

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused the contents of this Document prior to its issuance as the said contents fall under the category of Exempt Circulars pursuant to Practice Note 18 of Bursa Securities Main Market Listing Requirements.

Bursa Securities takes no responsibility for the contents of this Document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Document.



**STRETCHING LIMITS • SINCE 1979**

**KOSSAN RUBBER INDUSTRIES BHD.**

(Registration No.: 197901003918 (48166-W))

(Incorporated in Malaysia)

**PART A**

**PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**PART B**

**PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

Notice of the 42nd Annual General Meeting (“AGM”) to be held at Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan / KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan on 19 May 2022 at 10.30 a.m. together with a Proxy Form are enclosed in the 2021 Annual Report of the Company and may be downloaded from our Company’s website at <https://www.kossan.com.my/investors/reports.html>.

The completed Proxy Form must be lodged at the office of the Share Registrar (Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia) not less than 24 hours before the time of the AGM. The lodgment of the Proxy Form shall not preclude you from participating and voting remotely at the AGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Wednesday, 18 May 2022 at 10.30 a.m.
Date and time of the 42nd AGM	:	Thursday, 19 May 2022 at 10.30 a.m.
Broadcast Venue	:	Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan.

This Document is dated 21 April 2022

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Document:

- “Act” : The Companies Act 2016 as amended, modified or re-enacted from time to time.
- “AGM” : Annual General Meeting.
- “Board” : The Board of Directors of Kossan.
- “Board Lot” : In relation to any securities quoted on the Official List, means a parcel of securities comprising 100 units or any other number of securities permitted by the Exchange to be traded on the stock market.
- “CMSA” : Capital Markets and Services Act 2007 as amended, modified or re-enacted from time to time.
- “Code” : Malaysian Code on Take-Overs and Mergers 2016 read together with the Rules on Take-Overs, Mergers and Compulsory Acquisitions, as amended, modified or re-enacted from time to time.
- “Constitution” : The Constitution of the Company.
- “Director(s)” : Shall have the meaning given in section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or a chief executive officer of Kossan, its subsidiary or holding company.
- “Direct Business Transaction” : A transaction in securities entered into outside the Automated Trading Systems of the Exchange (“ATS”) in accordance with the Rules of the Exchange.
- “Document” : Circular to Shareholders in relation to the Proposed RRPT mandate and Proposed Renewal of Share Buy-Back Authority.
- “Exchange” or “Bursa Securities” : Bursa Malaysia Securities Berhad.
- “EPS” : Earnings Per Share.
- “Kossan” or “Company” : Kossan Rubber Industries Bhd. (197901003918 (48166-W)).
- “Kossan Group” or “Group” : Kossan and its subsidiaries, collectively.
- “KH” : Kossan Holdings (M) Sdn. Bhd. (199301027077 (281815-M)).
- “Listing Requirements” : The Main Market Listing Requirements of Bursa Securities, as amended from time to time.
- “LPD” : 31 March 2022, being the latest practicable date prior to the printing of this Document.

- “Major Shareholder” : A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:
- (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the Company; or
  - (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, “Interest in Share” has the meaning given in section 8(4) of the Act.

- “Market Day” : A day on which the stock market of the Exchange is open for trading in securities.
- “NA” : Net assets.
- “Odd Lot” : In relation to any securities quoted on the Official List, means any number of such securities which is less than the number of securities prescribed by the Exchange as a board lot.
- “On the Market transaction” : Transaction made through the ATS and excludes Direct Business Transaction.
- “Official List” : A list specifying all securities listed in the Exchange.
- “Person(s) connected” : In relation to a Director or Major Shareholder, means such person who falls under any one (1) of the following categories:
- (i) a family member of the Director or Major Shareholder (for the purpose of this definition, “family” means and includes spouse, parent, child including an adopted child and step-child, brother or sister, spouse of child including an adopted child and step-child, and spouse of brother or sister);
  - (ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director, Major Shareholder or their family member, is the sole beneficiary;
  - (iii) a partner of the Director or Major Shareholder, or a partner of a person connected with that Director or Major Shareholder;
  - (iv) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;

- (v) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation whether formal or informal, to act;
- (vi) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
- (vii) a body corporate or its directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
- (viii) a body corporate in which the Director, Major Shareholder or persons connected with them are entitled to exercise or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
- (ix) a body corporate which is a related corporation (for the purpose of this definition, “related corporation” means a corporation which is the holding company of another corporation; a subsidiary of another corporation; or a subsidiary of the holding company of another corporation).

“Proposed RRPT Mandate”	:	Proposed renewal and /or variations to the scope of the Recurrent RPT Mandate.
“Proposed Renewal of Share Buy-Back Authority”	:	Proposed renewal of authority for the purchase of the Shares by the Company.
“Recurrent RPT Mandate”	:	Shareholders’ mandate obtained on 28 May 2021 for the Kossan Group to enter into Recurrent RPT in the ordinary course of business which are necessary for the Kossan Group’s day-to-day operations.
“Related Party Transaction” or “RPT”	:	A transaction entered into by a listed company and its subsidiaries which involves the interests, direct or indirect, of a Related Party.
“Recurrent RPTs”	:	Recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations and in the ordinary course of business of the Group and are on terms not more favourable to the Related Parties than those generally available to the public.

“Related Party(ies)”	: A Director, Major Shareholder or person connected with such Director or Major Shareholder (all as defined in the Listing Requirements).
“Rules of the Exchange”	: Rules of Bursa Malaysia Securities Berhad, including any amendments that may be made from time to time.
“RM” and “sen”	: Ringgit Malaysia and sen respectively.
“Substantial shareholder”	: Shall have the meaning given in section 136 of the Act.
“Shares”	: Ordinary share(s) in the Company.
“SC”	: Securities Commission Malaysia
“Treasury Shares”	: Shares purchased and retained under the share buy-back scheme by the Company of up to a maximum of 10% of the total issued shares and shall have the meaning given under section 127 of the Act.
“2021 Annual Report”	: The annual report and audited financial statements of Kossan for the financial year ended 31 December 2021.

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day in this Document shall be a reference to Malaysian time.

<b>TABLE OF CONTENTS</b>
--------------------------

**PART A – CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

	<b>PAGE</b>
1. INTRODUCTION.....	1
2. DETAILS OF THE PROPOSAL.....	2
3. STATEMENT BY THE AUDIT COMMITTEE.....	12
4. RATIONALE FOR AND BENEFITS OF THE PROPOSAL.....	12
5. APPROVAL REQUIRED.....	13
6. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS.....	14
7. DIRECTORS’ RECOMMENDATION.....	14
8. ANNUAL GENERAL MEETING.....	15
9. FURTHER INFORMATION.....	15

**PART B – STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

	<b>PAGE</b>
1. INTRODUCTION.....	16
2. DETAILS OF THE PROPOSAL.....	16
3. SOURCES OF FUNDS .....	16
4. RATIONALE FOR THE PROPOSAL .....	17
5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSAL .....	17
6. EFFECTS OF THE PROPOSAL .....	18
7. APPROVAL REQUIRED .....	20
8. PUBLIC SHAREHOLDING SPREAD .....	20
9. IMPLICATION OF THE CODE .....	21
10. PURCHASES AND SALES IN THE PREVIOUS TWELVE (12) MONTHS .....	21
11. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS .....	21
12. HISTORICAL SHARE PRICES .....	21
13. DIRECTORS’ RECOMMENDATION .....	22
14. ANNUAL GENERAL MEETING .....	22
15. FURTHER INFORMATION .....	22

APPENDIX I – FURTHER INFORMATION	23
----------------------------------	----

**PART A**

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR**  
**RECURRENT RELATED PARTY TRANSACTIONS**  
**OF A REVENUE OR TRADING NATURE**



