

KOSSAN RUBBER INDUSTRIES BHD. (48166-W)

MINUTES of the 38th Annual General Meeting (AGM) of the Company held at Function Room 8, Mezzanine Floor, Setia City Convention Centre, 1 Jalan Setia Dagang AG U13, Setia Alam, Seksyen U13, 40170 Shah Alam on Tuesday, 22 May 2018 at 10.32 a.m.

PRESENT : Mohamed Shafeii Bin Abdul Gaffoor -Chairman

Directors:
Tan Sri Dato' Lim Kuang Sia -Managing Director
Lim Leng Bung
Tan Kong Chang
Lim Siau Tian
Lim Siau Hing
Lim Ooi Chow
Lee Choo Hock
Hoh Kim Hyan

Shareholders / Proxies -As per attendance lists

IN ATTENDANCE: Chia Ong Leong -Company Secretary

1. QUORUM

The Company Secretary informed the Chairman of the meeting the presence of a quorum and the meeting could proceed.

2. CHAIRMAN'S WELCOME SPEECH

The Chairman of the Company, En. Mohamed Shafeii Bin Abdul Gaffoor extended a warm welcome to the members of the Company and thanked them for taking time off to attend the 38th AGM of the Company.

3. NOTICE OF MEETING

The notice of meeting dated 23 April 2018 was taken as read.

4. AUDITED FINANCIAL STATEMENTS – 31 DECEMBER 2017

The 2017 Audited Financial Statements were tabled for members' information and discussion. Before inviting questions from the members, the Chairman informed the meeting that the Company had received a letter from the Minority Shareholders Watchdog Group ("MSWG") dated 18 May 2018 addressed to the Chairman and the Board of Directors, requesting the matters raised be addressed at this AGM. The Chairman was of the opinion the best person to reply and clarify the matters raised would be the Group Managing Director, Tan Sri Dato' Lim Kuang Sia.

Tan Sri Lim in his reply to MSWG stated the following:

(A) Strategic & Financial Matters

- (1) [MSWG]: On page 13 of the Annual Report's MD&A, the Company acquired a piece of industrial land measuring 98 acres in the district of Kuala Langat for the future development of the group's glove manufacturing activities. We also note the

announcement released by the Company on 12 March 2018 that the Group has purchased 2 pieces of land in Bidor measuring in total 824.11 acres (“Land”) for a total cash consideration of RM 82.4 million.

Please share on the following:

- i) The strategic plans for these acquisitions;
- ii) The expected capital expenditure for the development of the land and construction of the plant; and
- iii) The potential growth in the manufacturing capacity upon completion of the plant

[Response]

The Bidor land was acquired to accommodate the Group’s expansion in a centralized location to facilitate the setting up of an integrated glove manufacturing facility over the medium and long term. The location is strategic with excellent connectivity and abundant sources of utilities (water, electricity and natural gas). The availability of local labour, is an added advantage in view of the government’s intention to reduce the intake of foreign labours.

The whole Bidor project is expected to take between 6 to 8 years to complete and will incur an expected capital expenditure of RM1.5 billion. The additional capacity will come on stream on a progressive basis. Upon completion, the project is expected to contribute an additional output of 34 billion pieces of glove of various types per annum.

Development at the Kuala Langat land is currently on hold pending the receipt of approval from the relevant authorities to develop the Bidor Land. Upon receipt of the relevant approvals, the Kossan Group may opt to dispose off the Kuala Langat land.

- (2) **[MSWG]:** As stated under the Management Discussion & Analysis (“MD&A”) on page 14 of the Annual Report, the Company has implemented automation and robotics in its plants to remain cost competitive and efficient.

What percentage of the manufacturing system is currently automated and what is the targeted percentage of automation?

[Response]

Kossan Group places great importance on the implementation of automation and robotics to transform the Group’s operation into an integrated high value high technology glove manufacturer. Automation reduces the Group’s dependence on foreign labour and also reduces operations cost due to increased efficiency and uniform quality output.

Most production processes in the Group’s manufacturing system have been automated. Example include auto-compounding and batching. Current program in automation include on-line and off-line auto-packing for gloves. The Group hopes to complete its automation program by 2020.

- (3) **[MSWG]:** China regulator has enforced pollution regulations on factories throughout China which has negatively impacted the China-based glovemakers’ operations.

