



KOSSAN RUBBER INDUSTRIES BHD

Company No. 48166-W

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	UNAUDITED AS AT 31/03/2019 RM '000	AUDITED AS AT 31/12/2018 RM '000
ASSETS		
Non-Current Assets		
Property, plant & equipment	1,295,188	1,267,931
Investment properties	5,223	5,223
Investment in joint venture	1,358	1,358
Other investments	398	398
Goodwill on consolidation	4,926	4,926
Intangible assets	1,639	1,639
Rights-of-use assets	9,249	0
Deferred tax assets	341	341
	<u>1,318,322</u>	<u>1,281,816</u>
Current Assets		
Inventories	255,103	249,007
Trade receivables	409,079	403,209
Derivative financial liabilities	0	723
Other receivables	41,643	50,887
Cash and bank balances	147,424	146,315
	<u>853,249</u>	<u>850,141</u>
TOTAL ASSETS	<u>2,171,571</u>	<u>2,131,957</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	323,885	323,885
Reserves	1,012,677	990,979
	<u>1,336,562</u>	<u>1,314,864</u>
Non-controlling interests	28,259	27,510
Total Equity	<u>1,364,821</u>	<u>1,342,374</u>
Non-Current Liabilities		
Loans and borrowings	218,650	228,400
Deferred tax liabilities	92,073	89,798
Lease liabilities	6,483	0
Finance lease liabilities	310	873
	<u>317,516</u>	<u>319,071</u>
Current Liabilities		
Trade and other payables	167,944	206,598
Derivative financial liabilities	0	0
Lease liabilities	3,192	0
Finance lease liabilities	1,497	978
Bank borrowings	251,136	196,296
Term loans	79,788	82,133
Taxation	-14,323	-15,493
	<u>489,234</u>	<u>470,512</u>
Total liabilities	<u>806,750</u>	<u>789,583</u>
TOTAL EQUITY AND LIABILITIES	<u>2,171,571</u>	<u>2,131,957</u>
Net assets per share (sen)	103	101

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2018



KOSSAN RUBBER INDUSTRIES BHD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of Company					Non-Controlling Interests	Total
	Share Capital	Translation Reserve	Capital Reserve	Retained earnings	Total		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Unaudited - for the period ended 31 March 2019							
At 01 January 2019	323,885	4,950	(240)	986,269	1,314,864	27,510	1,342,374
Dividends							
To owners of the Company	0	0	0	(38,368)	(38,368)	0	(38,368)
Foreign currency translation difference from foreign operations	0	1,343	0	0	1,343	0	1,343
Total comprehensive income for the period (cumulative)	0	0	0	58,723	58,723	749	59,472
At 31 March 2019	323,885	6,293	(240)	1,006,624	1,336,562	28,259	1,364,821
Unaudited - for the period ended 31 March 2018							
At 01 January 2018	323,885	6,513	(240)	824,864	1,155,022	23,249	1,178,271
Foreign currency translation difference from foreign operations	0	(377)	0	0	(377)	0	(377)
Total comprehensive income for the period (cumulative)	0	0	0	44,514	44,514	775	45,289
At 31 March 2018	323,885	6,136	(240)	869,378	1,199,159	24,024	1,223,183

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 2018


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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		UNAUDITED	AUDITED
	Current year Quarter 31/03/2019	Preceding Year Corresponding Quarter 31/03/2018	Current Year to Date 31/03/2019	Preceding Year to Date 31/03/2018
	RM '000	RM '000	RM '000	RM '000
Revenue	561,468	484,178	561,468	484,178
Operating expenses	(482,698)	(428,105)	(482,698)	(428,105)
Other operating income	951	884	951	884
Profit from operations	79,721	56,957	79,721	56,957
Finance cost	(4,643)	(3,925)	(4,643)	(3,925)
Profit before taxation	75,078	53,032	75,078	53,032
Taxation	(15,606)	(7,743)	(15,606)	(7,743)
Profit after taxation	59,472	45,289	59,472	45,289
Other comprehensive income, net of tax				
- Exchange difference translation	0	0	0	0
Total comprehensive income for the period	59,472	45,289	59,472	45,289
Attributable to:				
Equity shareholders of the Company	58,723	44,514	58,723	44,514
Non-controlling interests	749	775	749	775
	59,472	45,289	59,472	45,289
Total comprehensive income for the period attributable to:				
Equity shareholders of the Company	58,723	44,514	58,723	44,514
Non-controlling interests	749	775	749	775
	59,472	45,289	59,472	45,289
Earnings per share attributed to equity holders of the Company				
Basic (sen)	4.59	3.48	4.59	3.48