STRETCHING LIMITS • SINCE 1979

**KOSSAN RUBBER INDUSTRIES BHD.**

(Registration No.: 197901003918 (48166-W))

(Incorporated in Malaysia)

**Registered Office**

Wisma Kossan,  
Lot 782, Jalan Sungai Putus,  
Off Batu 3 ¾, Jalan Kapar,  
42100 Klang,  
Selangor Darul Ehsan

21 April 2022

**BOARD OF DIRECTORS:**

Mohamed Shafeii Bin Abdul Gaffoor	(Chairman, Independent Non-Executive Director)
Tan Sri Dato' Lim Kuang Sia	(Group Managing Director/Chief Executive Officer)
Lee Choo Hock	(Senior Independent Non-Executive Director)
Hoh Kim Hyan	(Independent Non-Executive Director)
Lim Leng Bung	(Executive Director)
Tan Kong Chang	(Executive Director)
Lim Siau Tian	(Executive Director)
Lim Siau Hing	(Executive Director)
Lim Ooi Chow	(Executive Director)

**To: The Shareholders of Kossan Rubber Industries Bhd.**

Dear Sir/Madam,

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RRPT**

**1. INTRODUCTION**

On 17 February 2022, the Company had announced to the Exchange that it is proposing to seek shareholders' approval for the Proposed Renewal of Shareholders' Mandate for RRPT at the forthcoming 42nd Annual General Meeting ("AGM").

THE PURPOSE OF PART A OF THIS DOCUMENT IS TO PROVIDE YOU WITH DETAILS AND INFORMATION ON THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RRPT AS WELL AS TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING AGM. THE NOTICE OF THE 42ND AGM AND PROXY FORM ARE ENCLOSED IN THE 2021 ANNUAL REPORT. ADDITIONALLY, THE NOTICE OF THE 42ND AGM, PROXY FORM AND ADMINISTRATIVE DETAILS MAY BE DOWNLOADED FROM OUR COMPANY'S WEBSITE AT <https://www.kossan.com.my/investors/reports.html>.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS DOCUMENT TOGETHER WITH THE APPENDIX BEFORE VOTING ON THE ORDINARY RESOLUTION RELATING TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING 42ND AGM.

## **2. DETAILS OF THE PROPOSAL**

**2.1** At the 41st AGM held on 28 May 2021, shareholders had approved the renewal of the Recurrent RPT Mandate to carry out RRPT (“2021 Shareholders’ Mandate”). The 2021 Shareholders’ Mandate shall expire at the conclusion of the Company’s 42nd AGM to be held on 19 May 2022 unless renewed by ordinary resolution passed by the shareholders at the said 42nd AGM.

### **2.2 Paragraph 10.09 of the Listing Requirements**

Pursuant to Part E, Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholders’ mandate in respect of RRPT which are necessary for its day-to-day operations subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the Shareholders’ Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders’ Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09 (1) of the Listing Requirements;
- (c) the issuance of a circular to shareholders containing the information prescribed by the Exchange;
- (d) in a meeting to obtain the Shareholders’ Mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer to immediately announce to the Exchange when the actual value of a RRPT entered into by the listed issuer exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by the Exchange in its announcement.

## 2.3 Information on Kossan Group

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are as follows:

Name of Subsidiary Company	Place of Incorporation	Effective Equity Interest (%)	Principal Activities
Cleanera (Malaysia) Sdn. Bhd. (CM)	Malaysia	100	Trading of latex examination gloves and cleanroom products
Ideal Quality Sdn. Bhd. (IQ)	Malaysia	100	Manufacturing of latex examination gloves
KISB Asia Pacific Sdn. Bhd. (KAP)	Malaysia	100	Investment holding
Kossan Sdn. Bhd. (KSB)	Malaysia	100	Investment holding
Kossan Engineering (M) Sdn. Bhd. (KE)	Malaysia	100	Fabrication and installation of machinery
<i>Subsidiary of KE</i> Kossan Gloves Sdn. Bhd. (KG)	Malaysia	100	Investment holding
<i>Subsidiary of KG</i> Wear Safe (Malaysia) Sdn. Bhd. (WSM)	Malaysia	100	Manufacturing of surgical, procedure and examination gloves
Kossan Industries Sdn. Bhd. (KIND)	Malaysia	100	Manufacturing and dealing in rubber products
Kossan International Sdn. Bhd. (KI)	Malaysia	100	Trading of latex examination gloves
<i>Subsidiary of KI</i> KISB HK Limited (KISB HK)	Hong Kong	100	Investment holding
<i>Subsidiary of KISB HK</i> KISB Limited Shanghai (KISBS)	The People's Republic of China	100	Trading
<i>Subsidiary of KISBS</i> Pureshield (Shanghai) Health Science and Technology Co. Limited	The People's Republic of China	100	Trading
Kossan Labuan Bhd. (KL)	Malaysia (Labuan)	100	Investment holding
<i>Subsidiary of KL</i> PT. Kossan Setia Jaya (PT)	Republic of Indonesia	100	Property holding
Kossan Latex Industries (M) Sdn. Bhd. (KLI)	Malaysia	100	Manufacturing of latex examination gloves
Kossan Trading Sdn. Bhd. (KTSB)	Malaysia	100	Manufacturing, processing and trading of chemical and rubber compound
Kossan Security Services Sdn. Bhd. (KSS)	Malaysia	100	Manage auxiliary police services for Kossan Group
Perusahaan Getah Asas Sdn. Bhd. (PGA)	Malaysia	100	Manufacturing of latex examination gloves
Premium Medical Products Sdn. Bhd. (PMP)	Malaysia	100	Investment holding
Kossan Ceramics Sdn. Bhd. (KCSB)	Malaysia	100	Investment holding
KPH Logistics Inc.	United States of America	100	Distribution
KPH (San Francisco), LLC.	United States of America	100	Property holding
Kossan Research & Development Sdn. Bhd.	Malaysia	100	Dormant
Hibon Corporation Sdn. Bhd. (HC)	Malaysia	90.4	Manufacturing and marketing of rubber based parts and products
Doshin Rubber Products (M) Sdn. Bhd. (DRP)	Malaysia	85	Manufacturing and dealing in rubber products
<i>Subsidiary of DRP</i> Quality Profile Sdn. Bhd. (QP)	Malaysia	85	Manufacturing and dealing in rubber products

Name of Subsidiary Company	Place of Incorporation	Effective Equity Interest (%)	Principal Activities
Cleanera HK Ltd. (CHK)	Hong Kong	82	Investment holding and trading of cleanroom products
<i>Subsidiary of CHK</i> Dongguan Cleanera Cleanroom Products Company Limited (DC)	The People's Republic of China	82	Manufacturing and dealing in cleanroom products
Aseptapak (M) Sdn. Bhd.	Malaysia	50	Dormant

It is anticipated that the Group would, in the normal course of business, enter into transactions with the classes of related parties which are disclosed in Section 2.4 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

In view of the time-sensitive, confidential and frequent nature of such RRPT, the Board seeks a shareholders' mandate which would allow the Group, in their normal course of business, to enter into RRPT with the classes of Related Parties set out in Section 2.4 below, provided such transactions are made at arm's length and on normal commercial terms and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders. Such RRPT will be subjected to the review procedures as set out in Section 2.7 below.

## 2.4 Classes of Related Parties

The Proposal will apply to the following Related Parties:

### 2.4.1 Kossan Holdings (M) Sdn. Bhd. ("KH") (a major shareholder) and persons/companies connected with KH

(a) **Kossan Holdings (M) Sdn. Bhd. ("KH")**

KH is an investment holding company which holds 1,207,259,920 shares, equivalent to 47.31% equity interest in Kossan.

(b) **Pan Asian Corporation Sdn. Bhd. ("PAC")**

PAC is an investment holding company wholly owned by KH.