Would the Group’s expansion in the Chinese market be impacted by the new regulations?

[Response]

Strict enforcement of pollution regulations by China has resulted in China based manufacturers being less competitive. This will afford an opportunity for the Kossan Group to export more gloves to China.

The Group has a clean room operations facility in Dongguan in China which undertakes secondary processing/cleaning of gloves manufactured by other subsidiaries in Malaysia. This operation is in strict compliance with China's environment regulations and the new ruling has no impact on the Group.

- (4) **[MSWG]:** As reported on page 107 of the Annual Report, the Group has recorded a substantial unrealised foreign exchange loss on receivables of RM6.4 million in FYE 2017 (FYE 2016: Nil)
- (i) What were the reasons for the foreign exchange loss on receivables?
 - (ii) Would the loss be expected to recur going forward?
 - (iii) How will the Group manage the hedging risk?

[Response]

The unrealised forex loss is a result of translation of US Dollar denominated debts at year end to Ringgit Malaysia in compliance with Malaysian Financial Reporting Standards.

The trade debts at 31 December 2017 of gloves customers in US Dollar is required to be translated into Ringgit Malaysia. The average book rate of these debts was RM4.146 to a US Dollar. As at 31 December 2017 the spot rate used in the translation was RM4.0595 to a USD, resulting in an unrealised forex loss of about RM6.45 million on the outstanding trade receivables of USD 74.58 million.

The Group utilises conventional hedging to lock in its monthly sales proceeds. The hedging is short term as credit period given to customers do not exceed 90 days.

The Group's hedging practice has been successful in mitigating forex volatility but management is unable to state categorially whether loss will recur as the currency market is unpredictable.

With the conclusion of his replies on Strategic and Financial Matters, Tan Sri Lim invited the chairman to deliberate on matters regarding Corporate Governance.

(B) Corporate Governance

- (1) **[MSWG]:** There was no publication of the "Key Matters Discussed" at the Company's 37th Annual General Meeting held on 23 May 2017 as required under Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements of Bursa Malaysia ("MMLR"). Please explain.

[Response]

Key matters discussed at AGM

The commentaries at the 37th AGM was not uploaded onto the Group's website as the Board was of the view the information shared were not key matters and had been duly addressed at the AGM.

The Company takes note of MSWG's view and will publish the matters discussed at the 38th AGM deemed key on the Company's website.

- (2) **[MSWG]:** There were no disclosures on the remuneration of directors of the Company for the financial year on a named basis.

Furthermore, there were no details on the training attended by directors for FYE 2017. Under paragraphs (11) & (28)(c), Part A of Appendix 9C of the MMLR, listed companies are required to disclose the remuneration of directors for the financial year on a named basis and to include a statement by the board of directors relating to the training attended by directors in respect of the financial year respectively.

Please take note of this.

[Response]

Remuneration of Directors on named basis

The Board has deliberated on this matter and was of the opinion that for the time being it would report the directors' remuneration based on the band method, pending further market development, due to concern on confidentiality, sensitivity and security.

Directors' Training

The Board wishes to explain that in the course of editing the Annual Report, the statement on directors' training was inadvertently deleted during the process. The Board wishes to assure that such an omission will not recur in the future. The Company had been in compliance on this matters in all previous years.

The Chairman informed the meeting that as chairman of the Nomination Committee he has instituted the practice for each director to undertake at least 2 training programs in a year and is pleased to inform that all directors had complied with this measure.

The statement of directors' training will be uploaded on the Company's website.

The Directors' Training is enclosed in Appendix 1.

- (3) **[MSWG]:** Practice 4.5 of Malaysian Code on Corporate Governance 2017 ("MCCG") Practice 4.5 of MCCG requires the board to disclose in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For large companies, the board must have at least 30% women directors.

The Company has departed from Practice 4.5 as stated on pages 16 of its Corporate Governance Report. We take note of the explanations by the Company that it is undergoing a review process in order to adhere to the Practices. However, there is no timeframe given for the Company to formalize its gender diversity policy as well as meeting the target of at least 30% women directors.

Under paragraphs 3.2 (c) of Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia, Large Companies must disclose the actions which it has taken or intends to take and the timeframe required to achieve the application of the Practices.

Please take note of this.

