



KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 year ended 31 December 2022.

5. Changes in Material Estimates

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

7. Dividend Paid

A 4th 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 year ended 31 December 2022.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(Incorporated in Malaysia)

Explanatory Notes**8. Segmental Reporting**

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others* RM '000	Total RM '000
Financial year ended					
- 31/12/2022					
Revenue	197,008	1,993,892	125,328	-	2,316,228
Profit before tax	22,344	142,648	11,349	36,548	212,889
- 31/12/2021					
Revenue	169,890	6,257,439	204,134	-	6,631,463
Profit/(loss) before tax	19,326	3,718,761	31,513	(22,288)	3,747,312
Quarter ended					
- 31/12/2022 (4Q22)					
Revenue	44,435	402,645	34,366	-	481,446
Profit/(loss) before tax	7,629	(22,701)	3,460	12,568	956
- 31/12/2021 (4Q21)					
Revenue	45,911	836,692	41,952	-	924,555
Profit/(loss) before tax	2,207	286,832	1,116	(16,451)	273,704

* **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 January 2023 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**

	No of shares RM '000	Total Value RM '000
	Balance as at 01 January 2022	6,252
Buy back during the year ended 31 December 2022	-	-
Balance as at 31 December 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 December 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. 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%.

On 09 November 2022, the Company acquired an additional 5.00 % in Doshin Rubber Products Sdn Bhd, bringing its shareholdings to 90.00%.

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 2022.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(Incorporated in Malaysia)

Explanatory Notes**12. Contingent Liabilities**

As at 31 December 2022, the Company has unsecured outstanding contingent liabilities amounting to RM70.88 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 year ended	
	31/12/2022	31/12/2021
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	<u>96,345</u>	<u>127,416</u>

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

	Individual Period			Cumulative Period		
	Current Year	Preceding Year		Current Year	Preceding Year	
	Quarter	Corresponding Quarter	Changes	Year	Corresponding Year	Changes
	31/12/22	31/12/21	%	31/12/22	31/12/21	%
	RM '000	RM '000		RM '000	RM '000	
Revenue	481,446	924,555	(47.93)	2,316,228	6,631,463	(65.07)
Operating profit	2,217	274,291	(99.19)	217,284	3,755,588	(94.21)
Profit Before						
Interest and tax	2,217	274,291	(99.19)	217,284	3,755,588	(94.21)
Profit before tax	956	273,704	(99.65)	212,889	3,747,312	(94.32)
Profit/(loss) after tax	(2,483)	219,072	(101.13)	159,308	2,856,938	(94.42)
Profit/(loss) attributed						
To Ordinary Equity						
Shareholders	(2,489)	218,674	(101.14)	156,619	2,853,602	(94.51)

Divisions

	Divisions				
	Technical Rubber	Gloves	Clean-Room	Others	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Financial year ended					
- 31/12/2022					
Revenue	197,008	1,993,892	125,328	-	2,316,228
Profit before tax	22,344	142,648	11,349	36,548	212,889
PBT/Revenue %	11.34	7.15	9.05	na	9.19
- 31/12/2021					
Revenue	169,890	6,257,439	204,134	-	6,631,463
Profit/(loss) before tax	19,326	3,718,761	31,513	(22,288)	3,747,312
PBT/Revenue %	11.38	59.42	15.44	na	56.51
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	15.96	(68.14)	(38.61)	na	(65.07)
Profit/(loss) before tax	15.62	(96.16)	(63.99)	na	(94.32)

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(Incorporated in Malaysia)

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

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others RM '000	Total RM '000
Quarter ended					
- 31/12/2022 (4Q22)					
Revenue	44,435	402,645	34,366	-	481,446
Profit/(loss) before tax	7,629	(22,701)	3,460	12,568	956
PBT/Revenue %	17.19	(5.64)	10.07	na	0.20
- 31/12/2021 (4Q21)					
Revenue	45,911	836,692	41,952	-	924,555
Profit/(loss) before tax	2,207	286,832	1,116	(16,451)	273,704
PBT/Revenue %	4.81	34.25	2.66	na	29.60
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	(3.21)	(51.88)	(18.08)	na	(47.93)
Profit/(loss) before tax	245.67	(107.91)	210.04	na	(99.65)

Additional Information required by MMLR.**Comparison of Current financial year to date ("FY22") with Preceding year corresponding financial year ("FY21")**

For the 12 months ended 31 December 2022, the Group recorded revenue of RM2.32 billion, a decrease of 65.1% as compared with RM6.63 billion in FY21 due to the lower revenue from the Gloves and Clean-Room divisions. Profit before taxation (PBT) decreased by 94.3% to RM212.89 million as compared with RM3.75 billion in FY21 in tandem with the lower revenue.