(c) **Kossan Chemical Industries (M) Sdn. Bhd ("KCI")**

KCI is an investment holding company 58.33% owned by KH.

(d) **Kossan Paint (M) Sdn. Bhd. ("KP")**

KP is involved in the manufacturing and sales of paint, epoxy, glue and sealants and is 90% owned by KCI which in turn is 58.33% owned by KH.

(e) **Pleasure Latex Products Sdn. Bhd. ("PLP")**

PLP is involved in the manufacturing and sales of condoms and is 60.10% owned by KH.

## **2.4.2 Directors and/or substantial shareholder (indirect)**

### **(a) Kossan F.R.P. Industries (M) Sdn. Bhd. (“FRP”)**

FRP is involved in the manufacturing and sales of polyethylene and fibreglass reinforced plastic tanks used in the storage of water, other liquid and in sewage system. Messrs. Lim Kuang Yong and Lim Kuang Wang are both directors and shareholders of FRP, each with 50% equity interest. Both are indirect substantial shareholders of Kossan through KH and also direct shareholders of Kossan.

### **(b) Chemtube (M) Sdn. Bhd. (“Chemtube”)**

Chemtube is involved in the manufacture and sales of specialised tubings used in the automotive industry and general plastic industrial products. Mr. Tan Kong Chang is a director of both Kossan and Chemtube, a 24.80% shareholder of Chemtube and an indirect shareholder of Kossan.

### **(c) Gummitech Industries Sdn. Bhd. (“Gumi”)**

Gumi is involved in the manufacturing and sales of condom. Mr. Tan Kong Chang is a director of both Kossan and Gumi, a 9.9% shareholder of Gumi and an indirect shareholder of Kossan.

### **(d) HT Ceramics (M) Sdn. Bhd. (“HT”)**

HT is involved in the manufacture and sales of ceramic formers and is 20% owned by KH. Mr. Lim Kuang Yong is a director of HT, an indirect substantial shareholder of Kossan through KH and a direct shareholder of Kossan.

### **(e) Hai Poh Marketing Sdn. Bhd. (“HPM”)**

HPM is involved in the processing and supply of chemicals used in rubber manufacturing industries. Mr. Lim Seow Kiang, a director and major shareholder of HPM, is the son and joint executor of the estate of Mr. Lim Kwan Hwa. The estate of Mr. Lim Kwan Hwa is an indirect substantial shareholder of Kossan through KH.

### **(f) Kossan Adhesive (M) Sdn. Bhd. (“KA”)**

KA is involved in the trading and manufacturing of adhesive products and other related products. Mr. Lim Siew Kheong, a director and a major shareholder of KA, is the son of Mr. Lim Kuang Yong, an indirect substantial shareholder of Kossan through KH and a direct shareholder of Kossan.

### **2.4.3 Common Directors**

Tan Sri Dato' Lim Kuang Sia is a Director of Kossan, KH, and KCI.  
Mr. Tan Kong Chang is a Director of Kossan, Chemtube and Gumi.  
Mr. Lim Leng Bung is a Director of Kossan, KH, KP, KCI and PAC.  
Messrs. Lim Siau Hing and Lim Ooi Chow are Directors of Kossan and KH.

Other than as disclosed above, there are no common directors in Kossan, KH, PAC, KCI, KP, FRPM and Gumi.

### **2.4.4 Common Major Shareholders**

Tan Sri Dato' Lim Kuang Sia is a shareholder of Kossan, KH, KCI, and PLP.  
Mr. Tan Kong Chang is a shareholder of Kossan (indirect), PLP, FRPM, Chemtube and Gumi.  
Mr. Lim Leng Bung is a shareholder of Kossan and KH.

Other than as disclosed above, there are no common shareholders in Kossan, KH, FRPM, KCI, PLP, Chemtube and Gumi.

Tan Sri Dato' Lim Kuang Sia and Lim Leng Bung are siblings. They are deemed interested in the Proposal as they are directors and shareholders of KH. Tan Sri Dato' Lim Kuang Sia and Mr. Lim Leng Bung represent the interest of KH on the Board of the Company.

Messrs Lim Siau Tian, Lim Siau Hing, Lim Seow Kiang and Lim Ooi Chow are cousins and the respective child of Messrs. Lim Kuang Yong, Lim Kuang Wang, the late Lim Kwan Hwa and Tan Sri Dato' Lim Kuang Sia.

Messrs. Lim Kuang Yong, Lim Kuang Wang, the late Lim Kwan Hwa and Tan Sri Dato' Lim Kuang Sia are all indirect major shareholders in Kossan through KH.

## 2.5 Nature of RRPT and Estimated Value

The RRPT which will be covered by the RRPT Mandate are general transactions entered into by the Group in the normal course of business, relating to the following:

Related/ Transacting Party	Nature of RRPT	Estimated Value in the Proposed RRPT Mandate (RM)	Estimated Value disclosed in the Circular dated 23.04.2021 (RM)	Actual Value from 29.05.2021 to 31.03.2022* <sup>2</sup> (RM)
KH	<b>Previously mandated RRPT</b>			
	<b>I) KH</b>			
	(i) PGA rents from KH a premises located at Lot 54975, Jalan Korporat, Klang, Selangor Darul Ehsan (11,108 sq.ft.) * <sup>1a</sup> (a) @ RM10,000 per month until 30.6.2022; (b) @ RM11,108 per month w.e.f. 1.7.2022.	10,000 122,188	120,000	100,000
	(ii) WSM rents from KH a warehouse premises located at Lot 54970, Jalan Korporat, Klang, Selangor Darul Ehsan (11,108 sq.ft.) * <sup>1b</sup> (a) @ RM10,000 per month until 30.6.2022; (b) @ RM11,108 per month w.e.f. 1.7.2022.	10,000 122,188	120,000	100,000
(iii) WSM rents from KH a warehouse premises located at Lot 54966, Jalan Koporat, Klang, Selangor Darul Ehsan (11,108 sq.ft.) * <sup>1c</sup> (a) @ RM10,000 per month until 30.6.2022; (b) @ RM11,108 per month w.e.f. 1.7.2022.	10,000 122,188	120,000	100,000	
(iv) WSM rents from KH a warehouse premises located at Lot 54964, Jalan Koporat, Klang, Selangor Darul Ehsan (11,108 sq.ft.) * <sup>1c</sup> (a) @ RM10,000 per month until 30.6.2022; (b) @ RM11,108 per month w.e.f. 1.7.2022.	10,000 122,188	120,000	100,000	
PAC	<b>II) PAC</b>			
	(i) DRP rents from PAC a factory premises located at Lot 34252, Jalan Sekolah, Rantau Panjang, Selangor Darul Ehsan (44,590 sq ft) * <sup>1d</sup> (a) @ RM40,131 per month until 30.6.2022; (b) @ RM44,590 per month w.e.f. 1.7.2022.	40,131 490,490	481,572	401,310
	(ii) QP rents from PAC a factory premises located at Lot 34252, Jalan Sekolah, Rantau Panjang, Selangor Darul Ehsan (24,010 sq ft) * <sup>1d</sup> (a) @ RM21,609 per month until 30.6.2022; (b) @ RM24,010 per month w.e.f. 1.7.2022.	21,609 264,110	259,308	216,090
KCI	<b>III) KCI</b>			
	(i) PGA rents from KCI a factory premises located at Lot 2400, Jalan Sungai Sembilang, Jeram, Selangor Darul Ehsan (52,800 sq ft) * <sup>1e</sup> (a) @ RM42,240 per month until 30.6.2022; (b) @ RM47,520 per month w.e.f. 1.7.2022.	42,240 522,720	506,880	422,400
	(ii) CM rents from KCI a storage space located at Block B2, PT 46044, Taman Klang Utama, Klang, Selangor Darul Ehsan (20,000 sq.ft) * <sup>1f</sup> (a) @ RM18,000 per month until 30.6.2022; (b) @ RM20,000 per month w.e.f. 1.7.2022.	18,000 220,000	216,000	180,000

