



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 JUNE 2024

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 1/1/2024 inclusive of those adopted for the audited financial statements for the year ended 31 December 2023.

2. Annual Audit Report

The audit report of the audited financial statements for the year ended 31 December 2023 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 other 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 June 2024.

5. Changes in Material Estimates

There were no significant changes in estimates used in the current quarter and financial period ended 30 June 2024.

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 June 2024.

7. Dividend Paid

A 1st interim dividend of 2.0 sen per ordinary share for financial year ended 31 December 2023 declared on 22 February 2024 amounting to RM 51.03 million was paid out on 08 April 2024.

A final single tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2023 was approved by shareholders on 30 May 2024 amounting to RM 51.03 million and was paid on 18 July 2024.

Other than the above, there were no other dividends paid in the current quarter and period ended 30 June 2024.

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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 | | | | | |
| - 30/06/2024 | | | | | |
| Revenue | 98,871 | 732,626 | 50,032 | 0 | 881,529 |
| Profit before tax | 19,436 | 48,646 | 4,895 | 6,576 | 79,553 |
| - 30/06/2023 | | | | | |
| Revenue | 103,978 | 633,398 | 44,875 | 0 | 782,251 |
| Profit/(loss) before tax | 16,494 | (46,976) | 3,971 | 9,967 | (16,544) |
| Quarter ended | | | | | |
| - 30/06/2024 | | | | | |
| Revenue | 49,926 | 352,993 | 26,986 | 0 | 429,905 |
| Profit before tax | 10,518 | 22,081 | 2,472 | 3,502 | 38,573 |
| - 30/06/2023 | | | | | |
| Revenue | 47,826 | 315,861 | 23,856 | 0 | 387,543 |
| Profit/(loss) before tax | 8,579 | (12,073) | 2,379 | 3,645 | 2,530 |

* **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 July 2024 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

There were no 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 June 2024.

12. Contingent Liabilities

As at 30 June 2024, the Company has unsecured outstanding contingent liabilities amounting to RM17.02 million (31 Dec 2023: RM9.81 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 | |
|--|-------------------------------------|------------------------------|
| | 30/06/2024 RM'000 | 31/12/2023 RM'000 |
| Property, plant and equipment | | |
| Within one year: Contracted but not provided | <u>200,963</u> | <u>63,485</u> |

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

| | Individual Period (2 nd Quarter) | | | Cumulative Period | | |
|--|---|---|--------------|---|--|--------------|
| | Current Year Quarter 30/06/24 RM '000 | Preceding Year Corresponding Quarter 30/06/23 RM '000 | Changes % | Current Year to-date 30/06/24 RM '000 | Preceding Year Corresponding Period 30/06/23 RM '000 | Changes % |
| Revenue | 429,905 | 387,543 | 10.93 | 881,529 | 782,251 | 12.69 |
| Operating profit/(loss) | 38,653 | 2,787 | 1286.90 | 79,691 | (15,839) | 603.13 |
| Profit/(loss) Before | | | | | | |
| Interest and Tax | 38,653 | 2,787 | 1286.90 | 79,691 | (15,839) | 603.13 |
| Profit/(loss) before tax | 38,573 | 2,530 | 1424.62 | 79,553 | (16,544) | 580.86 |
| Profit/(loss) after tax | 32,146 | (2,656) | 1310.32 | 64,190 | (26,231) | 344.71 |
| Profit/(loss) attributed To Ordinary Equity | | | | | | |
| Shareholders | 31,341 | (3,298) | 1050.30 | 62,895 | (27,553) | 328.27 |

| | Divisions | | | | |
|---------------------------------------|--------------------------------|-------------------|-----------------------|-------------------|------------------|
| | Technical Rubber RM '000 | Gloves RM '000 | Clean-Room RM '000 | Others RM '000 | Total RM '000 |
| Financial period ended | | | | | |
| - 30/06/2024 | | | | | |
| Revenue | 98,871 | 732,626 | 50,032 | 0 | 881,529 |
| Profit before tax | 19,436 | 48,646 | 4,895 | 6,576 | 79,553 |
| PBT/Revenue % | 19.66 | 6.64 | 9.78 | na | 9.02 |
| - 30/06/2023 | | | | | |
| Revenue | 103,978 | 633,398 | 44,875 | 0 | 782,251 |
| Profit/(loss) before tax | 16,494 | (46,976) | 3,971 | 9,967 | (16,544) |
| PBT/(LBT)/Revenue % | 15.86 | (7.42) | 8.85 | na | (2.12) |
| Comparison of financial period | | | | | |
| Percentage change | % | % | % | % | % |
| Revenue | (4.91) | 15.67 | 11.49 | na | 12.69 |
| Profit before tax | 17.84 | 203.56 | 23.27 | (34.02) | 580.86 |