The Gloves division's revenue decreased by 68.1% to RM1.99 billion in FY22 as compared with RM6.26 billion in FY21 due to the lower average selling price (ASP) and volume sold. PBT decreased by 96.2% to RM142.65 million in FY22 as compared with RM3.72 billion in FY21 due to market competition, customer destocking and higher cost due to lower plant utilisation. Additionally, the performance in FY22 was affected by higher energy costs due to the increase in natural gas tariffs.

The TRPs division's revenue increased by 16.0% to RM197.01 million in FY22 as compared with RM169.89 million in FY21 mainly due to higher sales for TRPs products. PBT increased by 15.6% to RM22.34 million in FY22 as compared with RM19.33 million in FY21 in tandem with the higher revenue.

The Clean-Room division's revenue decreased by 38.6% to RM125.33 million in FY22 as compared with RM204.13 million in FY21 due to lower ASP in Clean-Room's products. PBT decreased by 64.0% to RM11.35 million in FY22 as compared with RM31.51 million in FY21 in tandem with the lower revenue

Comparison of Current quarter ("4Q22") with Preceding year corresponding quarter ("4Q21")

For the fourth quarter ended 31 December 2022, the Group registered revenue of RM481.45 million, a decrease of 47.9% as compared with RM924.56 million in 4Q21 due to the decrease in revenue from all divisions. Profit before taxation ("PBT") was RM0.96 million, decreasing 99.7% as compared with RM273.70 million in 4Q21 due to the weaker performance in the Gloves division, mitigated by the improved performance in the TRP and Clean-Room divisions.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(Incorporated in Malaysia)

Explanatory Notes**14.1 Review of Results (continue)****Comparison of Current quarter ("4Q22") with Preceding year corresponding quarter ("4Q21")**

The Gloves division recorded revenue of RM402.65 million in 4Q22, decreasing 51.9% from RM836.69 million in 4Q21 due to the lower average selling price (ASP) and volume sold. Loss before tax was RM22.70 million in 4Q22 as compared with PBT of RM286.83 million in 4Q21 due to market competition, customer destocking and higher cost due to lower plant utilisation. Additionally, the performance in the current quarter was affected by higher energy costs due to the increase in natural gas tariffs.

The TRPs division recorded revenue of RM44.44 million in 4Q22, decreasing 3.2% as compared with RM45.91 million in 4Q21 due to lower sales in TRPs products. Despite the lower revenue, PBT increased 245.7% to RM7.63 million as compared with RM2.21 million in 4Q21 due to the stronger performance in the infrastructure segment.

The Clean-Room division recorded revenue of RM34.37 million, decreasing 18.1% as compared with RM41.95 million in 4Q21 due to lower demand in Clean-Room products. PBT increased by 210.0% to RM3.46 million in 4Q22 as compared with RM1.12 million in 4Q21 due to a recovery in margins.

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 31/12/2022 RM '000	Immediate Preceding Quarter 30/09/2022 RM '000	Changes %
Revenue	481,446	560,516	(14.11)
Operating profit	2,217	28,943	(92.34)
Profit Before Interest and Tax	2,217	28,943	(92.34)
Profit before tax	956	27,799	(96.56)
Profit/(loss) after tax	(2,483)	24,644	(110.08)
Profit/(loss) attributable To Ordinary Equity Shareholders	(2,489)	23,260	(110.70)

Divisions

	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others RM '000	Total RM '000
Current Quarter ended - 31/12/2022 (4Q22)					
Revenue	44,435	402,645	34,366	-	481,446
Profit/(loss) before tax	7,629	(22,701)	3,460	12,568	956
PBT/Revenue %	17.19	(5.64)	10.07	na	0.20
Preceding Quarter ended - 30/09/2022 (3Q22)					
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
Comparison of quarters					
Percentage change	%	%	%	%	%
Revenue	(31.31)	(13.26)	8.56	na	(14.11)
Profit/(loss) before tax	35.34	(2349.85)	(23.74)	(24.36)	(96.56)

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(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. (continue)

Comparison of Current Quarter (“4Q22”) with immediate Preceding Quarter (“3Q22”)

For 4Q22, the Group’s revenue decreased by 14.1% to RM481.45 million as compared with 3Q22 of RM560.52 million due to lower revenue from the Gloves and TRP division. Profit before taxation (PBT) decreased by 96.6% to RM0.96 million in 4Q22 as compared with RM27.80 million in 3Q22 due to the lower profit from the Gloves and Clean-Room divisions.