Related/ Transacting Party	Nature of RRPT	Estimated Value in the Proposed RRPT Mandate (RM)	Estimated Value disclosed in the Circular dated 23.04.2021 (RM)	Actual Value from 29.05.2021 to 31.03.2022* <sup>2</sup> (RM)
	(iii) KIND rents from KCI a storage space located at Block C, PT 46044, Taman Klang Utama, Klang, Selangor Darul Ehsan (25,200 sq ft) * <sup>1g</sup> (a) @ RM22,680 per month until 30.6.2022; (b) @ RM25,200 per month w.e.f. 1.7.2022.	22,680 277,200	272,160	226,800
	(iv) KIND rents from KCI factory space located at Block D, PT 46043, Taman Klang Utama, Klang, Selangor Darul Ehsan (14,400 sq ft) * <sup>1g</sup> (a) @ RM12,960 per month until 30.6.2022; (b) @ RM14,400 per month w.e.f. 1.7.2022.	12,960 158,400	155,520	129,600
	(v) KIND rents from KCI storage and factory space located at Block F and G, PT 46043, Taman Klang Utama, Klang, Selangor Darul Ehsan (19,200 sq ft) * <sup>1g</sup> (c) @ RM17,280 per month until 30.6.2022; (d) @ RM19,200 per month w.e.f. 1.7.2022.	17,280 211,200	207,360	172,800
	(vi) HC rents from KCI factory space located at Block E, PT 46043, Taman Klang Utama, Klang, Selangor Darul Ehsan (27,600 sq.ft.) * <sup>1h</sup> (a) @ RM24,840 per month until 30.6.2022; (b) @ RM27,600 per month w.e.f. 1.7.2022.	24,840 303,600	298,080	248,400
	(vii) HC rents from KCI storage space located at Block F and G, PT 46043, Taman Klang Utama, Klang, Selangor Darul Ehsan (6,385 sq.ft.) * <sup>1h</sup> (a) @ RM5,746 per month until 30.6.2022; (b) @ RM6,385 per month w.e.f. 1.7.2022.	5,746 70,235	68,952	57,460
	(viii) HC rents from KCI storage space located at Block H, PT 46043, Taman Klang Utama, Klang, Selangor Darul Ehsan (18,680 sq.ft.) * <sup>1h</sup> (a) @ RM14,292 per month until 30.6.2022; (b) @ RM18,680 per month w.e.f. 1.7.2022.	14,292 205,480	171,504	142,920
	(ix) KIND rents from KCI hostel accommodation located at PT 46043 Taman Klang Utama, Klang, Selangor Darul Ehsan @ RM3,500 per month (7 rooms) * <sup>1i</sup>	42,000	42,000	35,000
	(x) HC rents from KCI hostel accommodation located at PT 46043 Taman Klang Utama, Klang, Selangor Darul Ehsan, @ RM5,500 per month (11 rooms) * <sup>1i</sup>	66,000	66,000	55,000
<b>KP</b>	<b>IV) KP</b> (i) Kossan Group sells gloves and rubber products to KP (ii) Kossan Group purchases paint, consumables and services from KP	400,000 2,000,000	750,000 3,000,000	366,520 1,447,752
<b>PLP</b>	<b>V) PLP</b> (i) Kossan Group sells gloves and rubber products to PLP	20,000	20,000	-
<b>FRP</b>	<b>VI) FRP</b> (i) Kossan Group purchases fiberglass reinforced plastic tanks from FRP (ii) Kossan Group sells gloves and rubber products to FRP	300,000 50,000	1,500,000 200,000	109,791 4,186
<b>CHEM TUBE</b>	<b>VII) CHEMTUBE</b> (i) Kossan Group purchases industrial products from Chemtube (ii) HC provides technical services to Chemtube (iii) Kossan Group sells gloves and rubber products to Chemtube	4,000,000 - 100,000	5,220,000 100,000 200,000	2,214,544 - 35,715

Related/ Transacting Party	Nature of RRPT	Estimated Value in the Proposed RRPT Mandate (RM)	Estimated Value disclosed in the Circular dated 23.04.2021 (RM)	Actual Value from 29.05.2021 to 31.03.2022* <sup>2</sup> (RM)
GUMI	<b>VIII) GUMI</b> (i) Kossan rents to Gumi factory premises located at Lot 2401, Jalan Sungai Sembilang, Jeram, Selangor Darul Ehsan (13,846 sq ft) @ RM11,076.80 per month * <sup>1j</sup>	132,922	132,922	110,768
HT	<b>IX) HT</b> (i) Kossan Group purchases formers from HT	14,000,000	14,000,000	4,208,606
	(ii) Kossan Group sells gloves and rubber products to HT	20,000	20,000	7,001
HPM	<b>X) HPM</b> (i) Kossan Group purchases chemicals and processing services from HPM	30,000,000	15,000,000	7,902,720
KA	<b>XI) KA</b> (i) Kossan Group sells gloves and rubber products to KA	-	150,000	6,520

- \*1 (a) The premises rental agreement between KH and PGA dated 1.7.2020 is expiring on 30.6.2022. PGA had exercised its option to renew the agreement for a further period of two (2) years at RM11,108 per month effective 1.7.2022.
- (b) The premises rental agreement between KH and WSM dated 1.7.2020 is expiring on 30.6.2022. WSM had exercised its option to renew the agreement for a further period of two (2) years at RM11,108 per month effective 1.7.2022.
- (c) The premises rental agreements between KH and WSM dated 1.1.2020 expired on 31.12.2021 and was renewed for a further period of six (6) months to 30.6.2022. The new premises agreements will be for a term of two (2) years at RM11,108 per month from 1.7.2022, with an option to the tenant to renew the tenancy for a further period of two (2) years upon expiry at a rate to be negotiated.
- (d) The factory rental agreements between PAC and DRP and PAC and QP dated 1.7.2020 are expiring on 30.6.2022. DRP and QP had exercised its option to renew the agreements for a further period of two (2) years at RM44,590 and RM24,010 per month respectively, effective 1.7.2022.
- (e) The factory rental agreement between KCI and PGA dated 1.7.2020 is expiring on 30.6.2022. PGA had exercised the option to renew the agreement for a further period of two (2) years at RM47,520 per month effective 1.7.2022.
- (f) The storage rental agreement between CM and KCI dated 1.7.2020 is expiring on 30.6.2022. CM had exercised the option to renew the agreement for a further period of two (2) years at RM20,000 per month effective 1.7.2022.
- (g) The premises rental agreements between KCI and KIND dated 1.7.2020 are expiring on 30.6.2022. KIND had exercised its option to renew the agreements for a further period of two (2) years at RM25,200 (Block C, PT46044), RM14,400 (Block D, PT46043), and RM19,200 (Block F and G, PT46043) per month effective 1.7.2022.
- (h) The premises rental agreements between KCI and HC dated 1.7.2020 are expiring on 30.6.2022. HC had exercised its option to renew the agreements for a further period of two (2) years at RM27,600 (Block E, PT46043), RM6,385 (Block F and G, PT46043), and RM18,680 (Block H, PT46043) per month effective 1.7.2022.
- (i) The premises rental agreements between KCI and KIND and KCI and HC dated 1.7.2020 are expiring on 30.6.2022 and were renewed for a further period of two (2) years at the same rate.
- (j) The factory rental agreement between Kossan and Gumi dated 1.8.2020 is expiring on 31.7.2022 and was renewed for a further period of two (2) years at the same rate.

