



STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD

Company No. 197901003918 (48166-W)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

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 1/1/2023 inclusive of those adopted for the audited financial statements for the year ended 31 December 2022.

2. Annual Audit Report

The audit report of the audited financial statements for the year ended 31 December 2022 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 2023.

5. Changes in Material Estimates

There were no significant changes in estimates used in the current quarter and financial period ended 30 September 2023.

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 2023.

7. Dividend Paid

A 1st interim dividend of 2.5 sen per ordinary share for financial year ended 31 December 2022 declared on 16 Feb 2023 amounting to RM 63.79 million was paid out on 22 March 2023.

Other than the above, there were no other dividends paid in the current quarter and financial period ended 30 September 2023.

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Explanatory Notes**8. Segmental Reporting**

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others* RM '000	Total RM '000
Financial period ended					
- 30/09/2023					
Revenue	160,309	954,632	70,789	-	1,185,730
Profit/(loss) before tax	27,470	(15,765)	6,788	13,920	32,413
- 30/09/2022					
Revenue	152,573	1,591,247	90,963	-	1,834,783
Profit before tax	14,715	165,350	7,889	23,980	211,934
Quarter ended					
- 30/09/2023					
Revenue	56,330	321,235	25,914	-	403,479
Profit/before tax	10,975	31,212	2,817	3,953	48,957
- 30/09/2022					
Revenue	64,689	464,172	31,655	-	560,516
Profit before tax	5,637	1,009	4,537	16,616	27,799

* **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 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 '000	Total Value RM '000
Balance as at 01 January 2023	6,252	26,764
Buy back during the period ended 30 September 2023	-	-
Balance as at 30 September 2023	<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 2023, 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 2023.

12. Contingent Liabilities

As at 30 September 2023, the Company has unsecured outstanding contingent liabilities amounting to RM19.23 million (31 Dec 2022: RM70.88 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

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Explanatory Notes**13. Capital and other Commitments**

	As at financial period ended	
	30/09/2023	31/12/2022
	RM'000	RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	73,388	96,345

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

	Individual Period (3 rd Quarter)			Cumulative Period		
	Current Year Quarter 30/09/23 RM '000	Preceding Year Corresponding Quarter 30/09/22 RM '000	Changes %	Current Year to-date 30/09/23 RM '000	Preceding Year Corresponding Period 30/09/22 RM '000	Changes %
Revenue	403,479	560,516	(28.02)	1,185,730	1,834,783	(35.37)
Operating profit	49,136	28,943	69.77	33,297	215,068	(84.52)
Profit Before						
Interest and Tax	49,136	28,943	69.77	33,297	215,068	(84.52)
Profit before tax	48,957	27,799	76.11	32,413	211,934	(84.71)
Profit after tax	41,794	24,644	69.59	15,563	161,792	(90.38)
Profit attributed						
To Ordinary Equity						
Shareholders	40,969	23,260	76.13	13,416	159,356	(91.58)

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others RM '000	Total RM '000
Financial period ended					
- 30/09/2023					
Revenue	160,309	954,632	70,789	-	1,185,730
Profit/(loss) before tax	27,470	(15,765)	6,788	13,920	32,413
PBT/(LBT)/Revenue %	17.14	(1.65)	9.59	na	2.73
- 30/09/2022					
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
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	5.07	(40.00)	(22.18)	na	(35.37)
Profit/(loss) before tax	86.68	(109.53)	(13.96)	(41.95)	(84.71)

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

	Divisions				Total RM '000
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others RM '000	
Quarter ended					
- 30/09/2023					
Revenue	56,330	321,235	25,914	-	403,479
Profit/before tax	10,975	31,212	2,817	3,953	48,957
PBT/Revenue %	19.48	9.72	10.87	na	12.13
- 30/09/2022					
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 quarter period					
Percentage change	%	%	%	%	%
Revenue	(12.92)	(30.80)	(18.14)	na	(28.02)
Profit before tax	94.70	2993.36	(37.91)	(76.21)	76.11

Comparison of Current quarter and financial period to date ("9M23") with Preceding year corresponding quarter and financial period to date ("9M22")

For the 9 months ended 30 September 2023, the Group recorded revenue of RM1.19 billion, a decrease of 35.4% as compared with RM1.83 billion in 9M22 due to lower revenue from all the divisions. Profit before taxation (PBT) was RM32.41 million as compared with PBT of RM211.93 million in 9M22. The decrease was mainly due to lower revenue from Gloves and Clean-Room division.

