



**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 197901003918

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 financial period ended 30 September 2022.

**5. Changes in Material Estimates**

There were no significant changes in estimates used in the current quarter and financial period ended 30 September 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 30 September 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 30 September 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>Financial period ended</b>					
<b>- 30/09/2022 (9M22)</b>					
Revenue	152,573	1,591,247	90,963	-	1,834,783
Profit before tax	14,715	165,350	7,889	23,980	211,934
<b>- 30/09/2021 (9M21)</b>					
Revenue	128,446	5,433,415	163,864	7,207	5,732,932
Profit/(loss) before tax	17,086	3,436,106	30,397	( 9,522)	3,474,067
<b>Quarter ended</b>					
<b>- 30/09/2022 (3Q22)</b>					
Revenue	64,689	464,172	31,655	-	560,516
Profit before tax	5,637	1,009	4,537	16,616	27,799
<b>- 30/09/2021 (3Q21)</b>					
Revenue	36,508	1,216,998	46,356	2,906	1,302,768
Profit/(loss) before tax	3,691	690,466	5,249	( 2,628)	696,778

\* **Others** division of the Group mainly comprise investment holding, engineering and management 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 October 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 RM '000</b>	<b>Total Value RM '000</b>
	Balance as at 01 January 2022	6,252
Buy back during the quarter ended 30 September 2022	0	0
Balance as at 30 September 2022	<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 2022, 6,252,000 ordinary shares are held as treasury shares by the Company.

On 30 June 2022, the Company acquired the balance 50% shares of Aseptapak Sdn Bhd for US\$2.00, with a goodwill amount of RM 372,000 arising from this acquisition. Aseptapak Sdn Bhd is now 100% subsidiary (previously classified as investment in joint venture) of the Company and is currently dormant in its operations.

On 09 September 2022, the Company acquired an additional 0.63% in Cleanera HK Limited, bringing its shareholdings to 82.63%.

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 2022.

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**Explanatory Notes****12. Contingent Liabilities**

As at 30 September 2022, the Company has unsecured outstanding contingent liabilities amounting to RM129.38 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**

	As at financial period ended	
	30/09/2022	31/12/2021
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	<u>109,425</u>	<u>127,416</u>

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

	Individual Period (3rd Quarter)			Cumulative Period		
	Current Year Quarter 30/09/22 RM '000	Preceding Year Corresponding Quarter 30/09/21 RM '000	Changes %	Current Year to-date 30/09/22 RM '000	Preceding Year Corresponding Period 30/09/21 RM '000	Changes %
Revenue	560,516	1,302,768	( 56.97)	1,834,783	5,732,932	( 68.00)
Operating profit	28,943	698,247	( 95.85)	215,068	3,479,530	( 93.82)
Profit Before						
Interest and Tax	28,943	698,247	( 95.85)	215,068	3,479,530	( 93.82)
Profit before tax	27,799	696,778	( 96.01)	211,934	3,474,067	( 93.90)
Profit after tax	24,644	528,945	( 95.34)	161,792	2,637,776	( 93.87)
Profit attributed						
To Ordinary Equity						
Shareholders	23,260	528,203	( 95.60)	159,356	2,634,873	( 93.95)

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others RM '000	Total RM '000
<b>Financial period ended</b>					
<b>- 30/09/2022 (9M22)</b>					
Revenue	152,573	1,591,247	90,963	-	1,834,783
Profit before tax	14,715	165,350	7,889	23,980	211,934
PBT/Revenue %	9.65	10.39	8.67	na	11.55
<b>- 30/09/2021 (9M21)</b>					
Revenue	128,446	5,433,415	163,864	7,207	5,732,932
Profit/(loss) before tax	17,086	3,436,106	30,397	( 9,522)	3,474,067
PBT/Revenue %	13.30	63.24	18.55	na	60.60
<b>Comparison of financial period</b>					
<b>Percentage change</b>	%	%	%	%	%
Revenue	18.78	( 70.71)	( 44.49)	na	( 68.00)
Profit/(loss) before tax	( 13.88)	( 95.19)	( 74.05)	na	( 93.90)

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

	<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>Financial period ended</b>					
<b>Quarter ended</b>					
<b>- 30/09/2022 (3Q22)</b>					
Revenue	64,689	464,172	31,655	-	560,516
Profit before tax	5,637	1,009	4,537	16,616	27,799
PBT/Revenue %	8.71	0.22	14.33	na	4.96
<b>- 30/09/2021 (3Q21)</b>					
Revenue	36,508	1,216,998	46,356	2,906	1,302,768
Profit/(loss) before tax	3,691	690,466	5,249	( 2,628)	696,778
PBT/Revenue %	10.11	56.74	11.58	na	53.48
<b>Comparison of financial period</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	77.19	( 61.86)	( 31.71)	na	( 56.97)
Profit/(loss) before tax	52.72	( 99.85)	( 13.56)	na	( 96.01)

