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

Business Stability With Long Term *Sustainable Growth*

Annual Report

2014

CORPORATE VISION

To be the world class market leader in rubber products driven by technological advancement, people value and continual improvement to deliver long term and sustainable growth

CORPORATE MISSION

K — Keeping a healthy growth through teamwork

O — Opting to be competitive through the provision of good services and quality innovative products.

S — Striving towards our own vision with full commitment and dedication.

S — Stepping up the welfare, competency and professionalism of our employees

A — Aspiring creativity and innovation in our entire business processes.

N — Navigating towards a sustainable low carbon foot print economy.

CONTENTS

Certificate No: KLR 0403696

Hibon Certificate : ISO 14001:2004
Certificate No: KLR 6015621

Hibon Certificate : ISO/TS 16949:2009
Certificate No: KLR 6012731

0086

KOSSAN LATEX INDUSTRIES (M) SDN BHD
ISO 13485:2003
Certificate No: FM 523601

KOSSAN LATEX INDUSTRIES (M) SDN BHD
ISO 9001:2008
Certificate No: FM 509125

KOSSAN LATEX INDUSTRIES (M) SDN. BHD.
ISO 13485:2003 & EN ISO 13485:2012
Certificate No: MD 509126

PERUSAHAAN GETAH ASAS SDN BHD
ISO 9001:2008
Certificate No: FM 512209

PERUSAHAAN GETAH ASAS SDN BHD
ISO 13485:2003 & EN ISO 13485:2012
Certificate No: MD 512207

PERUSAHAAN GETAH ASAS SDN BHD
ISO 13485:2003
Certificate No.: FM 512208

WEAR SAFE (MALAYSIA) SDN BHD
ISO 9001:2008
Certificate No: FM 518350

WEAR SAFE (MALAYSIA) SDN BHD
ISO 13485:2003 & EN ISO 13485:2012
Certificate No: MD 518352

WEAR SAFE (MALAYSIA) SDN BHD
ISO 13458:2003
Certificate No: FM 518353

IDEAL QUALITY SDN BHD
ISO 9001:2008
Certificate No: FM 606138

IDEAL QUALITY SDN BHD
ISO 13485:2003
Certificate No: MD 606143

Corporate **Information**

BOARD OF DIRECTORS

Dato' Haji Mokhtar Bin Haji Samad
(Chairman)

Dato' Lim Kuang Sia
(Managing Director / Chief Executive Officer)

Lim Leng Bung (appointed on 20.8.2014)

Tan Kong Chang

Lim Siau Tian

Lim Siau Hing

Lim Ooi Chow

Tong Siew Choo

Lee Choo Hock

Lim Kuang Yong (retired on 25.06.2014)

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 Darul Ehsan
Tel : 03-3291 2657
Fax : 03-3291 2903
E-mail : kossan@kossan.com.my
Website : www.kossan.com.my

AUDITORS

KPMG
Chartered Accountants
Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan

PRINCIPAL BANKERS

Bank Muamalat (Malaysia) Berhad

Cooperatieve Centrale Raiffeisen – Boerenleenbank B.A
(Labuan Branch)

Hong Leong Bank Berhad

OCBC Bank (Malaysia) Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301, Petaling Jaya,
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8008
Website : www.Symphony.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

INVESTOR RELATIONS

Edward Yip
Tel : 03-3290 2580
Fax : 03-3291 2903
Email : edwardyip@kossan.com.my

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Financial **Highlights**

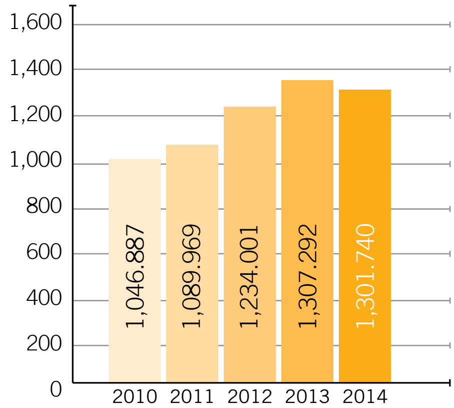
Operation (RM Million) for the year ended 31 December	2010	2011	2012	2013	2014
Revenue	1,046.887	1,089.969	1,234.001	1,307.292	1,301.740
Profit Before Taxation	140.651	112.290	138.451	180.134	186.721
Profit Attributable to Equity Shareholders	113.376	89.192	102.163	136.422	145.597
Dividend per share(%)	16.00	14.00	24.00	14.0	16.0

