



**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	UNAUDITED AS AT END OF CURRENT PERIOD 31/12/2018 RM '000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 31/12/2017 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant & equipment	1,265,936	1,028,011
Investment properties	5,223	5,223
Investment in joint venture	1,362	1,362
Other investments	166	166
Goodwill on consolidation	4,926	4,926
Intangible assets	1,639	1,639
Deferred tax assets	0	94
	<u>1,279,252</u>	<u>1,041,421</u>
<b>Current Assets</b>		
Inventories	251,553	212,950
Trade receivables	405,857	339,277
Derivative financial liabilities	698	10,820
Other receivables	36,945	50,214
Cash and bank balances	143,087	210,382
	<u>838,140</u>	<u>823,643</u>
<b>TOTAL ASSETS</b>	<u>2,117,392</u>	<u>1,865,064</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	323,885	323,885
Reserves	992,620	831,137
	<u>1,316,505</u>	<u>1,155,022</u>
Non-controlling interests	27,353	23,249
<b>Total Equity</b>	<u>1,343,858</u>	<u>1,178,271</u>
<b>Non-Current Liabilities</b>		
Loans and borrowings	264,400	186,456
Deferred tax liabilities	89,263	86,705
Finance lease liabilities	390	450
	<u>354,053</u>	<u>273,611</u>
<b>Current Liabilities</b>		
Trade and other payables	191,460	202,933
Derivative financial liabilities	0	0
Finance lease liabilities	1,577	2,487
Bank borrowings	196,296	168,789
Term loans	46,133	38,564
Taxation	-15,985	409
	<u>419,481</u>	<u>413,182</u>
<b>Total liabilities</b>	<u>773,534</u>	<u>686,793</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,117,392</u>	<u>1,865,064</u>
<b>Net assets per share (sen)</b>	101	89

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of Company						Non- Controlling Interests	Total
	Share Capital	Share Premium	Translation Reserve	Capital Reserve	Retained earnings	Total		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000		
Unaudited - for the period ended 31 December 2018								
At 01 January 2018	323,885	0	6,513	(240)	824,864	1,155,022	23,249	1,178,271
Dividends								
To non-controlling interests	0	0	0	0	0	0	(412)	(412)
To owners of the Company	0	0	0	0	(38,368)	(38,368)	0	(38,368)
Foreign currency translation difference from foreign operations	0	0	(933)	0	0	(933)	0	(933)
Total comprehensive income for the period (cumulative)	0	0	0	0	200,784	200,784	4,516	205,300
At 31 December 2018	323,885	0	5,580	(240)	987,280	1,316,505	27,353	1,343,858
Audited - for the period ended 31 December 2017								
At 01 January 2017	319,734	4,151	8,238	0	713,144	1,045,267	28,929	1,074,196
Dividends								
To non-controlling interests	0	0	0	0	0	0	(561)	(561)
To owners of the Company	0	0	0	0	(70,341)	(70,341)	0	(70,341)
Transfers in accordance with the Companies Act 2016	4,151	(4,151)	0	0	0	0	0	0
Foreign currency translation difference from foreign operations	0	0	(2,519)	0	0	(2,519)	(230)	(2,749)
Acquisition of Non Controlling interests	0	0	794	(240)	0	554	(7,063)	(6,509)
Total comprehensive income for the period (cumulative)	0	0	0	0	182,061	182,061	2,174	184,235
At 31 December 2017	323,885	0	6,513	(240)	824,864	1,155,022	23,249	1,178,271