The Gloves division's revenue decreased by 40.0% to RM954.63 million in 9M23 as compared with RM1.59 billion in 9M22. Loss before tax was RM15.77 million in 9M23 as compared with PBT of RM165.35 million in 9M22 due to lower sales volume, lower ASP, higher natural gas cost and lower plant utilisation with higher overhead costs in 9M23.

The TRPs division's revenue increased by 5.1% to RM160.31 million in 9M23 as compared with RM152.57 million in 9M22. PBT increased by 86.7% to RM27.47 million as compared with RM14.72 million in 9M22 due to higher margin infrastructure products.

The Clean-Room division's revenue decreased by 22.2% to RM70.79 million in 9M23 as compared with RM90.96 million in 9M22 due to lower ASP in Clean-Room's products. PBT decreased by 14.0% to RM6.79 million in 9M23 as compared with RM7.89 million in 9M22 in tandem with the lower revenue.

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Explanatory Notes**14.1 Review of Results (continue)****Comparison of Current quarter ("3Q23") with Preceding year corresponding quarter ("3Q22")**

For the third quarter ended 30 September 2023, the Group recorded revenue of RM403.48 million, a decrease of 28.0% as compared with RM560.52 million in 3Q22 due to the lower revenue from all divisions. Profit before taxation (PBT) increased by 76.1% to RM48.96 million as compared with PBT of RM27.80 million in 3Q22 mainly due to higher PBT from the Gloves and TRP division.

The Gloves division's revenue decreased by 30.8% to RM321.24 million in 3Q23 as compared with RM464.17 million in 3Q22 due to the lower average selling price (ASP) and lower sales volume. PBT was RM31.21 million in 3Q23 as compared with PBT of RM1.00 million in 3Q22 due to improved cost control management, with lower raw material costs in 3Q23.

The TRPs division's revenue decreased by 12.9% to RM56.33 million in 3Q23 as compared with RM64.69 million in 3Q22 due to lower deliveries for TRPs products. PBT increased by 94.7% to RM10.98 million in 3Q23 as compared with RM5.64 million in 3Q22 due to higher margin infrastructure products.

The Clean-Room division's revenue decreased by 18.1% to RM25.91 million in 3Q23 as compared with RM31.66 million in 3Q22 due to lower ASP in Clean-Room's products. PBT decreased by 37.9% to RM2.82 million in 3Q23 as compared with RM4.54 million in 3Q22 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.

	Current Quarter 30/09/2023 RM '000	Immediate Preceding Quarter 30/06/2023 RM '000	Changes %
Revenue	403,479	387,548	4.11
Operating profit	49,136	2,787	1663.04
Profit Before Interest and Tax	49,136	2,787	1663.04
Profit before tax	48,957	2,530	1835.06
Profit/(loss) after tax	41,794	(2,656)	1673.57
Profit/(loss) attributable To Ordinary Equity Shareholders	40,969	(3,298)	1342.24

Divisions

	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Others RM '000	Total RM '000
Current Quarter ended - 30/09/2023 (3Q23)					
Revenue	56,330	321,235	25,914	-	403,479
Profit/before tax	10,975	31,212	2,817	3,953	48,957
PBT/Revenue %	19.48	9.72	10.87	na	12.13
- 30/06/2023 (2Q23)					
Revenue	47,826	315,861	23,856	-	387,543
Profit/(loss) before tax	8,579	(12,073)	2,379	3,645	2,530
PBT/(LBT)/Revenue %	17.94	(3.08)	9.97	na	0.65
Comparison of quarters					
Percentage change	%	%	%	%	%
Revenue	17.78	1.70	8.62	na	4.11
Profit/(loss) before tax	27.93	358.53	18.41	8.45	1835.06

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 (“3Q23”) with immediate Preceding Quarter (“2Q23”)

For 3Q23, the Group’s revenue increased by 4.1% to RM403.48 million as compared with 2Q23 of RM387.54 million due to higher revenue from all divisions. Profit before taxation (PBT) was RM48.96 million in 3Q23 compared with RM2.53 million in 2Q23 due to the higher PBT from all divisions.

The Gloves division’s revenue increased by 1.7% to RM321.24 million in 3Q23 from RM315.86 million in 2Q23 mainly due to higher sales volume. PBT was RM31.12 million in 3Q23 as compared with loss before tax of RM12.07 million in 2Q23 due to improved cost control management, with lower costs in natural gas and raw material in 3Q23.