Balance Sheet (RM Million)	2010	2011	2012	2013	2014
Share Capital	159.867	159.867	159.867	319.734	319.734
Shareholders' Funds	442.597	531.159	604.599	704.941	807.030
Net Asset per share (RM)	1.38*	1.69*	0.97**	1.13**	1.26**

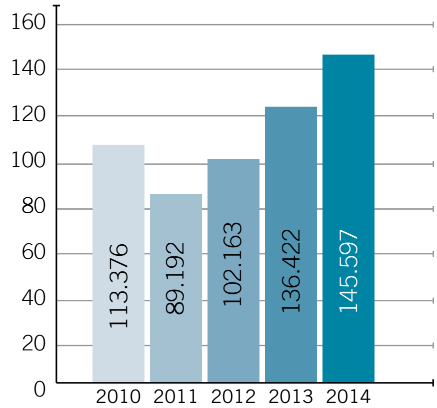
* *NA per share is calculated based on 319,733,952 shares of RM0.50 each*

** *NA per share is calculated based on 639,467,904 shares of RM0.50 each*

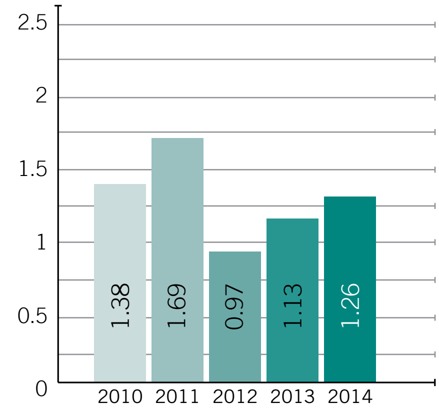
REVENUE
(RM MILLION)



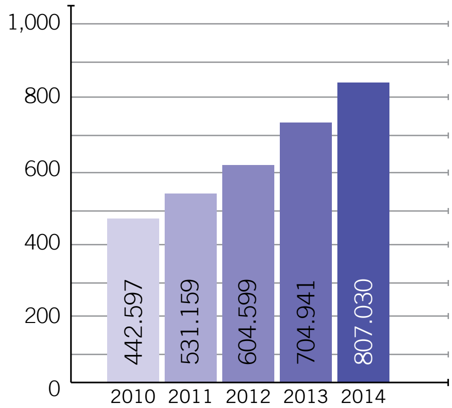
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(RM MILLION)



NET ASSET PER SHARE
(RM)



SHAREHOLDERS' FUNDS
(RM MILLION)



Chairman's **Statement**

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Kossan Rubber Industries Bhd. ("Kossan" or the "Company"), I have the pleasure of presenting to you the Annual Report and the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014.

"The Company's EBITDA margin has been consistently expanding for the last 4 consecutive years including this financial year. Again, this displays the Company's real capabilities and strengths when competing in business. The EBITDA has expanded to 19.1% from 18.0% in 2013..."

OUR PERFORMANCE IN 2014

The Group was able to deliver another set of sustainable performance despite the operating environment continued to be challenging attributed to escalating production cost and intensifying competition in the glove industry. Nevertheless, the Company registered a 6.7% higher in profit attributable to owners of the Company as opposed to negative growth of most of its peers during the same financial year.