[Response]

Gender Diversity

The Board has deliberated on this matter and was of the view that traits such as skills, experiences, knowledge and leadership are key matters to take into consideration in appointing directors to the Board. In principle, the Company supports the gender

diversity policy and will strive to comply when there is a vacancy and a right candidate is available. As such, no time frame has been set.

(4) **[MSWG]: Practice 9.3 of MCCG**

The Company in its Corporate Governance Report (“CGR”) on page 32 has stated that it has adopted Step-Up Practice 9.3. However, in its explanation on adoption of the practice, it is stated that “The RMC comprises a majority of executive directors”.

This is contrary to Step Up 9.3 of MCCG which recommends the board to establish a Risk Management Committee, which comprises a majority of independent directors.

Please take note on this.

[Response]

Composition of Risk Management Committee (“RMC”)

The Board wishes to state that under the Group’s risk management structure, the RMC reports to the Audit Committee (AC), which consist wholly of independent directors. The AC provides oversight to the RMC and the executive presence is to ensure implementation and execution of the risk management initiatives are carried out.

The Board takes note of MSWG’s comments and will review the current risk management structure and composition to comply with the best practice.

(5) **[MSWG]: Practice 12.3 of MCCG**

The Company on page 32 of the Corporate Governance Report (“CGR”) – Disclosure on MCCG stated that it has adopted Practice 9.3 – Step Up. However, in its explanation on adoption of the practice, it stated that “The RMC comprises a majority of executive directors”. This is contrary to Step Up 9.3 of MCCG which recommends the board to establish a Risk Management Committee, which comprises a majority of independent directors. We hope the Board would take note of this.

[Response]

Platform to vote remotely

The Company’s explanation was that the prevailing AGM venue is convenient for shareholders to attend the AGM. The Board will take into consideration the recommendations for voting in absentia and via remote electronic means in the future, based on markets and shareholders feedback.

The Company acknowledges that it has not correctly applied the practice.

With the completion of the explanations/clarifications to MSWG’s queries, the Chairman invited comments on the presentation from the floor.

Puan Lya Rahman from MSWG offered the following comments / suggestions:

- (i) that the reply to MSWG could be by mean of powerpoint presentation for visual effect; and
- (ii) the CEO could present the Group's strategic plans to enlighten shareholders.

Puan Lya Rahman also commented that the Board has assumed that compliance with the corporate governance practices are optionable when in effect it should be compulsory compliance, as the corporate governance practices had been incorporated into the Listing Requirements.

The Board noted Puan Lya Rahman's comments and assure that the Company will work towards full compliance in due course.

The MSWG letter is enclosed in Appendix 2.

The Company held a question and answer session with shareholders on the Audited Financial Statements for 2017. The following queries were duly answered:

- (i) Why company undertakes a share subdivision and not a bonus issue

[Response]

The Company Secretary replied that a share subdivision will conserve the Company' retained profits for the payment of dividends.

- (ii) Development of the Setia Alam land

[Response]

On a query about the land in Setia Alam acquired in 2016, the CEO replied that when approval is obtained, the land in the town centre of Setia Alam, will be developed as the Group's corporate headquarter.

- (iii) Drop in profit margins of glove division

[Response]

On a query as to why the profit margin has dropped over the years, the CEO explained that profit margins depended on many factors including price of raw materials, utilities and labour, foreign currency volatility and production constraints. Nevertheless, the Group is quite satisfied with the profit margins earned. Changes in working environment (more comfortable surrounding) also contributed towards higher operating cost thereby reducing profit margins.

- (iv) Gearing

[Response]

On the question of the increased gearing, the CEO explained the current gearing is still low compared to its competitors. The gearing rose slightly because of the planned expansion of capacity. The increased capacity, with modern installations will go towards reducing production cost in the future.

- (v) Transformation

[Response]

A shareholder enquired about the transformation the Group is undergoing. The CEO replied that the transformation involves long term sustainability, expansion of capacities to meet requirements of customers and earning comfortable profit margin. As to the comment on dream margin, CEO stated that the concept is only relative and not absolute and he would not be able to quantify the figure.

(vi) Operating capacity

[Response]

To a question on the Group's gloves capacity, the CEO replied that the group is currently operating at full capacity. As such there is a need to continue expanding. As to the fear of overcapacity in the glove industry, the CEO is not unduly concerned as long as the demand for glove is growing. The announced increase in capacity is merely planned increase and not installed operating capacity. Installed and operating capacity takes time to come online.