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 2018



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NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Current Quarter period ended 31/03/2019 RM '000	Current Financial year ended 31/03/2019 RM '000
Other operating income		
Interest income	313	313
Rental income	46	46
Other income	592	592
Gain/(loss) in disposal of assets	-	-
Bad debts recovered	-	-
	951	951
Interest expenses	4,643	4,643
Depreciation	23,211	23,211
Provision for/write off of receivables	-	-
Provision for/write off of inventories	-	-
Gain/(loss) on disposal of unquoted investment	-	-
Gain/(loss) on disposal of properties	-	-
Impairment of assets	-	-
Foreign exchange gain/(loss) - realised	-	-
Foreign exchange gain/(loss) - unrealised	650	650
Gain/ (loss) on derivatives - unrealised	-	-
Exceptional items	-	-



KOSSAN RUBBER INDUSTRIES BHD

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Year to date ended 31/03/2019 RM '000	Year to date ended 31/03/2018 RM '000
Net profit before taxation	75,078	53,032
Adjustment for non-cash items		
Depreciation	23,211	18,193
Interest income	(313)	(272)
Interest expenses	4,643	3,295
Foreign exchange gain/(loss) - unrealised	(650)	541
Operating profit before changes in working capital	101,969	74,789
Changes in Working Capital		
Net change in current assets	420	13,775
Net change in current liabilities	(38,654)	(11,714)
Cash from operating activities	63,735	76,850
Dividends paid	(38,368)	(31,975)
Interest expenses	(4,643)	(3,295)
Interest income	313	272
Taxation paid	(12,161)	(2,887)
Net cash from operating activities	8,876	38,965
Investing activities		
Acquisition of property, plant and equipment	(50,468)	(125,152)
	(41,592)	(86,187)
Financing activities		
Additional/(Repayment) of finance lease liabilities	(44)	(1,287)
Additional/(Repayment) of bank borrowings	42,745	27,338
Net change in cash & cash equivalent	1,109	(60,136)
Cash & cash equivalent at beginning of year	146,315	210,274
Cash & cash equivalent at end of the period	147,424	150,138
Cash & cash equivalent at end of the period		
Cash & bank balances	103,084	22,338
Short term deposits with licensed banks	44,340	127,908
	147,424	150,246
Less Deposits pledged to banks	0	(108)
	147,424	150,138

The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2018

**KOSSAN RUBBER INDUSTRIES BHD**

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INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2019**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 1/1/2019 inclusive of those adopted for the audited financial statements for the year ended 31 December 2018.

2. Annual Audit Report

The audit report of the audited financial statements for the year ended 31 December 2018 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 period ended 31 March 2019.

5. Changes in Material Estimates

There were no significant changes in estimates used in the current quarter and financial period ended 31 March 2019.

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 31 March 2019.

7. Dividend

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.

On 12 April 2019, the directors recommended a final tax exempt dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2018. This dividend was approved at the 2019 Annual General Meeting and the amount of RM 38,368,074 will be paid on 21 June 2019.

There were no other dividends declared or paid in the current quarter and financial period ended 31 March 2019.

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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	
Quarter and financial period ended - 31/03/2019					
Revenue	46,678	496,988	17,110	4,416	565,192
Intercompany elimination	0	0	0	(3,724)	(3,724)
	46,678	496,988	17,110	692	561,468
Profit before taxation	6,811	67,961	575	(269)	75,078
Quarter and financial period ended - 31/03/2018					
Revenue	43,576	419,311	20,372	4,644	487,903
Intercompany elimination	0	0	0	(3,725)	(3,725)
	43,576	419,311	20,372	919	484,178
Profit before taxation	5,042	47,468	416	106	53,032

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 April 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 period ended 31 March 2019.