Revenue of RM1.30 billion was comparable to its preceding year's RM1.31 billion. Profit attributable to owners of the Company for the financial year grew 6.7% to RM145.60 million, compared to RM136.42 million last year. This translating higher net earnings per share of 22.8 sen as compared to 21.3 sen in last financial year. In this financial year, the Group's major operating segment- the Glove Division registered sustainable revenue of RM1.10 billion compared with RM1.12 billion last year despite with higher quantity of gloves sold. This mismatch was largely due to cheaper selling prices arising from lower raw material costs. Our Technical Rubber Product ("TRPs") Division delivered an equally sustainable performance during this financial year with operating profit of RM14.60 million against higher revenue of RM162.06 million. Another notable achievement was the consistent strengthening in the Group's earnings before interest, tax, depreciation and amortization ("EBITDA"). The Company's EBITDA margin has been consistently expanding for the last 4 consecutive years including this financial year. Again, this displays the Company's real capabilities and strengths when competing in business. The EBITDA has expanded to 19.1% from 18.0% in 2013.

Despite it being a challenging year, the concerted efforts the Group placed in R&D, continuous improving its production processes, multi-prongs cost savings activities, products innovation, quality improvements, more stringent risk management policies and effective marketing approach has yielded notable and sustainable profitability in business. This has also contributed to strong share price performance during the period under review. The Group will continue to make these areas as main focus in our business which enables us to compete more effectively and deliver uninterrupted growing return to our shareholders' investment.

Riding on this positive note, it also gives me the proud moment to inform that the Group is in the 19th year of unbroken profitability record since its first debut in Bursa Malaysia in 1996.

DELIVERING UNINTERUPTED RETURNS TO SHAREHOLDERS

Delivering consistent positive growth for the Group has always been the ultimate goal of Kossan in order to generate value for our shareholders. The Group's consistency and ability in delivering growing dividend all these years even during challenging time further demonstrated the quality of investment in Kossan.

The Group has on 23 December distributed an interim tax-exempted dividend of 3.5 sen per ordinary share of 50 sen in conjunction with the financial result announcement for the third quarter ended 30 September 2014. Total interim dividend paid was RM22.38 million.

The Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Annual General Meeting, a final tax-exempted dividend of 4.5 sen per ordinary share amounting RM28.78 million. Total dividend declared for the year will be 8.0 sen per ordinary shares amounting to RM51.16 million or 14.3% higher as compared to total dividend paid in FY2013 of RM44.76 million, should this final dividend approved by shareholders.

Chairman's **Statement** (continued)

The Group also continues to maintain healthy cash and cash equivalents which as at 31 December 2014, stood at RM63.90 million and net gearing of 18%.

This is the 19th consecutive year that Kossan has declared dividends to shareholders since its listing on Bursa Malaysia in 1996.

CORPORATE SOCIAL RESPONSIBILITY

The Group has long recognized and acknowledged the importance of a corporate culture that emphasize good corporate social responsibility ("CSR") and corporate citizenship. Besides driving sustainable profit growth and uninterrupted returns for the shareholders, the Group continues to place reasonable emphasis on CSR activities to uphold the betterment of its employees' welfare, sustainability of the industry and well being of the community surrounding us during the year under review. As the Group continues to pursue and honor the promise of uninterrupted returns to its shareholders by expanding its operations, it will strive to further broaden and deepen its sustainability and CSR endeavors. The Group is in the midst of setting up a foundation which aimed to contribute more into its CSR efforts as a responsible corporate citizen.

For information on how we are advancing sustainable development in CSR, please refer to our Corporate Social Responsibility Statement in a separate section in this Annual Report.

CHARITY VISIT TO KLANG UTAMA CARING HOME

Chairman's **Statement** (continued)

FUTURE PROSPECTS

2015 will be another exciting year for Kossan armed with enlarged production capacity by 6 billion pieces of glove from the three newly commissioned plants which have since running in high capacity early this year. The Group's earnings performance is expected to be solid.

Despites this good note, the Group remains cautious with the ever challenging operating environment due to intensified competition, escalating production cost arising from potential increases in utilities price and wages. Being export oriented, a volatile US Dollar-MYR exchange rate regime will have significant impact on revenue and earnings if not carefully managed.

Acknowledging this, Kossan will remain focused on its core competencies in both chemical and mechanical technological strengths to stay relevant and competitive in our business. With a clear direction, thoughtful business strategies coupled with rising glove demands globally, the Group is poised to deliver a solid yet another record performance in 2015.