\*2 The actual value transacted from 29.05.2021 to 31.03.2022 did not exceed 10% or more of the Estimated Mandated Value disclosed in the circular dated 23.04.2021.

The above estimated values are indicative estimates which are based on prevailing prices obtained from the mandated Related Parties which are reasonably market-competitive prices based on the normal level of transactions entered into by the Group. The estimated value of the RRPT may differ from the actual value of the transactions.

## 2.6 Amount Owning by Related Parties Which Exceeded the Credit Terms

None of the Related Parties owe the Kossan Group any sum under the RRPT which exceeded the credit terms agreed upon.

## 2.7 Guidelines and Review Procedures

To ensure that the RRPT are undertaken by the Kossan Group on normal commercial terms and to supplement the existing internal control procedures of the Group, the Audit Committee is tasked with the periodic review of such transactions and has the overall responsibility to determine whether the procedures in place are appropriate and within the limits approved.

The Audit Committee currently comprises three Independent Non-executive Directors, as follows:

Lee Choo Hock	(Chairman, Independent Non-executive Director)
Mohamed Shafeii Bin Abdul Gaffoor	(Member, Independent Non-executive Director)
Hoh Kim Hyan	(Member, Independent Non-executive Director)

The following guidelines will apply to the review and approval of RRPT to ensure that the terms are not more favourable to the Related Parties than those generally available to the public and are not detrimental to minority shareholders:

- (a) The threshold for the utilisation of the approved mandate shall be subjected to the Discretionary Authority Limit of RM500,000 duly approved by the Board of Directors. Board of Directors' approval is required for all unbudgeted and all budgeted commitment in excess of RM500,000 per commitment.
- (b) Any tender, quotation or contract received from or proposed to be entered into with a Related Party will not be approved unless:
  - (i) the pricing for the goods and services to be supplied to or provided by the Related Parties is negotiated based on prevailing market prices for the goods such as rubber products, plastic products, industrial chemicals, rubber compound, paint and consumables, formers and FRP tanks, and the rental of premises are consistent with the prices as agreed with unrelated third parties;
  - (ii) the terms are not more favourable to the Related Parties than those extended to unrelated third parties and available to the public and the RRPT are not detrimental to minority shareholders;
  - (iii) the transactions are entered into after taking into account factors such as pricing, quality, level of service, delivery schedules and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases, the terms offered are fair and reasonable compared to market and industry standards and in Kossan Group's commercial interests; and
  - (iv) at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the prices and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. Where quotations or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by the Company based on those offered by/to other unrelated parties for the same or substantially similar type of transaction to ensure that the RRPT is not detriment to the Kossan Group.
- (c) Any member of the Audit Committee may, as he deems fit, request for additional information pertaining to the transactions from independent sources or advisers, including the obtaining of valuations from professional valuers.

- (d) In addition to the guidelines set out above, the Audit Committee will also undertake the following reviews: -
  - (i) the Audit Committee will review, from time to time, status reports on goods and services transacted by the Kossan Group which are RRPT;
  - (ii) the Audit Committee will carry out half yearly reviews to ascertain that the established guidelines and procedures for RRPT have been complied with; and
  - (iii) the Audit Committee will consider, from time to time, whether the established guidelines and procedures mentioned above for RRPT have become inappropriate, and/or are unable to ensure that the transactions will be on normal commercial terms, and/or will prejudice the interests of minority shareholders.
- (e) All companies within the Group have been informed of the Related Parties and have reviewed the procedures applicable to RRPT with such Related Parties. The Company will maintain a record of RRPT carried out pursuant to the RRPT Mandate. The Company's internal audit plan will incorporate a review of the records in respect of the transactions entered into during the year to ensure relevant approvals and review procedures are adhered to.

## **2.8 Validity Period of the Proposal**

The Proposal, upon approval shall become effective after the conclusion of the 42nd AGM and continue to be in force until:

- (i) the conclusion of the Company's next AGM at which time it will lapse, unless by an ordinary resolution passed at that meeting, the mandate is renewed either unconditionally or subject to condition; or
- (ii) the expiration of the period within which the next AGM is required by the Act to be held (but must not extend to such extension as may be allowed pursuant to section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is the earlier.

Approval from shareholders will thereafter be sought for the renewal of the Proposal at each subsequent AGM subject to satisfactory review by the Audit Committee of its continued application to the RRPT.

## **2.9 Disclosure in the Annual Report**

Disclosures will be made in the Annual Report of the breakdown of the aggregate value of the RRPT during the financial year based on the following information:

- (i) the type of the RRPT made; and
- (ii) the names of the Related Parties involved in each type of the RRPT made and their relationship with the Company.

### **3. STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee of the Company has seen and reviewed the procedures mentioned in Section 2.7 above and is satisfied that the review procedures are sufficient to ensure that the RRPT will be carried out at arm's length and on normal commercial terms which are not prejudicial to the interests of shareholders, and that the terms are not more favourable to the Related Parties than those generally available to the public and the RRPT are not detrimental to minority shareholders.

The Company has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner.

If, during the half yearly reviews, the Audit Committee should be of the view that such guidelines and procedures are no longer appropriate or adequate to ensure that RRPT will be carried out at arm's length and on normal commercial terms or will be prejudicial to the interests of minority shareholders, the Audit Committee shall have the discretion to request for additional procedures to be imposed on all the RRPT. In that event, such procedures may be implemented without the approval of shareholders provided that these are more stringent than the existing procedures.

### **4. RATIONALE FOR AND BENEFITS OF THE PROPOSAL**

#### **4.1 Rationale**

The Proposal will enhance the Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need to announce and convene separate general meetings on each occasion to seek shareholders' prior approval for the entry by the relevant company in the Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on ad hoc basis, improve administrative efficiency considerably, and allow manpower resources and time to be channeled towards attaining other corporate objectives.

#### **4.2 Benefits**

The RRPT entered into by the Group are intended to meet business needs at the best possible terms. The Kossan Group should be able to have access to all available markets and products and services provided by all vendors, including the Related Parties. Transacting with the Related Parties also enhances the ability to explore beneficial business opportunities within the Kossan Group, which will be of benefit to all the companies within the Kossan Group. In most instances, companies within the Kossan Group and the Related Parties have a better understanding of each other's business needs thus providing a platform where all parties can benefit from relatively cheaper transaction costs.

##### **4.2.1 RRPT involving KH Group**

KH is an investment holding company while its subsidiaries are involved in investment (KCI and PAC), condoms (PLP) and paint (KP).

The premises of KH Group and Kossan Group are situated in close proximity to each other. Whenever there is a need for additional space to accommodate expansion and one party has the available space, then the said party will strive to allocate the required space to the other party.

The rental rates offered approximate market rates. Due to the close proximity of the premises, savings in transport and manpower cost accrue to both parties.

Some of the products manufactured or required in the manufacturing processes of the Kossan Group complements those carried on by the KH Group and vice versa. Accordingly, either Group will source such requirements from each other whenever the needs arise. The terms and conditions offered approximate the market norms but due to the close proximity of their premises benefits such as lower transport cost, prompt delivery and committed service accrue to both parties.

#### **4.2.2 RRPT involving Directors and/or Substantial Shareholders (indirect)**

(a) RRPT involving FRP

Kossan Group purchases fiberglass reinforced plastic tanks and polyethylene tanks from FRP who is able to deliver custom make sizes/quantity at reasonable prices and with prompt delivery. Kossan Group also sells gloves and rubber products to FRP.

(b) RRPT involving Chemtube

Kossan Group purchases industrial products for installation in the plant and machinery from Chemtube who is able to deliver custom make sizes/quantity at reasonable prices and with prompt delivery. HC provides technical services to Chemtube. Kossan Group also sells gloves and rubber products to Chemtube.

