www.kossan.com.my

Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 3/4, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan, Malaysia
- Tel – 603 3291 2657
- Fax – 603 3291 2903
- Email – kossan@kossan.com.my

ANNUAL REPORT 2007 >> KOSSAN RUBBER INDUSTRIES BHD

BUSINESS STABILITY WITH LONG TERM **SUSTAINABLE GROWTH**

KOSSAN

KOSSAN RUBBER INDUSTRIES BHD
(Company No.: 48166-W)

2007 Annual Report

"BUSINESS STABILITY WITH LONG TERM SUSTAINABLE GROWTH"

Contents 2007

KOSSAN RUBBER INDUSTRIES BHD (48166-W)
ANNUAL REPORT 2007

WEAR SAFE MALAYSIA SDN BHD
HAS BEEN REGISTERED BY
BSI MANAGEMENT SYSTEMS
AGAINST ISO 13485:2003

KOSSAN LATEX INDUSTRIES (M) SDN BHD
HAS BEEN REGISTERED BY
BSI MANAGEMENT SYSTEMS
AGAINST BS EN ISO 13485:2003

KOSSAN LATEX INDUSTRIES (M) SDN BHD
HAS BEEN REGISTERED BY
BSI MANAGEMENT SYSTEMS
AGAINST BS EN ISO 9001:2000

PERUSAHAAN GETAH ASAS SDN BHD
HAS BEEN REGISTERED BY
SGS YARSLEY INTERNATIONAL CERTIFICATION
SERVICES LIMITED AS/NZS ISO 13485:2003

PERUSAHAAN GETAH ASAS SDN BHD
HAS BEEN REGISTERED BY
SGS YARSLEY INTERNATIONAL CERTIFICATION
SERVICES LIMITED ISO 9001:2000

KOSSAN LATEX INDUSTRIES (M) SDN BHD
HAS BEEN REGISTERED BY
LLOYD'S REGISTER QUALITY ASSURANCE
LIMITED AGAINST ISO 9001:2000

HIBON CORPORATION SDN BHD
HAS BEEN REGISTERED BY
LLOYD'S REGISTER QUALITY ASSURANCE
LIMITED AGAINST ISO 9001:2000

KOSSAN RUBBER INDUSTRIES BHD
Has been certified by
SAI- Global Limited, Australia
Against **ISO/TS 16949:2002 (Licence No: IATF20004)**

Quality Endorsed Company

Registration # :
AU QEC 12558

KOSSAN RUBBER INDUSTRIES BHD
Has been certified by
SAI-Global Limited, Australia
Against **AS/NZS ISO 9001:2000**

0086

CGSB Listed

KOSSAN RUBBER INDUSTRIES BHD
Has been certified by IKRAM QA Services Sdn Bhd
for **BS EN 681:Pt.1:1996**
Certificate No: IKRAM/B166/G0141/N0608

DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by IKRAM QA Services Sdn Bhd
for **MS 671:PART1:2002 (Elastomeric Bridge Bearing)**
Certificate No: IKRAM/B104/G0110/N1906

DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by IKRAM QA Services Sdn Bhd
for **MS 1385 : 1995 (Marine Fender - Rubber)**
Certificate No: IKRAM/B104/G0107/N2505

Quality Endorsed Company

Registration # :
AU QEC 12558

DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by
SAI-Global Limited, Australia
Against **AS/NZS ISO 9001:2000**

MS ISO/IEC 17025

DOSHIN BEARING LABORATORY
DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by Department of Standards Malaysia
for **MS ISO/IEC 17025 : 2005**
Certificate No: SAMM 372

Corporate Mission

K EEPING A HEALTHY GROWTH THROUGH TEAMWORK

O PTING TO BE COMPETITIVE THROUGH THE PROVISION OF GOOD SERVICES AND QUALITY PRODUCTS

S TRIVING TO REDUCE MALAYSIA'S DEPENDENCE ON IMPORTED RUBBER GOODS

S TEPPING UP THE WELFARE AND PROFESSIONALISM OF OUR EMPLOYEES

A SPIRING TO DEVELOP MORE HIGH TECHNOLOGY PRODUCTS

N AVIGATING TOWARDS MALAYSIA'S VISION 2020

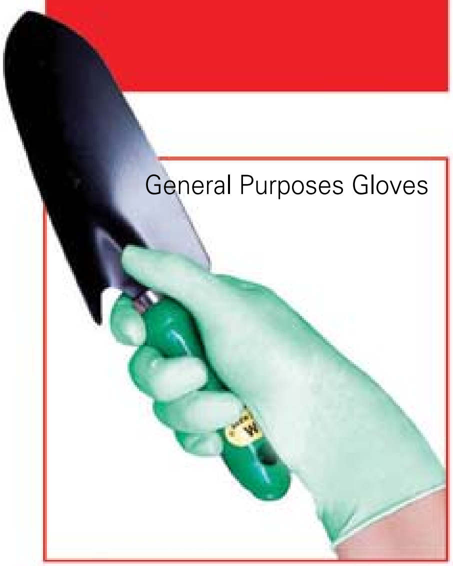
OUR PRODUCTS ARE EXPORTED TO MORE THAN 50 COUNTRIES AROUND THE WORLD

RUBBER GLOVES

WE are a major OEM supplier of medical application gloves in the World

Medical Gloves

Surgical Gloves



General Purposes Gloves

Food Handling Gloves

Laboratory Gloves

TECHNICAL RUBBER PRODUCTS

General Application

- Gaskets
- Pipe Seals

Rubber Fenders for Marine Application

- Cell Fender
- Arch (V) Fender

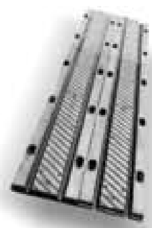
Rubber Rollers for Printing & General Industries

Automotive Parts

- Bushing

WE are one of the largest manufacturers of technical rubber products in Malaysia

Construction and Civil Engineering



- Water Stop
- Laminated Bearing Pad
- Anti-Vibration Pad
- Bridge Expansion Joint

Extruded Rubber Products

- Solid & Sponge Profiles
- Pressure Sensor Profiles

Corporate Information

BOARD OF DIRECTORS

Y. Bhg. Dato' Haji Mokhtar Bin Haji Samad
D.S.S.A., A.M.N., P.M.C., P.J.K.
(Chairman)

Lim Kuang Sia
(Managing Director / Chief Executive Officer)

Lim Kuang Yong

Lim Kuang Wang

Lim Kwan Hwa

Heng Bak Tan

Y.Bhg. Dato' Tai Chang Eng @ Teh Chang Ying
D.S.S.A., A.M.S., P.J.K

Tong Siew Choo

Lim Leng Bung
(Alternate to Lim Kuang Wang)

COMPANY SECRETARIES

Chia Ong Leong (MIA 4797)
Chia Yew Ngo (LS 1831)

BUSINESS AND REGISTERED ADDRESS

Wisma Kossan
Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar,
42100 Klang, Selangor
Tel: 03-3291 2657 Fax: 03-3291 2903
E-mail: kossan@kossan.com.my
Website: www.kossan.com.my

AUDITORS

KPMG

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
EON Bank Berhad
Bank Muamalat (Malaysia) Berhad
HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Rabobank International

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 26 Menara Multi-Purpose, Capital Square,
No 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel: 03-27212222 Fax: 03-27212530
Website: www.Symphony.com.my

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad-Main Board

Financial Highlights

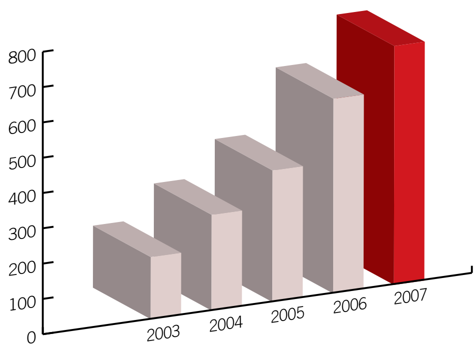
OPERATIONS (RM Million) for the year ended 31 December	2003	2004	2005	2006#	**2007#**
Revenue	182.051	280.846	385.991	571.283	702.637
Profit Before Tax	18.669	29.303	36.181	48.453	58.318
Profit Attributable to Equity Shareholders	16.738	22.127	28.946	46.152	55.085
Dividend (%)	10.0	10.0	12.0	13.0	16.0

BALANCE SHEET (RM Million) as at 31 December	2003	2004	2005	2006	**2007**
Share Capital	66.611	66.611	79.933	79.933	79.933
Shareholders' Funds	121.763	136.880	158.566	205.456	251.370
NTA (per share) (RM)	1.80	2.04	0.99*	1.28*	1.57*

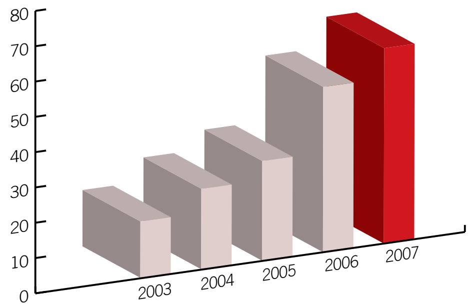
* NTA per share is calculated based on 159,866,976 shares at RM0.50 each.

\# Included early adoption of FRS 112 as mentioned in Note 27 of the financial statements.

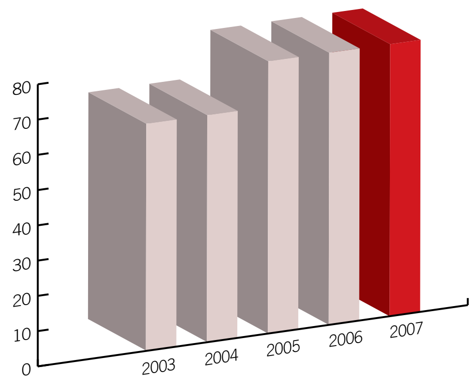
REVENUE (RM Million)



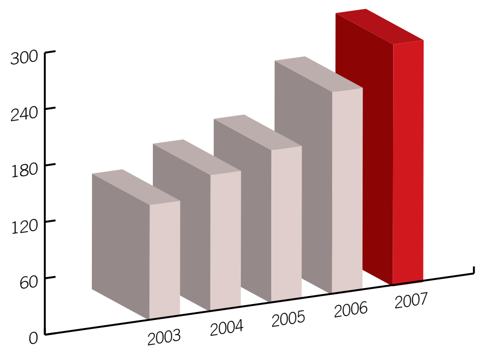
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS (RM Million)



SHARE CAPITAL (RM Million)



SHAREHOLDERS' FUNDS (RM Million)



Chairman's Statement

Y. BHG. DATO' HAJI MOKHTAR BIN HAJI SAMAD

I AM PLEASED TO REPORT THAT WE ACHIEVED AN ALL TIME HIGH PROFIT BEFORE TAX OF RM58.3 MILLION ON THE BACK OF REVENUES TOTALLING RM702.6 MILLION. INCLUDING THIS YEAR, THE KOSSAN GROUP IS IN THE 12TH YEAR OF UNBROKEN PROFITABILITY TRACK RECORD SINCE ITS LISTING IN YEAR 1996.

It is my pleasure to present on behalf of the Board of Directors, the Annual Report and the Audited Financial Statements of Kossan Rubber Industries Bhd and its subsidiaries ("Kossan Group") for the financial year ended 31 December 2007.

PERFORMANCE REVIEW

I am pleased that the Kossan Group continued to perform well in 2007 despite the highly competitive market amidst all time high in raw materials and crude oil prices coupled with the appreciation of the Ringgit Malaysia since July 2005. The Kossan Group achieved a significant milestone for the year when its revenue surpassed the RM700 million mark for the first time, while its after tax profit exceeded the RM55 million mark and including this year, the Kossan Group is in the 12th consecutive year of unbroken profitability track record since listing in year 1996.

Growing Financial Strength

It has been a record year of performance as both gloves and technical rubber products divisions posted higher revenue. Group revenue increased by 23% to a new high of RM702.6 million (2006: RM571.3 million).

Chairman's Statement

Year Ended 31 December	2007 RM million	2006 RM million	Change %
Revenue	702.6	571.3	23.0
Profit From Operations	68.6	55.4	23.8
Profit Before Taxation	58.3	48.5	20.2
Profit attributable to Equity Shareholders	55.1	46.2	19.4
Shareholders' Funds	251.4	205.5	22.3
Total Assets	536.9	435.8	23.2
Basic Earnings Per Share (sen)	34.5	28.9	19.4
Net Tangible Asset Per Share (RM)	1.57	1.28	22.4

The good revenue performance was mainly due to higher unit sales generated by the gloves division, especially from the premium grade gloves segment compared to the previous year.

The Group's profit before tax reached a record high of RM58.3 million (2006: RM48.5 million) while net profit was 19.4% higher to RM55.1 million (2006: RM46.2 million). Consequently, the Group's earnings per share ("EPS") improved to 34.5 sen from 28.9 sen in 2006 and translated into a healthy Return on Equity ("ROE") of 21.9%.

I am pleased that the strategic business measures undertaken by Kossan Group which included better product-mix, remarkable cost-saving measures, improved production processes, aggressive marketing strategy, effective customer delivery and risk management initiatives, have accordingly translated into record profit of RM55.1 million.

Strong and Healthy Balance Sheet

The Group's balance sheet remained strong and healthy. Total assets spurt upwards to RM536.9 million from RM435.8 million in 2006, registering a growth rate of 23.2%. The Group's shareholders' funds grew from RM205.5 million in 2006 to RM251.4 million.

PROSPECTS

The Malaysian economy remained favorable in 2007 with sustainable growth despite uncertainty in the global economic environment amidst the high crude oil prices. Building on the growth momentum in 2007, the Malaysian economy is expected to register robust growth for 2008.

Including 2007, the Group marked the 12th consecutive year of notable growth despite the challenging operating environment including rising production costs amidst the high crude oil prices and the growing strength of the Ringgit Malaysia. We are optimistic of the year ahead riding on robust demand for our gloves and technical rubber products.

In 2008, examination gloves will remain the main growth driver supported by massive yet prudent expansion program in our 5-years strategic masterplan. Riding on the higher demand for more customized and technical rubber products by our MNC customers from overseas, prospects for our technical rubber products division for the year ahead therefore, remain bright. As a substantial portion of the Group's business are from OEM, the continuing and escalating worldwide outsourcing trend augurs well for the Group's growth.

DIVIDENDS

We will maintain a reasonable balance between dividend payouts and the setting aside of funds for future investment and business growth.

A first and final dividend of 2.5 sen per ordinary share, less 27% income tax and 4.0 sen per ordinary share, tax-exempted for the financial year ended 31 December 2006 were paid on 10 August 2007 amounting to RM9.3 million.

The Board has recommended a final dividend of 4.0 sen per ordinary share, less 26% income tax and 4.0 sen per ordinary share, tax-exempted, amounting RM11.1 million for the approval of shareholders at the forthcoming Twenty-Eighth Annual General Meeting. Total net dividend per share in 2007 would amount to 6.96 sen, reflecting 19.4% increase over the previous year of 5.83 sen.

APPRECIATION

On behalf of the Board, I would like to express my sincerest appreciation to our customers and business associates, the regulatory authorities, investors and shareholders, investment analysts, members of the press and medias for their continuous support, and to our directors, management and dedicated staff for their contribution to Kossan Group's impressive performance in 2007, which I believe is critical towards the achievement of greater long-term and sustainable growth and value.

Y.BHG DATO' HAJI MOKHTAR BIN HAJI SAMAD
Chairman

26 May 2008

Managing Director's Review Of Operations

LIM KUANG SIA

THE KOSSAN GROUP'S GOOD RUN IN 2006 HAS FLOWED THROUGH TO 2007. 2007 HAS BEEN A REMARKABLE YEAR WHEN ITS REVENUES AND PROFITS HIT RECORD HIGH AMIDST A HIGHLY COMPETITIVE MARKET ENVIRONMENT. AT KOSSAN, WE ARE WORKING TOWARD A SINGLE PURPOSE – TO ENSURE BUSINESS STABILITY WITH LONG TERM SUSTAINABLE GROWTH AND THIS HAS BEEN ALSO THE INSPIRATION WHICH ENABLED THE GROUP TO MAINTAIN ITS UNBROKEN RECORD OF PROFITABILITY FOR THE PAST 12 YEARS CONSECUTIVELY.