ACKNOWLEDGEMENT

Our journey to date would not have been possible without the steadfast commitment of our Board members and dedicated management team. I would also like to express my appreciation to all our employees for their efforts in driving the success of the Group. My sincere thanks to our shareholders for the trust they have placed in us.

Also to all our valued customers, shareholders, financiers, business associates, consultants, regulatory bodies, research analyst and members of the press and medias for your continued strong support, trust and contributions to make us what we are here today.

DATO' HAJI MOKHTAR BIN HAJI SAMAD

Chairman

27 May 2015

Managing Director's **Review of Operation**

"THE GROUP CONCLUDED 2014 WITH ANOTHER SET OF GOOD RESULT. DURING THE FINANCIAL YEAR UNDER REVIEW, THE GLOVE INDUSTRY WAS GENERALLY AFFECTED BY HIGHER PRODUCTION COST ARISING FROM INCREASES IN ELECTRICITY AND GAS PRICES. COMPETITION AMONG GLOVE MANUFACTURERS TURNED STIFFER IN NITRILE GLOVE SEGMENT; AND THIS CONDITION INEVITABLY AFFECTED THE BUSINESS PROFITABILITY OF MANY MAJOR INDUSTRY PLAYERS BOTH DOMESTIC AND OVERSEAS. AGAINST THIS BACKDROP, KOSSAN WAS ABLE TO CHALK SOME 6.7% INCREASE IN NET PROFIT ON THE BACK OF CONSTANT IMPROVEMENTS IN EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION ("EBITDA")...."

Net profit for the year expanded to RM145.60 million from RM136.42 million last year. As reported by some investment researches, Kossan was the only company among other large players in the country that continuously delivering positive earnings growth rate and improved EBITDA amidst the trying operating condition in 2014. Kossan also delivered the strongest earnings growth rate in the glove industry in 2013. This is the strong testament of our strength in technology and it also demonstrates how we leveraged in our R&D capability to compete in this fierce business environment.

We have again delivered to our shareholders our promise on sustainable growth and uninterrupted profitability since 1996 when Kossan first debut in Bursa Malaysia. Including this financial year, Kossan is in its 19th year of unbroken profitability record.

OPERATIONAL REVIEW

For the period under review, Glove Division registered sustainable revenue of RM1.10 billion as compared with RM1.12 billion last year. Significantly lower raw material prices (both natural and nitrile latex prices soften by some 29% and 10% averagely as compared to 2013) neutralized the revenue effect of extra quantity of glove sold in 2014.

Our capacity expansion program which commenced in June-2013 had not been reflective in our 2014 earnings performance as all the three plants commissioned with 17 double-former high speed technological advanced production lines only completed and operational on stages from November 2014 to June 2015. This best explained the negligible 1.5% extra of quantity of glove sold during the financial year. These three plants are capable to produce 6 billion pieces of glove per annum and have enlarged our production capacity to 22 billion from 16 billion pieces of glove. Our production-mix of nitrile and natural latex segment stood at 57:43 as at December 2014 respectively and after this expansion, the nitrile mix is expected to increase to 68%.

We remained prudent in embarking on capacity expansion and the Company would only stage new expansion when the utilization rate of our plant facilities reaching 85%. As usual, all our plants operated with an average of 85%. During the year under review, I am proud to inform that our 3 gram low dermatitis nitrile glove which offered users with good barrier properties and chemical allergy free have been overwhelming and attracted much orders from our customers. All the newly added capacity was fully taken up as of May this year.

We managed to sustain our performance of our Technical Rubber Products ("TRPs") Division in 2014 with slightly higher revenue by 1.1%. Profitability tipped marginally by 2.8% largely due to higher production and operating cost during the second half of the financial year. Unlike glove products, TRPs originally required a longer time frame to pass on extra cost to its customer. We experienced hefty gas and electricity cost increases by 19% and 16% respectively during 2014. During the year under review, the contract to supply 2,000 pieces of seismic bearings for the Second Penang Bridge project concluded in first quarter and rendered a flattish revenue performance in the subsequent quarters of 2014.