**Additional Information required by MMLR.****Comparison of Current quarter and financial period to date ("9M22") with Preceding year corresponding quarter and financial period to date ("9M21")**

For the 9 months ended 30 September 2022, the Group recorded revenue of RM1.83 billion, a decrease of 68.0% as compared with RM5.73 billion in 9M21 due to lower revenue from the Gloves and Clean-Room divisions mitigated by the higher revenue in the TRP division. Profit before taxation (PBT) decreased by 93.9% to RM211.93 million as compared with RM3.47 billion in 9M21 in tandem with the lower revenue.

The Gloves division's revenue decreased by 70.7% to RM1.59 billion in 9M22 as compared with RM5.43 billion in 9M21 due to the lower average selling price (ASP) and volume sold. PBT decreased by 95.2% to RM165.35 million in 9M22 as compared with RM3.44 billion in 9M21 in tandem with the lower revenue.

The TRPs division's revenue increased by 18.8% to RM152.57 million in 9M22 as compared with RM128.45 million in 9M21 mainly due to higher deliveries for TRPs products. Despite the higher revenue, PBT decreased by 13.9% to RM14.72 million as compared with RM17.09 million in 9M21 mainly due to the weaker performance in the Automotive segment.

The Clean-Room division's revenue decreased by 44.5% to RM90.96 million in 9M22 as compared with RM163.86 million in 9M21 due to lower ASP in Clean-Room's products. PBT decreased by 74.1% to RM7.89 million in 9M22 as compared with RM30.40 million in 9M21 in tandem with the lower revenue.

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**Explanatory Notes****14.1 Review of Results (continue)****Comparison of Current quarter ("3Q22") with Preceding year corresponding quarter ("3Q21")**

For the third quarter ended 30 September 2022, the Group registered revenue of RM560.52 million, a decrease of 57.0% as compared with RM1.30 billion in 3Q21 due to the decrease in revenue from the Gloves and Clean-Room divisions mitigated by the higher revenue in the TRP division. Profit before taxation ("PBT") was RM27.80 million, decreasing 96.0% as compared with RM696.78 million in 3Q21 in tandem with the lower revenue.

The Gloves division recorded revenue of RM464.17 million in 3Q22, decreasing 61.9% from RM1.22 billion in 3Q21 due to the lower average selling price (ASP) and volume sold. PBT decreased 99.9% to RM1.01 million in 3Q22 as compared with RM690.47 million in 3Q21 in tandem with the lower revenue. Additionally, the performance in the current quarter was affected by the higher energy and labour costs due to the increase in natural gas tariffs and higher minimum wage.

The TRPs division recorded revenue of RM64.69 million in 3Q22, increasing 77.2% as compared with RM36.51 million in 3Q21 due to higher deliveries in TRPs products. PBT increased 52.7% to RM5.64 million as compared with RM3.68 million in 3Q21 due to the stronger performance in the infrastructure segment.

The Clean-Room division recorded revenue of RM31.66 million, decreasing 31.7% as compared with RM46.36 million in 3Q21 due to lower ASP in Clean-Room products. PBT decreased marginally by 13.6% to RM4.54 million in 3Q22 as compared with RM5.25 million in 3Q21 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 30/09/2022 RM '000</b>	<b>Immediate Preceding Quarter 30/06/2022 RM '000</b>	<b>Changes %</b>
Revenue	560,516	587,191	( 4.54)
Operating profit	28,943	65,260	( 46.01)
Profit Before Interest and Tax	28,943	65,260	( 46.01)
Profit before tax	27,799	64,295	( 46.35)
Profit after tax	24,644	46,495	( 48.71)
Profit attributable To Ordinary Equity Shareholders	23,260	45,992	( 48.96)

	<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 - 30/09/2022 (3Q22)</b>					
Revenue	64,689	464,172	31,655	-	560,516
Profit before tax	5,637	1,009	4,537	16,616	27,799
PBT/Revenue %	8.71	0.22	14.33	na	4.96
<b>Preceding Quarter ended - 30/06/2022 (2Q22)</b>					
Revenue	38,566	517,712	30,880	33	587,191
Profit before tax	3,998	53,328	2,043	4,926	64,295
PBT/Revenue %	10.37	10.30	6.62	na	10.95
<b>Comparison of quarters</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	67.74	( 10.34)	2.51	na	( 4.54)
Profit/(loss) before tax	41.00	( 98.11)	122.08	237.31	( 56.76)

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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 (“3Q22”) with immediate Preceding Quarter (“2Q22”)**

For 3Q22, the Group’s revenue decreased by 4.5% to RM560.52 million as compared with 2Q22 of RM587.19 million due to lower revenue from the Gloves division mitigated by the higher revenue from the TRP and Clean-Room division. Profit before taxation (PBT) decreased by 56.8% to RM27.80 million in 3Q22 as compared with RM64.30 million in 2Q22 due to the lower profit from the Gloves division mitigated by the higher profit from the TRP and Clean-Room divisions.