12. Contingent Liabilities

As at 31 March 2019, the Company has unsecured outstanding contingent liabilities amounting to RM549.574 million (31 Dec 2018: RM491.255 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	
	31/03/2019 RM'000	31/12/2018 RM'000
Property, plant and equipment		
Within one year: Contracted but not provided	7,734	7,734

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

	Current Quarter Financial period ended		Changes %
	31/03/19 RM '000	31/03/18 RM '000	
Revenue	561,468	484,178	15.96
Operating profit	79,721	56,957	39.97
Profit Before Interest and Tax	79,721	56,957	39.97
Profit before tax	75,078	53,032	41.57
Profit after tax	59,472	45,289	31.32
Profit attributed To Ordinary Equity Shareholders	58,723	44,514	31.92

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
Quarter and financial period ended - 31/03/2019					
Revenue	46,678	496,988	17,110	4,416	565,192
Intercompany elimination	0	0	0	(3,724)	(3,724)
	46,678	496,988	17,110	692	561,468
Profit before taxation	6,811	67,961	575	(269)	75,078
PBT/Revenue %	14.59	13.68	3.36	(38.87)	13.37
- 31/03/2018					
Revenue	43,576	419,311	20,372	4,644	487,903
Intercompany elimination	0	0	0	(3,725)	(3,725)
	43,576	419,311	20,372	919	484,178
Profit before taxation	5,042	47,468	416	106	53,032
PBT/Revenue %	11.57	11.32	2.04	11.53	10.95
Comparison of financial period					
Percentage change	%	%	%	%	%
Revenue	7.12	18.52	(16.01)	(24.70)	15.96
Profit before tax	35.09	43.17	38.22	na	41.57

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Explanatory Notes**Additional Information required by MMLR.****14.1 Review of Results (continue)****Comparison of Current quarter and financial period to date ("1QFY2019") with Preceding year quarter and financial period to date ("1QFY2018")**

For the quarter and financial period ended 31 March 2019, the Group recorded revenue of RM 561.47 million, an increase of 15.96% as compared with RM 484.18 million in the corresponding period last year. Profit before taxation (PBT) rose 41.57% to RM75.08 million as compared with RM53.03 million in 2018. The better performance was attributable to improvements in all three divisions - Gloves, Technical Rubber Products and Cleanroom.

The Gloves division's revenue rose 18.52% to RM496.99 million as compared with RM419.31 million in 2018, with PBT increasing by 43.17% to RM67.96 million compared with RM47.47 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 volume sold (+18.8%) from increased production output as compared with the previous year corresponding period.

The TRPs division's revenue rose 7.12% to RM46.68 million as compared with RM43.58 million in 2018, with PBT increasing by 35.09% to RM6.81 million from RM5.04 million recorded in the previous year corresponding period. The better performance was mainly attributable to higher sales deliveries, favourable raw materials prices and sales of higher margin products.

The Cleanroom division recorded revenue and PBT of RM17.11 million and RM0.58 million respectively in the current period under review, as compared with revenue and PBT of RM20.37 and RM0.42 million respectively in 2018.

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 31/03/2019 RM '000	Immediate Preceding Quarter 31/12/2018 RM '000	Changes %
Revenue	561,468	589,372	(4.73)
Operating profit	79,721	76,726	3.90
Profit Before Interest and Tax	79,721	76,726	3.90
Profit before tax	75,078	71,400	5.15
Profit after tax	59,472	61,033	(2.56)
Profit attributed To Ordinary Equity Shareholders	58,723	59,514	(1.33)