2007 has been a remarkable year for the Kossan Group. This is the seventh consecutive year of double digit growth in both revenues and profits in spite of a grueling business environment attributed to rising raw material costs and the strengthening of Ringgit Malaysia against the US dollar. I am extremely pleased to note that the Group's revenues and profits continue to hit its record high and surpassed RM700 million and RM55 million marks. As at the end of 2007, the Kossan Group was the 2nd largest glove manufacturing company by revenue in Malaysia.

OVERVIEW

Despite the exceptional price hikes in latex and crude oil since the past 2 years, all our business divisions continued to deliver excellent growth for the fiscal year. The year also saw the Group expanding output capacity aggressively. This expansion is crucial to drive Kossan Group's revenue and profits to further heights. The Examination Gloves Division contributed some 85% and 87% to the Group's total revenue and earnings while the Technical Rubber Products ("TRPs") Division filled the remaining 15% of the total revenue and 13% to the earnings.

Managing Director's Review Of Operations

Examination Gloves Division

We added 13 new production lines in June and another 14 in December of the fiscal year. With these expansions in output capacity, our installed capacity had risen from 7.2 billion pieces in 2006 to 9.8 billion pieces at the end of the fiscal year. Riding on the strong demand momentum, a further 11 double formers lines will be installed in the second quarter of the current year and is expected to be completed by November 2008. An additional of 2.3 billion pieces of nitrile gloves will be added to the existing 9.8 billion pieces.

In 2007, total utilization rate of our 102 production lines remained high at above 95% of the effective capacity of 7.9 billion pieces. The demand for our leading products, the premium grade powder-free medical latex gloves, by the multinational companies in developed nations was strong and unabated during the year; and it contributed more than 75% of our total medical gloves output. Going forward, we expect our production of nitrile gloves to double from the current capacity by 2009 with more production lines built. I am pleased to note that our position in this premium grade gloves segment, powder-free natural rubber latex and nitrile gloves continued to strengthen further.

Technical Rubber Products Division

We posted another year of solid performance with revenue at 16% higher compared to the previous year. In 2007, we saw growing demand for our TRPs from overseas buyers, thanks to increasing outsourcing trend by industrialized nations. Currently, our TRPs Division is running at above 85% of available capacity. Being the leader in the TRPs industry in Malaysia with the largest output capacity, widest manufacturing processes and coupled with strong technical capability, Kossan is well positioned to tap an even bigger market share going forward.

R&D IS STILL THE KEY FOCUS

R&D will remain as one of the key ingredients in our business strategic planning as we believe in using technology to win in business. The Group will place greater emphasis on more effective R&D projects, computerization, automation, program and system upgrading to boost productivity and to improve product quality. In return, lower wastage and minimum rejects will help in placing the Group in a stronger position to compete in the World market.

OUR EMPLOYEES

Good employees are the driving force of the Group's success. Our strength lies in having a group of highly competent staff united by a strong spirit of teamwork. This offers us a great competitive advantage in executing our business strategies to achieve the intended results and performance. Being a progressive employer, a comprehensive human capital management programme has been developed to attract and retain the right people, nurture talents and groom future leaders.

Extensive and quality trainings have been made available for our personnel to help them keep abreast of current trends and developments in their professional fields, technical skills and personal development.

INVESTORS RELATIONS AND SHAREHOLDERS COMMUNICATION

In keeping with our objective of promoting greater level of transparency and good corporate governance, our Group Corporate Affairs Department continues to hold frequent meetings for investors and analysts with the aim of providing them with up-to-date information and key developments of the Group as well as the well-being of the entire rubber product industry. We value feedbacks from our shareholders and research analysts. Views and comments obtained from shareholders at general meetings as well as meetings and conferences with research analysts and fund managers are being studied and channeled to senior management and the Board in a timely manner for prompt actions.

CUSTOMERS' SATISFACTION

Maintaining excellent customer service and practising professionalism in our business undertakings are part of our success. This is inline with our Corporate Vision. Over the years, significant measures and efforts had been made to ensure that all our customers are satisfied with our products and services rendered, such as adopting the shortest response time to customers' feedbacks, timely delivery and good quality assurance. Our efforts had won us good recognition and strong trust from our customers and suppliers. We shall reinforce this belief that Kossan products are synonymous with quality, timely delivery and excellent customer service.

Managing Director's Review Of Operations

PROSPECTS

Malaysia should maintain good growth momentum in 2008 despite uncertainty in the global economic environment amidst the high crude oil prices and recent financial turmoil facing the United States. Challenges include the stiff increase in raw material costs and the growing strength of the Ringgit Malaysia will continue to cloud the outlook for export driven industry including glove manufacturing. Against this backdrop, the Kossan Group will continue to review and develop effective strategies for business expansion and profitability.

Examination Gloves Division

Overall, we are optimistic of the year ahead, riding on increasing global latex gloves consumption, which is estimated to grow at the rate of not less than 10% annually on the back of rising awareness and concern over hygiene standard, global improved health consciousness among consumers and the increasing usage by non-medical fields. Being the market leader and preferred OEM player in the World, the Kossan Group is well positioned to benefit from such growth.

In the pipeline, more than 5 billion pieces of new glove capacity will be added in stages over the next 2 to 3 years and we will stay focus on higher value products, particularly the nitrile gloves which offer better profitability and less susceptible to exchange rate risk due to its natural hedge in raw material cost. With all the right synergies coming into play, our Glove business in the years ahead will continue to grow even stronger compared to the past.

Technical Rubber Products Division

To achieve a double digits growth rate annually in our technical rubber products business has never been an uphill task given the increasing trend of outsourcing from industrialized nations over the years. Being the nation's largest manufacturer for technical rubber products and well-equipped with cutting-edge manufacturing technologies and processes, the Kossan Group is in a strong position to meet the rising needs from the industrialized nations which consume large quantity of rubber based industrial products, or OEM parts as part of their outsourcing strategy. As we believe in working together to create value, we have been actively identifying quality partnerships overseas and work together to generate more value for our business.

Overall, we are upbeat with the bright prospects and our strong positioning in the rubber based products industry. We will continue to stay focused on areas we are best in. Producing top quality products at fair prices, ensuring customers' satisfaction and professional business dealings will be given top most priority in our strategic business plans with an ultimate goal – to satisfy our customers and create an unrivalled trust in our products.

We will continue to develop our key growth drivers, particularly premium grade gloves and customized technical rubber products. Using our strong technical capability, leading market position and solid quality track records as a springboard, we will take full advantage of new opportunities to expand our market share. Barring any unforeseen changes in the operating environment, both locally and abroad, we are confident to do better in our performance in 2008.

ACKNOWLEDGEMENT

Finally, to all our stakeholders, including our shareholders, customers, business associates, regulatory bodies, various authorities, research analysts and employees, thank you for your confidence in our Group and continuous support rendered. With a clear purpose : **Business Stability With Long Term Sustainable Growth**, coupled with a dynamic business model and committed management team, we believe we can weather the challenges ahead and scale even greater heights.

LIM KUANG SIA
Managing Director/Chief Executive Officer

26 May 2008

Directors' Profile

Y. BHG DATO' HAJI MOKHTAR BIN HAJI SAMAD

Y. Bhg Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 60, was appointed the Non-Executive Chairman of Kossan on 22 February 2002. He is an Independent Director and is the Chairman of the Audit Committee. He is a member of the Nomination Committee and Remuneration Committee.

He has a wide range of business interest and sits on the board of several private companies. He is currently the Yang DiPertua of the Persatuan Kontraktor Melayu Malaysia, Wilayah Persekutuan; the Timbalan Presiden of Persatuan Kontraktor Melayu Malaysia and the member of the Majlis Penasihat Dewan Perniagaan Melayu Malaysia, Bandaraya Kuala Lumpur.

He does not have any family relationship with any director and/or major shareholder of Kossan. He also does not have any business arrangements involving Kossan.

He has not been convicted of any offences within the past 10 years.

LIM KUANG SIA

Mr. Lim Kuang Sia, ("KS LIM") a Malaysian aged 55, was appointed the Managing Director/ Chief Executive Officer of Kossan on 22 February 2002. He is a founder director of Kossan. Mr. KS Lim graduated from Nanyang University in Singapore with a Bachelor of Science (Chemistry) degree. He also has a post-graduate Diploma in Chemical Engineering from University College and a Master in Chemical Engineering from Imperial College, both at the University of London.

Other than Kossan, he has no directorship in other public company. He sits on the boards of several private companies, including being a member of the Board of Trustee, Malaysian Rubber Export Promotion Council and member of the Klang Chamber of Commerce.

Mr. KS Lim is a member of the Audit Committee and the Remuneration Committee.

Mr. K.S Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 190,944 shares in his own name.

Mr. KS Lim is the younger brother of Messrs Lim Kuang Yong, Lim Kuang Wang and Lim Kwan Hwa, the elder brother of Mr. Lim Leng Bung, an alternate director, and the brother in law of Mr. Heng Bak Tan.

He has not entered into any transaction, whether directly or indirectly, which has a conflict with the Company other than those disclosed in the financial statements.

He has not been convicted of any offences within the past 10 years.

LIM KUANG YONG

Mr. Lim Kuang Yong, ("KY Lim") a Malaysian aged 61, was appointed to the Board of Kossan on 22 October 1979. He has more than 20 years business experience in marine hardware. He is currently in charge of the Examination Gloves Division.

Other than Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

Mr. KY Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan.

Mr. KY Lim is the eldest brother of Messrs Lim Kuang Wang, Lim Kwan Hwa, Lim Kuang Sia and Lim Leng Bung and the brother in law of Mr. Heng Bak Tan.

He has not entered into any transaction, whether directly or indirectly, which has a conflict with the Company other than those disclosed in the financial statements.

He has not been convicted of any offences within the past 10 years.

LIM KUANG WANG

Mr. Lim Kuang Wang, ("KW LIM") a Malaysian aged 59, was appointed to the Board of Kossan on 27 May 1995. He has more that 20 years business experience in trading and manufacturing. He is currently involved in the Examination Gloves Division.

Other than Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

Mr. KW Lim is a an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 359,424 shares in his own name.

Mr. KW Lim is the elder brother of Messrs Lim Kwan Hwa, Lim Kuang Sia and Lim Leng Bung, the younger brother of Mr. Lim Kuang Yong and the brother in law of Mr. Heng Bak Tan.

He has not entered into any transaction, whether directly or indirectly, which has a conflict with the Company other than those disclosed in the financial statements.

He has not been convicted of any offences within the past 10 years.

LIM KWAN HWA

Mr. Lim Kwan Hwa, ("KH Lim") a Malaysian aged 57, was appointed to the Board of Kossan on 27 May 1995. He is currently in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of Kossan.

Other than Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

Mr. KH Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan.

Mr. KH Lim is the elder brother of Messrs Lim Kuang Sia and Lim Leng Bung, the younger brother of Messrs Lim Kuang Yong and Lim Kuang Wang and the brother in law of Mr. Heng Bak Tan.

He has not entered into any transaction, whether directly or indirectly, which has a conflict with the Company other than those disclosed in the financial statements.

He has not been convicted of any offences within the past 10 years.

LIM LENG BUNG

Mr. Lim Leng Bung, ("LB Lim") a Malaysian aged 44, was appointed to the Board of Kossan on 27 May 1995 as an alternate to Mr Lim Kuang Wang. He currently heads the technical rubber production portfolio in Kossan.

Other than Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

Mr. LB Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan.

Mr. LB Lim is the youngest brother of Messrs Lim Kuang Yong, Lim Kuang Wang, Lim Kwan Hwa and Lim Kuang Sia and the brother in law of Mr. Heng Bak Tan.

He has not entered into any transaction, whether directly or indirectly, which has a conflict with the Company other than those disclosed in the financial statements.

He has not been convicted of any offences within the past 10 years.

Directors' Profile

HENG BAK TAN

Mr. Heng Bak Tan, a Malaysian aged 58, was appointed to the Board of Kossan on 29 October 1984 as a non executive Director. He is non independent. He has more than 10 years experience in rubber moulding and extrusion.

Other than Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

Mr. Heng is an indirect major shareholder by virtue of his shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan.

He is the brother in law of Messrs Lim Kuang Yong, Lim Kuang Wang, Lim Kwan Hwa, Lim Kuang Sia and Lim Leng Bung.

He has not entered into any transaction, whether directly or indirectly, which has a conflict with the Company other than those disclosed the financial statements.

He has not been convicted of any offences within the past 10 years.

Y. BHG DATO' TAI CHANG ENG @ TEH CHANG YING

Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 62, was appointed to the Board of Kossan on 12 August 1996. He is an Independent Non Executive Director. He is the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee.

Other than Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

He holds 149,760 shares in Kossan.

He does not have any family relationship with any director and/or major shareholder of Kossan. He also does not have any business arrangements involving Kossan.

He has not been convicted of any offences within the last 10 years.

TONG SIEW CHOO

Madam Tong Siew Choo, a Malaysian aged 47, was appointed to the Board of Kossan on 22 February 2002 as an Independent Non Executive Director. She is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. She has her own audit firm.

She is a member of the Audit and Nomination Committees.

She is a director of Flonic Hi-Tec Bhd., a company listed on the Mesdaq Market of Bursa Malaysia Securities Berhad.

She holds 14,976 shares in Kossan.

She does not have any family relationship with any director and/or major shareholder of Kossan. She also does not have any business arrangements involving Kossan.

She has not been convicted of any offences within the last 10 years.

Corporate Governance Statement

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("THE CODE")

The Board of Directors of Kossan Rubber Industries Bhd. recognises and continues to subscribe and practise the principles of good corporate governance set out in the Code as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of the Group.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of corporate governance of the Code for the financial years ended 31 December 2007.

BOARD OF DIRECTORS

Board size and Composition.

The Board is made up of nine (9) directors comprising four (4) Executive Directors, one (1) Non Independent Non Executive Director, three (3) Independent Non Executive Directors and one (1) Alternate Director. The Directors' profile are set out on pages 11 to 13 of the Annual Report.

DUTIES AND RESPONSIBILITIES

The Board has overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and businesses of the Group. The various policies, procedures and guidelines implemented by the Group clearly set out the roles, responsibilities and authorities of staff of the Group, and ensure that the direction and control of the Group rests firmly with the Board. The Board has in place clear terms of reference for the Board, the Chairman and the Executive Directors, spelling out their duties and responsibilities.

The roles of the Chairman and the Managing Director are separated and clearly defined, so as to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the business operating units, organisational effectiveness and implementation of Board policies and decisions. The presence of three Independent Non-Executive Directors fulfills a pivotal role in corporate accountability. Although all the Directors have equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors are particularly important as they provide unbiased and independent views, advice and judgement which provides sufficient check and balance. The Board is of the view that it is not necessary to identify a senior Independent Non-Executive Director to whom other Directors may bring their concerns to, as all Directors believe that they can freely express their views at Board meetings.

The Board is alert to the possibility of potential conflicts of interest involving the Directors and the Company and affirms its commitments to ensuring that such situations of conflicts are avoided.