For 2014, we stayed confidently on our own course of transformation and improvement of our operation. With the constant expansion in EBITDA, this clearly explained we are on the right direction as I have kept reminding in my past reviews that technology is the way to go. Technology is the key ingredient in the formula of being competitive and continuously profitable. Much efforts have been placed in the area of automation on our production floor to reduce the reliance on manual workers and to arrest potential higher labor cost. We also invested in equipments that help to reduce consumption of utilities including water, electricity and gas; and we were encouraged by savings gained attributed largely due to optimization in these critical areas.

While tackling rising production cost, we have also implemented various quality and production processes improvement programs. We continued to hire more qualified chemist and engineer professionals to strengthen our already competent R&D team to focus on existing product quality improvements and to create more unique products such as the 3 gram low dermatitis nitrile glove which have placed us in a very strong position to compete in the nitrile glove market.

Managing Director's **Review Of Operation** (continued)

PROSPECTS

2015 will be another exciting year for Kossan with the three ("3") new plants are currently in its full operation, we are confident of another set of solid earnings performance. To ride on the right momentum, we are kicking start another phase of expansion within the second half of 2015 as even with our hands are still warm after the expansion of 3 new plants or, a hefty 30% growth in installed capacity, there are still substantial orders from our customers which we are not able to supply not until the completion of new expansion. This new expansion will see two plants to be built and we expect an additional 4.5 billion piece of nitrile gloves will be added. Completion and full commercial production is targeted to be by early of 2017. Meantime, we will continue to carry out revamp and modification works on some of our aged production lines. We are confident to further improve our overall efficiency and productivity in our production floor which in return, allows better profitability.

IN PREPARING OURSELVES

As we are riding on expansion spree, we have not lost grip on our five ("5") key areas which formed the backbone of our strength and long term success. We will continue to place concerted efforts to strengthen our internal competencies through innovation, automation and other effective programs in cost reduction, product quality improvement, develop and diversify into more unique products.

We have little worries on challenges hunting the glove industry including rising production cost due to minimum wages, potential revision upward in electricity, gas and water cost; growing competition, overcapacity risk and unhealthy price war. In no uncertain term, as a technical man, I like challenges as challenges motivate us to advance further. Technology competencies in all areas are vital to compete and to stay relevant in all business climates. On this note, the following 5 key areas will be emphasized and working on relentlessly.

1. **Research and Development ("R&D")**

   It is the key strength that transforms and differentiates us from our peers and enables to create value added and unique products to our customers with fair prices. Our R&D team comprising by qualified and well experienced chemist and engineers that remain the driving force of our businesses. Other than focusing on new product development and existing product quality improvement, they played a major role in developing high speed and efficient dipping lines.

2. **Production Process Optimization**

   Utility cost including water, electricity and gas is expected to rise further potentially; and this will definitely cart off glove makers' already weak profit margin. We have been able to combat high production cost pressure effectively for the past 2 years by continuously investing into advanced equipments and tools to optimize the consumption in utilities and raw materials. Any reduction garner will place us in a more competitive position.

3. **Automation**

   In pre-empting another round of minimum wage policy and foreign worker levies adjustments potentially in a distance future, we have instead put more focus on automation. Compared with previous years, the Company have invested more resources to advance the degree of production process automation from latex compounding, production dipping, glove stripping and stacking to final packing. Ironically, automation is the only key and long term solution to reduce on manual workers and effectively arrest the impact from escalating labor cost.

4. **Business Processes Computerization**

   For more efficient and effective business processes, we have developed ourselves software systems and acquired the SAP systems to control the day to day routine processes. Overall human efficiencies have been greatly improved through eliminating redundant or non-value add processes and workflows.

5. **Human Capital**

   We continue to invest and develop our human capital as we grow. Our employees are our future and therefore, we formulated and implemented a comprehensive human capital management program with advices from renowned human resource consultants/practitioners in the areas of talents development and staff retention. More budget is allocated to engage various effective trainings to prepare our people in both soft and hard skills in order to be able to compete more effectively.

