


**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	UNAUDITED AS AT 30/06/2020 RM '000	AUDITED AS AT 31/12/2019 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant & equipment	1,205,026	1,206,888
Investment properties	5,223	101,921
Asset held for sale	96,698	0
Investment in joint venture	1,355	1,355
Other investments	398	398
Goodwill on consolidation	4,926	4,926
Rights-of-use assets	119,531	108,761
Deferred tax assets	13,399	13,399
	<b>1,446,556</b>	<b>1,437,648</b>
<b>Current Assets</b>		
Inventories	336,843	321,525
Trade receivables	445,405	395,816
Derivative financial assets	3,081	2,349
Other receivables	39,086	35,554
Cash and bank balances	376,513	162,250
	<b>1,200,928</b>	<b>917,494</b>
<b>TOTAL ASSETS</b>	<b>2,647,484</b>	<b>2,355,142</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	323,885	323,885
Reserves	1,258,552	1,100,405
	<b>1,582,437</b>	<b>1,424,290</b>
Non-controlling interests	28,483	26,721
<b>Total Equity</b>	<b>1,610,920</b>	<b>1,451,011</b>
<b>Non-Current Liabilities</b>		
Loans and borrowings	141,942	163,291
Deferred tax liabilities	96,883	93,033
Lease liabilities	9,294	9,294
	<b>248,119</b>	<b>265,618</b>
<b>Current Liabilities</b>		
Trade and other payable	372,945	253,178
Derivative financial liabilities	0	0
Lease liabilities	15,159	3,582
Bank borrowings	353,820	324,743
Term loans	60,700	77,200
Taxation	-14,179	-20,190
	<b>788,445</b>	<b>638,513</b>
<b>Total liabilities</b>	<b>1,036,564</b>	<b>904,131</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,647,484</b>	<b>2,355,142</b>
<b>Net assets per share (sen)</b>	<b>123.35</b>	<b>110.98</b>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2019.



**KOSSAN RUBBER INDUSTRIES BHD**  
**Company No. 48166-W**  
**(Incorporated in Malaysia)**

**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
<b>Unaudited - for the period ended 30 June 2020</b>							
<b>At 01 January 2020</b>	323,885	5,148	(397)	1,095,654	1,424,290	26,721	1,451,011
<b>Dividends To owners of the Company</b>	0	0	0	(38,368)	(38,368)	0	(38,368)
<b>Foreign currency translation difference from foreign operations</b>	0	655	0	0	655	0	655
<b>Total comprehensive income for the period (cumulative)</b>	0	0	0	195,860	195,860	1,762	197,622
<b>At 30 June 2020</b>	323,885	5,803	(397)	1,253,146	1,582,437	28,483	1,610,920
<b>Unaudited - for the period ended 30 June 2019</b>							
<b>At 01 January 2019</b>	323,885	4,950	(240)	986,269	1,314,864	27,510	1,342,374
<b>Dividends To owners of the Company</b>	0	0	0	(76,736)	(76,736)	0	(76,736)
<b>Foreign currency translation difference from foreign operations</b>	0	1,940	0	0	1,940	0	1,940
<b>Total comprehensive income for the period (cumulative)</b>	0	0	0	114,607	114,607	1,575	116,182
<b>At 30 June 2019</b>	323,885	6,890	(240)	1,024,140	1,354,675	29,085	1,383,760

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 2019.


**KOSSAN RUBBER INDUSTRIES BHD**

Company No. 48166-W  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>INDIVIDUAL PERIOD</b>		<b>CUMULATIVE PERIOD</b>	
	Current year Quarter 30/06/2020 <b>RM '000</b>	Preceding Year Corresponding Quarter 30/06/2019 <b>RM '000</b>	Current Year to Date 30/06/2020 <b>RM '000</b>	Preceding Year to Date 30/06/2019 <b>RM '000</b>
<b>Revenue</b>	701,680	550,533	1,313,144	1,112,001
Operating expenses	(539,215)	(476,577)	(1,066,628)	(959,273)
Other operating income	1,777	1,270	3,998	2,221
Profit from operations	164,242	75,226	250,514	154,949
Finance cost	(3,406)	(5,246)	(7,144)	(9,889)
<b>Profit before taxation</b>	160,836	69,980	243,370	145,060
Taxation	(28,484)	(13,271)	(45,748)	(28,878)
<b>Profit after taxation</b>	132,352	56,709	197,622	116,182
<b>Other comprehensive income, net of tax</b>				
- Exchange difference translation	0	0	0	0
<b>Total comprehensive income for the period/yea</b>	132,352	56,709	197,622	116,182
<b>Attributable to:</b>				
Equity shareholders of the Company	131,057	55,883	195,860	114,607
Non-controlling interests	1,295	826	1,762	1,575
	132,352	56,709	197,622	116,182
<b>Total comprehensive income for the period/year attributable to:</b>				
Equity shareholders of the Company	131,057	55,883	195,860	114,607
Non-controlling interests	1,295	826	1,762	1,575
	132,352	56,709	197,622	116,182
<b>Earnings per share attributed to equity holders of the Company</b>				
Basic/diluted (sen)	10.25	4.37	15.31	8.96