BOARD MEETING

The Board meets on a quarterly basis with additional meeting being convened to address urgent issues. The details of attendance of meeting of each director at Board Meeting held during the financial year ended 31 December 2007 are as follows:

Directors	Position	Attendance
Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman	5/5
Lim Kuang Sia	Managing Director/ Chief Executive Officer	5/5
Dato' Tai Chang Eng @ Teh Chang Ying	Independent Non-Executive Director	5/5
Lim Kuang Yong	Executive Director	4/5
Lim Kuang Wang	Executive Director	5/5
Lim Kwan Hwa	Executive Director	5/5
Heng Bak Tan	Non-Independent Non-Executive Director	5/5
Tong Siew Choo	Independent Non-Executive Director	5/5

DETAILS OF BOARD MEETINGS

Date of Meeting	Time
14.02.2007	4.00 p.m.
12.04.2007	4.00 p.m.
18.05.2007	4.00 p.m.
17.08.2007	4.00 p.m.
26.11.2007	4.00 p.m.

All the above meetings were held at Lot 782, Jalan Sungai Putus, Off Batu 3 $^{3}/_{4}$, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

SUPPLY OF INFORMATION

All Directors are provided with quarterly reports on the performance of the Group. An agenda and a set of Board papers are distributed in sufficient time prior to Board meetings to enable the Directors to consider and obtain further explanation and clarification, where necessary, and be properly prepared for discussion and informed decision making. The Board papers include reports on financial, operational, corporate, regulatory, business development matters and minutes of meetings of all board committees.

The Board is regularly updated and advised on new statutory as well as regulatory requirements relating to duties and responsibilities of Directors. Directors may obtain independent professional advise in the furtherance of their duties. All Directors also have access to the advice and services of the Company Secretary.

DIRECTORS TRAINING

All Directors have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia. As an integral element in the process of appointing new Directors, the Company provides an orientation programme for new Board members. Directors also receive further training from time to time, particularly on relevant new laws and regulations.

All the Directors have attended the Continuing Education Programme ("CEP") sessions and obtained the requisite CEP points. They are committed to continue with training on an annual basis to keep abreast of new regulatory development and listing requirements.

DIRECTORS RE-ELECTION

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board in the year are subject to re-election by shareholders at the next Annual General Meeting immediately after their appointment.

Directors over seventy (70) years of age submit themselves for re-appointment annually, in accordance with Section 129(6) of the Companies Act, 1965.

In accordance with the Company's Articles of Association, one-third of the remaining Directors, including the Managing Director, submit themselves for re-election by rotation at each Annual General Meeting. The re-election of each director is voted separately.

DIRECTORS REMUNERATION

The Remuneration Committee annually reviews the performance of Executive Directors before making recommendation to the Board on adjustments in remuneration of Executive Directors to reflect their respective contribution for the year as well as to ensure remunerations which are competitive and consistent with the Company's corporate objectives and strategy.

All Non-Executive Directors receive fees which are endorsed by the Board for approval of shareholders of the Company at the Annual General Meeting. The level of remuneration reflect the level of responsibilities undertaken. In addition, Non Executive Directors are paid an allowance for each Board meeting they attend.

The Directors' remuneration for the financial year ended 31 December 2007 were as follow:-

	Salaries RM	Other Allowances RM	Fees RM	Total RM
Executive Directors	2,280,000	1,668,450	-	3,948,450
Non-Executive Directors	-	-	120,000	120,000
Total	2,280,000	1,668,450	120,000	4,068,450

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM700,000 – RM750,000	4	-
RM1,000,001 – RM1,050,000	1	-

The abovementioned Directors' remuneration is the total sum of the remuneration received by the Directors from the Company and its subsidiaries.

BOARD COMMITTEES

To facilitate the smooth transaction of business within the Company, the Board has established the following Board Committees. The terms of reference of each Committee has been approved by the Board and where applicable, comply with the recommendations of the Code.

NOMINATION COMMITTEE

The Nomination Committee comprises three Independent Non-Executive Directors as follows:

Dato' Tai Chang Eng @ Teh Chang Ying	–	Chairman, Independent Non-Executive
Dato' Haji Mokhtar Bin Haji Samad	–	Independent Non-Executive
Tong Siew Choo	–	Independent Non-Executive

The Committee is responsible for proposing new nominees to the Board and appointment to Board Committees and to assess the contribution of each individual Director and the overall effectiveness of the Board on an on-going basis. The final decision as to who shall be appointed a Director remains the responsibility of the full Board, after considering the recommendations of the Committee.

The Board through this Committee is actively pursuing the issue of succession planning for the Chief Executive Officer.

The Company Secretary ensures that all necessary information is obtained from the Directors and that appointments to the Board are properly made in accordance with the regulatory requirements.

One meeting was held in the year under review.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one Non-Independent Executive Director and two Independent Non-Executive Directors, as follows:

Dato' Tai Chang Eng @ Teh Chang Ying	–	Chairman, Independent Non-Executive
Dato' Haji Mokhtar Bin Haji Samad	–	Independent Non-Executive
Lim Kuang Sia	–	Non-Independent Executive

The Remuneration Committee assists in the evaluation of the performance of the Directors and recommends to the Board rewards and benefits for all Directors, commensurate with their contributions to the Group's overall performance.

The Committee met on one (1) occasion in the financial year 2007.

AUDIT COMMITTEE

The Audit Committee reviews issues of accounting policies, presentation for external financial reporting, the audit findings of both the external and internal auditors arising from the Company's financial statements, any other issues raised by the Auditors and monitors the adequacy and effectiveness of the internal control systems in place.

The report of the Audit Committee for the year ended 31 December 2007 is set out on pages 24 to 26.

Five (5) meetings were held in the financial year under review.

EXECUTIVE SHARES OPTION SCHEME ("ESOS") COMMITTEE

The ESOS Committee comprising one (1) Executive Director and two (2) Independent Non Executive Directors, was formed on 17.11.2005 to administer the Company' Executive Shares Option Scheme ("ESOS")

The Committee has the power to administer the ESOS in such manner as it shall, in its discretion, deem fit, including such power and duties conferred upon it under the By-laws of the ESOS.

The member of the ESOS committee are:

Dato' Haji Mokhtar Bin Haji Samad – Chairman
Dato' Tai Chang Eng @ Teh Chang Ying
Lim Kuang Sia

During the financial year ended 31 December 2007, no ESOS options were awarded.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations.

Dialogues are also held with investment analysts and fund managers to keep them abreast with corporate and financial developments within the Group.

ANNUAL GENERAL MEETING

The Annual General Meeting provides a forum for communication with shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business of the Group. The Company encourages shareholders to participate in the question and answer session. The Chairman, Board members and the external auditors are available to reply and provide explanation to any questions raised.

Shareholders can also obtain up-to-date information on the Group's activities by accessing its web site at www.kossan.com.my.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Internal Control

The Directors acknowledge the responsibility of maintaining a good system of internal control, including risk assessments, and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. This system, by its nature, can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. Reviews are continuously on going to ensure the effectiveness, adequacy and integrity of the system of internal control in safeguarding the Company's assets.

The Group's Statement on Internal Control for the year ended 31 December 2007 set out on pages 22 to 23 of this Annual Report provides an overview of the state of internal control within the Group and the Company. This statement has been approved by the Board.

Relationship with Auditors

The role of the Audit Committee in relation to the auditors is described on pages 24 to 26.

CORPORATE SOCIAL RESPONSIBILITY

The Group have long recognized and acknowledged the importance of a corporate culture that emphasizes good corporate social responsibility ("CSR") and corporate citizenship. While delivering sustainable and growing stakeholder value through the core business, the Group also contributes and works for the betterment of the employee welfare, market place and community.

Workplace

The Group believes that human capital development is very important to ensure that the Group has the right and relevant skill set and knowledge in ensuring business sustainability and growth. As such, the Group has conducted trainings with emphasis on quality for the staff to improve further their quality of work and workplace. Health and Safety at the workplace is also another area of importance to the Group.

All our employees are reasonably covered for any unforeseen mishaps through providing the employees with various levels of insurance coverage on medical and hospitalization benefits as well as critical illness cum personal accident insurance. The Group has employed significant number of foreign and out-stationed workers; as such the Group has constructed accommodation facilities within the vicinity of our plants to cater for the accommodation needs of this group of employees whereby the occupants of the facilities are provided with all basic amenities to ensure comfort and hygiene.

On occupational safety, the Group strives to comply with all the Department of Occupational Safety and Health Malaysia ("DOSH") standards on health and safety. The Group complies with the Occupational Safety and Health Act ("OSHA") strictly. The Group has also in place, a Work Safety Committee to develop policies and maintain a safe and healthy workplace for all its employees, contractors and visitors. Regular trainings, meetings, inspections and prevention programs are carried out to continuously alert the employees the importance; and to monitor the safety and hygiene conditions of the workplace.

Market place

As we consider CSR part of good corporate governance, we are fully supportive of local suppliers. We treasure our relationships with our key customers and conduct annual satisfaction surveys as part of our efforts to improve our products and services.

Community

At the corporate level, the Group donates to various charitable bodies and schools for their regular expenses as well as building funds.

Directors' Responsibility Statement & Other Information

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company and the results and cash flow of the Group and of the Company for the financial year. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial Statements have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing the financial statements the Directors have:-

(a) selected suitable accounting policies and reviewed and applied them consistently;

(b) made judgments and estimates that are reasonable and prudent; and

(c) ensured that all applicable accounting standards have been followed.

The Directors have overall responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure these financial statements comply with the Act. The Directors are also responsible and shall take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

OTHER INFORMATION

During the financial year under review

(a) **Executive Share Option Scheme (ESOS)**
There were no award of options under the ESOS during the year under review.

(b) **Utilisation of Proceeds**
The Company did not implement any fund raising exercise.

(c) **Shares Buy-Back**
There were no share buy-back.

(d) **Options, Warrants or Convertible Securities Exercised**
The Company did not issue any options, warrants or convertible securities.

(e) **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**
The Company did not sponsor any ADR or GDR programme.

(f) **Conflict of Interest**
None of the Directors, other than those disclosed in the Directors' Profile, have any family relationships with other Directors and/or major shareholders of the Company nor any personal interest in any business arrangements involving the Company.

(g) **Material Contracts**
The Company did not have any material contracts involving directors' and major shareholders' interest either still subsisting at the end of the financial year or, if not subsisting, entered into since the end of the previous financial year.

h) **Sanctions and/or Penalties**
The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/ or penalties by any regulatory bodies.

(i) **Non-Audit Fees**
Apart from the RM170,000 audit fees paid to the external auditors, there were no non-audit fees paid.

(j) **Variation in Results**
There is no material variance between the result for the financial year and the unaudited results previously announced by the Company.

(k) **Profit Guarantee**
The Company did not issue any profit forecast or profit guarantee.

(l) **Revaluation Policy**
The Company did not have a policy on revaluation of landed properties.

This Statement is made in accordance with a resolution of the Board of Directors dated 18 April 2008.

Statement On Internal Control

RESPONSIBILITY

The Board of Directors recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Notwithstanding and due to the limitations that are inherent in any system of internal control, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Key Features of the System of Internal Control

The Board entrusts the daily running of the business to the Managing Director ('MD') and his management team. The Board members receive timely information pertaining to performance and profitability of the Group through quarterly Board papers, which include business development, management and corporate issues for discussion and deliberation.

The MD plays a pivotal role in communicating the Board's expectations of the system of internal control to management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as attendance at various scheduled management and operational level committee meetings where operational and financial risks are discussed and dealt with. The MD will update the Board of any significant matters that require the latter's immediate attention.

The functions of the Board committees are described in the Corporate Governance Statement on pages 14 to 20.

The key features and the roles of management on the system of internal controls are described as follows:-

- Clearly defined organisation structure defining the delegation of authority and responsibility of the management and reporting mechanism.

- Monthly review of the financial and manufacturing operational performance of business units including productivity, efficiency and effectiveness of the cost of production. This includes evaluation of factors such as business, operational and key management issues impacting on their performance.

- Regular visits to business and manufacturing units by MD, Executive Directors and senior management personnel.

- Review of quarterly financial results of the Group by the Audit Committee and the Board.

- Identify and review the risk element impact on the financial performance of the Group and establish mechanism to manage risk including and not limiting to foreign exchange rate and escalating cost of operations.

- Regular operations and various management meetings are held to discuss, manage and address operational and management issues and to ensure compliance and adherence to policies set by the Group.

- On going review and audit conducted by the internal audit function to ensure adequacy and integrity of the system of internal control and compliance and adherence to standard operating procedures.

ASSURANCE MECHANISM

The Board has assigned the Audit Committee ('AC') with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The AC is assisted by the internal audit function which review the Group's system of internal control on a systematic and cyclic basis in selected functions and on a quarterly basis, presents to the AC its assessment on the adequacy and integrity of the system of internal control within the Group. During the current financial year, the internal audit covered the gloves division and a major company on the technical rubber products division.

The Board reviews the minutes of the AC's meetings. The Report of the AC is set out on pages 24 to 26 of the Annual Report.

Additionally, as part of the requirements of the ISO 9001, ISO 13485 and 1SO/TS 16949 certifications, scheduled audits are conducted internally as well as by SAI Global, BSI Management Systems, SGS Yarsley International and LLOYD'S Register auditors. Results of these audits are reported to the Quality Management Committee, which is chaired by the MD.

The Board of Kossan remains committed towards keeping abreast with the ever-changing business environment in order to support the Group's businesses and size of operations. Cognisant of this fact, the Board, in striving for continuous improvement, will put in place appropriate measures, where necessary, to further enhance the Group's system of internal control.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Management of the Group continues to take measures to strengthen the internal control environment.

This statement is signed in accordance with a resolution of the Board of Directors.

Report Of The Audit Committee

The Board of Directors have pleasure in submitting the report of the Audit Committee of the Board for the year ended 31 December 2007.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. **Composition**
The Audit Committee shall consist of at least three Directors, a majority of whom are independent. The Chairman of the Audit Committee shall be an independent, non executive Director.

2. **Authority**
The Audit Committee shall have explicit authority to investigate any matter within its terms of reference, the resources which it needs to do so, and full access to information. The Committee shall be able to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.

3. **Responsibility**
The Audit Committee shall be the focal point for communication between external auditors, internal auditors, Directors and the management on matters in connection with financial accounting, reporting and controls. It shall also ensure that accounting policies and practices are adhered to by the Company and its subsidiaries.

4 **Functions**
The duties of the Audit Committee shall include the following:-

(i) To consider the appointment of the external auditor, the audit fees and any questions of their resignation or dismissal;

(ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit;

(iii) To review the quarterly and year-end financial statements of the Company and the Group, focusing particularly on:

- any changes in major accounting policies and practices;
- significant adjustments arising from the audit;
- significant and unusual events;
- the going concern assumption;
- compliance with accounting standards and other legal requirements;

(iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;

(v) To review the external auditor's audit report, management letter and management's response;

(vi) To review the assistance given by the employees of the Company and its subsidiaries to the external auditor;

(vii) To consider the appointment of the internal auditor, their remuneration and any questions of their resignation or dismissal;

(viii) To review the internal audit function namely:

- the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal auditor;
- the performance of the internal auditor, whose role includes the examination and evaluation of the Company's operations and their compliance with the relevant policies, codes and legislations;

(ix) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group;

(x) To consider the major findings of internal investigations and management's response; and

(xi) To consider other topics as defined by the Board.

5. **Meeting and minutes**

(i) The Audit Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

(ii) The quorum for any meeting shall be at least two, the majority of whom must be independent Directors.

(iii) The Secretary of the Committee shall be the Company Secretary.

COMPOSITION AND ATTENDANCE OF MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at committee meeting held during the year ended 31 December 2007 are as follows:-

Meeting Composition of Committee	Attendance at Committee Meeting
Dato' Haji Mokhtar Bin Haji Samad (Chairman/ Independent Non-Executive Director)	5/5
Dato' Tai Chang Eng @ Teh Chang Ying (Member / Independent Non-Executive Director)	5/5
Tong Siew Choo (Member / Independent Non-Executive Director)	5/5
Lim Kuang Sia (Member / Executive Director)	5/5

The General Manager and the Group Accountant were invited and attended all the meetings.

The Group's external auditors attended four (4) of the meetings.

INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by an Internal Auditor in maintaining a sound system of internal control. This is staffed by competent personnel with knowledge of the industry.

The Internal Audit undertakes internal audit functions based on the audit plan that is reviewed by the Audit Committee and approved by the Board. The audit plan covered a review of operational controls, compliance with law and regulations, quality of assets and management efficiencies, amongst others.

The internal audit reports are deliberated upon by the Audit Committee and recommendations are duly acted upon by management.

ACTIVITIES

The following activities were carried out by the Audit Committee during the year under review:-

(a) reviewed the quarterly financial statements and Annual Report of the Group prior to presentation for the Board's approval;

(b) reviewed the terms of the Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") and is satisfied the review procedures are sufficient to ensure RRPT will be at arm's length and in accordance with the Group's normal commercial terms and not prejudicial to the shareholders or disadvantageous to the Group;

(c) reviewed the audit fees and remuneration payable to external and internal auditors;

(d) reviewed with external auditors their audit plan prior to commencement of audit;

(e) discussed and reviewed the Group's financial year end statements with the external auditors including issues and findings noted in the course of the audit of the Group's Financial Statements;

(f) reviewed and discussed with internal auditors their evaluation of the system of internal control of the Group;

(g) reviewed and appraised the audit report submitted by the internal auditors. The audit reports covered all business sectors of the Group incorporating audit findings and recommendations on system and control weaknesses noted during the course of the audit; and

(h) reviewed the credit policy and risk management framework of the Group.

The Committee also appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and manufacturing and sales of rubber products whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit attributable to:		
Shareholders of the Company	55,084,543	23,549,498

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final ordinary dividend, consisting of 2.5 sen per ordinary share, less tax at 27%, and 4.0 sen per ordinary share, tax-exempted, totalling RM9,312,251 in respect of the year ended 31 December 2006 on 10 August 2007.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2007 is 4.0 sen per ordinary share, less tax at 26% and 4.0 sen per ordinary share, tax-exempted, totalling RM11,126,742.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Lim Kuang Sia
Lim Kuang Yong
Heng Bak Tan
Lim Kuang Wang
Lim Kwan Hwa
Y. Bhg. Dato' Haji Mokhtar bin Haji Samad, D.S.S.A., A.M.N., P.M.C., P.J.K.
Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, D.S.S.A., A.M.S., P.J.K.
Tong Siew Choo
Lim Leng Bung (alternate to Lim Kuang Wang)

DIRECTORS' INTERESTS

The interest and deemed interest in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2007	**Bought**	**Sold**	**At 31.12.2007**
Direct interest				
Lim Kuang Sia	**190,944**	-	-	**190,944**
Lim Kuang Wang	**359,424**	-	-	**359,424**
Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, D.S.S.A., A.M.S., P.J.K.	**149,760**	-	-	**149,760**
Tong Siew Choo	**14,976**	-	-	**14,976**
Deemed interest				
Lim Kuang Sia				
- ultimate holding company	**80,511,520**	578,700	-	**81,090,220**
- spouse	**359,424**	-	-	**359,424**
Lim Kuang Yong				
- ultimate holding company	**80,511,520**	578,700	-	**81,090,220**
Heng Bak Tan				
- spouse	**14,448**	-	-	**14,448**
Lim Kuang Wang				
- ultimate holding company	**80,511,520**	578,700	-	**81,090,220**
Lim Kwan Hwa				
- ultimate holding company	**80,511,520**	578,700	-	**81,090,220**
Lim Leng Bung				
- ultimate holding company	**80,511,520**	578,700	-	**81,090,220**

By virtue of their interests in the shares of the Company, all Directors except for Y. Bhg. Dato' Haji Mokhtar bin Haji Samad, D.S.S.A., A.M.N., P.M.C., P.J.K. are deemed interested in the shares of the subsidiaries during the financial year to the extent that Kossan Rubber Industries Bhd. has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 26.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the effects arising from the change in accounting policies as disclosed in Note 27 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 18 April 2008

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 33 to 75 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 18 April 2008

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Lee Hon Chee, the officer primarily responsible for the financial management of Kossan Rubber Industries Bhd., do solemnly and sincerely declare that the financial statements set out on pages 33 to 75 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang, Selangor Darul Ehsan on 18 April 2008.

Lee Hon Chee

Before me:

Report of the Auditors

TO THE MEMBERS OF KOSSAN RUBBER INDUSTRIES BHD

We have audited the financial statements set out on pages 33 to 75. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Group and of the Company for the financial year ended 31 December 2006 was audited by another firm of auditors whose report dated 16 April 2007 expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

  i) the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and

  ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of those consolidated using management accounts are identified in Note 4 to the financial statement and we have considered their management financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Johan Idris
Partner
Approval Number: 2585/10/08(J)

Kuala Lumpur,

Date: 18 April 2008

Balance Sheets

AS AT 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Assets					
Property, plant and equipment	3	**278,272,123**	229,223,412	**36,602,283**	36,525,780
Investment in subsidiaries	4	**-**	-	**8,241,963**	8,241,963
Investment in an associate	5	**129,373**	129,373	**-**	-
Other investments	6	**116,000**	116,000	**116,000**	116,000
Deferred tax assets	7	**5,531,992**	5,836,470	**-**	-
Goodwill on consolidation	8	**864,456**	864,456	**-**	-
Total non-current assets		**284,913,944**	236,169,711	**44,960,246**	44,883,743
Inventories	9	**86,773,007**	63,639,712	**19,021,052**	15,436,923
Receivables, deposits and prepayments	10	**137,175,470**	129,380,974	**77,920,794**	64,536,520
Current tax assets		**547,745**	2,257,126	**361,018**	1,776,370
Cash and cash equivalents	11	**27,469,424**	4,327,163	**359,855**	122,362
Total current assets		**251,965,646**	199,604,975	**97,662,719**	81,872,175
Total assets		**536,879,590**	435,774,686	**142,622,965**	126,755,918
Equity					
Share capital		**79,933,488**	79,933,488	**79,933,488**	79,933,488
Share premium		**10,601**	10,601	**10,601**	10,601
Translation reserve		**(45,935)**	(20,377)	**-**	-
Revaluation reserve		**1,366,201**	1,560,301	**767,959**	627,014
Retained earnings		**170,106,025**	123,971,569	**31,396,848**	17,099,397
Total equity attributable to shareholders of the Company		**251,370,380**	205,455,582	**112,108,896**	97,670,500
Minority interest		**431,422**	455,982	**-**	-
Total equity	12	**251,801,802**	205,911,564	**112,108,896**	97,670,500
Liabilities					
Loans and borrowings	13	**37,442,910**	42,386,187	**728,566**	977,329
Deferred tax liabilities	7	**4,884,967**	7,785,692	**4,314,051**	4,642,425
Total non-current liabilities		**42,327,877**	50,171,879	**5,042,617**	5,619,754
Payables and accruals	14	**92,642,804**	71,586,892	**10,590,137**	7,358,931
Current tax liabilities		**1,842,976**	148,822	**-**	-
Loans and borrowings	13	**148,264,131**	107,955,529	**14,881,315**	16,106,733
Total current liabilities		**242,749,911**	179,691,243	**25,471,452**	23,465,664
Total liabilities		**285,077,788**	229,863,122	**30,514,069**	29,085,418
Total equity and liabilities		**536,879,590**	435,774,686	**142,622,965**	126,755,918

The notes on pages 39 to 75 are an integral part of these financial statements.

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Revenue	15	**702,637,256**	571,282,531	**109,658,254**	92,758,357
Other income		**5,483,851**	3,154,614	**610,991**	576,999
Changes in inventories of finished goods and work-in-progress		**14,364,893**	14,471,702	**967,997**	1,620,296
Raw materials and consumables used		**(497,358,608)**	(404,546,103)	**(43,838,489)**	(38,636,371)
Goods purchased for resale		**(1,406,412)**	(128,803)	**(3,644,189)**	-
Staff cost		**(74,294,160)**	(63,834,194)	**(18,126,144)**	(16,985,999)
Depreciation	3	**(22,753,099)**	(19,125,637)	**(3,866,340)**	(3,953,264)
Other expenses		**(58,118,949)**	(45,872,674)	**(13,716,723)**	(11,924,545)
Results from operating activities		**68,554,772**	55,401,436	**28,045,357**	23,455,473
Finance costs		**(10,236,439)**	(6,971,327)	**(704,832)**	(850,291)
Operating profit	16	**58,318,333**	48,430,109	**27,340,525**	22,605,182
Share of profit after tax and minority interest of equity accounted associates		**-**	23,210	**-**	-
Profit before tax		**58,318,333**	48,453,319	**27,340,525**	22,605,182
Tax expense	18	**(3,233,790)**	(2,369,915)	**(3,791,027)**	(2,276,008)
Profit for the year		**55,084,543**	46,083,404	**23,549,498**	20,329,174
Attributable to:					
Shareholders of the Company		**55,084,543**	46,151,980	**23,549,498**	20,329,174
Minority interest		**-**	(68,576)	**-**	-
Profit for the year		**55,084,543**	46,083,404	**23,549,498**	20,329,174
Basic earnings per ordinary share (sen)	19	**34.46**	28.87		
Diluted earnings per ordinary share (sen)	19	**34.46**	28.87		

The notes on pages 39 to 75 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

		Attributable to shareholders of the Company								
		Non-distributable				Distributable				
Group	Note	Share capital RM	Share premium RM	Translation reserve RM	Revaluation reserve RM	Dividends payable RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
At 1 January 2006										
- as previously reported		79,933,488	10,601	27,191	1,618,849	7,353,881	69,621,825	158,565,835	2,292,630	160,858,465
- effect of adopting FRS 112	27	-	-	-	-	-	8,139,216	8,139,216	-	8,139,216
At 1 January 2006, restated		79,933,488	10,601	27,191	1,618,849	7,353,881	77,761,041	166,705,051	2,292,630	168,997,681
Transfers from revaluation reserves to retained earnings		-	-	-	(58,548)	-	58,548	-	-	-
Increase of shareholding in a subsidiary		-	-	-	-	-	-	-	(1,721,998)	(1,721,998)
Foreign exchange translation differences		-	-	(47,568)	-	-	-	(47,568)	(46,074)	(93,642)
Profit for the year										
- as previously reported		-	-	-	-	-	39,632,185	39,632,185	(68,576)	39,563,609
- effect of adopting FRS 112	27	-	-	-	-	-	6,519,795	6,519,795	-	6,519,795
- as restated		-	-	-	-	-	46,151,980	46,151,980	(68,576)	46,083,404
Dividends to shareholders	20	-	-	-	-	(7,353,881)	-	(7,353,881)	-	(7,353,881)
At 31 December 2006/ 1 January 2007										
- as previously reported		79,933,488	10,601	(20,377)	1,560,301	-	109,312,558	190,796,571	455,982	191,252,553
- effect of adopting FRS 112	27	-	-	-	-	-	14,659,011	14,659,011	-	14,659,011
At 31 December 2006/ 1 January 2007, restated		79,933,488	10,601	(20,377)	1,560,301	-	123,971,569	205,455,582	455,982	205,911,564
Transfers from revaluation reserves to retained earnings		-	-	-	(362,164)	-	362,164	-	-	-
Waiver of real property gain tax	7	-	-	-	168,064	-	-	168,064	-	168,064
Foreign exchange translation differences		-	-	(25,558)	-	-	-	(25,558)	(24,560)	(50,118)
Profit for the year		-	-	-	-	-	55,084,543	55,084,543	-	55,084,543
Dividends to shareholders	20	-	-	-	-	-	(9,312,251)	(9,312,251)	-	(9,312,251)
At 31 December 2007		**79,933,488**	**10,601**	**(45,935)**	**1,366,201**	**-**	**170,106,025**	**251,370,380**	**431,422**	**251,801,802**

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

		Non-distributable			Distributable		
Company	**Note**	**Share capital RM**	**Share premium RM**	**Revaluation reserve RM**	**Retained earnings RM**	**Dividend payable RM**	**Total equity RM**
At 1 January 2006							
- as previously reported		79,933,488	10,601	1,618,849	4,964,310	7,353,881	93,881,129
- effect of adopting FRS 127	27	-	-	(933,287)	(8,252,635)	-	(9,185,922)
At 1 January 2006, restated		79,933,488	10,601	685,562	(3,288,325)	7,353,881	84,695,207
Transfer from revaluation reserves to retained earnings		-	-	(58,548)	58,548	-	-
Profit for the year		-	-	-	20,329,174	-	20,329,174
Dividends to shareholders	20	-	-	-	-	(7,353,881)	(7,353,881)
At 31 December 2006/ 1 January 2007							
- as previously reported		79,933,488	10,601	1,560,301	25,352,032	-	106,856,422
- effect of adopting FRS 127	27	-	-	(933,287)	(8,252,635)	-	(9,185,922)
At 31 December 2006/ 1 January 2007, restated		79,933,488	10,601	627,014	17,099,397	-	97,670,500
Transfer from revaluation reserves to retained earnings		-	-	(60,204)	60,204	-	-
Waiver of real property gain tax	7	-	-	201,149	-	-	201,149
Dividends to shareholders	20	-	-	-	(9,312,251)	-	(9,312,251)
Profit for the year		-	-	-	23,549,498	-	23,549,498
At 31 December 2007		**79,933,488**	**10,601**	**767,959**	**31,396,848**	**-**	**112,108,896**

The notes on pages 39 to 75 are an integral part of these financial statements.

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Cash flows from operating activities					
Profit before tax		**58,318,333**	48,453,319	**27,340,525**	22,605,182
Adjustments for:					
Depreciation of property, plant and equipment	3	**22,753,099**	19,125,637	**3,866,340**	3,953,264
Dividend income	16	**-**	-	**(19,600,072)**	(15,765,061)
Finance costs		**10,236,439**	6,971,327	**704,832**	850,291
Gain on disposal of property, plant and equipment	16	**(224,349)**	(316,778)	**(45,930)**	(110,640)
Interest income		**(2,174,836)**	(56,077)	**(189,611)**	(30,279)
Property, plant and equipment written off	16	**4,602**	20,952	**-**	20,952
Share of profit of equity accounted associates		**-**	(23,210)	**-**	-
Unrealised foreign exchange gain	16	**(1,827,000)**	-	**-**	-
Operating profit before changes in working capital		**87,086,288**	74,175,170	**12,076,084**	11,523,709
Changes in working capital:					
Inventories		**(23,133,295)**	(17,533,304)	**(3,584,129)**	(1,504,111)
Payables and accruals		**21,055,912**	53,620,206	**3,200,495**	(2,974,096)
Receivables, deposits and prepayments		**(7,844,470)**	(40,005,807)	**(14,464,538)**	(8,413,766)
Cash generated from/(used in) operations		**77,164,435**	70,256,265	**(2,772,088)**	(1,368,264)
Dividends paid		**(9,312,251)**	(7,353,881)	**(9,312,251)**	(7,353,881)
Interest received		**2,174,836**	53,811	**189,611**	30,279
Interest paid		**(10,236,439)**	(7,011,519)	**(704,832)**	(850,291)
Tax paid		**(4,204,202)**	(2,650,632)	**(1,339,915)**	(90,000)
Tax refund		**1,945,764**	597,600	**1,569,682**	-
Net cash from/(used in) operating activities		**57,532,143**	53,891,644	**(12,369,793)**	(9,632,157)
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**886,808**	2,337,143	**45,930**	530,633
Purchase of property, plant and equipment	(ii)	**(53,230,035)**	(55,306,799)	**(2,951,853)**	(2,908,927)
Acquisition of minority interest		**-**	(2,586,456)	**-**	-
Dividend received		**-**	-	**17,947,669**	14,727,661
Purchase of investment		**-**	-	**-**	(2,586,456)
Net cash (used in)/ from investing activities		**(52,343,227)**	(55,556,112)	**15,041,746**	9,762,911

(continued)

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Cash flows from financing activities					
Repayment of hire purchase liabilities		**(15,258,418)**	(11,351,628)	**(1,889,744)**	(2,131,637)
Drawdown of borrowings		**38,427,000**	12,897,065	**-**	-
Repayment of borrowings		**(9,235,018)**	(3,827,690)	**-**	-
Short-term deposit pledged to bank		**-**	(156,000)	**-**	-
Net cash from/(used in) financing activities		**13,933,564**	(2,438,253)	**(1,889,744)**	(2,131,637)
Net increase/(decrease) in cash and cash equivalents		**19,122,480**	(4,102,721)	**782,209**	(2,000,883)
Effect of exchange rate fluctuations on cash held		**(144)**	(11,191)	**-**	-
Cash and cash equivalents at 1 January		**(755,198)**	3,358,714	**(2,066,055)**	(65,172)
Cash and cash equivalents at 31 December		**18,367,138**	(755,198)	**(1,283,846)**	(2,066,055)

i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Cash and bank balances	11	**11,871,059**	3,728,798	**359,855**	122,362
Short term deposits with licensed banks	11	**15,598,365**	598,365	**-**	-
Bank overdrafts	13	**(8,503,921)**	(4,483,996)	**(1,643,701)**	(2,188,417)
		18,965,503	(156,833)	**(1,283,846)**	(2,066,055)
Less: Deposits pledged to licensed banks	11	**(598,365)**	(598,365)	**-**	-
		18,367,138	(755,198)	**(1,283,846)**	(2,066,055)

ii) *Acquisition of property, plant and equipment*

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM72,468,871 (2006 - RM81,811,998) and RM3,942,843 (2006 - RM3,977,763) respectively of which RM19,238,836 (2006 - RM26,505,199) and RM990,990 (2006 - RM1,068,836) respectively were acquired by means of hire purchase arrangements.