(vii) Halal Gloves

[Response]

A shareholder enquired whether that is any special advantages. The Group Marketing Director, Mr. Lim Siau Tian inform the meeting that the Group has obtained the halal certificate issued by the Jabatan Kemajuan Islam Malaysia (Jakim). The certification involves not only the product but the whole production process which produce the product. He informed the meeting that it was a misconception that halal products are only applicable in the Middle East. In fact, almost one third of the world population embraces halal products.

With the halal certification, the Group will have an advantage over its competitors in the marketing of the halal glove worldwide.

(viii) TRP-Impact from electric vehicles

[Response]

On a query whether the advent of electric cars will affect the Group's automotive parts of the TRP operations. The CEO clarified that the Group's automotive parts production mainly involves the under carriage section and not the engine. As electric cars still need the under carriage section, the business of the TRP will not be affected.

(ix) Profit margin on TRP

[Response]

A shareholder noted that the profit margin in TRP tends to fluctuate. The CEO explained that the contracts for gloves are concluded monthly and as such the profit margins are stable. However, TRP products contracts are signed for delivery that may take a period of a few month to a few years. Where raw material price are stable profit margin will be stable. However, if the price of raw material (rubber and steel) fluctuate substantially, profit margins will be badly

affected. The group could hedge raw material prices in the short terms but not for longer terms due to uncertainty.

- (x) Special type gloves

[Response]

A shareholder enquired about antibacterial gloves produced by a competitor and whether the company will follow suit. The CEO informed the meeting that there is distinction between gloves which can kill bacteria and glove which inhibit bacteria. It would almost be impossible to obtain FDA approval to produce gloves that can kill bacteria.

Currently the Group does not produce anti-bacterial gloves as the demand is too low.

- (xi) Clean Room Gloves

[Response]

A shareholder noted the low profit margin on the clean room gloves. The CEO explained the business activity of the clean room unit at Dongguan, China, is to process normal gloves into clean room glove at a fixed processing fee. As such the profit margin is low. The gloves are sourced from the Group's operating units in Malaysia.

With no further queries from the floor, the Chairman announced that the Audited Financial Statements for the financial year ended 31 December 2017 is received.

5. HOLDING OF POLL TO DETERMINE RESULT OF RESOLUTIONS

The Chairman informed the meeting that pursuant to section 332 of the Companies Act 2016 he was directing the poll be held after the completion of deliberations on all businesses stated in the Agenda.

6. DIVIDEND

The Chairman informed the meeting that the Company has proposed to pay a final tax exempt single tier dividend of 6.0 sen per ordinary share for the financial year ended 31 December 2017. An interim dividend of 5.0 sen per ordinary share had been paid on 10 January 2018. The dividend, if approved, would be paid on 3 July 2018. The total dividend paid / payable is higher than the dividend policy of 30% of the Group's after tax profit.

The meeting, by poll, approved the payment of the final tax exempt single tier dividend of 6.0 sen per ordinary share. (Ordinary Resolution 1)

7. DIRECTORS' FEES

The Chairman informed the meeting that the Company wished to obtain shareholders' approval to pay directors' fees of RM285,000 for the year ended 31 December 2017 to the independent non-executive directors. On a query from MSWG, the chairman informed the meeting that each independent director is paid a lump sum director fee without separate meeting allowance.

The meeting, by poll, approved the payment of Directors' Fees of RM285,000 for the year ended 31 December 2017. (Ordinary Resolution 2)

8. RE-ELECTION OF DIRECTORS RETIRING PURSUANT TO ARTICLE 108

The Chairman informed the meeting that 3 directors were retiring by rotation pursuant to Article 108 of the Company's Articles of Association at this AGM and being eligible for re-election. have consented and offered themselves for re-election.

The Company recommended members present to re-elect them to the Board.

- (i) The meeting, by poll, re-elected Tan Sri Dato' Lim Kuang Sia to the Board (Ordinary Resolution 3)
- (ii) The meeting, by poll, re-elected Mr. Lim Ooi Chow to the Board (Ordinary Resolution 4)
- (iii) The meeting, by poll re-elected Mr Tan Kong Chang to the Board (Ordinary Resolution 5)

9. AUDITORS

The Chairman informed the meeting that the retiring auditors of the Company, Messrs KPMG PLT, had indicated their willingness to be re-appointed for the financial year ending 31 December 2018. The Audit Committee has supported their re-appointment.