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2017


**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>INDIVIDUAL PERIOD</b>		<b>CUMULATIVE PERIOD</b>	
	Current year Quarter 31/12/2018	Preceding Year Corresponding Quarter 31/12/2017	Current Year to Date 31/12/2018	Preceding Year to Date 31/12/2017
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Revenue</b>	589,372	477,773	2,144,235	1,957,627
Operating expenses	(514,097)	(416,277)	(1,879,824)	(1,721,502)
Other operating income	1,451	757	4,410	3,512
Profit from operations	76,726	62,253	268,821	239,637
Finance cost	(5,326)	(3,256)	(19,492)	(11,324)
<b>Profit before taxation</b>	71,400	58,997	249,329	228,313
Taxation	(10,367)	(12,533)	(44,029)	(44,078)
<b>Profit after taxation</b>	61,033	46,464	205,300	184,235
<b>Other comprehensive income, net of tax</b>				
- Exchange difference translation	0	0	0	0
<b>Total comprehensive income for the period</b>	61,033	46,464	205,300	184,235
<b>Attributable to:</b>				
Equity shareholders of the Company	59,514	45,907	200,784	182,061
Non-controlling interests	1,519	557	4,516	2,174
	61,033	46,464	205,300	184,235
<b>Total comprehensive income for the period attributable to:</b>				
Equity shareholders of the Company	59,514	45,907	200,784	182,061
Non-controlling interests	1,519	557	4,516	2,174
	61,033	46,464	205,300	184,235
<b>Earnings per share attributed to equity holders of the Company</b>				
Basic (sen)	4.65	3.59	15.70	14.24

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2017



**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Current Quarter period ended 31/12/2018 RM '000	Current Financial year ended 31/12/2018 RM '000
<b>Other operating income</b>		
Interest income	427	1,380
Rental income	12	48
Other income	1,012	2,982
Gain/(loss) in disposal of assets	-	-
Bad debts recovered	-	-
	<b>1,451</b>	<b>4,410</b>
<b>Interest expenses</b>	<b>5,326</b>	<b>19,492</b>
<b>Depreciation</b>	<b>22,596</b>	<b>76,997</b>
<b>Provision for/write off of receivables</b>	<b>159</b>	<b>159</b>
<b>Provision for/write off of inventories</b>	<b>-</b>	<b>-</b>
<b>Gain/(loss) on disposal of unquoted investment</b>	<b>-</b>	<b>-</b>
<b>Gain/(loss) on disposal of properties</b>	<b>-</b>	<b>-</b>
<b>Impairment of assets</b>	<b>-</b>	<b>-</b>
<b>Foreign exchange gain/(loss) - realised</b>	<b>5,127</b>	<b>16,796</b>
<b>Foreign exchange gain/(loss) - unrealised</b> for Trade Debtors and Rabobank	<b>(4,532)</b>	<b>(1,317)</b>
<b>Gain/ (loss) on derivatives - unrealised</b>	<b>1,392</b>	<b>723</b>
<b>Exceptional items</b>	<b>-</b>	<b>-</b>



# **KOSSAN RUBBER INDUSTRIES BHD**

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## **UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Year to date ended 31/12/2018 RM '000	Year to date ended 31/12/2017 RM '000
<b>Net profit before taxation</b>	249,329	228,313
<b>Adjustment for non-cash items</b>		
Depreciation	76,997	73,236
Interest income	(1,380)	(3,667)
Interest expenses	19,492	11,324
Gain/(loss) from disposal of fixed assets	0	(64)
Foreign exchange gain/(loss) - unrealised	1,317	(10,820)
Gain/(loss) on derivatives - unrealised	(723)	4,079
Share of losses of equity-accounted joint venture, net of tax	0	19
Impairment of assets	0	2,115
<b>Operating profit before changes in working capital</b>	<u>345,032</u>	<u>304,535</u>
<b>Changes in Working Capital</b>		
Net change in current assets	(83,934)	(69,941)
Net change in current liabilities	21,225	2,159
<b>Cash from operating activities</b>	<u>282,323</u>	<u>236,753</u>
Dividends paid	(70,755)	(70,902)
Interest expenses	(19,492)	(11,324)
Interest income	1,380	3,667
Taxation paid	(57,771)	(31,240)
<b>Net cash from operating activities</b>	<u>135,685</u>	<u>126,954</u>
<b>Investing activities</b>		
Proceed from disposal of fixed assets	0	380
Acquisition of other investments	0	(6,584)
Acquisition of property, plant and equipment	(314,922)	(239,159)
	<u>(179,237)</u>	<u>(118,409)</u>
<b>Financing activities</b>		
Additional/(Repayment) of finance lease liabilities	(970)	(13,276)
Additional/(Repayment) of bank borrowings	113,020	234,010
<b>Net change in cash &amp; cash equivalent</b>	<u>(67,187)</u>	<u>102,325</u>
<b>Effect of exchange rate fluctuations on cash held</b>	0	(1,790)
<b>Cash &amp; cash equivalent at beginning of year</b>	210,274	109,739
<b>Cash &amp; cash equivalent at end of the period</b>	<u>143,087</u>	<u>210,274</u>
<b>Cash &amp; cash equivalent at end of the period</b>		
Cash & bank balances	30,943	158,049
Short term deposits with licensed banks	112,252	52,333
	<u>143,195</u>	<u>210,382</u>
Less Deposits pledged to banks	(108)	(108)
	<u>143,087</u>	<u>210,274</u>