The notes on pages 39 to 75 are an integral part of these financial statements.

Kossan Rubber Industries Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The address of the Company's registered office/principal place of business is as follows:

Registered office/Principal place of business
Wisma Kossan
Lot 782, Jalan Sungai Putus
Off Batu 3 ¾, Jalan Kapar
42100 Klang
Selangor Darul Ehsan

The consolidated financial statements of the Company at and for the year ended 31 December 2007 comprise the Company and its subsidiaries. The financial statements of the Company at and for the year ended 31 December 2007 do not include other entities.

The Company is principally involved in investment holding and manufacturing and sales of rubber products whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The ultimate holding company during the financial year was Kossan Holdings (M) Sdn. Bhd. which was incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 18 April 2008.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has issued several FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007 or available for early adoption. In this set of financial statements, the Group and the Company have chosen to early adopt FRS 112, Income Taxes which is effective for annual period beginning on or after 1 July 2007. The effect of the early adoption of FRS 112 is set out in Note 27.

However, the following FRSs have not been applied in preparing these financial statements:

FRSs/Interpretations	Effective date
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

FRSs/Interpretations	Effective date
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The Group and the Company plan to apply the rest of the above mentioned FRSs and interpretations for the annual period beginning 1 January 2008 except for FRS 139, Financial Instruments: Recognition and Measurement which the effective date has yet to be announced.

The Group and the Company have not adopted FRS 139 and the impact of applying this FRS on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs and Interpretations, where applicable, are not expected to have any material impact on the financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for property, plant and equipment as explained in the accounting policy note.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM, unless otherwise stated.

1. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those described in the following notes:

- Note 7 - recognition of unutilised tax losses, capital allowances and reinvestment allowances
- Note 8 - measurement of the recoverable amounts of cash-generating units

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

The comparative financial statements have been restated to take into account the change in accounting policies (see Note 27). Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 28).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale.

(ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, from the date that significant influence commences until the date that significant influence ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Associates (continued)

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Forward foreign exchange contracts used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses, if any.

Revalued property, plant and equipment where no revaluation policy is adopted

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain freehold land and buildings were revalued in 1995 and no later valuation has been recorded for these properties.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful life for the current and comparative periods is as follows:

• Building	50 years
• Plant and machinery	5 – 10 years
• Motor vehicle	5 years
• Factory renovation	10 years
• Factory furniture and equipment	10 years
• Electrical installation	10 years
• Office furniture, equipment and renovation	10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets

Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

(f) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value.

- All current investments are carried at the lower of cost and market value, determined on an individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities, other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

a) the recognition of an asset on the day it is received by the entity, and
b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

In prior years, the Group recognised its investment in subsidiaries at valuation. However, no policy of regular periodic revaluation has been adopted in respect of the investment in subsidiaries. In the current year, the Company changed its accounting policy on investment in subsidiaries from valuation model to cost model by stating the investment in subsidiaries to its initial cost, as explained in Note 27.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(j) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

(k) Share capital

Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

All interest and other cost incurred in connection with borrowings are expensed as incurred.

Accounting for hire purchase

Property, plant and equipment held under hire purchase are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining capital payments are treated as liability.

(m) Employee benefits

Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Group's contribution to the Employees Provident Fund are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(n) Provisions (continued)

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue

(i) Goods sold

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in the income statements on an accrual basis.

(iii) Rental income

Rental income is recognised in the income statements as it accrues.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues, using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Lease payments

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

Deferred tax assets are recognised for the carry-forward of unutilised tax losses, unabsorbed capital allowances and unused tax credits (including reinvestment tax allowances) to the extent that it is probable that future taxable profits will be available against which unutilised tax losses, unabsorbed capital allowances and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicle RM	Factory renovation RM	Factory furniture and equipment RM	Electrical installation RM	Plant and machinery under construction RM	Office furniture, equipment and renovation RM	Building under construction RM	Total RM
Cost/valuation											
At 1 January 2006	10,289,241	37,472,210	161,380,962	8,534,991	3,514,057	1,585,057	1,423,059	13,662,267	6,343,578	16,890,597	261,096,019
Additions	8,922,457	14,226,803	42,621,852	650,954	306,551	391,460	303,307	6,371,478	1,242,279	6,774,857	81,811,998
Disposals	(120,000)	-	(1,136,789)	(1,137,777)	(120,374)	-	-	(129,990)	(1,543,273)	-	(4,188,203)
Currency translation differences	-	-	(27,338)	-	(10,318)	-	-	-	(128,175)	-	(165,831)
Transfers	9,739,786	13,378,011	15,034,132	-	-	-	-	(15,034,132)	-	(23,117,797)	-
At 31 December 2006/1 January 2007	28,831,484	65,077,024	217,872,819	8,048,168	3,689,916	1,976,517	1,726,366	4,869,623	5,914,409	547,657	338,553,983
Reclassifications	-	(8,788,757)	(6,110)	-	24,732	13,464	-	-	(32,087)	8,788,758	-
Additions	5,330,480	1,626,517	33,877,999	1,461,393	698,320	1,764,830	147,307	19,104,138	866,441	7,591,446	72,468,871
Disposals	(8,276)	-	(977,480)	(943,458)	-	-	-	-	(61,856)	-	(1,991,070)
Write off	-	-	-	-	-	(62)	(4,540)	-	-	-	(4,602)
Transfers	-	11,920,178	-	-	-	-	-	-	-	(11,920,178)	-
At 31 December 2007	**34,153,688**	**69,834,962**	**250,767,228**	**8,566,103**	**4,412,968**	**3,754,749**	**1,869,133**	**23,973,761**	**6,686,907**	**5,007,683**	**409,027,182**
Representing items at:											
At cost	28,271,752	58,226,898	250,767,228	8,566,103	4,412,968	3,754,749	1,869,133	23,973,761	6,686,907	5,007,683	391,537,182
At valuation	5,881,936	11,608,064	-	-	-	-	-	-	-	-	17,490,000
	34,153,688	69,834,962	250,767,228	8,566,103	4,412,968	3,754,749	1,869,133	23,973,761	6,686,907	5,007,683	409,027,182
Accumulated depreciation											
At 1 January 2006	-	4,386,350	76,184,262	5,164,382	1,484,809	949,383	918,562	-	3,323,339	-	92,411,087
Charge for the year	-	1,050,119	15,997,929	1,094,290	322,982	126,715	122,923	-	410,679	-	19,125,637
Disposals	-	-	(377,074)	(1,127,114)	(12,226)	-	-	-	(630,474)	-	(2,146,888)
Currency translation differences	-	-	(6,413)	-	(1,048)	-	-	-	(51,804)	-	(59,265)
At 31 December 2006/1 January 2007	-	5,436,469	91,798,704	5,131,558	1,794,517	1,076,098	1,041,485	-	3,051,740	-	109,330,571
Reclassifications	-	-	(5,764)	-	(52,043)	7,671	1,206	-	48,930	-	-
Charge for the year	-	1,454,770	18,864,839	1,203,567	368,951	229,431	145,339	-	486,202	-	22,753,099
Disposals	-	-	(353,715)	(916,047)	-	-	-	-	(58,849)	-	(1,328,611)
At 31 December 2007	**-**	**6,891,239**	**110,304,064**	**5,419,078**	**2,111,425**	**1,313,200**	**1,188,030**	**-**	**3,528,023**	**-**	**130,755,059**
Carrying amounts											
At 1 January 2006	10,289,241	33,085,860	85,196,700	3,370,609	2,029,248	635,674	504,497	13,662,267	3,020,239	16,890,597	168,684,932
At 31 December 2006/ 1 January 2007	28,831,484	59,640,555	126,074,115	2,916,610	1,895,399	900,419	684,881	4,869,623	2,862,669	547,657	229,223,412
At 31 December 2007	**34,153,688**	**62,943,723**	**140,463,164**	**3,147,025**	**2,301,543**	**2,441,549**	**681,103**	**23,973,761**	**3,158,884**	**5,007,683**	**278,272,123**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicles RM	Factory renovation RM	Office furniture and equipment RM	Building under construction RM	Total RM
Cost/valuation								
At 1 January 2006	5,688,582	13,497,981	40,065,604	3,658,750	133,158	2,242,621	-	65,286,696
Additions	-	-	3,405,531	231,497	-	89,093	251,642	3,977,763
Disposals	-	-	(447,224)	(435,474)	-	(46,898)	-	(929,596)
At 31 December 2006/ 1 January 2007	5,688,582	13,497,981	43,023,911	3,454,773	133,158	2,284,816	251,642	68,334,863
Additions	-	-	2,140,361	152,500	-	62,256	1,587,726	3,942,843
Disposals	-	-	(77,000)	(211,628)	-	-	-	(288,628)
At 31 December 2007	**5,688,582**	**13,497,981**	**45,087,272**	**3,395,645**	**133,158**	**2,347,072**	**1,839,368**	**71,989,078**
Representing items at:								
Cost	849,786	3,899,777	45,087,272	3,395,645	133,158	2,347,072	1,839,368	57,552,078
Valuation	4,838,796	9,598,204	-	-	-	-	-	14,437,000
At 31 December 2007	**5,688,582**	**13,497,981**	**45,087,272**	**3,395,645**	**133,158**	**2,347,072**	**1,839,368**	**71,989,078**
Accumulated depreciation								
At 1 January 2006	-	2,582,971	21,767,005	2,405,992	121,544	1,466,957	-	28,344,469
Charge for the year	-	273,624	3,082,215	440,511	5,171	151,743	-	3,953,264
Disposals	-	-	(36,134)	(426,571)	-	(25,945)	-	(488,650)
At 31 December 2006/ 1 January 2007	-	2,856,595	24,813,086	2,419,932	126,715	1,592,755	-	31,809,083
Charge for the year	-	273,624	3,050,728	392,959	5,175	143,854	-	3,866,340
Disposals	-	-	(77,000)	(211,628)	-	-	-	(288,628)
At 31 December 2007	**-**	**3,130,219**	**27,786,814**	**2,601,263**	**131,890**	**1,736,609**	**-**	**35,386,795**
Carrying amounts								
At 1 January 2006	5,688,582	10,915,010	18,298,599	1,252,758	11,614	775,664	-	36,942,227
At 31 December 2006/ 1 January 2007	5,688,582	10,641,386	18,210,825	1,034,841	6,443	692,061	251,642	36,525,780
At 31 December 2007	**5,688,582**	**10,367,762**	**17,300,458**	**794,382**	**1,268**	**610,463**	**1,839,368**	**36,602,283**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Property, plant and equipment acquired on hire purchase plans

Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Plant and machinery	**43,389,593**	39,647,635	**4,210,099**	5,029,017
Motor vehicles	**1,933,107**	2,117,200	**294,551**	792,461
	45,322,700	41,764,835	**4,504,650**	5,821,478

3.2 Security

The net book value of the following property, plant and equipment have been pledged to the banks for borrowings granted to the Group and the Company as referred to in Note 13:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Freehold land and building	**30,831,481**	31,501,273	**12,139,498**	12,336,221
Plant and machinery	**-**	159,765	**-**	-
	30,831,481	31,661,038	**12,139,498**	12,336,221

3.3 Property, plant and equipment under the revaluation model

The freehold land and buildings of the Group and of the Company were revalued in 1995 by the Directors at values of approximately RM17,490,000 and RM14,437,000 respectively which were based on valuations performed by a firm of professional valuers on the open market value basis at 24 March 1995. The surplus arising from this revaluation has been credited to revaluation reserve account.

Had the revalued assets been carried at historical cost less accumulated depreciation and impairment, the net book values of the Group's and Company's revalued assets that would have been included in the financial statements are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Freehold land and buildings	**8,379,699**	8,498,151	**6,503,452**	6,597,775

4. INVESTMENTS IN SUBSIDIARIES

	Company 2007 RM	Company 2006 RM Restated
Unquoted shares, at cost	**8,241,963**	8,241,963

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2007 %	Effective ownership interest 2006 %
Kossan Latex Industies (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	**100**	100
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	**100**	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	**100**	100
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	**70**	70
Ideal Quality Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	**100**	100
Top Calibre Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	**70**	70
Subsidiary of Ideal Quality Sdn. Bhd.				
Normandin Pacific Holdings Corp. # *	United States of America	Trading of latex examination gloves	**51**	51
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Envi-Care Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Subsidiary of Envi-Care Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	**100**	100

The financial statements of the sub-subsidiary are consolidated based on management account. This sub-subsidiary is not required to be audited in its country of incorporation.

* Not audited by KPMG.

5. INVESTMENTS IN ASSOCIATES

	Group	
	2007	**2006**
	RM	**RM**
Unquoted shares outside Malaysia, at cost	**112,272**	112,272
Share of post-acquisition reserves	**(10,476)**	(10,476)
	101,796	101,796
Exchange adjustments	**27,577**	27,577
	129,373	129,373

The associate is Kossan Europa AG, a company incorporated in Switzerland in which the Group holds 48% (2006 - 48%) of its issued equities. The associate is principally involved in trading of industrial rubber products.

The associate company had commenced members' voluntary liquidation on 28 December 2007.