The meeting, by a poll, approved the re-appointment of Messrs KPMG PLT as the Auditors of the Company for the ensuing year and authorised the Directors to fix their remuneration. (Ordinary Resolution 6)

10. SPECIAL BUSINESS

The Chairman informed the meeting that 3 resolutions would be tabled under Special Business and hoped the shareholders would approve all the 3 resolutions to enable the Group to optimise its business operations for the benefits of all the shareholders.

- (a) Authority to allot shares pursuant to Section 75, Companies Act 2016

The Chairman informed the meeting that the Companies Act 2016 and Bursa Malaysia Securities Berhad's Main Market Listing Requirements allow a company to seek a mandate for the issue and allotment of shares not exceeding 10% of the issued and paid up share capital. This mandate, if approved, will lapse at the conclusion of the next AGM (39th), unless renewed thereat. The mandate given at the 37th AGM was not utilized.

The members present, by poll, approved Ordinary Resolution 7.

- (b) Renewal of and New Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)

The Chairman informed the meeting that under the Bursa Malaysia Securities Berhad's Main Market Listing Requirements a listed company, of which the Company is one, must seek shareholders' mandate to execute recurrent related party transactions of a revenue or trading nature. The mandate so given, shall lapse at the conclusion of the next AGM (39th) unless renewed thereat.

The Chairman also informed the meeting that the independent directors had reviewed the proposed transactions shown in the Circular and were satisfied that the terms of the transactions were not more favourable to the related parties than those available to the general public.

Tan Sri Dato' Lim Kuang Sia and Messrs Lim Leng Bung, Lim Siau Tian, Lim Siau Hing, Lim Ooi Chow and Tan Kong Chang being Interested Parties, declared their interest in the proposed resolution and will abstain from voting on the RRPT resolution in respect of their direct and indirect shareholdings.

The members present, with the Interested Parties abstaining, by poll, approved Ordinary Resolution 8.

(c) Renewal of Authority for Share Buy-Back

The Chairman informed the meeting that Ordinary Resolution 10 was proposed to renew the mandate to allow the Company to buy back up to 10% of the issued and paid up share capital. Currently the Company does not hold any treasury shares. On a query by a shareholder (Ng) on whether the Company bought back shares after the 14th general election, the chairman replied in the negative noting the event was not a proper basis to execute the share buy back.

The members present, by poll, approved Ordinary Resolution 10.

11. OTHER BUSINESS

The Company Secretary informed the Chairman that he did not receive any notices to conduct any other business at this AGM.

12. BRIEFING OF POLL PROCEDURES

The share registrar, Symphony Share Registrars Sdn. Bhd, briefed the meeting on the procedures for casting of votes by poll.

13. RESULT OF POLL

The result of the poll on the 9 ordinary resolutions, as verified by the approved scrutineer appointed by the Company, Malaysian Issuing House Sdn. Bhd., was forwarded to the

Chairman for announcement to the meeting. The Chairman announced to the meeting that all the nine ordinary resolutions were carried.

The results of the poll are enclosed in Appendix 3.

14. TERMINATION

There being no further business, the meeting ended at 12.15 p.m. with a vote of thanks to the Chair.

CHAIRMAN

Directors' Training

All the Directors had attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad.

The Directors should continually attend seminars/courses to keep themselves abreast with the latest economic and corporate development, new regulations and statutory requirements.

Directors are encouraged to evaluate their own training need to best enable them to enhance their knowledge and contribution to the Board.

The Board is also updated by the Company Secretary on the latest updates/amendments of the MMLR and other regulatory requirements relating to the discharge of their duties and responsibilities.