**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 2019**



**KOSSAN RUBBER INDUSTRIES BHD**

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

	Current Quarter Period ended 30/06/2020 RM '000	Current Financial Period ended 30/06/2020 RM '000
<b>Other operating income</b>		
Interest income	1,010	2,010
Rental income	153	274
Other income	614	1,714
Gain/(loss) in disposal of assets	-	-
Bad debts recovered	-	-
	<b>1,777</b>	<b>3,998</b>
<b>Interest expenses</b>	<b>3,406</b>	<b>7,144</b>
<b>Depreciation</b>	<b>25,566</b>	<b>50,936</b>
<b>Provision for/write off of receivables</b>	<b>-</b>	<b>-</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>(976)</b>	<b>2,964</b>
<b>Foreign exchange gain/(loss) - unrealised</b>	<b>(15,854)</b>	<b>(1,701)</b>
<b>Gain/ (loss) on derivatives - unrealised</b>	<b>16,581</b>	<b>3,081</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 30/06/2020 RM '000	Year to date ended 30/06/2019 RM '000
<b>Net profit before taxation</b>	243,370	145,060
<b>Adjustment for non-cash items</b>		
Depreciation	50,936	45,376
Interest income	(2,010)	(764)
Interest expenses	7,144	9,889
Gain/(loss) from disposal of fixed assets	0	0
Impairment loss on trade receivables	0	0
Foreign exchange gain/(loss) - unrealised	1,701	(808)
Gain/(loss) on derivatives - unrealised	(3,081)	(1,025)
Share of losses of equity-accounted joint venture, net of tax	0	0
Impairment of assets	0	0
<b>Operating profit before changes in working capital</b>	298,060	197,728
<b>Changes in Working Capital</b>		
Net change in current assets	(69,410)	23,962
Net change in current liabilities	122,848	(55,927)
<b>Cash from operating activities</b>	351,498	165,763
Dividends paid	(38,368)	(76,736)
Interest expenses	(7,144)	(9,889)
Interest income	2,010	764
Taxation paid	(35,887)	(24,974)
<b>Net cash from operating activities</b>	272,109	54,928
<b>Investing activities</b>		
Proceed from disposal of fixed assets	0	0
Acquisition of additional investments in subsidiary	0	0
Acquisition of property, plant and equipment	(49,074)	(122,754)
	223,035	(67,826)
<b>Financing activities</b>		
Additional/(Repayment) of finance lease liability	0	(439)
Additional/(Repayment) of bank borrowings	(8,772)	75,078
<b>Net change in cash &amp; cash equivalent</b>	214,263	6,813
<b>Effect of exchange rate fluctuations on cash held</b>	0	0
<b>Cash &amp; cash equivalent at beginning of year</b>	162,250	146,315
<b>Cash &amp; cash equivalent at end of the period</b>	376,513	153,128
<b>Cash &amp; cash equivalent at end of the period</b>		
Cash & bank balances	179,766	111,647
Short term deposits with licensed banks	196,747	41,481
	376,513	153,128
Less Deposits pledged to banks	0	0
	376,513	153,128

**The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2019**



## **KOSSAN RUBBER INDUSTRIES BHD**

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### **INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020**

#### **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 1/1/2020 inclusive of those adopted for the audited financial statements for the year ended 31 December 2019.

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

The audit report of the audited financial statements for the year ended 31 December 2019 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 30 June 2020.

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

There were no significant changes in estimates used in the current quarter and financial period ended 30 June 2020.