**The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2017**



## **KOSSAN RUBBER INDUSTRIES BHD**

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### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018**

#### **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 Marketing 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 1/1/2018 inclusive of those adopted for the audited financial statements for the year ended 31 December 2017.

##### **2. Annual Audit Report**

The audit report of the audited financial statements for the year ended 31 December 2017 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 year ended 31 December 2018.

##### **5. Changes in Material Estimates**

There were no significant changes in estimates used in the current quarter and financial year ended 31 December 2018 or in prior interim periods of the current financial year or prior financial year.

##### **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 2018.

##### **7. Dividend**

On 23 November 2017, the directors approved an interim tax exempt dividend of 5.0 sen per ordinary shares for the financial year ended 31 December 2017. The dividend of RM 31,973,395 was paid on 10 January 2018.

On 12 April 2018, the directors recommended a final tax exempt dividend of 6.0 sen per ordinary share for the financial year ended 31 December 2017. This was approved at the 2018 Annual General Meeting and the dividend of RM 38,368,074 was paid on 3 July 2018.

On 04 January 2019, the directors approved an interim tax exempt dividend of 3.0 sen per ordinary shares for the financial year ended 31 December 2018. The dividend of RM 38,368,074 was paid on 30 January 2019.

There were no other dividends declared or paid in the current quarter and financial year ended 31 December 2018.

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**Explanatory Notes****8. Segmental Reporting**

	Divisions				Total RM '000
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	
<b>Financial year ended</b>					
<b>- 31/12/2018</b>					
Revenue	184,617	1,876,811	79,529	19,492	2,160,449
Intercompany elimination	0	0	0	( 16,214)	( 16,214)
	184,617	1,876,811	79,529	3,278	2,144,235
Profit before tax	28,490	218,537	3,565	( 1,263)	249,329
<b>- 31/12/2017</b>					
Revenue	161,957	1,716,620	76,361	19,094	1,974,032
Intercompany elimination	0	0	0	( 16,405 )	( 16,405)
	161,957	1,716,620	76,361	2,689	1,957,627
Profit before tax	16,229	208,561	2,948	575	228,313
<b>Quarter ended</b>					
<b>- 31/12/2018 (4Q18)</b>					
Revenue	50,380	519,360	18,832	5,140	593,712
Intercompany elimination	0	0	0	( 4,340)	( 4,340)
	50,380	519,360	18,832	800	589,372
Profit before tax	8,458	62,500	1,099	( 657)	71,400
<b>- 31/12/2017 (4Q17)</b>					
Revenue	42,186	414,291	20,225	5,302	482,004
Intercompany elimination	0	0	0	( 4,231 )	( 4,231)
	42,186	414,291	20,225	1,071	477,773
Profit before tax	4,421	53,549	644	383	58,997

**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 2019 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 year ended 31 December 2018.

**12. Contingent Liabilities**

As at 31 December 2018, the Company has unsecured outstanding contingent liabilities amounting to RM506.829 million (31 Dec 2017: RM473.386 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

**KOSSAN RUBBER INDUSTRIES BHD**

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

	<b>As at financial period ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
Within one year: Contracted but not provided	<u>4,234</u>	<u>4,234</u>

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

	<b>Individual Period (4<sup>th</sup> Quarter)</b>			<b>Cumulative Period</b>		
	<b>Current Year Quarter 31/12/18 RM '000</b>	<b>Preceding Year Corresponding Quarter 31/12/17 RM '000</b>	<b>Changes %</b>	<b>Current Year ended 31/12/18 RM '000</b>	<b>Preceding Year ended 31/12/17 RM '000</b>	<b>Changes %</b>
Revenue	589,372	477,773	23.36	2,144,235	1,957,627	9.53
Operating profit	76,726	62,253	23.25	268,821	239,637	12.18
Profit Before Interest and Tax	76,726	62,253	23.25	268,821	239,637	12.18
Profit before tax	71,400	58,997	21.02	249,329	228,313	9.21
Profit after tax	61,033	46,464	31.36	205,300	184,235	11.43
Profit attributed To Ordinary Equity Shareholders	59,514	45,907	29.64	200,784	182,061	10.28