During the financial year, the Directors had attended the following programs:

Director		Program/Courses/ Forums/Training	Date
1. Tan Sri Dato' Lim Kuang Sia	(i)	NCCIM Economic Forum 2017	08/08/2017
	(ii)	Transparency of Public Listed Companies' Reporting	24/08/2017
	(iii)	Financial Markets Outlook 2018: "The Great Gamble" Business Forum	18/09/2017
	(iv)	MCCG and Updates of Bursa Malaysia Listing Requirement	03/11/2017
2. Mohamed Shafeii Bin Abdul Gaffoor	(i)	Mandatory Accreditation Programme (MAP)	06 & 07/04/2017
	(ii)	Audit Committee Institute (ACI) Breakfast Roundtable 2017- focus on effective Corporate Governance	28/04/2017
	(iii)	Changes Affecting Directors Under the Companies Act 2016: What Every Director Needs to Know	01/08/2017
	(iv)	Launch of MICG's Report on "Transparency in Corporate Reporting – Assessing Malaysia's Top 100 Public Listed Companies"	08/08/2017
	(v)	Transparency of Public Listed Companies' Reporting	24/08/2017
	(vi)	CG Breakfast Series: Thought Leadership Session for Directors- "Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World"	13/10/2017
	(vii)	MCCG and Updates of Bursa Malaysia Listing Requirement	03/11/2017

	(viii)	Independent Directors programme: The Essence of Independence	20/11/2017
3. Lee Choo Hock	(i)	PRA Pre-Meeting Briefing	03/02/2017
	(ii)	PRA Meeting with HBMY AC Chairman	06/02/2017
	(iii)	Presentation on Regional Risk Perspective by Mark McKeown, Chief Risk Officer Asia Pacific	20/02/2017
	(iv)	HSBC Asian Outlook and RMB Forum 2017	27/02/2017
	(v)	Face-to-Face with John Casey (Group GM-Financial Crime Risk)	02/03/2017
	(vi)	The Companies Act 2016-Key Changes and Implication to Directors and Management	11/04/2017
	(vii)	Fintech-Capturing the Value of Digital Age	08/05/2017
	(viii)	MFRS/FRS Update 2016/2017 Seminar	17/05/2017
	(ix)	AIF Distinguished Speaker Series 2017-Banking Everywhere but not a Bank	18/05/2017
	(x)	Riding The Wave of Regulatory Changes	11 & 12/07/2017
	(xi)	Operational Risk Transformation Programme	04/08/2017
	(xii)	Briefing on Whistleblowing Policy	04/08/2017
	(xiii)	Cryptocurrency and Blockchain Technology	10/08/2017
	(xiv)	Transparency of Public Listed Companies' Reporting	24/08/2017
	(xv)	IFRS 9: Training for Non-Executive Directors	12/10/2017
	(xvi)	Briefing by Colin Bell, Group Managing Director & Group Head of FCR	24/10/2017
	(xvii)	Resolution & Recovery Planning	27/10/2017
	(xviii)	MCCG and Updates of Bursa Malaysia Listing Requirement	03/11/2017
	(xix)	Leadership Energy Summit Asia 2017	08 & 09/11/2017

4. Hoh Kim Hyan	(i)	MICPA 57th Commemorative Lecture: Ten Golden Rules	23/03/2017
	(ii)	Mandatory Accreditation Programme (MAP)	07 & 10/4/2017
	(iii)	MIA 50th Anniversary Commemorative Lecture: Integrity	10/04/2017
	(iv)	The Companies Act 2016-Key Changes and Implications to Directors and Management	11/04/2017
	(v)	Assessment of the Board, Board Committees and Individual Directors-Taking Stock of Performance	11/04/2017
	(vi)	CG Breakfast Series with Directors-“Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability”	17/07/2017
	(vii)	Transparency of Public Listed Companies’ Reporting	24/08/2017
	(viii)	NIEW: National Women’s Day Celebration	04/09/2017
	(ix)	2017 IFRS Regional Conference: Kuala Lumpur	08/09/2017
	(x)	MIA 50th Anniversary Commemorative Lecture: Trust	11/09/2017
	(xi)	Fraud Risk Management Workshop	26/09/2017
	(xii)	CG Breakfast Series: Thought Leadership Session for Directors-“Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World”	13/10/2017
	(xiii)	MCCG and Updates of Bursa Malaysia Listing Requirement	03/11/2017
	(xiv)	CAANZ-MICPA Half-Day Forum	02/11/2017
	(xv)	MIA International Conference	07 & 08/11/2017
	(xvi)	QA for Audit Seminar	09/11/2017
	(xvii)	Independent Directors’ Programme: The Essence of Independence	20/11/2017
5. Lim Leng Bung	(i)	Are We Heading For Another Global Recession or Do We Care?	09/05/2017
	(ii)	Transparency of Public Listed Companies’ Reporting	24/08/2017