The TRPs division’s revenue increased by 17.8% to RM56.33 million in 3Q23 as compared with RM47.83 million in 2Q23 due to higher deliveries for TRPs products. PBT increased by 27.9% to RM10.98 million as compared with RM8.58 million in 2Q23 due to higher margin infrastructure products.

The Clean-Room division’s revenue increased by 8.6% to RM25.91 million in 3Q23 as compared with RM23.86 million in 2Q23 due to higher sales in Clean-Room products. PBT increased by 18.4% to RM2.82 million from RM2.38 million in 2Q23 was in tandem with the increased revenue.

14.3 Commentary on Prospects

While there are emerging signs of stability, the ongoing supply-demand imbalance continues to affect the glove sector, and it is anticipated that this challenging operating environment will persist throughout the remaining quarter of 2023. As the market undergoes readjustments due to industry consolidation and capacity rationalization, the pressure on average selling prices from international competitors is expected to persist. Despite these immediate market challenges, the long-term outlook for glove demand remains positive, driven by increasingly stringent standards and heightened hygiene awareness in both the medical and industrial sectors.

The Technical Rubber Products (“TRP”) division is expected to achieve a satisfactory performance in FY2023, driven by the anticipated gradual increase in global economic activity and infrastructure spending, particularly benefiting the infrastructure and automotive segments.

Looking forward, despite the current operating challenges, the Group is unwavering in its commitment to the glove industry. The Group will continuously persist in effective cost management, simultaneously accelerating the digitalization and automation of our operations to overcome manpower challenges. This strategic approach aims to enhance overall productivity, efficiency, and reduce production costs. Furthermore, in adherence to the 12 principles of Sustainability L.I.V.E, the Group is dedicated to consistently enhancing our ESG initiatives, with a specific focus on social compliance and sustainability.

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	
	30/09/2023	30/09/2022	30/09/2023	30/09/2022
	RM’000	RM’000	RM’000	RM’000
Tax expense	6,413	405	15,125	41,892
Deferred taxation	750	2,750	1,725	8,250
	<u>7,163</u>	<u>3,155</u>	<u>16,850</u>	<u>50,142</u>

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Explanatory Notes**14.6 Profit after taxation**

Profit after taxation arrived after charging/(crediting):

	Current Quarter 30/09/2023 RM'000	Financial Period Ended 30/09/2023 RM'000
Interest expense	179	884
Depreciation	29,218	90,111
Property, plant and equipment written off	-	4,411
Foreign exchange gain – realised	(12,520)	(7,445)
Foreign exchange loss – unrealised	12,253	4,646
Gain on derivatives – unrealised	(2,042)	(16)
Interest income	(9,781)	(28,573)
Investment income	(1,621)	(2,956)
Fair value gains on financial assets at FVTPL	(4,935)	(17,291)

14.7 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 2023.

14.8 Group Borrowings

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

	Total Unsecured	
	As at 30/09/2023 RM'000	As at 31/12/2022 RM'000
Short Term		
Bankers' acceptance	12,124	27,353
Term loans due within 12 months	7,108	43,230
	<u>19,232</u>	<u>70,583</u>
Long Term		
Term loans due after 12 months	0	291
	<u>19,232</u>	<u>70,874</u>

b) There were no debt securities for the financial period ended 30 September 2023.

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Explanatory Notes**14.9 Derivative Financial assets/(liabilities)**

	As at 30/09/2023			As at 31/12/2022		
	Nominal Value	Assets	Liabilities	Nominal Value	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Derivatives at fair value through profit and loss						
-Forward foreign exchange						
Contracts to sell	20,173	16	-	205,017	-	79
Contracts to buy	-	-	-	22,518	-	1,135

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.

15.0 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.

16. Earnings Per Share

	Current Quarter ended		Financial period ended	
	30/09/2023	30/09/2022	30/09/2023	30/09/2022
	RM'000	RM'000	RM'000	RM'000
Profit after tax and minority interest	40,969	23,260	13,416	159,356
Basic earnings per share				
Weighted average number of ordinary shares in issue ('000)	2,551,620	2,551,620	2,551,620	2,551,620
Basic earnings per share (sen)	1.61	0.91	0.53	6.25

There is no dilution in earnings per share as there are no dilutive potential ordinary shares.

On behalf of the Board

Mohamed Shafeii Bin Abdul Gaffoor
Chairman
15 November 2023