6. OTHER INVESTMENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Investment in club membership, at cost	**116,000**	116,000	**116,000**	116,000

7. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
		Restated		**Restated**		**Restated**
Group						
Property, plant and equipment	**-**	-	**(20,589,380)**	(18,510,021)	**(20,589,380)**	(18,510,021)
Revaluation on properties	**-**	-	**(772,690)**	(961,907)	**(772,690)**	(961,907)
Unabsorbed capital allowance	**1,456,238**	1,626,166	**-**	-	**1,456,238**	1,626,166
Unutilised reinvestment allowance	**19,403,723**	14,659,011	**-**	-	**19,403,723**	14,659,011
Tax loss carry-forwards	**1,149,134**	1,237,529	**-**	-	**1,149,134**	1,237,529
Tax assets/(liabilities)	**22,009,095**	17,522,706	**(21,362,070)**	(19,471,928)	**647,025**	(1,949,222)
Set off	**(16,477,103)**	(11,686,236)	**16,477,103**	11,686,236	**-**	-
Net tax assets/(liabilities)	**5,531,992**	5,836,470	**(4,884,967)**	(7,785,692)	**647,025**	(1,949,222)
Company						
Property, plant and equipment	**-**	-	**(3,574,446)**	(3,680,518)	**(3,574,446)**	(3,680,518)
Revaluation on properties	**-**	-	**(739,605)**	(961,907)	**(739,605)**	(961,907)
Net tax liabilities	**-**	-	**(4,314,051)**	(4,642,425)	**(4,314,051)**	(4,642,425)

7. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2007 RM	Group 2006 RM
Taxable temporary differences	**(2,823,907)**	(1,713,922)
Unabsorbed capital allowance	**4,239,340**	3,984,884
Unutilised reinvestment allowance	**1,998,653**	5,363,106
Tax loss carry-forwards	**728,241**	728,241
	4,142,327	8,362,309

The deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items in the balance sheet of certain subsidiaries as the Group is uncertain of the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Movement in temporary differences during the year

	Property, plant and equipment RM	Revaluation on properties RM	Unabsorbed capital allowance RM	Unutilised reinvestment allowance RM	Tax loss carry-forwards RM	Total RM
Group						
At 1 January 2006						
- as previously reported	(12,236,225)	(984,675)	1,527,501	-	1,237,529	(10,455,870)
- effect of adopting of FRS 112	-	-	-	8,139,216	-	8,139,216
At 1 January 2006, restated	(12,236,225)	(984,675)	1,527,501	8,139,216	1,237,529	(2,316,654)
Recognised in income statement						
- as previously reported	(6,273,796)	22,768	98,665	-	-	(6,152,363)
- effect of adopting of FRS 112	-	-	-	6,519,795	-	6,519,795
- as restated	(6,273,796)	22,768	98,665	6,519,795	-	367,432
At 31 December 2006, restated	(18,510,021)	(961,907)	1,626,166	14,659,011	1,237,529	(1,949,222)
Recognised in income statement	(2,079,359)	21,153	(169,928)	4,744,712	(88,395)	2,428,183
Recognised in equity	-	168,064	-	-	-	168,064
At 31 December 2007	**(20,589,380)**	**(772,690)**	**1,456,238**	**19,403,723**	**1,149,134**	**647,025**

7. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in temporary differences during the year (continued)

	Property, plant and equipment RM	Revaluation on properties RM	Total RM
Company			
At 1 January 2006	(3,659,265)	(984,675)	(4,643,940)
Recognised in income statement	(21,253)	22,768	1,515
At 31 December 2006	(3,680,518)	(961,907)	(4,642,425)
Recognised in income statement	106,072	21,153	127,225
Recognised in equity	-	201,149	201,149
At 31 December 2007	**(3,574,446)**	**(739,605)**	**(4,314,051)**

8. GOODWILL ON CONSOLIDATION

	Group	
	2007 RM	2006 RM
At beginning of the year	**864,456**	-
Increase in shareholding in a subsidiary	**-**	864,456
At end of the year	**864,456**	864,456

The aggregate carrying amount of goodwill allocated to the operating unit is for automotive rubber products.

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The goodwill impairment test was based on value in use and was determined by the management.

9. INVENTORIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Raw material	**30,893,352**	22,124,950	**10,757,346**	8,141,214
Work-in-progress	**3,740,307**	3,204,452	**2,090,151**	2,122,848
Finished goods	**52,139,348**	38,310,310	**6,173,555**	5,172,861
	86,773,007	63,639,712	**19,021,052**	15,436,923

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Trade					
Trade receivables		**127,499,622**	120,578,389	**16,576,500**	18,322,796
Less: Allowance for doubtful debts		**(638,026)**	(411,628)	**(638,026)**	(411,628)
		126,861,596	120,166,761	**15,938,474**	17,911,168
Amount due from subsidiaries	10.1	**-**	-	**16,020,191**	42,819,502
Amount due from related parties	10.1	**602,094**	698,536	**552,289**	1,005,347
		127,463,690	120,865,297	**32,510,954**	61,736,017
Non-trade					
Amount due from ultimate holding company	10.2	**2,224**	-	**2,224**	-
Amount due from subsidiaries	10.1	**-**	-	**42,565,001**	-
Amount due from related parties	10.1	**17,466**	299,341	**-**	-
Sundry debtors		**2,455,177**	2,143,864	**523,936**	8,229
Refundable deposits		**1,924,499**	909,865	**799,597**	91,222
Prepayments		**5,312,414**	5,162,607	**1,519,082**	2,701,052
		9,711,780	8,515,677	**45,409,840**	2,800,503
		137,175,470	129,380,974	**77,920,794**	64,536,520

The credit term granted for trade debtors range from 30 to 60 days (2006 - 30 to 60 days)

10.1 Amount due from subsidiaries and related parties

The trade receivables due from subsidiaries and related parties are subject to normal trade terms.

The non-trade receivables due from subsidiaries and related parties are unsecured, interest free and repayable on demand.

10.2 Amount due from ultimate holding company

The non-trade receivables due from ultimate holding company are unsecured, interest free and repayable on demand.

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

10.3 Currency exposure profile of receivables, deposits and prepayments is as follows:

		Group		Company	
		2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Functional currency	**Currency**				
RM	USD	**107,202,982**	103,556,245	**5,301,167**	6,805,606
RM	RM	**27,774,182**	21,535,599	**71,474,734**	55,098,868
RM	EUR	**1,466,251**	255,867	**587,819**	255,867
RM	SGD	**428,769**	507,492	**428,769**	507,492
RM	AUD	**259,247**	1,998,521	**84,266**	341,437
RM	CHF	**38,447**	1,527,250	**38,447**	1,527,250
RM	GBP	**5,592**	-	**5,592**	-
		137,175,470	129,380,974	**77,920,794**	64,536,520

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Short term deposits with licensed banks	**15,598,365**	598,365	**-**	-
Cash and bank balances	**11,871,059**	3,728,798	**359,855**	122,362
	27,469,424	4,327,163	**359,855**	122,362

Included in deposits with licensed banks of the Group are amounts of RM598,365 (2006 - RM598,365) pledged to the bank for banking facilities granted to the Group.

12. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2007 RM	**Number of shares 2007**	**Amount 2006 RM**	**Number of shares 2006**
Authorised:				
Ordinary shares of RM0.50 each	**150,000,000**	**300,000,000**	150,000,000	300,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	**79,933,488**	**159,866,976**	79,933,488	159,866,976

The movements in each category of reserves are disclosed in the statement of changes in equity.

12. CAPITAL AND RESERVES (continued)

Share premium

This reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's property, plant and equipment in 1995.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier system for dividends with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see note 22.

	Group		**Company**	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Non-current				
Term loans				
- secured	**14,128,314**	11,449,152	**-**	-
- unsecured	**9,777,736**	17,106,170	**-**	-
Hire purchase liabilities	**13,536,860**	13,830,865	**728,566**	977,329
	37,442,910	42,386,187	**728,566**	977,329
Current				
Term loans				
- secured	**4,078,249**	2,484,230	**-**	-
- unsecured	**37,735,854**	1,876,271	**-**	-
Hire purchase liabilities	**13,178,082**	8,903,659	**1,189,098**	1,839,089
Bank overdraft - unsecured	**8,503,921**	4,483,996	**1,643,701**	2,188,417
Trade finance - unsecured	**84,768,025**	90,207,373	**12,048,516**	12,079,227
	148,264,131	107,955,529	**14,881,315**	16,106,733

13. LOANS AND BORROWINGS (continued)

13.1 Security

Secured borrowings are secured over certain property, plant and equipment of the Group (see Note 3) and corporate guarantee by the Company.

13.2 Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
2007						
Term loans						
- secured	2011-2013	18,206,563	4,078,249	3,361,957	8,796,799	1,969,558
- unsecured	2011-2012	47,513,590	37,735,854	2,790,000	6,987,736	-
Bank overdraft						
- unsecured	2008	8,503,921	8,503,921	-	-	-
Trade finance						
- unsecured	2008	84,768,025	84,768,025	-	-	-
		158,992,099	135,086,049	6,151,957	15,784,535	1,969,558
2006						
Term loans						
- secured	2011-2013	13,933,382	2,484,230	2,603,685	7,404,561	1,440,906
- unsecured	2011-2012	18,982,441	1,876,271	3,318,576	9,955,728	3,831,866
Bank overdraft						
- unsecured	2007	4,483,996	4,483,996	-	-	-
Trade finance						
- unsecured	2007	90,207,373	90,207,373	-	-	-
		127,607,192	99,051,870	5,922,261	17,360,289	5,272,772
Company						
2007						
Bank overdraft						
- unsecured	2008	1,643,701	1,643,701	-	-	-
Trade finance						
- unsecured	2008	12,048,516	12,048,516	-	-	-
		13,692,217	13,692,217	-	-	-
2006						
Bank overdraft						
- unsecured	2007	2,188,417	2,188,417	-	-	-
Trade finance						
- unsecured	2007	12,079,227	12,079,227	-	-	-
		14,267,644	14,267,644	-	-	-

13. LOANS AND BORROWINGS (continued)

13.3 Significant loans and borrowings covenants

The main covenants of certain term loan facilities of the Group and of the Company are as follows:

i) the Group shall submit its financial statements and/or audited financial statements within 6 months of the financial year end,

ii) the Group immediately notify the bank of any changes in its paid-up capital, in its substantial shareholdings and the nature and scope of the Group's business.

iii) the Group shall not without the written consent of the Bank (which consent shall not be unreasonably withheld) sell, transfer, assign or otherwise dispose of all or substantial portion of its assets, property, undertaking or its shareholding in any of its subsidiaries.

The main covenant of certain trade facilities of a subsidiary is the subsidiary's leverage position as measured by total liabilities/tangible net worth must not exceed 3.0 times at all times.

13.4 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2007 RM	Interest 2007 RM	Principal 2007 RM	Minimum lease payments 2006 RM	Interest 2006 RM	Principal 2006 RM
Group						
Less than one year	**14,323,399**	**(1,145,317)**	**13,178,082**	9,987,852	(1,084,193)	8,903,659
Between one and five years	**14,213,959**	**(677,099)**	**13,536,860**	14,775,029	(944,164)	13,830,865
	28,537,358	**(1,822,416)**	**26,714,942**	24,762,881	(2,028,357)	22,734,524
Company						
Less than one year	**1,262,047**	**(72,949)**	**1,189,098**	1,949,407	(110,318)	1,839,089
Between one and five years	**762,337**	**(33,771)**	**728,566**	1,007,024	(29,695)	977,329
	2,024,384	**(106,720)**	**1,917,664**	2,956,431	(140,013)	2,816,418

14. PAYABLES AND ACCRUALS

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Trade					
Trade payable		**66,605,125**	48,711,354	**6,053,365**	4,181,166
Amount due to related parties	14.1	**133,454**	80,987	**120,705**	4,147
		66,738,579	48,792,341	**6,174,070**	4,185,313
Non-trade					
Amount due to ultimate holding company	14.2	**8,543**	253,263	**-**	-
Amount due to a subsidiary	14.3	**-**	-	**-**	31,038
Amount due to related parties	14.1	**1,803,668**	730,694	**-**	-
Other payables and accruals		**24,092,014**	21,810,594	**4,416,067**	3,142,580
		25,904,225	22,794,551	**4,416,067**	3,173,618
		92,642,804	71,586,892	**10,590,137**	7,358,931

The credit term granted for trade payables range from 30 to 60 days (2006 - 30 to 60 days).

14.1 Amount due to related parties

The trade payables due to related parties are subject to the normal trade terms.

The non-trade payables due to related parties are unsecured, interest free and repayable on demand.

14.2 Amount due to ultimate holding company

The non-trade payables due to ultimate holding company are unsecured, interest free and repayable on demand.

14.3 Amount due to a subsidiary

The non-trade payables due to a subsidiary are unsecured, interest free and repayable on demand.

14.4 Currency exposure profile of payables and accruals is as follows:

Functional currency	Currency	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
RM	USD	**14,505,411**	7,958,195	**532,856**	495,792
RM	RM	**78,137,393**	63,628,697	**10,057,281**	6,863,139
		92,642,804	71,586,892	**10,590,137**	7,358,931

15. REVENUE

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
		Restated		**Restated**
Sales of goods	**702,590,211**	571,263,351	**90,058,182**	76,993,296
Dividend income	**-**	-	**19,600,072**	15,765,061
Services rendered	**47,045**	19,180	**-**	-
	702,637,256	571,282,531	**109,658,254**	92,758,357

16. OPERATING PROFIT

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Operating profit is arrived at after charging:				
Allowance for doubtful debts	**638,026**	-	**638,026**	-
Auditors' remuneration	**170,000**	139,550	**58,000**	48,000
Bad debts written off	**568,182**	26,531	**505,448**	13,881
Depreciation (Note 3)	**22,753,099**	19,125,637	**3,866,340**	3,953,264
Interest expense on:				
- Bank overdraft	**151,572**	175,151	**50,902**	53,336
- Term loans	**4,743,425**	1,667,398	**-**	-
- Trade finance	**4,032,853**	3,749,009	**534,409**	569,508
- Hire purchase	**1,308,589**	1,379,769	**119,521**	227,447
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	**2,321,088**	1,936,455	**803,425**	762,804
- Wages, salaries and others	**71,973,072**	61,897,739	**17,322,719**	16,223,195
Property, plant and equipment written off	**4,602**	20,952	**-**	20,952
Rental of premises	**2,147,664**	2,099,082	**896,100**	698,316
Hire of equipment	**47,440**	20,210	**-**	1,400
Write down of inventories	**827,553**	2,658,177	**-**	-
and after crediting:				
Dividend income	**-**	-	**19,600,072**	15,765,061
Fixed deposit interest received	**801,689**	56,077	**189,611**	30,279
Gain on disposal of property, plant and equipment	**224,349**	316,778	**45,930**	110,640
Rental income	**135,000**	150,500	**204,000**	216,500
Gain on foreign exchange				
- realised	**1,282,612**	2,108,989	**648,242**	855,629
- unrealised	**1,827,000**	-	**-**	-

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Directors				
- Fees	**120,000**	112,000	**120,000**	112,000
- Salaries and allowances	**4,960,880**	4,190,489	**1,759,000**	1,447,040
	5,080,880	4,302,489	**1,879,000**	1,559,040
Other key management personnel:				
- Salaries and allowances	**1,790,673**	1,508,836	**1,272,956**	1,068,326

18. TAX EXPENSE

Recognised in the income statements

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
		Restated		**Restated**
Current tax expense				
Current year	**5,273,884**	2,828,385	**3,556,721**	2,258,216
Under/(over) provision in prior year	**388,089**	(91,038)	**361,531**	19,307
	5,661,973	2,737,347	**3,918,252**	2,277,523
Deferred tax expense				
Origination and reversal of temporary differences	**(2,359,408)**	(25,804)	**18,783**	98,842
Under provision in prior year	**(68,775)**	(341,628)	**(146,008)**	(100,357)
	(2,428,183)	(367,432)	**(127,225)**	(1,515)
Total tax expense	**3,233,790**	2,369,915	**3,791,027**	2,276,008

18. TAX EXPENSE (continued)

Reconciliation of effective tax expense

	Group		Company	
	2007 RM	**2006 RM Restated**	**2007 RM**	**2006 RM Restated**
Profit before tax	**58,318,333**	48,453,319	**27,340,525**	22,605,182
Tax at Malaysian tax rate of 27% (2006 - 28%)	**15,745,950**	13,566,929	**7,381,942**	6,329,451
Effect of lower tax rate for certain subsidiaries*	**(141,947)**	(115,820)	**-**	-
Effect of change in tax rate**	**(472,405)**	-	**(262,316)**	-
Non-deductible expenses	**817,383**	457,096	**95,494**	120,569
Tax incentives	**(12,005,585)**	(11,186,937)	**-**	(708,298)
Income not subject to tax	**-**	-	**(3,639,616)**	(3,384,664)
Recognition of previously unrecognised temporary difference	**(990,957)**	-	**-**	-
Unrecognised deferred tax utilised	**(37,963)**	-	**-**	-
Current year losses for which no deferred tax asset was recognised	**-**	81,313	**-**	-
	2,914,476	2,802,581	**3,575,504**	2,357,058
Under/(over) provided in prior years				
- income tax expense	**388,089**	(91,038)	**361,531**	19,307
- deferred tax expense	**(68,775)**	(341,628)	**(146,008)**	(100,357)
	3,233,790	2,369,915	**3,791,027**	2,276,008

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

** With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 and 2008 also announced the reduction of corporate tax rate to 26% in 2008 and to 25% in 2009 respectively. Consequently deferred tax assets and liabilities are measured using these tax rates.