	(iii)	MCCG and Bursa Malaysia Listing Requirement In-House Training	03/11/2017
6. Tan Kong Chang	(i)	Are We Heading For Another Global Recession or Do We Care?	09/05/2017
	(ii)	Sustainability Reporting	21/07/2017
	(iii)	Transparency of Public Listed Companies' Reporting	24/08/2017
	(iv)	Sector-Specific Sustainability Reporting Workshops	13/09/2017
	(v)	MCCG and Updates of Bursa Malaysia Listing Requirements	03/11/2017
7. Lim Ooi Chow	(i)	Are We Heading For Another Global Recession or Do We Care?	09/05/2017
	(ii)	3rd National Economic Summit: "Economic Reforms-Reaction, Impact, Priorities and Opportunities"	18/07/2017
	(iii)	Sustainability Reporting	21/07/2017
	(iv)	Transparency of Public Listed Companies' Reporting	24/08/2017
	(v)	MCCG and Updates of Bursa Malaysia Listing Requirement	03/11/2017
8. Lim Siau Tian	(i)	Sustainability Reporting	21/07/2017
	(ii)	Transparency of Public Listed Companies' Reporting	24/08/2017
	(iii)	Future-Ready Marketing	03/08/2017-04/08/2017
	(iv)	Alpha Go	10/08/2017
	(v)	MCCG and Updates of Bursa Malaysia Listing Requirement	03/11/2017
9. Lim Siau Hing	(i)	Sustainability Reporting	21/07/2017
	(ii)	Transparency of Public Listed Companies' Reporting	24/08/2017
	(iv)	MCCG and Updates of Bursa Malaysia Listing Requirement	03/11/2017
	(v)	Governance & Leadership in Technology Disruption	05/12/2017



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

18 May 2018

BY FAX/HAND

(Fax No.: 603-3291 2903)

The Board of Directors
Kossan Rubber Industries Bhd
Wisma Kossan,
Lot 782, Jalan Sungai Putus,
Off Batu 3¼ Jalan Kapar,
42100 Klang, Selangor Darul Ehsan

Attention: Mr. Chia Ong Leong / Ms. Chia Yew Ngo
Company Secretaries

Dear Sirs,

Re: **38th Annual General Meeting ("AGM") of Kossan Rubber Industries Bhd**
("Kossan" or the Company) on 22 May 2018

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues.

Strategic & Financial Matters

- 1) On page 13 of the Annual Report, the Company stated that it had acquired a piece of industrial land measuring 98 acres in the district of Kuala Langat for the future development of the group's glove manufacturing activities. We also note the announcement released by the Company on 12 March 2018 that the Group has purchased 2 pieces of land in Bidor measuring in total 824.11 acres ("Land") for a total cash consideration of RM 82.4 million.

Please share on the following:

- (i) The strategic plans for the acquisitions;
 - (ii) The expected capital expenditure for the development of the land and construction of the plant; and
 - (iii) The potential growth in the manufacturing capacity upon completion of the new plant.
-
- 2) As stated under the Management Discussion & Analysis ("MD&A") on page 14 of the Annual Report, the Company has implemented automation and robotics in its plants to remain cost competitive and efficient.

What percentage of the manufacturing system is currently automated and what is the targeted percentage of automation?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia • Company No: 524989-M)
Tingkat 11, Bangunan KWS, No: 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 KUALA LUMPUR.
Tel: (603) 2070 9090 Fax: (603) 2070 9107
E-Mail: watchdog@mswg.org.my Website: www.mswg.org.my



- 3) China regulator has enforced pollution regulations on factories throughout China which has negatively impacted the China-based glovemakers' operations.
Will the Group's expansion in the Chinese market be impacted by the new regulations?
- 4) As reported on page 107 of the Annual Report, the Group has recorded a substantial unrealised foreign exchange loss on receivables of RM6.4 million in FYE 2017 (FYE 2016: Nil).
- (i) What were the reasons for the foreign exchange loss on receivables?
 - (ii) Is the loss expected to recur going forward?
 - (iii) How will the Group manage the hedging risk?