(c) RRPT involving Gumi

Kossan lets its available factory space to Gumi. The rental terms and conditions are based on market norms and rates.

(d) RRPT involving HT

Kossan Group purchases formers from HT who is able to deliver custom make sizes / quantity at reasonable prices and with prompt delivery. Kossan Group also sells gloves and rubber products to HT.

(e) RRPT involving HPM

Kossan Group purchases chemicals and processing services from HPM who is able to deliver its products at reasonable prices and with prompt delivery.

(f) RRPT involving KA

Kossan Group sells gloves and rubber products to KA.

## **5. APPROVAL REQUIRED**

The Proposal is subject to approval being obtained from the shareholders at the forthcoming AGM by way of an ordinary resolution.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

As at LPD, the direct and indirect shareholdings of the major shareholders and the Directors in Kossan having an interest in the Proposal are as follows:-

Major Shareholder	Direct	%	Indirect	%
Kossan Holdings (M) Sdn. Bhd.	1,207,259,920	47.31	-	-
Lim Kuang Yong	600,000	0.02	1,207,259,920 * <sub>1</sub>	47.31
Lim Kuang Wang	1,201,000	0.05	1,207,259,920 * <sub>1</sub>	47.31
Estate of Lim Kwan Hwa	-	-	1,207,259,920 * <sub>1</sub>	47.31
Director and/or Major Shareholder				
Tan Sri Dato' Lim Kuang Sia	7,018,904	0.28	1,210,437,904 * <sub>2</sub>	47.44
Lim Leng Bung	669,200	0.03	1,207,259,920 * <sub>1</sub>	47.31
Lim Siau Tian	-	-	-	-
Lim Siau Hing	-	-	-	-
Lim Ooi Chow	-	-	-	-
Tan Kong Chang	-	-	100,000* <sub>3</sub>	0.00 * <sub>4</sub>

\*1. Deemed interested by virtue of section 8(4) of the Act through his shareholding in Kossan Holdings (M) Sdn. Bhd.

\*2. Deemed interested by virtue of section 8(4) of the Act through his shareholding in Kossan Holdings (M) Sdn. Bhd and the shareholding of his spouse.

\*3. Deemed interested by virtue of the shareholding of his spouse.

\*4. Negligible.

Tan Sri Dato' Lim Kuang Sia and Mr. Lim Leng Bung are siblings while Messrs Lim Siau Tian, Lim Siau Hing and Lim Ooi Chow are cousins and the child of Messrs Lim Kuang Yong, Lim Kuang Wang and Tan Sri Dato' Lim Kuang Sia respectively. They and Mr. Tan Kong Chang ("Interested Directors") have abstained and will continue to abstain from Board deliberations and voting on the Proposal.

The Interested Directors, Major Shareholders (as stated in the aforesaid table) and/or persons connected with the Directors, and/or Major Shareholders of Kossan have abstained and will continue to abstain from voting in respect of their direct and indirect shareholdings in the Company on the ordinary resolutions pertaining to the Proposal to be tabled at the forthcoming AGM. The Interested Directors and Major Shareholders have undertaken that person connected with them will abstain from voting on the resolutions in respect of the Proposal at the AGM.

Save as disclosed above, none of the other Directors and/or Major Shareholders of Kossan and/or persons connected to them have any interest, direct or indirect, in the Proposal.

## 7. DIRECTORS' RECOMMENDATION

After due consideration of all aspects of the Proposal, the Directors, (except the Interested Directors who had abstained from making any opinions in respect of the Proposal) are of the opinion that the Proposal is in the best interests of the Kossan Group.

Accordingly, your Directors (except for the Interested Directors) recommend that shareholders vote in favour of the resolution to be tabled at the Company's forthcoming AGM to give effect to the Proposal.

## **8. ANNUAL GENERAL MEETING**

The ordinary resolution on the Proposal is stated in the Notice of AGM in the 2021 Annual Report of the Company. The AGM will be conducted virtually through live-streaming, online remote participation and voting from the Broadcast Venue at Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the remote participation and voting facilities.

The Notice of AGM, Proxy Form and Administrative Details are available online and may be downloaded from our Company's website at <https://www.kossan.com.my/investors/reports.html>.

If you are unable to participate and vote remotely at the AGM, you may complete and return the Proxy Form in accordance with the instructions therein as soon as possible and in any event, deposit at the office of the Share Registrar (Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia) not less than 24 hours before the time of the AGM. The lodgment of the Proxy Form shall not preclude you from participating and voting remotely at the AGM should you subsequently wish to do so.

## **9. FURTHER INFORMATION**

Shareholders are advised to refer to the attached Appendix I for further information.

Yours faithfully,  
For and on behalf of the Board of  
KOSSAN RUBBER INDUSTRIES BHD.

Mohamed Shafeii Bin Abdul Gaffoor  
Chairman

**PART B**  
**STATEMENT TO SHAREHOLDERS**  
**IN RELATION TO THE**  
**PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

## **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

### **1. INTRODUCTION**

On 17 February 2022, the Company had announced to the Exchange that it is proposing to seek its shareholders' approval for the Proposed renewal of authority for the purchase of the Shares by the Company ("Proposal") at the forthcoming 42nd Annual General Meeting ("AGM").

This Statement serves to provide you with the relevant information on the Proposal together with your Board's recommendation and to seek your approval of the ordinary resolution on the Proposal to be tabled at the forthcoming 42nd AGM.

The Notice of AGM and Proxy Form, are enclosed in the 2021 Annual Report and may be downloaded from our Company's website at <https://www.kossan.com.my/investors/reports.html>.

### **2. DETAILS OF THE PROPOSAL**

At the 41st AGM of the Company held on 28 May 2021, shareholders had approved the renewal of authority for the purchase from the open market of up to ten percent (10%) of the issued share capital of Kossan ("Shareholders' Mandate"). The shareholders' mandate shall expire at the conclusion of the Company's 42nd AGM to be held on 19 May 2022 unless renewed by an ordinary resolution passed by the shareholders at the 42nd AGM.

The renewal of the Proposal, when approved by the shareholders vide an ordinary resolution at the 42nd AGM to be held on 19 May 2022 shall become effective upon conclusion of the 42nd AGM and continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following this AGM at which the mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting the authority is renewed;
  - (ii) the expiration of the period within which the next AGM of the Company after this AGM is required by law to be held; or
  - (iii) revoked or varied a by ordinary resolution passed by the shareholders in a general meeting,
- whichever is earlier.

### **3. SOURCES OF FUNDS**

The Board proposes to allocate an amount of funds not exceeding the retained profits of the Company for the purchase of its own Shares pursuant to the Proposal. Based on the latest audited financial statements for the financial year ended 31 December 2021, the retained profits of the Company was RM1,204,331,000.

The amount of funds allocated for the purchase of its own Shares pursuant to the Proposal shall be financed from internally generated funds and/or external borrowings, the proportion of which will only be determined later depending on the available internally generated funds, actual number of Shares to be purchased and other relevant cost factors. In the event the Company decides to use external borrowings, the Company will ensure that it has sufficient financial capability to repay such borrowings and that the external borrowings are not expected to have any adverse effects on the cash flow of the Group.

#### **4. RATIONALE FOR THE PROPOSAL**

The rationale for the Proposal is as follows:

- (i) Kossan may be able to stabilise the supply and demand of the Shares in the open market and thereby support its fundamental value;
- (ii) General investors' confidence in the stability of Kossan share price is expected to be enhanced as Kossan is empowered to implement the Proposal;
- (iii) The Group is able to utilise its financial resources that it has no immediate usage for the purchase of the Shares;
- (iv) The Proposal can enhance value for shareholders from a resultant reduction in the number of Shares in the market, all things being equal. It may increase the EPS when the Purchased Shares are cancelled, thereby making the Shares more attractive to investors. Further, Treasury Shares retained by Kossan may be distributed as dividends to shareholders and/or resold on the Exchange with the intention of realising capital gain on the resale; and
- (v) Purchase of odd lots through Direct Business Transaction outside the ATS will reduce the incidence of odd lots in the market.