	<b>Divisions</b>				
	<b>Technical Rubber RM '000</b>	<b>Gloves RM '000</b>	<b>Clean-Room RM '000</b>	<b>Investment Holding RM '000</b>	<b>Total RM '000</b>
<b>Financial year ended - 31/12/2018</b>					
Revenue	184,617	1,876,811	79,529	19,492	2,160,449
Intercompany elimination	0	0	0	( 16,214)	( 16,214)
	184,617	1,876,811	79,529	3,278	2,144,235
Profit before tax	28,490	218,537	3,565	( 1,263)	249,329
PBT/Revenue %	15.43	11.64	4.48	na	11.63
<b>- 31/12/2017</b>					
Revenue	161,957	1,716,620	76,361	19,094	1,974,032
Intercompany elimination	0	0	0	( 16,405 )	( 16,405)
	161,957	1,716,620	76,361	2,689	1,957,627
Profit before tax	16,229	208,561	2,948	575	228,313
PBT/Revenue %	10.02	12.15	3.86	21.38	11.66
<b>Comparison of financial year</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	13.99	9.33	4.15	21.90	9.53
Results	75.55	4.78	20.93	na	9.21



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

	<b>Divisions</b>				
	<b>Technical Rubber</b>	<b>Gloves</b>	<b>Clean-Room</b>	<b>Investment Holding</b>	<b>Total</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Quarter ended</b>					
<b>- 31/12/2018 (4Q18)</b>					
Revenue	50,380	519,360	18,832	5,140	593,712
Intercompany elimination	0	0	0	( 4,340)	( 4,340)
	50,380	519,360	18,832	800	589,372
Profit before tax	8,458	62,500	1,099	( 657)	71,400
PBT/Revenue %	16.79	12.03	5.84	na	12.12
<b>- 31/12/2017 (4Q17)</b>					
Revenue	42,186	414,291	20,225	5,302	482,004
Intercompany elimination	0	0	0	( 4,231)	( 4,231)
	42,186	414,291	20,225	1,071	477,773
Profit before tax	4,421	53,549	644	383	58,997
PBT/Revenue %	10.48	12.93	3.18	35.76	12.35
<b>Comparison of quarters</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	19.42	25.36	( 6.89)	( 25.30)	23.36
Profit before tax	91.31	16.72	70.65	na	21.02

**Additional Information required by MMLR.****Comparison of Current Year To Date ("FY18") with Preceding Year To Date ("FY17")**

For the 12 months of financial year ended 31 December 2018, the Group recorded its highest ever revenue, surpassing the two-billion-ringgit-mark to RM2,144.24 million, an increase of 9.53% as compared with RM1,957.63 million in FY2017. Profit before taxation (PBT) was RM249.33 million, rising 9.21% as compared with RM228.31 million last year. The stronger results were mainly attributable to the improved performance in the Gloves and TRPs divisions as compared with the previous year.

The Gloves division's revenue was RM1,876.81 million in FY2018, an increase of 9.33% compared with RM1,716.62 million last year. PBT was RM218.54 million, rising 4.78% compared with RM208.56 million recorded in the previous financial year. The improved performance was mainly attributable to the strong demand growth for the Group's glove products, with higher average selling prices (+6.1%) and higher volume sold (+9.7%) as compared with FY2017, as well as increased manufacturing efficiency and effective cost controls. The full year performance was achieved despite the increase in natural gas (+22.82%) and nitrile (+9.27%) prices as well as the less favourable USD/MYR exchange rate (-6.16%). In the period under review, natural rubber prices declined (-27.61%). The Group's current installed capacity stands at 26.5 billion pieces per annum, with a nitrile to natural rubber (NBR:NR) split of 75:25.