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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
Current Quarter ended - 31/03/2019 (1Q19)					
Revenue	46,678	496,988	17,110	4,416	565,192
Intercompany elimination	0	0	0	(3,724)	(3,724)
	46,678	496,988	17,110	692	561,468
Profit before taxation	6,811	67,961	575	(269)	75,078
PBT/Revenue %	14.59	13.68	3.36	(38.87)	13.37
Preceding Quarter ended - 31/12/2018 (4Q18)					
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
Comparison of quarters					
Percentage change	%	%	%	%	%
Revenue	(7.35)	(4.31)	(9.14)	(13.50)	(4.73)
Profit before tax	(19.47)	8.74	(47.68)	59.06	5.15

Comparison of Current Quarter ("1Q19") with immediate Preceding Quarter ("4Q18")

On a quarter-on-quarter basis, the Group recorded revenue of RM561.47 million in 1Q19 as compared with RM 589.37 million in the immediate preceding quarter. Profit before tax (PBT) rose 5.15% to RM75.08 million from RM71.40 million in 4Q18. The higher PBT was attributable to the improved earnings of the Gloves division.

The Gloves division recorded revenue of RM496.99 million in 1Q19, easing 4.31% from RM519.36 million in 4Q18. PBT however rose 8.74% to RM67.96 million in 1Q19 compared with RM63.07 million in the immediate preceding quarter. The improved earnings were achieved on the back of continued strong demand for the Group's glove products, with higher volume sold (+4.68%) as compared with 4Q18.

The TRPs division recorded revenue of RM46.68 million in the current quarter, a decrease of 7.35% as compared with RM50.38 million in 4Q18, while PBT decreased 19.47% to RM6.81 million as compared with RM8.46 million in the immediate preceding quarter. PBT was lower mainly due to lower deliveries and increase in raw material prices (SMR10 +8.16%).

The Cleanroom division recorded revenue and PBT of RM17.11 million and RM0.58 million respectively in 1Q19, as compared with RM18.83 million and RM1.11 million in 4Q18.

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Explanatory Notes**14.3 Current Year Prospects**

The demand for gloves remains resilient. Global demand is projected to grow to 300 billion pieces of gloves in 2019 (source: MARGMA) (2018: 268 billion pieces). The operating environment remains challenging, however the Group's manufacturing plants continue to operate at full capacity.

Plant 18 (2.5 billion pieces) and Plant 19 (3 billion pieces) are set to be fully commissioned by the 3rd quarter and 4th quarter of 2019 respectively.

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

Despite rising costs and heightened competition, Kossan has continued to pursue its transformation and growth strategies, focusing on cost savings 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

	Current Quarter and Financial period ended	
	31/03/2019	31/03/2018
	RM'000	RM'000
Tax expense	13,331	6,148
Deferred taxation	2,275	1,595
	<u>15,606</u>	<u>7,743</u>

The effective income tax rate for the current quarter and financial period ended 31 March 2019 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 period ended 31 March 2019.

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Explanatory Notes**14.7 Group Borrowings**

a) The Group borrowings as at 31 March 2019 were as follows:

	Total Unsecured	
	As at	As at
	31/03/2019	31/12/2018
	RM'000	RM'000
Short Term		
Revolving credit	128,765	79,450
Bankers' acceptances	122,371	116,846
Term loans due within 12 months	79,788	82,133
	<u>330,924</u>	<u>278,429</u>
Long Term		
Term loans due after 12 months	218,650	228,400
	<u>549,574</u>	<u>506,829</u>

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

	As at	As at
	31/03/2019	31/12/2018
Unsecured Short term – revolving credit		
Foreign currency	US\$10,000,000	US\$10,000,000
RM equivalent	RM 40,765,000	RM 41,415,000
Average exchange rate RM to US\$ 1.00	RM 4.0765	RM 4.1450

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

b) There were no debt securities for the financial period ended 31 March 2019.

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

	Current Quarter	
	Financial period ended	
	31/03/2019	31/03/2018
	RM'000	RM'000
Profit after tax and minority interest	58,723	44,514
Basic earnings per share		
Basic number of ordinary shares in issue ('000)	1,278,936	1,278,936
Basic earnings per share (sen)	<u>4.59</u>	<u>3.48</u>

On behalf of the Board

Tan Sri Dato' Lim Kuang Sia
Managing Director
24 May 2019