19. EARNINGS PER ORDINARY SHARE

The basic earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Company of RM55,084,543 (2006 - RM46,151,980) by the weighted average number of 159,866,976 (2006 - 159,866,976) ordinary shares in issue during the financial year.

There is no dilution in earnings per share as there is no potential diluted ordinary share.

20. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM	Date of payment
2007			
First and final 2006 ordinary, less tax 27%	1.8	2,917,572	10.08.2007
First and final 2006 ordinary, tax-exempt	4.0	6,394,679	10.08.2007
Total amount		9,312,251	
2006			
Final 2005 ordinary, less tax at 28%	3.6	5,755,211	10.08.2006
Final 2005 ordinary, special tax-exempt	1.0	1,598,670	10.08.2006
Total amount		7,353,881	

21. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

There is no segmental revenue analysis by geographical location as the Group's operations are principally located in Malaysia and the customer base does not reflect the actual location of the shipments/deliveries. The exports are principally to the United States of America, Asia and European countries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

Inter-segment pricing is determined on a negotiation basis.

Business segments

The Group comprises the following main business segments:

- Technical rubber products
- Gloves
- Others

21. SEGMENT REPORTING (continued)

Business segments	Technical rubber products 2007 RM	Technical rubber products 2006 RM Restated	Gloves 2007 RM	Gloves 2006 RM Restated	Others 2007 RM	Others 2006 RM Restated	Total 2007 RM	Total 2006 RM Restated
Total external revenue	**105,517,222**	91,045,469	**597,072,989**	480,217,882	**47,045**	19,180	**702,637,256**	571,282,531
Segment result	**8,923,150**	7,651,272	**60,214,159**	47,935,968	**(582,537)**	(185,804)	**68,554,772**	55,401,436
Finance costs							**(10,236,439)**	(6,971,327)
Share of profit of equity accounted associate							**-**	23,210
Tax expense							**(3,233,790)**	(2,369,915)
Profit for the year							**55,084,543**	46,083,404
Segment assets	**104,352,108**	96,160,966	**422,741,870**	328,624,891	**3,576,502**	2,765,860	**530,670,480**	427,551,717
Investment in associate	**-**	-	**-**	-	**129,373**	129,373	**129,373**	129,373
Unallocated assets							**6,079,737**	8,093,596
Total assets							**536,879,590**	435,774,686
Segment liabilities	**34,088,947**	30,818,223	**242,146,649**	188,962,554	**2,114,249**	2,147,831	**278,349,845**	221,928,608
Unallocated liabilities							**6,727,943**	7,934,514
Total liabilities							**285,077,788**	229,863,122
Capital expenditure	**8,717,213**	6,412,232	**64,161,181**	75,399,766	**-**	-	**72,878,394**	81,811,998
Depreciation	**5,587,024**	5,408,437	**17,166,075**	13,717,200	**-**	-	**22,753,099**	19,125,637
Non-cash expenses other than depreciation	**1,188,208**	47,483	**832,057**	-	**18,000**	-	**2,038,265**	47,483

22. FINANCIAL INSTRUMENTS

Exposure to market, credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Market risk

The Group has in place policies to manage the Group's exposure to fluctuations in the selling price of the Group's products and purchase prices of the key raw materials used in the operations. The Group enters into the fixed price contracts to establish determinable prices for raw materials used. Management conducts constant survey of the global market price and trend in order to determine selling price.

22. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group's primary exposure to credit risk arises from trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date, there were no significant concentrations of credit risk other than 29% (2006 – 38%) of the Group's trade debts owed by 3 (2006 – 3) trade customers, which fall within the credit period and received subsequent to year-end. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

	Note	Average effective interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 -4 years RM	4 -5 years RM	More than 5 years RM
2007									
Group									
Fixed rate instruments									
Short term deposits	11	3.00%-3.80%	15,598,365	15,598,365	-	-	-	-	-
Hire purchase liabilities	13	1.88%-5.13%	(26,714,942)	(13,178,082)	(8,490,674)	(3,980,730)	(1,043,924)	(21,532)	-
			(11,116,577)	2,420,283	(8,490,674)	(3,980,730)	(1,043,924)	(21,532)	-
Floating rate instruments									
Term loans									
- secured	13	6.75%-7.50%	(18,206,563)	(18,206,563)	-	-	-	-	-
- unsecured	13	6.33%-7.50%	(47,513,590)	(47,513,590)	-	-	-	-	-
Bank overdraft									
- unsecured	13	7.25%-7.50%	(8,503,921)	(8,503,921)	-	-	-	-	-
Trade finance									
- unsecured	13	3.58%-5.22%	(84,768,025)	(84,768,025)	-	-	-	-	-
			(158,992,099)	(158,992,099)	-	-	-	-	-

22. FINANCIAL INSTRUMENTS (continued)

	Note	Average effective interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 -4 years RM	4 -5 years RM	More than 5 years RM
2007									
Company									
Fixed rate instrument									
Hire purchase liabilities	13	1.88%-3.35%	(1,917,664)	(1,189,098)	(728,566)	-	-	-	-
Floating rate instruments									
Bank overdraft - unsecured	13	7.25%-7.50%	(1,643,701)	(1,643,701)	-	-	-	-	-
Trade finance - unsecured	13	3.96%-5.22%	(12,048,516)	(12,048,516)	-	-	-	-	-
			(13,692,217)	(13,692,217)	-	-	-	-	-
2006									
Group									
Fixed rate instruments									
Short term deposits	11	3.00%-3.80%	598,365	598,365	-	-	-	-	-
Hire purchase liabilities	13	1.88%-4.50%	(22,734,524)	(8,903,659)	(7,876,787)	(2,596,082)	(2,364,361)	(993,635)	-
			(22,136,159)	(8,305,294)	(7,876,787)	(2,596,082)	(2,364,361)	(993,635)	-
Floating rate instruments									
Term loan - secured	13	6.75%-7.50%	(13,933,382)	(13,933,382)	-	-	-	-	-
Term loan - unsecured	13	6.75%-7.50%	(18,982,441)	(18,982,441)	-	-	-	-	-
Bank overdraft - unsecured	13	7.25%-8.00%	(4,483,996)	(4,483,996)	-	-	-	-	-
Trade finance - unsecured	13	3.58%-5.22%	(90,207,373)	(90,207,373)	-	-	-	-	-
			(127,607,192)	(127,607,192)	-	-	-	-	-

22. FINANCIAL INSTRUMENTS (continued)

	Note	Average effective interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 -4 years RM	4 -5 years RM	More than 5 years RM
2006									
Company									
Fixed rate instrument									
Hire purchase liabilities	13	1.88%-3.35%	(2,816,418)	(1,839,089)	(874,296)	(103,033)	-	-	-
Floating rate instruments									
Bank overdraft - unsecured	13	7.25%-7.50%	(2,188,417)	(2,188,417)	-	-	-	-	-
Trade finance - unsecured	13	3.58%-5.22%	(12,079,227)	(12,079,227)	-	-	-	-	-
			(14,267,644)	(14,267,644)	-	-	-	-	-

Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the Group's functional currency. The currency giving rise to this risk is primarily USD.

The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities held in currencies other than RM, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies are not recognised in the income statement.

Hedged item	Currency	Amount to be received	Average contract rate	Equivalent RM
31.12.2007				
Trade receivables	USD	49,633,671	3.3565	166,597,402
31.12.2006				
Trade receivables	USD	17,743,784	3.5549	63,078,081

22. FINANCIAL INSTRUMENTS (continued)

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

	2007		2006	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Financial assets				
Other investments	**116,000**	**116,000**	116,000	116,000
Financial liabilities				
Borrowings	**158,992,099**	**158,992,099**	127,607,192	127,607,192
Hire purchase liabilities	**26,714,942**	**26,372,061**	22,734,524	22,734,524
Forward exchange contract	**-**	**2,030,017**	-	415,205

23. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Property, plant and equipment				
Within one year:				
Contracted but not provided for	**25,109,047**	21,645,177	**1,194,500**	1,577,877

24. CONTINGENCIES

As at 31 December 2007, the Company has outstanding unsecured contingent liabilities amounting to RM165,481,248 (2006 - RM132,511,814) being corporate guarantees given to banks for banking facilities granted to certain subsidiaries.

25. LITIGATION

During the year, the Group received a letter from the United States International Trade Commission ('ITC') on complaints and allegations by Tillotson Corporation ('Tillotson'), a company incorporated in the United States of America, on the Group's alleged patent infringement of certain nitrile gloves under section 337 of the United States Tariff Act of 1930. Tillotson is seeking a general exclusion order which if granted, would block the importation of infringing nitrile gloves. The ITC, however, is not authorised to award monetary damages. As of the date of this report, the outcome of the allegation is not presently known.

26. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Transactions amount for the year ended 31 December		Balance outstanding at 31 December	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Group				
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries				
Kossan Chemical Industries (M) Sdn. Bhd.				
Rental payable	**(1,037,280)**	(737,120)	**-**	-
Kossan Japan Rollers Sdn. Bhd.				
Sales	**660**	10,438	**-**	-
Rental receivable	**-**	25,000	**-**	-
Pleasure Latex Products Sdn. Bhd.				
Sales	**368**	1,425	**199,668**	198,376
Rental receivable	**120,000**	120,000	**120,000**	120,000
Services rendered receivables	**9,465**	-	**9,465**	-
Kossan Paint (M) Sdn. Bhd.				
Sales	**322,029**	301,382	**137,374**	324,929
Purchase of consumables	**(1,056,545)**	(729,009)	**(1,105)**	-
Purchase of raw materials	**-**	(109,700)	**-**	-
Purchase of property, plant and equipment	**(33,644)**	-	**-**	-
Services rendered receivables	**-**	500	**-**	-
Pan Asian Corporation Sdn. Bhd.				
Rental payable	**(535,080)**	(535,080)	**-**	-
Transaction with corporation in which Directors have financial interest				
HT Ceramics (M) Sdn. Bhd.				
Purchase of property, plant and equipment	**(2,074,914)**	(6,463,570)	**(1,579,362)**	-
Service rendered receivables	**34,000**	-	**34,000**	-
Sales	**3,122**	3,247	**-**	-

26. RELATED PARTIES (continued)

	Transactions amount for the year ended 31 December		Balance outstanding at 31 December	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Group				
Transaction with corporation in which Directors have financial interest (continued)				
Kossan F.R.P. Industries (M) Sdn. Bhd.				
Purchase of consumables	**(259,949)**	(787,879)	**(2,500)**	-
Sales	**-**	6,422	**-**	-
Services rendered receivables	**2,980**	(266,440)	**350**	-
Purchase of property, plant and equipment	**(2,955,901)**	(2,072,452)	**-**	-
Chemtube (M) Sdn. Bhd.				
Sales	**27,624**	28,300	**7,063**	-
Purchase of consumable	**-**	(150)	**-**	-
Company				
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries				
Kossan Chemical Industries (M) Sdn. Bhd.				
Rental payable	**(534,240)**	(359,520)	**-**	-
Kossan Japan Rollers Sdn. Bhd.				
Sales	**660**	10,438	**-**	-
Purchase of consumables	**(114,550)**	-	**-**	-
Rental receivable	**-**	25,000	**-**	-
Pleasure Latex Products Sdn. Bhd.				
Sales	**368**	1,425	**199,668**	199,376
Rental receivable	**120,000**	120,000	**120,000**	120,000
Kossan Paint (M) Sdn. Bhd.				
Sales	**322,029**	297,846	**137,374**	324,929
Pan Asian Corporation Sdn. Bhd.				
Rental payable	**(297,960)**	(297,960)	**-**	-
Transaction with corporation in which Directors have financial interest				
HT Ceramics (M) Sdn. Bhd.				
Sales	**3,122**	3,247	**-**	-
Kossan F.R.P. Industries (M) Sdn. Bhd.				
Purchase of consumables	**(27,139)**	(27,491)	**-**	-
Sales	**-**	6,422	**-**	-
Chemtube (M) Sdn. Bhd.				
Sales	**27,624**	38,300	**7,063**	-
Purchase of consumable	**-**	(150)	**-**	-

27. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2007. The changes in accounting policies arising from the early adoption of FRS 112, Income Taxes for the Group and compliance of FRS 127, Consolidated and Separate Financial Statements, for the Company, are summarised below:

Group

FRS 112, *Income Taxes*

In its financial statements for period beginning 1 January 2007, the Group opted to early adopt FRS 112, Income Taxes, replacing $FRS112_{2004,}$ Income Taxes. FRS 112, which is only effective for the financial period beginning on or after 1 July 2007, allows recognition of deferred tax assets pertaining to unutilised reinvestment allowance. The Group has recognised all its unutilised reinvestment allowance as a deferred tax asset by analogy to the accounting for unused tax losses.

The change in accounting policy was recognised retrospectively in accordance with the provisions and the comparatives have been restated. The change in accounting policy had the following impact on the financial statements.

The adoption of FRS 112 resulted in:

	Group	
	2007	**2006**
	RM	**RM**
Income statement for the year ended 31 December		
Decrease in tax expense	**(4,744,712)**	(6,519,795)
Increase in profit for the year	**4,744,712**	6,519,795
Balance sheet at 31 December		
Cumulative increase in deferred tax assets	**6,392,317**	4,451,800
Cumulative decrease in deferred tax liabilities	**(13,011,406)**	(10,207,211)
Cumulative increase in retained earnings	**19,403,723**	14,659,011
Increase in basic earnings per share	**2.97**	4.08
Increase in diluted earnings per share	**2.97**	4.08

27. CHANGES IN ACCOUNTING POLICIES (continued)

Company

FRS 127, *Consolidated and Separate Financial Statement*

In prior years, the Company recognised its investment in subsidiaries at valuation. However, no policy of regular periodic revaluation has been adopted in respect of this investment. In its financial statements for year beginning 1 January 2007, the Company changed its accounting policy on investment in subsidiaries from valuation model to cost model by restating the investment in subsidiaries to its initial cost. This change in accounting policy was recognised retrospectively and the comparatives have been restated.

The adoption of FRS 127 resulted in:

	Company	
	2007	**2006**
	RM	**RM**
Balance sheet at 31 December		
Cumulative decrease in investment in subsidiaries	**(9,185,922)**	(9,185,922)
Cumulative decrease in revaluation reserves	**933,287**	933,287
Cumulative decrease in retained earnings	**(8,252,635)**	(8,252,635)

The above prior year's adjustment has no impact on the Group's financial statements at 31 December 2006.

28. COMPARATIVE FIGURES

Certain comparative figures have been restated/reclassified as a result of changes in accounting policies as stated in Note 27.