##### **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 2020.

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

On 23 December 2019, the directors approved an interim tax exempt dividend of 3.0 sen per ordinary share for the financial year ending 31 December 2019. The dividend of RM 38,368,074 was paid on 20 January 2020.

On 21 May 2020 the directors approved a second interim tax exempt dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2019. The dividend of RM 38,368,074 was paid on 19 June 2020.

There were no other dividends declared or paid in the current quarter and financial period ended 30 June 2020.

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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 period ended</b>					
<b>- 30/06/2020</b>					
Revenue	63,526	1,178,815	70,096	54,652	1,367,089
Intercompany elimination	0	0	0	( 53,945)	( 53,945)
	63,526	1,178,815	70,096	707	1,313,144
Profit before tax	4,973	227,743	10,410	244	243,370
<b>- 30/06/2019</b>					
Revenue	89,397	986,442	34,767	8,844	1,119,450
Intercompany elimination	0	0	0	( 7,449)	( 7,449)
	89,397	986,442	34,767	1,395	1,112,001
Profit before tax	14,261	129,870	1,206	( 277 )	145,060
<b>Quarter ended</b>					
<b>- 30/06/2020</b>					
Revenue	25,136	630,568	45,564	46,389	747,657
Intercompany elimination	0	0	0	(45,977)	( 45,977)
	25,136	630,568	45,564	412	701,680
Profit before tax	1,518	150,612	8,569	137	160,836
<b>- 30/06/2019</b>					
Revenue	42,720	489,454	17,657	4,427	554,258
Intercompany elimination	0	0	0	( 3,725 )	( 3,725)
	42,720	489,454	17,657	702	550,533
Profit before tax	7,450	61,908	630	( 8 )	69,980

**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**

On 01 April 2020, Ideal Quality Sdn Bhd, a subsidiary of the Company entered into a conditional sale and purchase agreement ("SPA0104") for the disposal of its vacant freehold industrial land measuring approximately 390,397 sq. metres (4,202,194.27 sq.ft) ("Land") in the District of Kuala Langat, State of Selangor for a total cash consideration of RM153,380,091.00. The audited net book value of this land as at 31 December 2019 was RM 96,697,695.00. This SPA0104 is pending completion at the date of this announcement.

On 18 May 2020, Perusahaan Getah Asas Sdn Bhd, a subsidiary of the Company entered into a sale and purchase agreement ("SPA1805") with Improgen Sdn Bhd, a related party company (under Chapter 10 of Listing Requirements), for the acquisition of the vacant freehold industrial land measuring approximately 11,314 square metres in the District of Klang, State of Selangor for a total cash consideration of RM6,570,000.00. This SPA1805 was completed on 29 July 2020.

On 6 July 2020, Ideal Quality Sdn Bhd, a subsidiary of the Company, entered into a sale and purchase agreement ("SPA0607") with Advance Boilers Sdn Bhd for the acquisition of the freehold industrial property measuring approximately 4.0494 hectares located at Lot 6074, Jalan Haji Abdul Manan, Meru, 42200 Kapar, Selangor Darul Ehsan ("Property") for a total cash consideration of RM 40,000,000.00. This SPA0607 is pending completion at the date of this announcement.

There were no other significant event that has occurred between 01 July 2020 and the date of this announcement which will materially affect the earnings or income of the Group.

**KOSSAN RUBBER INDUSTRIES BHD**

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**Explanatory Notes****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 2020.

**12. Contingent Liabilities**

As at 30 June 2020, the Company has unsecured outstanding contingent liabilities amounting to RM556.462 million (31 Dec 2019: RM664.001 million) being corporate guarantees given to financial institutions for banking facilities granted to certain subsidiaries.

**13. Capital and other Commitments**

	<b>As at financial period ended</b>	
	<b>30/06/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
Within one year: Contracted but not provided	<u>5,913</u>	<u>nil</u>

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

	<b>Individual Period (2<sup>nd</sup> Quarter)</b>			<b>Cumulative Period</b>		
	<b>Current Year Quarter 30/06/20 RM '000</b>	<b>Preceding Year Corresponding Quarter 30/06/19 RM '000</b>	<b>Changes %</b>	<b>Current Year to-date 30/06/20 RM '000</b>	<b>Preceding Year Corresponding Period 30/06/19 RM '000</b>	<b>Changes %</b>
Revenue	701,680	550,533	27.45	1,313,144	1,112,001	18.09
Operating profit	164,242	75,226	118.33	250,514	154,949	61.68
Profit Before						
Interest and Tax	164,242	75,226	118.33	250,514	154,949	61.68
Profit before tax	160,836	69,980	129.83	243,370	145,060	67.77
Profit after tax	132,352	56,709	133.39	197,622	116,182	70.10
Profit attributed						
To Ordinary Equity						
Shareholders	131,057	55,883	134.52	195,860	114,607	70.90