#### **5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSAL**

The potential advantages and disadvantages of the Proposal, if exercised, to the Company and its shareholders are as follows:

##### 5.1 Potential advantages:

- (i) allows the Company the flexibility in attaining its desired capital structure;
- (ii) rewards the shareholders in the event the Treasury Shares are distributed as share dividends;
- (iii) enhances the Group's EPS should any of the Treasury Shares be cancelled; and
- (iv) derives capital gains should the Treasury Shares be sold at a profit.

##### 5.2 Potential disadvantages:

- (i) will reduce the financial resources of the Company and may result in the Group forgoing better investment opportunities that may emerge in the future; and
- (ii) as the Proposal can only be made out of retained profits of the Company, it may result in the reduction of financial resources available for distribution of dividends to shareholders in the immediate future.

Nevertheless, our Board is of the view that the Proposal is not expected to have any potential material disadvantages to the Company and shareholders, as it will be implemented only after careful consideration of the financial resources of the Company and its resultant impact.

The Board will be mindful of the interests of the Company and its shareholders in exercising the authority granted by the shareholders in deciding the number of Shares to be purchased and/or whether to retain the said Shares as treasury shares, distribute the said Shares as share dividend, resell the said Shares in the open market, and/or to cancel the said Shares.

## 6. EFFECTS OF THE PROPOSAL

On the assumption that the Proposal is carried out in full, the effects of the Proposal on the share capital, NA, working capital, earnings and dividend payment of Kossan are set out below:

### 6.1 Share Capital

The effect of the Proposal on the share capital of the Company will depend on the treatment of the Purchased Shares.

The effect of the Proposal on the issued share capital of the Company, assuming that the maximum number of Shares (up to 10% of the issued share capital) authorised under the Proposal are purchased and cancelled, is set out below:-

	Number of shares	RM
Issued and paid-up share capital as at LPD	2,557,871,616	323,884,715
Assuming the Shares Purchased are cancelled (up to 10% of the issued and paid-up share capital)	(255,787,161) *	(32,388,471)
Resultant issued and paid-up share capital upon completion of the Proposal	2,302,084,455	291,496,244

\* inclusive of 6,252,000 Treasury Shares.

### 6.2 Net Assets

The effect of the Proposal on the consolidated NA per share will depend on the number of Shares purchased, the purchase price of the Shares at the time of purchase and the treatment of the Shares so purchased.

- 6.2.1 Where the purchased Shares are cancelled and if the purchase price per Share exceeds the NA per share at the time of the purchase, the NA of the Kossan Group will be reduced. Conversely, the NA will increase if the purchase price is less than the NA per share at the time of purchase.
- 6.2.2 If the Treasury Shares are subsequently resold on the Exchange, the NA per share will increase if the Company enjoys resale gains, and vice-versa. If the Treasury Shares are distributed as share dividends, the NA per share will be decreased accordingly by the cost of the Treasury Shares.
- 6.2.3 If the purchased Shares are retained as Treasury Shares, the NA per share of the Company would decrease (due to the requirement for treasury shares to be carried at cost and be offset against equity) unless the cost per share of the Shares purchased is below the NA per share at the time of purchase.

### **6.3 Working Capital**

- 6.3.1 The Proposal will reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of Shares eventually purchased and the purchase prices of the Shares. The impact on the cashflows of the Company and Group will be dependent on the number of Shares eventually purchased and the purchase prices of the Shares.
- 6.3.2 For Shares so purchased which are kept as Treasury Shares, upon its resale, the working capital of the Company will increase assuming that a gain has been realised. Again, the quantum of the increase in the working capital will depend on the actual selling price of the Treasury Shares and the number of Treasury Shares resold.

### **6.4 Earnings**

- 6.4.1 The effect of the Proposal on the EPS of the Kossan Group will depend on the purchase price of the Shares, the number of Shares purchased and the opportunity cost arising from the funds utilised for the Proposal.
- 6.4.2 Any cancellation of purchased Shares is expected to give rise to increased EPS provided the income foregone and/or interest expense incurred on the Shares purchased is less than the EPS prior to the purchase.
- 6.4.3 Assuming the Shares purchased are retained as Treasury Shares and resold, the effects on the earnings of the Kossan Group will depend on the actual selling price, the number of Treasury Shares resold and the effective gain or interest savings from the exercise.

### **6.5 Dividend**

- 6.5.1 Assuming that the Proposal is implemented in full and the dividend quantum is maintained at historical levels, the Proposal will have the effect of increasing the dividend rate per share of the Company as a result of the reduction in the issued share capital of the Company.
- 6.5.2 The Proposal is not expected to have any impact on the policy of the Board in recommending dividends, if any, to shareholders. However, the Board may distribute future dividends in the form of Treasury Shares retained pursuant to the Proposal.
- 6.5.3 The dividends for the financial year ended 31 December 2021 were as follow:
- (a) A first interim dividend of 12 sen per share declared on 20 April 2021 and paid on 20 May 2021.
  - (b) A second interim dividend of 12 sen per share declared on 27 July 2021 and paid on 26 August 2021;
  - (c) A third interim dividend of 12 sen per share declared on 21 October 2021 and paid on 19 November 2021; and
  - (d) A fourth interim dividend of 12 sen per share declared on 17 February 2022 and will be paid on 22 April 2022.

All dividends paid and to be paid were based on the share capital of 2,551,619,616 ordinary shares (excluding 6,252,000 Treasury Shares).

## 6.6 Shareholdings of Directors and Substantial Shareholders

The following tables show the effects of the Proposal on the shareholdings of the Directors and Substantial Shareholders as at LPD assuming that:

- (i) the purchase of own Shares of up to ten percent (10%) of the issued share capital of Kossan are from the public shareholders of Kossan;
- (ii) the Shares so purchased are cancelled; and
- (iii) the Substantial Shareholders and/or Directors do not sell down their shareholdings.

Directors	As at LPD				After Proposal			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Tan Sri Dato' Lim Kuang Sia	7,018,904	0.28	1,210,437,904 <sup>2</sup>	47.44	7,018,904	0.31	1,210,437,904 <sup>2</sup>	52.58
Lim Leng Bung	669,200	0.03	1,207,259,920 <sup>1</sup>	47.31	669,200	0.03	1,207,259,920 <sup>3</sup>	52.44
Tan Kong Chang	-	-	100,000 <sup>3</sup>	0.00 <sup>4</sup>	-	-	100,000 <sup>3</sup>	0.00 <sup>4</sup>
Lim Siau Tian	-	-	-	-	-	-	-	-
Lim Siau Hing	-	-	-	-	-	-	-	-
Lim Ooi Chow	-	-	-	-	-	-	-	-
Mohamed Shafeii Bin Abdul Gaffoor	-	-	-	-	-	-	-	-
Lee Choo Hock	-	-	-	-	-	-	-	-
Hoh Kim Hyan	-	-	-	-	-	-	-	-

Substantial shareholders	As at LPD				After Proposal			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Kossan Holdings (M) Sdn. Bhd.	1,207,259,920	47.31	-	-	1,207,259,920	52.44	-	-
Employees Provident Fund	224,057,300	8.78	-	-	224,057,300	9.73	-	-
Tan Sri Dato' Lim Kuang Sia	7,018,904	0.28	1,210,437,904 <sup>2</sup>	47.44	7,018,904	0.31	1,210,437,904 <sup>2</sup>	52.58
Lim Kuang Yong	600,000	0.02	1,207,259,920 <sup>1</sup>	47.31	600,000	0.03	1,207,259,920 <sup>3</sup>	52.44
Lim Kuang Wang	1,201,000	0.05	1,207,259,920 <sup>1</sup>	47.31	1,201,000	0.05	1,207,259,920 <sup>3</sup>	52.44
Estate of Lim Kwan Hwa	-	-	1,207,259,920 <sup>1</sup>	47.31	-	-	1,207,259,920 <sup>3</sup>	52.44
Lim Leng Bung	669,200	0.03	1,207,259,920 <sup>1</sup>	47.31	669,200	0.03	1,207,259,920 <sup>3</sup>	52.44

\*1. Deemed interested by virtue of section 8(4) of the Act through his shareholding in Kossan Holdings (M) Sdn. Bhd.