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Explanatory Notes14.1 **Review of Results (continue)**

| | Divisions | | | | |
|-------------------------------------|---|---------------------------|-------------------------------|---------------------------|--------------------------|
| | Technical Rubber RM '000 | Gloves RM '000 | Clean-Room RM '000 | Others RM '000 | Total RM '000 |
| Quarter ended | | | | | |
| - 30/06/2024 | | | | | |
| Revenue | 49,926 | 352,993 | 26,986 | 0 | 429,905 |
| Profit before tax | 10,518 | 22,081 | 2,472 | 3,502 | 38,573 |
| PBT/Revenue % | 21.07 | 6.26 | 9.16 | na | 8.97 |
| - 30/06/2023 | | | | | |
| Revenue | 47,826 | 315,861 | 23,856 | 0 | 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 quarter period | | | | | |
| Percentage change | % | % | % | % | % |
| Revenue | 4.39 | 11.76 | 13.12 | na | 10.93 |
| Profit/(loss) before tax | 22.60 | 282.90 | 3.91 | (3.92) | 1424.62 |

Comparison of Current financial period ("1H24") with Preceding year corresponding financial period ("1H23")

For the current financial period ended 30 June 2024, the Group recorded revenue of RM881.53 million, an increase of 12.69% as compared with RM782.25 million in corresponding period ended 30 June 2023. Profit before taxation (PBT) for 1H24 was RM79.55 million as compared with loss before taxation (LBT) of RM16.54 million for 1H23.

The Gloves division's revenue increased by 15.67% to RM732.63 million in 1H24 as compared with RM633.40 million in 1H23 mainly due to improved sales volume. PBT was RM48.65 million in 1H24 as compared with LBT of RM46.98 million in 1H23. The increase in PBT was mainly due to higher revenue recorded.

The TRPs division's revenue decreased by 4.91% to RM98.87 million in 1H24 as compared with RM103.98 million in 1H23 due to lower sales. However, the PBT increased by 17.84% to RM19.44 million as compared with RM16.49 million in 1H23 due to better higher margin products mix.

The Clean-Room division's revenue increased by 11.49% to RM50.03 million in 1H24 as compared with RM44.88 million in 1H23. PBT recorded at RM4.90 million in 1H24 as compared with RM3.97 million in 1H23 in tandem with higher sales.

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Explanatory Notes**14.1 Review of Results (continue)****Comparison of Current quarter ("2Q24") with Preceding year corresponding quarter ("2Q23")**

For the second quarter ended 30 June 2024, the Group recorded an increase in revenue for all division with a total of RM429.91 million, an increase of 10.93% as compared with RM387.54 million in 2Q23. Profit before taxation (PBT) was RM38.57 million as compared with RM2.53 million in 2Q23.

The Gloves division's revenue increased by 11.76% to RM352.99 million in 2Q24 as compared with RM315.86 million in 2Q23. Profit before tax was RM22.08 million in 2Q24 as compared with a loss before tax of RM12.07 million in 2Q23 due to the higher sales volume and improved production efficiencies.

The TRPs division's revenue increased by 4.39% to RM49.93 million in 2Q24 as compared with RM47.83 million in 2Q23 due to higher deliveries. PBT increased by 22.60% to RM10.52 million in 2Q24 as compared with RM8.58 million in 2Q23 due to better higher margin products.

The Clean-Room division's revenue increased by 13.12% to RM26.99 million in 2Q24 as compared with RM23.86 million in 2Q23. PBT increased at 3.91% to RM2.47 million in 2Q24 as compared with RM2.38 million in 2Q23.

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 30/06/2024 RM '000 | Immediate Preceding Quarter 31/03/2024 RM '000 | Changes % |
|--------------------------------|---|---|----------------------|
| Revenue | 429,905 | 451,625 | (4.81) |
| Operating profit | 38,653 | 41,039 | (5.81) |
| Profit Before Interest and Tax | 38,653 | 41,039 | (5.81) |
| Profit before tax | 38,573 | 40,981 | (5.88) |
| Profit after tax | 32,146 | 32,045 | 0.32 |
| Profit attributable To | | | |
| Ordinary Equity Shareholders | 31,341 | 31,454 | (0.36) |

Divisions

| | Technical Rubber RM '000 | Gloves RM '000 | Clean-Room RM '000 | Others RM '000 | Total RM '000 |
|--|---|---------------------------|-------------------------------|---------------------------|--------------------------|
| Current Quarter ended - 30/06/2024 (2Q24) | | | | | |
| Revenue | 49,926 | 352,993 | 26,986 | 0 | 429,905 |
| Profit before tax | 10,518 | 22,081 | 2,472 | 3,502 | 38,573 |
| PBT/Revenue % | 21.07 | 6.26 | 9.16 | na | 8.97 |
| Preceding Quarter ended - 31/03/2024 (1Q24) | | | | | |
| Revenue | 48,945 | 379,633 | 23,047 | - | 451,625 |
| Profit before tax | 8,918 | 26,565 | 2,423 | 3,075 | 40,981 |
| PBT/Revenue % | 18.22 | 7.00 | 10.51 | na | 9.07 |
| Comparison of quarters | | | | | |
| Percentage change | % | % | % | % | % |
| Revenue | 2.00 | (7.02) | 17.09 | na | (4.81) |
| Profit/before tax | 17.94 | (16.88) | 2.02 | 13.89 | (5.88) |

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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 (continued)

Comparison of Current Quarter (“2Q24”) with immediate Preceding Quarter (“1Q24”)

In 2Q24, the Group’s revenue was recorded at RM429.91 million as compared with 1Q24 of RM451.63 million. Profit before taxation (PBT) was RM38.57 million in 2Q24 compared with RM40.98 million in 1Q24.

