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 2022.

**7. Dividend Paid**

A 4<sup>th</sup> interim dividend of 12.0 sen per ordinary share for financial year ended 31 December 2021 declared on 17 Feb 2022 amounting to RM 306.19 million was paid out on 22 April 2022.

Other than the above, there were no other dividends paid in the current quarter and financial period ended 31 March 2022.

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**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>Others* RM '000</b>	<b>Total RM '000</b>
<b>Quarter and financial period ended - 31/03/2022</b>					
Revenue	49,318	609,261	28,428	3,625	690,632
Profit before tax	5,080	111,013	1,309	2,437	119,839
<b>Quarter and financial period ended - 31/03/2021</b>					
Revenue	41,543	2,092,936	56,329	1,341	2,192,149
Profit before tax	6,503	1,357,133	11,498	( 1,594)	1,373,540

\***Others** division of the Group mainly comprise investment holding and engineering services which are not of sufficient size to be reported separately.

**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 2022 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 Value RM '000</b>
Balance as at 01 January 2022	6,252	26,764
Buy back during the quarter ended 31 March 2022	0	0
Balance as at 31 March 2022	<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 2022, 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 2022.

**12. Contingent Liabilities**

As at 31 March 2022, the Company has unsecured outstanding contingent liabilities amounting to RM208.26 million (31 Dec 2021: RM237.43 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

**13. Capital and other Commitments**

	<b>As at financial period ended</b>	
	<b>31/03/2022 RM'000</b>	<b>31/12/2021 RM'000</b>
Property, plant and equipment		
Within one year: Contracted but not provided	<u>122,308</u>	<u>127,416</u>

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

	Current Quarter		Changes %
	Financial period ended		
	31/03/22	31/03/21	
	RM '000	RM '000	
Revenue	690,632	2,192,149	( 68.50)
Operating profit	120,864	1,376,345	( 91.22)
Profit Before			
Interest and Tax	120,864	1,376,345	( 91.22)
Profit before tax	119,839	1,373,540	( 91.28)
Profit after tax	90,652	1,042,930	( 91.31)
Profit attributable To Ordinary Equity Shareholders	90,103	1,041,823	( 91.35)

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others RM '000	Total RM '000
<b>Quarter and financial period ended - 31/03/2022</b>					
Revenue	49,318	609,261	28,428	3,625	690,632
Profit before tax	5,080	111,013	1,309	2,437	119,839
PBT/Revenue %	10.30	18.22	4.61	67.23	17.35
<b>Quarter and financial period ended - 31/03/2021</b>					
Revenue	41,543	2,092,936	56,329	1,341	2,192,149
Profit before tax	6,503	1,357,133	11,498	( 1,594)	1,373,540
PBT/Revenue %	15.66	64.84	20.41	( 118.90)	62.66
<b>Comparison of financial period</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	18.72	( 70.89)	( 49.53)	170.32	( 68.50)
Profit before tax	( 21.87)	( 91.82)	( 88.62)	na	( 91.28)

**Comparison of Current quarter and financial period to date ("1Q22") with Preceding year corresponding quarter and financial period to date ("1Q21")**

For the first quarter ended 31 March 2022, the Group registered revenue of RM690.63 million, a decrease of 68.5% as compared with RM2.19 billion in 1Q21 due to the decrease in revenue from the Gloves and Clean-room divisions. Profit before taxation ("PBT") was RM119.84 million, easing 91.3% as compared with RM1.37 billion in 1Q21 in tandem with the lower revenue.

The Gloves division recorded revenue of RM609.26 million in 1Q22, easing 70.9% from RM2.09 billion in 1Q21 due to the lower average selling price (ASP). PBT eased 91.8% to RM111.01 million in 1Q22 as compared with RM1.36 billion in 1Q21 in tandem with the lower revenue.

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

The TRPs division recorded revenue of RM49.32 million in 1Q22, increasing 18.7% as compared with RM41.5 million in 1Q21 due to higher demand for the TRP divisions products. PBT eased 21.9% to RM5.08 million as compared with RM6.50 million in 1Q21 due to higher material costs.

The Clean-room division recorded revenue of RM28.43 million, easing 49.5% as compared with RM56.33 million in 1Q21 due to lower ASP and demand for the Cleanroom divisions products. PBT eased 88.6% to RM1.31 million in 1Q22 as compared with RM11.50 million in 1Q21 in tandem with the lower revenue.

**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 31/03/2022 RM '000</b>	<b>Immediate Preceding Quarter 31/12/2021 RM '000</b>	<b>Changes %</b>
Revenue	690,632	924,555	( 25.30)
Operating profit	120,864	274,291	( 55.94)
Profit Before Interest and Tax	120,864	274,291	( 55.94)
Profit before tax	119,839	273,704	( 56.22)
Profit after tax	90,652	219,072	( 58.62)
Profit attributable To Ordinary Equity Shareholders	90,103	218,674	( 58.80)