Corporate Governance

- 1) There was no publication of the "Key Matters Discussed" at the Company's 37th Annual General Meeting held on 23 May 2017 on the Company's website as required under Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements of Bursa Malaysia ("MMLR").
Please explain.
- 2) There were no disclosures on the remuneration of directors of the Company for the financial year on a named basis.
Furthermore, there were no details on the training attended by directors for FYE 2017.
Under paragraphs (11) & (28)(c), Part A of Appendix 9C of MMLR, listed companies are required to disclose the remuneration of directors for the financial year on a named basis and to include a statement by the board of directors relating to the training attended by directors in respect of the financial year respectively.
Please take note of this.
- 3) Practice 4.5 of Malaysian Code on Corporate Governance 2017 ("MCCG")
Practice 4.5 of MCCG requires the board to disclose in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For large companies, the board must have at least 30% women directors.
The Company has departed from Practice 4.5 as stated on pages 16 of its Corporate Governance Report. We take note of the explanations by the Company that it is undergoing a review process in order to adhere to the



Practices. However, there is no timeframe given for the Company to formalise its gender diversity policy as well as meeting the target of at least 30% women directors.

Under paragraphs 3.2C (a) & (b) of Practice Note 9 of MMLR, Large Companies must disclose the actions which it has taken or intends to take and the timeframe required to achieve the application of the Practices.

Please take note of this.

4) Practice 9.3 of MCCG

The Company in its Corporate Governance Report on page 32 has stated that it has adopted Step-Up Practice 9.3. However, in its explanation on adoption of the practice, it is stated that "The RMC comprises a majority of executive directors"

This is contrary to Step-Up Practice 9.3 of MCCG which recommends the board to establish a Risk Management Committee which comprises a majority of independent directors.

Please take note of this.

5. Practice 12.3 of MCCG

The Company in its Corporate Governance Report has stated that it has applied Practice 12.3 of MCCG which refers to facilitating or providing platform for shareholders to vote remotely without being physically present at the Company's AGM. Based on the Company's explanation given on the application of Practice 12.3, we wish to highlight that the Company has not correctly applied the Practice.

Please take note of this.

We would appreciate if the Board could present the points raised here and their related answers, for the shareholders present at the AGM. At the same time, we await a written reply as soon as possible for our record.

Thank you.

Yours sincerely,

Devanesan Evanson
Chief Executive Officer
DE/IR/QBA/WKW/KOSSAN/AGM2018

Polling Results

KOSSAN RUBBER INDUSTRIES BHD.

Thirty Eighth (38th) Annual General Meeting

Date/Time: 22/05/2018 10:30:00 AM

Function Room 8, Mezzanine Floor, Setia City Convention Centre, 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam

	FOR		AGAINST		TOTAL		ABSTAIN NO. OF SHARES
	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%	
Ordinary Resolution							
Resolution 1 : To approve final tax exempt dividend	464,898,795	100	200	0	464,898,995	100	39,702
Resolution 2 : To approve Directors' fees of RM285,000.00 for the financial year ending 31 December 2017.	464,898,195	99.9998	800	0.0002	464,898,995	100	39,702
Resolution 3 : To re-elect Tan Sri Dato' Lim Kuang Sia retiring pursuant to Article 108 of the Company's Articles of Association.	458,737,102	98.9002	5,101,293	1.0998	463,838,395	100	1,100,302
Resolution 4 : To re-elect Lim Ooi Chow retiring pursuant to Article 108 of the Company's Articles of Association.	462,172,895	99.6409	1,665,500	0.3591	463,838,395	100	1,100,302
Resolution 5 : To re-elect Tan Kong Chang retiring pursuant to Article 108 of the Company's Articles of Association.	462,172,895	99.6409	1,665,500	0.3591	463,838,395	100	1,100,302
Resolution 6 : To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorize the Directors to fix their remuneration.	464,898,675	99.9999	320	0.0001	464,898,995	100	39,702
Resolution 7 : Proposed authority to allot shares pursuant to section 75 of the Companies Act 2016.	444,506,255	95.6135	20,392,740	4.3865	464,898,995	100	39,702
Resolution 8 : Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature:	137,622,539	99.9999	200	0.0001	137,622,739	100	327,315,958
Resolution 9 : Proposed renewal of mandate for share buy-back.	464,852,695	100	200	0	464,852,895	100	85,802

VERIFIED BY:



MALAYSIAN ISSUING HOUSE SDN BHD
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