**KOSSAN RUBBER INDUSTRIES BHD**

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

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
<b>Financial period ended</b>					
<b>- 30/06/2020</b>					
Revenue	63,526	1,178,815	70,096	54,652	1,367,089
Intercompany elimination	0	0	0	( 53,945 )	( 53,945 )
	63,526	1,178,815	70,096	707	1,313,144
Profit before tax	4,973	227,743	10,410	244	243,370
PBT/Revenue %	7.83	19.32	14.85	34.51	18.53
<b>- 30/06/2019</b>					
Revenue	89,397	986,442	34,767	8,844	1,119,450
Intercompany elimination	0	0	0	( 7,449 )	( 7,449 )
	89,397	986,442	34,767	1,395	1,112,001
Profit before tax	14,261	129,870	1,206	( 277 )	145,060
PBT/Revenue %	15.95	13.17	3.47	( 19.86 )	13.05
<b>Comparison of financial period</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	( 28.94 )	19.50	101.62	( 49.32 )	18.09
Profit before tax	( 65.13 )	75.36	763.18	na	67.77

	Divisions				
	Technical Rubber RM '000	Gloves RM '000	Clean-Room RM '000	Investment Holding RM '000	Total RM '000
<b>Financial period ended</b>					
<b>Quarter ended</b>					
<b>- 30/06/2020</b>					
Revenue	25,136	630,568	45,564	46,389	747,657
Intercompany elimination	0	0	0	(45,977)	( 45,977 )
	25,136	630,568	45,564	412	701,680
Profit before tax	1,518	150,612	8,569	137	160,836
PBT/Revenue %	6.04	23.89	18.81	33.25	22.92
<b>- 30/06/2019</b>					
Revenue	42,720	489,454	17,657	4,427	554,258
Intercompany elimination	0	0	0	( 3,725 )	( 3,725 )
	42,720	489,454	17,657	702	550,533
Profit before tax	7,450	61,908	630	( 8 )	69,980
PBT/Revenue %	17.44	12.65	3.57	na	12.71
<b>Comparison of financial period</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	( 41.16 )	28.83	158.05	( 41.31 )	27.45
Profit before tax	( 79.62 )	143.28	1260.16	na	129.83

**KOSSAN RUBBER INDUSTRIES BHD**

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**Explanatory Notes****14.1 Review of Results (continue)****Additional Information required by MMLR.****Comparison of Current financial period to date ("1H20") with Preceding year corresponding financial period to date ("1H19")**

For the 1<sup>st</sup> half of financial year ending 31 December 2020, the Group's revenue increased by 18.09% to RM1,313.14 million as compared with RM1,112.00 million in 1H19. Profit before taxation (PBT) rose 67.77% to RM243.37 million in 1H20 as compared with RM145.06 million for the corresponding period last year. The improved year-to-date performance was mainly attributable to the improved performance in the Gloves and Cleanroom divisions.

The Gloves division's revenue rose 19.50% to RM1,178.82 million in 1H20 as compared with RM986.44 million in 1H19. PBT rose 75.36% to RM227.74 million as compared with RM129.87 million recorded in the corresponding period last year. The improved performance was achieved on the back of demand growth for the Group's glove products, with higher volume sold (+14.03%) from increased production output and better average selling price.

The TRPs division recorded revenue of RM63.53 million in 1H20, easing 28.94% as compared with RM89.40 million in the corresponding period last year. PBT eased 65.13% to RM4.97 million as compared with RM14.26 million in the previous year corresponding period. The performance in the current period was weaker as expected, impacted by the imposition of the Movement Control Order (MCO) which had disrupted the division's operations, as well as the slowdown in the infrastructure and automotive industry due to the COVID-19 pandemic.

The Cleanroom division grew revenue and PBT by 101.62% and 763.18% respectively to RM70.10 million and RM10.41 million in 1H20, as compared with RM34.77 million and RM1.21 million in 1H19. The improved performance was mainly attributable to the increase in the demand for the division's products as a result of the COVID-19 pandemic.