Managing Director's **Review Of Operation** (continued)

ACKNOWLEDGEMENT

To all our stakeholders, including our shareholders, customers, business associates, regulatory bodies, various authorities, research analysts and fellow of the member of media and press; a heartfelt appreciation for your confidence and supports rendered to Kossan. Without this, we may not have travelled that far as where we are today. With a clear purpose : **BUSINESS STABILITY WITH LONG TERM SUSTAINABLE GROWTH**, coupled with our dynamic and practical business model and a team of committed management, we are confident to deliver even much stronger performance in the coming years.

Wholeheartedly, I wish all employees of Kossan will continue to excel with your strong and thoughtful spirit and be ever ready to change in the path of delivering sustainable values to our shareholders. Most importantly, we have to also stay focused and hold on to our strength as a team to drive the Company forward.

DATO' LIM KUANG SIA

Managing Director/Chief Executive Officer

27 May 2015

Directors' **Profile**

DATO' HAJI MOKHTAR BIN HAJI SAMAD

Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 67, was appointed the Non-Executive Chairman of Kossan on 22 February 2002. Dato', an Independent Director, is the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee.

Besides Kossan, Dato' is the Independent Non Executive Chairman of Luxchem Corporation Berhad, a company listed on the Main Market of Bursa Securities. Dato' is currently the President of Persatuan Kontraktor Melayu Malaysia, the Yang Di Pertua of Persatuan Kontraktor Melayu Malaysia, Wilayah Persekutuan, a board member of Construction Industry Development Board, a member of the Advisory Committee of Dewan Peniaga Melayu Malaysia, Kuala Lumpur, the Deputy Chairman of Majlis Pembangunan Usahawan Wilayah Persekutuan and the Executive Chairman of Konsortium Kontraktor Melayu (Wilayah) Sdn. Bhd. Besides the above, Dato' also sits on the boards of several private companies.

Dato' does not hold any shares in Kossan and does not have any family relationship with any director and/ or major shareholder of Kossan or has any business arrangements involving Kossan.

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

DATO' LIM KUANG SIA

Dato' Lim Kuang Sia ("Dato' KS Lim"), a Malaysian aged 63, was appointed the Managing Director/ Chief Executive Officer of Kossan on 22 February 2002. Dato', a founder Director of Kossan, graduated from Nanyang University in Singapore with a Bachelor of Science (Chemistry) degree. Dato' also graduated from the University of London with a Diploma in Engineering (University College) and a Master in Chemical Engineering (Imperial College).

Other than Kossan, Dato' has no directorship in any other public company but sits on the boards of several private companies.

Dato' is the president of the Klang and Coast Teochew Association, Vice President of the Federated Teochew Association of Malaysia and the Klang Chinese Chamber of Commerce and Industry, Deputy Chairman of Pin Hwa High School, member of the Board of Directors of the following private independent schools: Hin Hua High School, Kwang Hua Private High School, and Chung Hua Independent High School, a member of the Board of Trustees of the Malaysia Rubber Export Promotion Council and the Honorary Advisor to the Selangor Lim Clansman Association (Klang & Coast Branch).

On 10.2.2015 Dato' was bestowed the "Brand Laurete Brand Leadership Award for 2014 – 2015".

Dato' KS Lim is an indirect substantial shareholder by virtue of his substantial shareholding in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. Dato' is also the beneficial owner of 763,776 shares in Kossan.

Dato' 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.

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

LIM LENG BUNG

Mr. Lim Leng Bung, a Malaysian aged 52, was appointed to the Board of Kossan on 20 August 2014 as an Executive Director. He has more than 30 years experience in technical rubber products. He joined Kossan Rubber Industries Bhd in November 1983 as a trainee in the production shop floor and acquired extensive skills and experiences in the production of technical rubber products over the years. He was promoted to Production Planning and Control Manager in 1989. Currently he is in overall charge of Kossan's technical rubber products department.

Other than Kossan, Mr. Lim Leng Bung has no directorship in any other public company. He sits on the boards of several private companies, including certain subsidiaries of Kossan.

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

Mr. Lim 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.