The Gloves division’s revenue decreased by 13.3% to RM402.65 million in 4Q22 from RM464.17 million in 3Q22 due to the lower average selling price (ASP) and volume sold. Loss before tax was RM22.70 million in 4Q22 as compared with PBT of RM1.00 million in 3Q22 due to market competition, customer destocking and higher cost due to lower plant utilisation. Additionally, the performance in the current quarter was affected by higher energy costs due to the increase in natural gas tariffs.

The TRPs division’s revenue decreased by 31.3% to RM44.44 million in 4Q22 as compared with RM64.69 million in 3Q22 due to lower sales in TRPs products. PBT increased by 35.3% to RM7.63 million as compared with RM5.64 million in 3Q22 due to the stronger performance in the infrastructure segment.

The Clean-Room division’s revenue increased by 8.6% to RM34.37 million in 4Q22 as compared with RM31.66 million in 3Q22 due to the higher sales. PBT decreased by 23.7% to RM3.46 million from RM4.54 million in 3Q22 mainly due to lower margin products.

14.3 Commentary on Prospects

The glove industry continues to be impacted by the oversupply of gloves. Surplus installed capacity as a result of the surge in capacity additions during the pandemic coupled with inventory destocking from customers have forced average selling prices (ASPs) to fall significantly. The industry also faces higher energy and labour costs. The Group expects these headwinds to continue through FY2023 and has placed its near-term expansion plans on hold subject to the prevailing demand-supply situation.

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 for FY2023.

As a result of the headwinds affecting the glove sector, the Group expects the performance for FY2023 to be severely challenging. However, the Group remains positive on the glove industry and will continue to focus on effective cost management and accelerating the transformation into digitalisation and automation across the operations 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.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(Incorporated in Malaysia)

Explanatory Notes**14.5 Taxation**

	Quarter period ended		Financial year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Tax expense	5,438	77,779	47,330	879,807
Deferred taxation	(1,999)	(24,147)	6,251	10,567
	<u>3,439</u>	<u>54,632</u>	<u>53,581</u>	<u>890,374</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 2022.

14.7 Group Borrowings

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

	Total Unsecured	
	As at 31/12/2022	As at 31/12/2021
	RM'000	RM'000
Short Term		
Bankers' acceptance	27,353	130,455
Term loans due within 12 months	<u>37,230</u>	<u>51,451</u>
	64,583	181,906
Long Term		
Term loans due after 12 months	<u>6,292</u>	<u>55,522</u>
	<u>70,875</u>	<u>237,428</u>

b) There were no debt securities for the financial year ended 31 December 2022.

14.8 Derivative Financial assets/(liabilities)

	As at 31/12/2022			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
Group						
Derivatives at fair value through profit and loss						
-Forward foreign exchange						
Contracts to sell	<u>205,017</u>	-	<u>79</u>	<u>627,349</u>	<u>638</u>	<u>70</u>
Contracts to buy	<u>22,518</u>	-	<u>1,134</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.

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918

(Incorporated in Malaysia)

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 31/12/2022
1 st Interim dividend per share	<u>2.5 sen</u>
Total dividend per share	<u>2.5 sen</u>
For the financial year ending	31 December 2022
Approved and declared on	16 February 2023
Entitlement to dividend based on records of depositors as at	08 March 2023
Date payable	22 March 2023

This dividend will be recognised in subsequent financial period.

15.1 Earnings Per Share

	Current Quarter ended		Financial year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) after tax and minority interest	(2,489)	218,674	156,619	2,853,602
Basic earnings per share				
Weighted average number of ordinary shares in issue ('000)	2,551,620	2,552,324	2,551,620	2,552,324
Basic earnings/(loss) per share (sen)	(0.10)	8.57	6.14	111.80

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
Group Managing Director
16 Feb 2023