The Technical Rubber Products (TRPs) division's revenue rose 13.99% to RM184.62 million in FY2018 as compared with RM161.96 million in FY2017, while PBT soared 75.55% to RM28.49 million from RM16.23 million recorded in the previous financial year. The improved performance was mainly attributable to increased sales deliveries and sales of higher margin products.

The Cleanroom division recorded revenue and PBT of RM79.53 million and RM3.57 million respectively for FY2018, as compared with RM76.36 million and RM2.95 million in FY2017.

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**Explanatory Notes****14.1 Review of Results (continue)****Comparison of Current Quarter ("4Q18") with Previous Year Corresponding Quarter ("4Q17")**

For 4Q18, the Group recorded revenue of RM589.37 million, an increase of 23.36% as compared with RM477.77 million in 4Q17. PBT rose 21.02% to RM71.40 million in the current quarter as compared with RM59.00 million in the previous year quarter. The improved performance was attributable to improvements in all three divisions - Gloves, TRPs and Cleanroom.

The Gloves division's revenue rose 25.36% to RM519.36 million in 4Q18 from RM414.29 million in 4Q17, with PBT increasing by 16.72% to RM62.50 million in the current quarter as compared with RM53.55 million from a year ago. The improved performance was achieved on the back of continued strong demand for the Group's glove products, with higher average selling prices (+7.5%) and higher volume sold (+17.3%) as compared with the previous year quarter. This was achieved despite the increase in natural gas (+23.74%) and nitrile (+11.80%) prices. In the period under review, natural rubber prices declined (-19.36%).

The TRPs division's revenue of RM50.38 million in 4Q18 was 19.42% higher as compared with RM42.19 million in 4Q17, while PBT soared 91.31% to RM8.46 million in the current quarter compared with RM4.42 million in the previous year quarter. The improved performance was mainly attributable to increased sales deliveries and sales of higher margin products.

The Cleanroom division recorded revenue and PBT of RM18.83 million and RM1.10 million respectively in 4Q18, as compared with RM20.23 million and RM0.64 million in 4Q17.

**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 31/12/2018 RM '000</b>	<b>Immediate Preceding Quarter 30/09/2018 RM '000</b>	<b>Changes %</b>
Revenue	589,372	573,897	2.70
Operating profit	76,726	76,467	0.34
Profit Before Interest and Tax	76,726	76,467	0.34
Profit before tax	71,400	70,826	0.81
Profit after tax	61,033	55,108	10.75
Profit attributed To Ordinary Equity Shareholders	59,514	54,146	9.91

**KOSSAN RUBBER INDUSTRIES BHD**

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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)**

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
<b>Current Quarter ended - 31/12/2018 (4Q18)</b>					
Revenue	50,380	519,360	18,832	5,140	593,712
Intercompany elimination	0	0	0	( 4,340)	( 4,340)
	50,380	519,360	18,832	800	589,372
Profit before tax	8,458	62,500	1,099	( 657)	71,400
PBT/Revenue %	16.79	12.03	5.84	na	12.12
<b>Preceding Quarter ended - 30/09/2018 (3Q18)</b>					
Revenue	46,125	505,778	21,025	4,694	577,622
Intercompany elimination	0	0	0	( 3,725)	( 3,725)
	46,125	505,778	21,025	969	573,897
Profit before tax	6,882	63,068	923	( 47)	70,826
PBT/Revenue %	14.92	12.47	4.39	na	12.34
<b>Comparison of quarters</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	9.23	2.69	( 10.43)	( 17.44)	2.70
Profit before tax	22.90	( 0.90)	19.07	na	0.81

**Comparison of Current Quarter ("4Q18") with immediate Preceding Quarter ("3Q18")**

On a quarter-on-quarter basis, Group revenues grew 2.70% to RM589.37 million in 4Q18 as compared with RM 573.90 million in the immediate preceding quarter. Profit before tax (PBT) increased to RM71.40 million from RM70.83 million in 3Q18.