	As previously stated RM	Adjustment and/or reclassification RM	As restated RM
Group			
Income statement for the year ended 31 December 2006			
Revenue	571,338,608	(56,077)	571,282,531
Other income	3,098,537	56,077	3,154,614
Tax expense	(8,889,710)	6,519,795	(2,369,915)
Profit for the year	39,563,609	6,519,795	46,083,404
Basic earnings per share (sen)	24.79	4.08	28.87
Diluted earnings per share (sen)	24.79	4.08	28.87
Balance sheet at 31 December 2006			
Deferred tax assets	1,384,670	4,451,800	5,836,470
Deferred tax liabilities	17,992,903	(10,207,211)	7,785,692
Retained earnings	109,312,558	14,659,011	123,971,569

28. COMPARATIVE FIGURES (continued)

	As previously stated RM	Adjustment and/or reclassification RM	As restated RM
Group			
Statement of changes in equity			
Retained earnings at 1 January 2006	69,621,825	8,139,216	77,761,041
Retained earnings at 31 December 2006	109,312,558	14,659,011	123,971,569
Company			
Income statement for the year ended 31 December 2006			
Revenue	92,788,636	(30,279)	92,758,357
Other income	546,720	30,279	576,999
Balance sheet at 31 December 2006			
Investment in subsidiaries	17,427,885	(9,185,922)	8,241,963
Revaluation reserve	1,560,301	(933,287)	627,014
Retained earnings	25,352,032	(8,252,635)	17,099,397
Statement of changes in equity			
Revaluation reserve at 1 January 2006	1,618,849	(933,287)	685,562
Revaluation reserve at 31 December 2006	1,560,301	(933,287)	627,014
Retained earnings at 1 January 2006	4,964,310	(8,252,635)	(3,288,325)
Retained earnings at 31 December 2006	25,352,032	(8,252,635)	17,099,397

List of Properties

AS AT 31 DECEMBER 2007

Location	Description	Date of Acqusition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2007 RM
No 14 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995*	14 yrs	990 sq.ft	Freehold	Staff quarters	80,918
No 16 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995*	14 yrs	990 sq.ft	Freehold	Staff quarters	80,918
Lot 754 Jalan Hj Sirat 42100 Klang	Factory	3/24/1995*	13 yrs	246,550 sq.ft	Freehold	Factory	10,300,445
Lot 782 Jalan Hj Sirat 42100 Klang	Factory and office	3/24/1995*	Factory-20 yrs Office-13 yrs New Office under construction	47,480 sq.ft	Freehold	Office and laboratory	2,562,725 1,855,628
Lot 16632 Batu 5 1/4 Jalan Meru 41050 Klang	Single storey detached factory	3/24/1995*	18 yrs	65,175 sq.ft	Freehold	Factory and office	2,585,799
Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/31/1995	9 yrs	106,177 sq.ft	Freehold	Factory	2,984,108
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor	Factory	1/31/1995	5 yrs	213,916 sq.ft	Freehold	Factory	4,623,093
Lot 1365 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/3/1995	9 yrs New factory under construction	217,800 sq.ft	Freehold	Factory and office Factory	6,658,746 3,169,585
HS (M) 15410 & 15405 PT 21715 & 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 storey light industrial building	4/3/2003	14 yrs	174 sq.mtr	Freehold	Store	237,033
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Hostel	2/27/2003	4 yrs	5,527 sq.mtr	Freehold	Staff quarters	1,047,663

AS AT 31 DECEMBER 2007

Location	Description	Date of Acqusition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2007 RM
Lot 1366 Batu 17 Jalan Kapar Mukim Jeram	Factory	8/28/2003	4 yrs	152,460 sq.ft	Freehold	Factory	7,714,893
Geran 40417, Lot 4761 Mukim Jeram Kuala Selangor	Factory	5/19/2004	3 yrs	7 acres 1 rood 14.67 poles	Freehold	Factory	4,450,268
Lot 6129, 5 1/4 Miles Jln Hj Abdul Manan, Off Jln Meru 41050 Klang	Factory	28/01/05	1 yr	434,145 sq.ft	Freehold	Factory and office	28,025,955
HS (D) 116842 PT 54925 Mukim Kapar Daerah Klang	Vacant land	5/30/2005	Not applicable	10.77 acres	Freehold	Vacant	4,816,015
HS (D) 116841 PT 54924 Mukim Kapar Daerah Klang	Vacant land	5/30/2005	Not applicable	11.25 acres	Freehold	Vacant	4,977,533
Lot PT 13726 Jln Hj Abdul Manan, Off Jln Meru 41050 Klang	Factory	9/26/2005	Factory completed in 2007	5.392 acres	Freehold	Factory and office	15,404,959
Lot 6135 GM 2993 Mukim Jeram District of Kuala Selangor	Factory	10/22/2007	Factory under construction	0.6107 ha	Freehold	Factory	528,810
							102,105,094

Statistics on Shareholdings

AS AT 30 APRIL 2008

Authorised Share Capital	:	RM150,000,000
Issued and Fully Paid Up	:	RM79,933,488
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	1 vote Per Ordinary Share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	190	7.66	11,544	0.01
100 - 1,000	541	21.83	433,612	0.27
1,001 - 10,000	1,229	49.58	5,591,296	3.50
10,001 - 100,000	420	16.94	12,118,604	7.58
100,001 to less than 5% of issued shares	96	3.87	67,699,600	42.35
5% and above of issued shares	3	0.12	74,012,320	46.29
Total	2,479	100.00	159,866,976	100.00

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares Direct Interest	%	No. of Shares Indirect Interest	%
1	Y. Bhg. Dato' Haji Mokhtar Bin Hj. Samad	-	-	-	-
2	Lim Kuang Sia	190,944	0.12	81,973,344	51.27
3	Lim Kuang Yong	-	-	81,613,920	51.05
4	Lim Kuang Wang	359,424	0.22	81,613,920	51.05
5	Lim Kwan Hwa	-	-	81,613,920	51.05
6	Heng Bak Tan	-	-	14,448	*
7	Y. B. Dato' Tai Chang Eng @ Teh Chang Ying	149,760	0.09	-	-
8	Tong Siew Choo	14,976	0.01	-	-
9	Lim Leng Bung	-	-	81,613,920	51.05

* Non-meaningful

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd - 56,996,784 shares held through own name - 8,538,736 shares held through own name - 1,102,400 shares held through own name - 7,776,000 shares held through Malaysia Nominees (Tempatan) Sdn Bhd - 7,200,000 shares held through EB Nominees (Tempatan) Sdn Bhd	81,613,920	51.05
2	Investors Bank And Trust Company for Asian Small Companies Portfolio - 8,476,800 shares held through Cartaban Nominees (Asing) Sdn Bhd	8,476,800	5.30

AS AT 30 APRIL 2008

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd	56,996,784	35.65
2	Kossan Holdings (M) Sdn Bhd	8,538,736	5.34
3	Cartaban Nominees (Asing) Sdn Bhd Investors Bank And Trust Company for Asian Small Companies Portfolio	8,476,800	5.30
4	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Kossan Holdings (M) Sdn Bhd (05-00042-000)	7,776,000	4.86
5	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Kossan Holdings (M) Sdn Bhd (PKG)	7,200,000	4.50
6	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund KG33 for AIM Asia Pacific Growth Fund	6,291,000	3.94
7	Ruby Technique Sdn Bhd	3,143,520	1.97
8	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Far-East Dividend Fund	2,842,400	1.78
9	Citigroup Nominees (Asing) Sdn Bhd UBS AG for Hidden Jewels Fund	2,467,600	1.54
10	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Balanced Fund	2,094,100	1.31
11	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. International PLC (IPB Client Acct)	1,807,500	1.13
12	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	1,768,300	1.11
13	Yeo Wha	1,635,880	1.02
14	Ruby Technique Sdn Bhd	1,582,080	0.99
15	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Susy Ding (CEB)	1,570,080	0.98
16	Chia Fei Kung	1,391,000	0.87

AS AT 30 APRIL 2008

30 LARGEST SHAREHOLDERS (cont'd)

No.	Name of Shareholders	No. of Shares	%
17	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Index Fund	1,366,500	0.85
18	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. Incorporated	1,238,900	0.77
19	Lembaga Tabung Haji	1,197,900	0.75
20	Kossan Holdings (M) Sdn Bhd	1,102,400	0.69
21	Mayban Nominees (Tempatan) Sdn Bhd Etiqa Insurance Berhad (Life Par Fund)	997,100	0.62
22	Yee Chek Mun	887,000	0.55
23	Malaysian Trustees Berhad Pacificmas Asset Management Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	685,040	0.43
24	Teng Choon Kwang	633,792	0.40
25	Chia Bak Lang	600,000	0.38
26	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Caceis Bank Luxembourg (CLT ACCT-LUX)	566,900	0.35
27	BHLB Trustee Berhad Prugrowth Fund	513,000	0.32
28	Mayban Nominees (Tempatan) Sdn Bhd Etiqa Insurance Berhad (Sharehldr's Fd)	497,000	0.31
29	Mayban Nominees (Tempatan) Sdn Bhd Etiqa Takaful Berhad (Family Fund)	487,500	0.30
30	Kurnia Insurans (Malaysia) Berhad	485,000	0.30
	Total	126,839,812	79.34

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth (28th) Annual General Meeting of the Company will be held at Gasing Hall, Level 2, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 19 June 2008 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive and consider the audited financial statements for the year ended 31 December 2007 and the Reports of the Directors' and the Auditors thereon.
   (Ordinary Resolution 1)

2. To approve payment of a final dividend of 4 sen per ordinary share, less tax at 26% and 4 sen per ordinary share, tax exempted for the financial year ended 31 December 2007.
   (Ordinary Resolution 2)

3. To approve the payment of directors' fees of RM120,000 for the financial year ended 31 December 2007. (2006 : RM112,000)
   (Ordinary Resolution 3)

4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association, and being eligible, offers themselves for re-election:

   (i) Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying
   (Ordinary Resolution 4)

   (ii) Mr. Lim Kuang Sia
   (Ordinary Resolution 5)

   (iii) Madam Tong Siew Choo
   (Ordinary Resolution 6)

5. To re-appoint KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
   (Ordinary Resolution 7)

6. SPECIAL BUSINESS

   To consider and if thought fit, to pass the following as Ordinary resolutions:

   (a) Authority for Directors to allot and issue shares in general pursuant to Section 132D of the Companies Act 1965 – ESOS Allotment

   "That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised with full powers to issue shares in the Company from time to time under the existing Executive Share Option Scheme of the Company ("the Scheme") provided that the aggregate number of the shares to be issued pursuant to this resolution does not exceed the amount approved under the Scheme and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued"
   (Ordinary Resolution 8)

   (b) Authority for Directors to allot and issue shares in general pursuant to Section 132D of the Companies Act. 1965-General allotment.
   (Ordinary Resolution 9)

   "That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit and expedient in the interest of the Company provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued."

(c) Proposed renewal and further shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate").

"That, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the categories of recurrent related party transactions of a revenue or trading nature specified in Section 2.4 of the Circular to Shareholders dated 26 May 2008 with the following related parties:-

(1) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries
(Ordinary Resolution 10)

(2) Kossan FRP Industries (M) Sdn. Bhd.
(Ordinary Resolution 11)

(3) HT Ceramics (M) Sdn. Bhd.
(Ordinary Resolution 12)

(4) Luxchem Trading Sdn. Bhd.
(Ordinary Resolution 13)

Subject further to the following:

i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

ii) the Proposed Shareholders' Mandate will take effect from the date of the passing of the Ordinary Resolution proposed at the Annual General Meeting ("AGM") until the next AGM of the Company and shall apply in respect of the recurrent related party transactions to be entered into from the date of the forthcoming AGM until the next AGM of the Company. The proposed shareholders' mandate is subject to annual renewal. Any authority conferred by the mandate shall only continue to be in force until:-

(a) the conclusion of the first annual general meeting of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next annual general meeting is required to be held pursuant to section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to section 143 (2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier; and

iii) disclosure is made in the annual report of the breakdown of aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and in the annual reports for the subsequent financial year during which the shareholders' mandate is in force based on the type of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company, provided that such transactions are made on normal commercial 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 of the Company and at an arm's length basis; and

iv) the Directors and/or any of them be and are hereby authorised to complete and do such acts and things (including executing such document as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. To transact any other business of which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the final dividend of 4 sen per ordinary share, less tax at 26% and 4 sen per ordinary share, tax exempted in respect of the financial year ended 31 December 2007, if approved by members at the Annual General Meeting to be held on 19 June 2008 will be paid on 11 August 2008. The entitlement date for the dividend will be 7 July 2008.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred to the depositor's securities account before 4.00 p.m. on 7 July 2008 in respect of ordinary transfer; and

(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG
CHIA YEW NGO
Company Secretaries

26 May 2008
Klang

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.

3. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

4. Authority to directors to issue shares pursuant to Section 132D

   (a) Ordinary Resolution 8
   The purpose of this Resolution is to enable the Directors of the Company to allot shares to those executives who have exercised their option under the Executive Share Option Scheme.

   (b) Ordinary Resolution 9
   In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden its operation base and earnings potential. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued and paid up share capital. In order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid up share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Twenty Eighth (28th) Annual General Meeting of the Company are:-

   (i) Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying
   (ii) Mr. Lim Kuang Sia
   (iii) Madam Tong Siew Choo

   The profile of the Directors standing for re-election are on pages 11 to 13.

2. Details of Attendance of Directors at Board Meetings.

   Five (5) Board Meetings were held during the financial year ended 31 December 2007. Details of attendance of Directors at the Board Meetings are as follows:-

Name of Director	**No. of meeting attended**
Mr. Lim Kuang Sia	5/5
Mr. Lim Kuang Yong	4/5
Mr. Lim Kuang Wang	5/5
Mr. Lim Kwan Hwa	5/5
Mr. Heng Bak Tan	5/5
Dato' Haji Mokhtar Bin Haji Samad	5/5
Dato' Tai Chang Eng @ Teh Chang Ying	5/5
Madam Tong Siew Choo	5/5

3. Place, date and time of the Board of Directors' Meeting

   All the Board Meetings, were held at Wisma Kossan, Lot 782 Jalan Sungai Putus, Off Batu 3¾ , Jalan Kapar, 42100 Klang.

Date	**Time**
14.02.2007	4.00 p.m.
12.04.2007	4.00 p.m.
18.05.2007	4.00 p.m.
17.08.2007	4.00 p.m.
26.11.2007	4.00 p.m.

Note

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proxy form

I/We ____

of ____

being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint ____________________

____

of ____

or ____

failing him, ____

or ____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty Eighth (28th) Annual General Meeting of the Company to be held at Gasing Hall, Level 2, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 19 June 2008 at 10.30 a.m. or at any adjournment thereof.

ORDINARY BUSINESS		**FOR**	**AGAINST**
Adoption of Financial Statements and Reports	Ordinary Resolution 1		
Declaration of Dividend	Ordinary Resolution 2		
Approval of Directors' fees	Ordinary Resolution 3		
Re-election of directors under Article 108 (i) Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying (ii) Mr. Lim Kuang Sia (iii) Madam Tong Siew Choo	 Ordinary Resolution 4 Ordinary Resolution 5 Ordinary Resolution 6		
Re-appointment of Messrs KPMG as the Company's Auditor for the ensuing year.	Ordinary Resolution 7		
SPECIAL BUSINESS			
Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 - ESOS Allotment	Ordinary Resolution 8		
Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act. 1965-General allotment	Ordinary Resolution 9		
Mandate for renewal of Recurrent Related Party Transactions of a Revenue or Trading Nature with:- (i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (ii) Kossan FRP Industries (M) Sdn. Bhd. (iii) HT Ceramics (M) Sdn. Bhd. (iv) Luxchem Trading Sdn. Bhd.	 Ordinary Resolution 10 Ordinary Resolution 11 Ordinary Resolution 12 Ordinary Resolution 13		

As witness my hand this ______________ day of ______________ 2008

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

NO. OF SHARES HELD

____

Signature(s) of Shareholders(s)

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.
3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

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STAMP

The Secretary
KOSSAN RUBBER INDUSTRIES BHD (48166-W)

Wisma Kossan
Lot 782, Jalan Sg. Putus
Off Batu 3 $^{3}/_{4}$, Jalan Kapar
42100 Klang, Selangor Darul Ehsan
Malaysia

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