**Comparison of Current quarter ("2Q20") with Preceding year corresponding quarter ("2Q19")**

For the 2nd quarter ended 30 June 2020, the Group's revenue increased by 27.45% to RM701.68 million as compared with RM550.53 million in 2Q19. Profit before taxation (PBT) rose 129.83% to RM160.85 million as compared with RM69.98 million in the corresponding quarter last year. The performance was mainly attributable to the improvement in the Gloves and Cleanroom division.

The Gloves division's revenue increased 28.83% to RM630.57 million in 2Q20 from RM489.45 million in 2Q19, while PBT rose 143.28% to RM150.61 million in the current quarter as compared with RM61.91 million from a year ago. The improved performance was mainly attributable to the higher volume sold (+21.1%) and better average selling price as compared with 2Q19.

The TRPs division recorded revenue of RM25.14 million in the current quarter, easing 41.16% as compared with RM42.72 million in 2Q19. PBT eased 79.62% to RM1.52 million as compared with RM7.45 million from a year ago. The performance in the current quarter was weaker as expected, impacted by the imposition of the Movement Control Order (MCO) which had disrupted the division's operations, as well as the slowdown in the infrastructure and automotive industry due to the COVID-19 pandemic.

The Cleanroom division grew revenue and PBT by 158.05% and 1260.16% respectively to RM45.56 million and RM8.57 million in 2Q20, as compared with RM17.66 million and RM0.63 million in 2Q19. The improved performance was mainly attributable to the increase in the demand for the division's products as a result of the COVID-19 pandemic.

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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.**

	<b>Current Quarter 30/06/2020 RM '000</b>	<b>Immediate Preceding Quarter 31/03/2020 RM '000</b>	<b>Changes %</b>
Revenue	701,680	611,465	14.75
Operating profit	164,242	86,272	90.38
Profit Before Interest and Tax	164,242	86,272	90.38
Profit before tax	160,836	82,534	94.87
Profit after tax	132,352	65,270	102.78
Profit attributed To Ordinary Equity Shareholders	131,057	64,803	102.24

	<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>Current Quarter ended - 30/06/2020 (2Q20)</b>					
Revenue	25,136	630,568	45,564	46,389	747,657
Intercompany elimination	0	0	0	(45,977)	( 45,977)
	25,136	630,568	45,564	412	701,680
Profit before tax	1,518	150,612	8,569	137	160,836
PBT/Revenue %	6.04	23.89	18.81	33.25	22.92
<b>Preceding Quarter ended - 31/03/2020 (1Q20)</b>					
Revenue	38,391	548,247	24,532	8,263	619,433
Intercompany elimination	0	0	0	( 7,968)	( 7,968)
	38,391	548,247	24,532	295	611,465
Profit before tax	3,455	77,130	1,842	107	82,534
PBT/Revenue %	9.00	14.07	7.51	36.27	13.50
<b>Comparison of quarters</b>					
<b>Percentage change</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Revenue	( 34.53)	15.02	85.73	39.66	14.75
Profit before tax	( 56.06)	95.27	365.20	28.04	94.87

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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)****Comparison of Current Quarter (“2Q20”) with immediate Preceding Quarter (“1Q20”)**

The Group recorded revenue of RM701.68 million in 2Q20, rising 14.75% as compared with RM 611.47 million in the immediate preceding quarter. PBT rose 94.87% to RM160.84 million from RM82.53 million in 1Q20. The performance was mainly attributable to the improvement in the Gloves and Cleanroom division.

The Gloves division recorded revenue of RM630.57 million in 2Q20, rising 15.02% from RM548.25 million in 1Q20. PBT rose 95.27% to RM150.61 million in 2Q20 as compared with RM77.13 million in the immediate preceding quarter. The improved performance was mainly attributable to the higher volume sold (+6.0%) and better average selling price as compared with 1Q20.

The TRPs division recorded revenue of RM25.14 million in the current quarter, easing 34.53% as compared with RM38.39 million in 1Q20. PBT eased 56.06% to RM1.52 million as compared with RM3.46 million in the immediate preceding quarter. The performance in the current quarter was weaker as expected, impacted by the imposition of the Movement Control Order (MCO) which had disrupted the division’s operations, as well as the slowdown in the infrastructure and automotive industry due to the COVID-19 pandemic.