The Gloves division’s revenue decreased by 7.02% to RM352.99 million in 2Q24 from RM379.63 million in 1Q24 mainly due to the logistic challenges caused by the ongoing global shipment constraints. A lower PBT of RM22.08 million was recorded in 2Q24 as compared with PBT of RM26.57 million in 1Q24 mainly due to lower sales recorded and higher raw material cost and natural gas price in 2Q24.

The TRPs division’s revenue recorded at RM49.93 million in 2Q24 as compared with RM48.95 million in 1Q24. PBT recorded at RM10.52 million in 2Q24 as compared with RM8.92 million in 1Q24 due to deliveries of higher margin products.

The Clean-Room division’s revenue was recorded at RM26.99 million in 2Q24 as compared with RM23.05 million in 1Q24. PBT recorded at RM2.47 million in 2Q24 compared with RM2.42 million in 1Q24.

14.3 Commentary on Prospects

The glove industry is anticipated to face a persistent supply-demand imbalance throughout FY2024, compounded by the pressure on average selling prices (ASP) from international competitors. The challenging operating conditions will be further impacted by rising costs of raw materials and natural gas. Moreover, the ongoing global logistics disruptions and container shortages, particularly due to the Red Sea Crisis, will continue to impact glove shipments.

Nonetheless, the long-term outlook for glove demand remains positive. The glove industry has undergone significant changes since the post-pandemic period, with demand patterns stabilising. This stability is due to the gradual recovery in sales orders, driven by the reduction in pandemic stockpiles, as well as stricter standards and increased hygiene awareness in both medical and industrial sectors. Additionally, the industry consolidation and capacity adjustments by key domestic players, along with the exit of new entrants in the pandemic period, have collectively helped to alleviate the oversupply situation.

The Group remains committed to strengthen its glove division amidst these operational challenges by enhancing cost efficiency through accelerating automation, digital solutions, ongoing human resources training, and improving management systems. These efforts have already shown positive results and will continue to further strengthen the Group's competitiveness as the market recovers. Furthermore, the Group is enhancing its sustainability initiatives, acknowledging the increasing significance of social and environmental responsibility to our customers.

The Technical Rubber Products (TRP) division expects some project delays in the infrastructure segment during 2HFY2024. However, with the positive outlook in the automotive segment, this division anticipated to achieve a satisfactory performance for FY2024.

Despite the challenging landscape, the Group remains cautiously optimistic about its performance for FY2024.

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 | |
|-------------------|----------------------|--------------|------------------------|--------------|
| | 30/06/2024 | 30/06/2023 | 30/06/2024 | 30/06/2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax expense | 5,927 | 4,211 | 14,863 | 8,712 |
| Deferred taxation | 500 | 975 | 500 | 975 |
| | <u>6,427</u> | <u>5,186</u> | <u>15,363</u> | <u>9,687</u> |

14.6 Profit after taxation

Profit after taxation arrived after charging/(crediting):

| | Quarter | Financial |
|---|------------|--------------|
| | ended | period ended |
| | 30/06/2024 | 30/06/2024 |
| | RM'000 | RM'000 |
| Interest expense | 80 | 138 |
| Depreciation | 28,051 | 54,120 |
| Foreign exchange (gain)/loss – realised | 458 | 106 |
| Foreign exchange (gain)/loss – unrealised | (697) | (1,572) |
| Loss on derivatives – unrealised | 1,408 | 1,338 |
| Interest income | (10,325) | (20,502) |
| Investment income | (1,300) | (2,747) |
| Fair value gains on financial assets at FVTPL | (5,208) | (10,656) |

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 June 2024.

14.8 Group Borrowings

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

| | Total Unsecured | |
|---------------------------------|-----------------|--------------|
| | As at | As at |
| | 30/06/2024 | 31/12/2023 |
| | RM'000 | RM'000 |
| Short Term | | |
| Bankers' acceptance | 17,021 | 9,521 |
| Term loans due within 12 months | - | 292 |
| | <u>17,021</u> | <u>9,813</u> |

b) There were no debt securities for the financial period ended 30 June 2024.

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

| | As at 30/06/2024 | | | As at 31/12/2023 | | |
|--|---------------------|--------|-------------|---------------------|--------|-------------|
| | 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 | 229,318 | - | 1,338 | 34,923 | 523 | - |

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. 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 | |
|---|-----------------------|------------|------------------------|------------|
| | 30/06/2024 | 30/06/2023 | 30/06/2024 | 30/06/2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(loss) after tax and minority interest | 31,341 | (3,298) | 62,895 | (27,553) |
| 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/(loss) per share (sen) | 1.23 | (0.13) | 2.46 | (1.08) |

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

On behalf of the Board

Tan Sri Dato' Lim Kuang Sia
Group Managing Director/ CEO
22 August 2024