\*2. Deemed interested by virtue of the shareholding of his spouse and by virtue of section 8(4) of the Act through his shareholding in Kossan Holdings (M) Sdn. Bhd.

\*3. Deemed interested by virtue of the shareholding of his spouse.

\*4. Negligible.

## 7. APPROVAL REQUIRED

The Proposal is subject to approval being obtained from the shareholders at the forthcoming AGM by way of an ordinary resolution.

## 8. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors of the Company as at LPD, the total percentage of the issued and paid-up share capital of Kossan which is held by the public (in accordance with the public shareholding spread requirements of the Exchange), was 52.19% with each public shareholder holding not less than 100 Shares. Pursuant to the Proposal, the aforesaid public shareholding of Kossan would be reduced to approximately 47.00% (which is above the required public shareholding spread of 25%) based on the assumptions that the maximum number of 255,787,161 Shares are purchased and that such Shares will be cancelled, and that all the Shares so purchased are from the public shareholders of Kossan.

As illustrated above, the public shareholding spread will be met in the event the Company purchases up to ten percent (10%) of its existing issued share capital. Notwithstanding the above, the Company will be mindful of the public shareholding spread requirement before making any purchase of its Shares.

## 9. IMPLICATION OF THE CODE

In the event the Proposal results in any major shareholder and/or persons acting in concert with him/her (“PACs”) trigger the mandatory offer obligation for the remaining Shares not already held by them in Kossan under Paragraph 4.01 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions, 2016 (“Rules”), the affected major shareholder and PACs may apply for an exemption to extend a mandatory offer obligation for the remaining Shares not already held by them in Kossan from the Securities Commission Malaysia before the said obligation is triggered.

Further, under Paragraph 4.15 of the Rules, the affected major shareholder and/or PACs who trigger a mandatory offer obligation for the remaining Shares not already held by them in Kossan as a result of the Proposal will be exempted from the said obligation subject to the conditions stated in the Rules.

Further, it is not the intention of the Company to cause any major shareholders to trigger the mandatory offer obligations under the Code and the Company will be mindful of the above implications of the Code in making any purchase of our own Shares pursuant to the Proposal.

## 10. PURCHASES AND SALES IN THE PREVIOUS TWELVE (12) MONTHS

No purchase, resale, transfer or cancellation of treasury shares was made in the preceding 12 months from the LPD.

As at the LPD, the Company holds a total of 6,252,000 Treasury Shares.

## 11. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

Save for the consequential increase in the percentage shareholdings of the Directors’ and the Substantial Shareholders as a result of the Proposal, none of the Substantial Shareholders and/or Directors of Kossan and persons connected to them have any interest, direct or indirect, in the Proposal.

## 12. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the Shares as traded on Bursa Securities for the last 12 months from April 2021 to March 2022 are as follows:

	<b>High</b>	<b>Low</b>
<b><u>2021</u></b>	<b>(RM)</b>	<b>(RM)</b>
April	4.89	3.16
May	4.55	3.86
June	4.06	3.17
July	3.57	2.93
August	3.49	3.04
September	3.16	2.20
October	2.54	2.21
November	2.73	1.95
December	2.22	1.61
<b><u>2022</u></b>		
January	2.13	1.78
February	1.95	1.67
March	1.97	1.70

The last traded price of the Shares as at the LPD was RM 1.96.

### **13. DIRECTORS' RECOMMENDATION**

Your Directors, having considered all aspects of the Proposal, are of the opinion that the Proposal is in the best interest of the Company and its shareholders. Accordingly, they recommend that you vote in favour of the ordinary resolution pertaining to the Proposal to be tabled at the forthcoming AGM.

### **14. ANNUAL GENERAL MEETING**

The ordinary resolution on the Proposal is stated in the Notice of AGM in the 2021 Annual Report of the Company. The AGM will be conducted virtually through live-streaming, online remote participation and voting from the Broadcast Venue at Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the remote participation and voting facilities.

The Notice of AGM, Proxy Form and Administrative Details are available online and may be downloaded from our Company's website at <https://www.kossan.com.my/investors/reports.html>.

If you are unable to participate and vote remotely at the AGM, you may complete and return the Proxy Form in accordance with the instructions therein as soon as possible and in any event, deposit at the office of the Share Registrar (Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia) not less than 24 hours before the time of the AGM. The lodgment of the Proxy Form shall not preclude you from participating and voting remotely at the AGM should you subsequently wish to do so.

### **15. FURTHER INFORMATION**

Shareholders are advised to refer to the attached Appendix I for further information.

Yours faithfully,  
For and on behalf of the Board of  
KOSSAN RUBBER INDUSTRIES BHD.

Mohamed Shafeii Bin Abdul Gaffoor  
Chairman

21 April 2022

**FURTHER INFORMATION****1. RESPONSIBILITY STATEMENT**

This Document has been seen and approved by the Directors of Kossan and they collectively and individually accept full responsibility for the accuracy and correctness of the information given, and confirm that, after making all reasonable enquiries, that to the best of their knowledge and believe, there are no other facts and information wherein the omission of which would make any statement herein misleading.

**2. MATERIAL LITIGATION**

As at the LPD, neither Kossan nor the Group is involved in any material litigation, claims or arbitration either as plaintiff or defendant, and the Board does not have any knowledge of any proceedings, claims or arbitration, pending or threatened against us or the Group, or of any facts likely to give rise to any proceedings, claims or arbitration which might materially and adversely affect the financial position or business of the Group.

**3. MATERIAL CONTRACTS**

Save as disclosed below, as at the LPD, there are no material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by our Company or our Group within the past two (2) years preceding the date of this Document.

- (a) On 18 May 2020, Perusahaan Getah Asas Sdn. Bhd., a wholly owned subsidiary entered into a Sale and Purchase Agreement with Improgen Sdn. Bhd. for the acquisition of the vacant freehold industrial land situated at Mukim Kapar, Daerah Klang, Selangor, measuring approximately 11,314 square metres for a total cash consideration of RM6,570,000.00. This contract has been completed.
- (b) On 6 July 2020, Ideal Quality Sdn Bhd, a wholly owned subsidiary entered into a Sale and Purchase agreement 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 for a total cash consideration of RM40,000,000.00. This contract has been completed.
- (c) On 27 November 2020, Ideal Quality Sdn. Bhd., a wholly owned subsidiary entered into a Sale and Purchase Agreement with Daijin Tech (M) Sdn. Bhd. for the acquisition of the freehold industrial property measuring approximately 12,140.55 square metres located at Lot 5007, Batu 5, Jalan Meru, 41050 Klang, Selangor Darul Ehsan for a total cash consideration of RM19,300,000.00. This contract has been completed.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of Kossan at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan, during normal business hours on Mondays to Fridays (except public holidays) from the date of this Document up to and including the date of the forthcoming AGM:

- (a) The Constitution of Kossan;
- (b) The audited consolidated financial statements of Kossan for the past two (2) financial years ended 31 December 2020 and 31 December 2021; and
- (c) The material contracts referred to in section 3 above.