The Cleanroom division grew revenue and PBT by 85.73% and 365.20% respectively to RM45.56 million and RM8.57 million in 2Q20, as compared with RM24.53 million and RM1.84 million in 1Q20. The improved performance was mainly attributable to the increase in the demand for the division’s products as a result of the COVID-19 pandemic.

**14.3 Current Year Prospects**

The COVID-19 pandemic has had a significant impact on the world economy. In June 2020, the International Monetary Fund in its latest World Economic Outlook (“WEO”) report has revised the global growth for 2020 to -4.9% (April 2020 WEO: -3.0%) indicating a more negative impact than anticipated, with a recovery that is projected to be more gradual than previously forecasted.

Against this backdrop however, the need for personal protective equipment, including rubber gloves has increased significantly. In its July 2020 industry briefing, the Malaysian Rubber Glove Manufacturers Association (“MARGMA”) projected global glove demand to grow 20% to 330 billion pieces in 2020 (2019: 298 billion pieces), with Malaysia expected to export 220 billion pieces of gloves valued at RM21.8 billion in the current year compared with 170 billion pieces worth RM17.4 billion in 2019.

The Technical Rubber Products division has been impacted by the Movement Control Order as well as the slowdown in the infrastructure and automotive industry as a result of the pandemic. However, the TRP’s division only constitutes less than 4% of revenue currently. The division has since resumed full operations after the government began easing the lockdown measures and the Group expects this division will remain profitable.

For the Gloves division, the COVID-19 outbreak started in China and subsequently spread to Europe and the USA in March 2020. New cases continue to be high with concerns of a second wave occurring as countries around the world reopen their economies. As a result, the demand for protective gloves grew exponentially, leading to a supply-demand imbalance. With our selling prices for gloves quoted 45-60 days before delivery, the increase in prices started to be reflected in June 2020 and we will definitely see a significant quarter-on-quarter increase in average selling prices in the 3<sup>rd</sup> quarter and especially in the 4<sup>th</sup> quarter of FY2020.

Premised on the above and with additional capacity of around 15% - 20%, management is confident of a further step-up in revenue and profit growth on a quarter-on-quarter basis in the 3<sup>rd</sup> quarter and more significantly in the 4<sup>th</sup> quarter of FY2020.

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**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 period ended</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax expense - current	26,734	10,971	42,248	24,303
Deferred taxation	1,750	2,300	3,500	4,575
	<u>28,484</u>	<u>13,271</u>	<u>45,748</u>	<u>28,878</u>

The effective income tax rate for the current quarter and financial period ended 30 June 2020 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 30 June 2020.

**14.7 Group Borrowings**

a) The Group borrowings as at 30 June 2020 were as follows:

	<b>Total Unsecured</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term</b>		
Revolving credit	227,845	229,017
Bankers' acceptance	125,975	95,726
Term loans due within 12 months	<u>60,700</u>	<u>77,200</u>
	<u>414,520</u>	<u>401,943</u>
<b>Long Term</b>		
Term loans due after 12 months	<u>141,942</u>	<u>163,291</u>
	<u>556,462</u>	<u>565,234</u>

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

	<b>As at</b>	<b>As at</b>
	<b>30/06/2020</b>	<b>31/12/2019</b>
Unsecured Short term – revolving credit		
Foreign currency	<u>US\$10,000,000</u>	<u>US\$10,000,000</u>
RM equivalent	<u>RM 42,845,000</u>	<u>RM 41,018,000</u>
Average exchange rate RM to US\$ 1.00	<u>RM 4.2845</u>	<u>RM 4.1018</u>

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

b) There were no debt securities for the financial period ended 30 June 2020.

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**14.8 Derivative Financial assets/(liabilities)**

	As at 30/06/2020			As at 31/12/2019		
	Nominal			Nominal		
	Value RM'000	Assets RM'000	Liabilities RM'000	Value RM'000	Assets RM'000	Liabilities RM'000
<b>Group</b>						
Derivatives at fair value through profit and loss						
-Forward foreign exchange contracts	336,767	3,081	-	207,097	2,349	-

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables 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.

**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 Earnings Per Share**

	Current Quarter ended 30/06/2020		Financial period ended 30/06/2020	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
<b>Profit after tax and minority interest</b>	131,057	55,883	195,860	114,607
<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)	10.25	4.37	15.31	8.96

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**  
**Managing Director**  
**25 August 2020**