	<b>Divisions</b>				
	<b>Technical Rubber RM '000</b>	<b>Gloves RM '000</b>	<b>Clean-Room RM '000</b>	<b>Others RM '000</b>	<b>Total RM '000</b>
<b>Current Quarter ended - 31/03/2022 (1Q22)</b>					
Revenue	49,318	609,261	28,428	3,625	690,632
Profit before tax	5,080	111,013	1,309	2,437	119,839
PBT/Revenue %	10.30	18.21	4.61	67.23	17.35
<b>Preceding Quarter ended - 31/12/2021 (4Q21)</b>					
Revenue	45,911	836,414	41,952	278	924,555
Profit/(loss) before tax	2,240	283,113	1,116	( 12,765)	273,704
PBT/Revenue %	4.88	33.85	2.66	na	29.60
<b>Comparison of quarters</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	7.42	( 27.16)	( 32.24)	1203.96	( 25.30)
Profit/(loss) before tax	126.83	( 60.79)	17.29	na	( 56.22)

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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)**

##### **Comparison of Current Quarter (“1Q22”) with immediate Preceding Quarter (“4Q21”)**

For 1Q22, the Group’s revenue decreased by 25.3% to RM690.63 million as compared with 4Q21 of RM924.56 million due to lower revenue from the Gloves and Cleanroom divisions mitigated by the higher revenue from the TRPs division. Profit before taxation (PBT) decreased by 56.2% to RM119.84 million in 1Q22 as compared with RM273.70 million in 4Q21 due to the lower profit from Gloves and Cleanroom divisions mitigated by the higher profit from TRP.

The Gloves division’s revenue decreased by 27.2% to RM609.26 million in 1Q22 from RM836.41 million in 4Q21 due to the lower average selling price (ASP). PBT decreased by 60.8% to RM111.01 million in 1Q22 as compared with RM283.11 million in 4Q21 in tandem with the lower revenue. Performance in the current quarter was mainly impacted by the decrease in ASP and logistic challenges caused by the global shipping container shortage.

The TRPs division’s revenue increased by 7.4% to RM49.32 million in 1Q22 as compared with RM45.91 million in 4Q21 due to higher demand in TRPs products. PBT increased by 126.8% to RM5.08 million as compared with RM2.24 million in 4Q21 in tandem with the higher revenue.

The Clean-Room division’s revenue decreased by 32.2% to RM28.43 million in 1Q22 as compared with RM41.95 million in 4Q21 due to the lower demand for this division products. PBT increased RM0.19 million to RM1.31 million in 1Q22 as compared with RM1.12 million in 4Q21.

#### **14.3 Commentary on Prospects**

Glove demand and average selling prices (ASP) have been normalizing as the industry transitions to pre-pandemic levels. The glove sector is seeing competition and incoming supply from existing manufacturers and new entrants. Global logistics disruptions and shipping container shortages have affected glove shipments and deliveries. In addition, manpower and energy costs have increased amidst an inflationary environment. Based on these reasons, the glove sector is expected to face headwinds in the current year 2022.

Despite these near-term headwinds, global glove demand is expected to remain on a growth path as a result of a shift in glove usage due to higher healthcare standards and hygiene awareness in both the medical and non-medical sectors. In line with the Group’s long-term growth, two new plants with a capacity of 5 billion pieces will be constructed by the end of next year.

On the Environmental, Social and Governance (ESG) front, KOSSAN marked a key milestone in our social compliance journey when we became one of the founding members of the Responsible Glove Alliance (“RGA”) that was launched in early 2022. The RGA is a collaboration among customers and manufacturers of gloves from Malaysia, with the aim of ensuring the rights and dignity of workers vulnerable to forced labour in Malaysia’s glove industry are respected and promoted through responsible recruitment and employment practices.

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.

Beyond the Covid-19 pandemic, the Group remains upbeat on the glove industry’s prospects and the vital role it plays within the healthcare sector. The Group has accelerated its transformation and reinvestments into digitalisation and automation to increase productivity and to prepare for the next phase of growth. The Group is confident of its future prospects and is optimistic of achieving satisfactory results for the current financial year ending 31 Dec 2022.

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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**

	<b>Quarter and Financial period ended</b>	
	<b>31/03/2022</b>	<b>31/03/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Tax expense	26,337	319,110
Deferred taxation	<u>2,850</u>	<u>11,500</u>
	<u>29,187</u>	<u>330,610</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 2022.

**14.7 Group Borrowings**

a) The Group borrowings as at 31 March 2022 were as follows:

	<b>Total Unsecured</b>	
	<b>As at 31/03/2022</b>	<b>As at 31/12/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term</b>		
Bankers' acceptance	117,431	130,455
Term loans due within 12 months	<u>48,451</u>	<u>51,451</u>
	165,882	181,906
<b>Long Term</b>		
Term loans due after 12 months	<u>42,383</u>	<u>55,552</u>
	<u>208,265</u>	<u>237,428</u>

b) There were no debt securities for the financial period ended 31 March 2022.

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

	<b>As at 31/03/2022</b>			<b>As at 31/12/2021</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>469,084</u>	-	<u>1,247</u>	<u>627,349</u>	638	<u>70</u>
Contracts to buy	<u>19,379</u>	25	-	<u>78,612</u>	-	<u>433</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. Earnings Per Share**

	<b>Current Quarter and Financial period ended</b>	
	<b>31/03/2022</b>	<b>31/03/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after tax and minority interest</b>	90,103	1,041,823
<b>Basic earnings per share</b>		
Weighted average number of ordinary shares in issue ('000)	2,551,620	2,552,324
Basic earnings per share (sen)	3.53	40.82

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 April 2022**