The Gloves division recorded revenue of RM519.36 million, increasing 2.69% from RM505.78 million in 3Q18. Meanwhile, PBT eased slightly to RM62.50 million in 4Q18 compared with RM63.07 million in the immediate preceding quarter. The 4Q18 performance was achieved on the back of higher depreciation charges and start-up costs from the recently completed plants, while meaningful contributions from the latest Plant 17 (fully commissioned in November 2018) are only expected in the coming quarter. The demand for glove products continues to be strong with higher volume sold (+2.5%) in 4Q18 as compared with the immediate preceding quarter, with all plants operating at full capacity. In the current quarter under review, average selling prices were lower (-1.9%), in tandem with the decrease in nitrile (-9.50%) and natural rubber (-5.88%) prices as compared with 3Q18.

The TRPs division recorded revenue of RM50.38 million in the current quarter, an increase of 9.23% compared with the RM46.13 million recorded in 3Q18, while PBT increased 22.90% to RM8.46 million compared with RM6.88 million in the immediate preceding quarter. The better performance was mainly attributable to higher sales deliveries and sales of higher margin products.

The Cleanroom division recorded revenue and PBT of RM18.83 million and RM1.10 million respectively in 4Q18, as compared with from RM21.03 million and RM0.92 million in 3Q18.

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**Explanatory Notes****14.3 Current Year Prospects**

Demand for the Group's glove products continues to be strong. Capacity for the Group's latest Plant 17 (1.5 billion pieces) has been fully taken up, with meaningful contributions expected in the coming quarter.

Construction works for Plant 18 (2.5 billion pieces) and Plant 19 (3 billion pieces) are currently on-track, with expected full commissioning by the 2nd quarter of 2019 and 4th quarter of 2019 respectively.

Thereafter, the next phase of the Group's expansion will be centred on Bidor, Perak, which is currently in the planning stage, to commence in 2020 and to take eight years to complete. Additionally, the Group's landbanks in Bestari Jaya which measures approximately 56 acres and in Kuala Langat which measures approximately 98 acres, provides added flexibility and sustainability to the Group's expansion plans.

For the Technical Rubber Products division, the Group views this division as stable and is optimistic of the performance for 2019.

The year 2018 has been characterised by cost increases and a rising competitive environment, and the Group expects this year to be no different. Even against this backdrop, Kossan has continued to pursue its transformation and growth strategies. With the Group's expansion plans and new capacity coming on-stream, continued demand for our gloves, a clear focus on cost savings, product quality and innovation, as well as improvements in production technology and operating efficiency, Management is confident that FY2019 will be a growth year for the Group.

**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 period ended</b>		<b>Financial year ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax expense	12,812	15,060	41,946	39,724
Deferred taxation	( 2,445)	( 2,527)	2,083	4,354
	<u>10,367</u>	<u>12,533</u>	<u>44,029</u>	<u>44,078</u>

The effective income tax rate for the current quarter and financial year ended 31 December 2018 was lower than the statutory rate due to the availability of tax incentives.

**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 2018.

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**Explanatory Notes****14.7 Group Borrowings**

a) The Group borrowings as at 31 December 2018 were as follows:

	<b>Total Unsecured</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term</b>		
Revolving credit	79,450	78,595
Bankers' acceptances	116,846	90,194
Term loans due within 12 months	46,133	38,564
	<u>242,429</u>	<u>207,353</u>
<b>Long Term</b>		
Term loans due after 12 months	264,400	186,456
	<u>506,829</u>	<u>393,809</u>

Included in the above Group borrowings in foreign denomination were as follows:

	<b>As at</b>	<b>As at</b>
	<b>31/12/2018</b>	<b>31/12/2017</b>
Unsecured Short term – revolving credit		
Foreign currency	US\$10,000,000	US\$10,000,000
RM equivalent	RM 41,450,000	RM 40,595,000
Average exchange rate RM to US\$ 1.00	RM 4.1450	RM 4.0595

Other than the above, all the other borrowings were denominated in Ringgit Malaysia.

b) There were no debt securities for the financial year ended 31 December 2018.

**14.8 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.

**14.9 Earnings Per Share**

	<b>Current Quarter ended</b>		<b>Financial period ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</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>	59,514	45,907	200,784	182,061
<b>Basic earnings per share</b>				
Basic number of ordinary shares in issue ('000)	1,278,936	1,278,936	1,278,936	1,278,936
Basic earnings per share (sen)	4.65	3.59	15.70	14.24

On behalf of the Board

**Tan Sri Dato' Lim Kuang Sia**  
**Managing Director**  
**18 February 2019**