The Gloves division’s revenue decreased by 10.3% to RM464.17 million in 3Q22 from RM517.71 million in 2Q22 due to the lower average selling price (ASP) and volume sold as a result of oversupply of gloves in the market. PBT decreased by 98.1% to RM1.01 million in 3Q22 as compared with RM53.33 million in 2Q22 in tandem with the lower revenue.

The TRPs division’s revenue increased by 67.7% to RM64.69 million in 3Q22 as compared with RM38.57 million in 2Q22 due to higher deliveries in TRPs products. PBT increased by 41.0% to RM5.64 million as compared with RM3.69 million in 2Q22 due to the stronger performance in the infrastructure segment.

The Clean-Room division’s revenue increased by 2.5% to RM31.66 million in 3Q22 as compared with RM30.88 million in 2Q22 due to the higher demand in Clean-Room products. PBT increased RM2.49 million to RM4.54 million in 3Q22 as compared with RM2.04 million in 2Q22 mainly due to better margin in personal protection equipment and cleanroom products.

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

The glove industry continues to be confronted by an oversupply situation. Surplus installed capacity as a result of the surge in capacity additions during the pandemic, as well as overstocking and subsequent inventory adjustments from customers have forced average selling prices (ASPs) to fall significantly. In addition, higher energy costs as a result of the Russia-Ukraine conflict and the increase in minimum wages will continue to negatively impact the glove industry. As such, until the demand-supply disequilibrium eases, the Group expects to encounter strong headwinds for the remaining quarter of FY2022 and FY2023.

Over the longer-term, 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 addition, increased glove usage in emerging economies with low per capita consumption will also drive global glove demand in the long run.

For the Technical Rubber Products (“TRP”) division, the anticipated gradual uptick in economic activity and infrastructure spending globally will continue to spur the infrastructure and automotive segments and the Group expects this division to deliver a satisfactory performance in the remaining quarter of FY2022.

As a result of the headwinds affecting the glove sector, the Group expects the performance in the remaining quarter of FY2022 to be challenging. The Group will place its near-term expansion plans on hold subject to the prevailing supply-demand conditions. However, the Group remains positive on the glove industry and will continue to focus our efforts on accelerating our transformation and reinvestments into digitalisation and automation to increase productivity and efficiency.

#### **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	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
Tax expense	405	155,833	41,892	802,291
Deferred taxation	2,750	12,000	8,250	34,000
	<u>3,155</u>	<u>167,833</u>	<u>50,142</u>	<u>836,291</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 2022.

**14.7 Group Borrowings**

a) The Group borrowings as at 30 September 2022 were as follows:

	Total Unsecured	
	As at 30/09/2022	As at 31/12/2021
	RM'000	RM'000
<b>Short Term</b>		
Bankers' acceptance	70,816	130,455
Term loans due within 12 months	<u>42,451</u>	<u>51,451</u>
	113,267	181,906
<b>Long Term</b>		
Term loans due after 12 months	<u>16,108</u>	<u>55,552</u>
	<u>129,375</u>	<u>237,428</u>

b) There were no debt securities for the financial period ended 30 September 2022.

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

	As at 30/09/2022			As at 31/12/2021		
	Nominal Value RM'000	Assets RM'000	Liabilities RM'000	Nominal Value RM'000	Assets RM'000	Liabilities RM'000
<b>Group</b>						
Derivatives at fair value through profit and loss						
-Forward foreign exchange						
Contracts to sell	<u>175,530</u>	-	<u>5,438</u>	<u>627,349</u>	<u>638</u>	<u>70</u>
Contracts to buy	<u>47,103</u>	<u>1,360</u>	-	<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 ended</b>		<b>Financial period ended</b>	
	<b>30/09/2022</b>	<b>30/09/2021</b>	<b>30/09/2022</b>	<b>30/09/2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after tax and minority interest</b>	23,260	528,203	159,356	2,634,873
<b>Basic earnings per share</b>				
Weighted average number of ordinary shares in issue ('000)	2,551,620	2,552,324	2,551,620	2,552,324
Basic earnings per share (sen)	0.91	20.69	6.25	103.23

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**  
**02 Nov 2022**