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

Directors' **Profile** (continued)

TAN KONG CHANG

Mr. Tan Kong Chang, a Malaysian aged 48, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. Tan graduated with a Bachelor of Architecture degree from the University of Southwestern Louisiana, USA in 1992. He was a Project Architect with DEG Akitek Sdn. Bhd from 1992 to 1995 and Project Manager with KYM Holdings Berhad from 1996 to 1997. Since 1998 he was with Perusahaan Getah Asas Sdn. Bhd., a wholly owned subsidiary of Kossan, where he gained experiences in administration, human resource, research & development, costing, plant operations and quality control.

Other than Kossan, Mr. Tan has no directorship in any other public company. He sits on the boards of several private companies including certain subsidiaries of Kossan.

Mr. Tan does not hold any shares in Kossan and does not have any family relationship with any director and/or major shareholder of Kossan or has any business arrangements involving Kossan.

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

LIM SIAU TIAN

Mr. Lim Siau Tian ("ST Lim"), a Malaysian aged 42, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. ST Lim graduated with a Bachelor of Marketing degree from the University of Central Oklahoma, USA in 1998.

After his graduation, he was involved in the trading of medical disposables in the USA from 1998 to 2003, culminating in his appointment as operation and marketing manager . He joined Kossan's glove division on 2003 and was promoted to marketing general manager in 2008.

Other than Kossan, Mr. ST Lim has no directorship in any other public company. He sits on the boards of several private companies, including certain subsidiaries of Kossan.

Mr. ST Lim does not hold any shares in Kossan and 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 SIAU HING

Mr. Lim Siau Hing ("SH Lim"), a Malaysian aged 42, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. SH Lim graduated with a Bachelor of Business Administration degree from the University of Central Oklahoma, USA in 1998.

Since his graduation , he has been with the Kossan Group overseeing quality control, process engineering, marketing (local and export) and operations. Currently he oversees the infrastructure rubber products operations at Doshin Rubber Products (M) Sdn. Bhd., and Quality Profile Sdn. Bhd., both subsidiaries of Kossan.

Other than Kossan, Mr. SH Lim has no directorship in any other public company. He sits on the boards of certain subsidiaries of Kossan.

Mr. SH Lim does not hold any shares in Kossan and 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** (continued)

LIM OOI CHOW

Mr. Lim Ooi Chow ("OC Lim"), a Malaysian aged 32, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. OC Lim graduated from Monash University, Australia in 2005 with a Bachelor of Computer Science degree. He obtained his Master of International Business, also from Monash University, in 2006.

His previous experience was as a Computer Engineer in Australia after his graduation. In 2007 he joined Kossan where he was involved in cost accounting, project management, information technology, production management and engineering processes.

Other than Kossan, Mr. OC Lim has no other directorship in any other public company. He sits on the board of certain subsidiaries of Kossan.

Mr. OC Lim does not hold any shares in Kossan and 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.

Dato' Lim Kuang Sia and Mr. Lim Leng Bung, are siblings. Mr. Lim Ooi Chow is the son of Dato' Lim Kuang Sia, Messrs Lim Siau Tian, Lim Siau Hing and Lim Ooi Chow are cousins. and Messrs Lim Siau Tian and Lim Siau Hing are nephews of Dato' Lim Kuang Sia and Lim Leng Bung.

TONG SIEW CHOO

Madam Tong Siew Choo, a Malaysian aged 54, 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 is the senior partner of an audit firm.

She is a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Other than Kossan, she has no directorship in any other public company.

She holds 59,904 shares in Kossan.

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

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

LEE CHOO HOCK

Mr. Lee Choo Hock, a Malaysian aged 62, was appointed to the Board of Kossan on 26 August 2013 as an Independent Non Executive Director. He is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Institute of Chartered Accountants (England and Wales).

He is the Chairman of the Risk Management Committee and a member of the Audit Committee and the Nominating Committee.

Mr. Lee qualified as an accountant in 1980 and has experience in accounting and tax. He worked at Malayan Banking Berhad from 1983 until his retirement in 2008. His experience with Malayan Banking includes internal audit, information technology, branch supervisory, retail banking, products development and market research, treasury and computerisation. He was Head of Finance in Malayan Banking from 1997 until his retirement in 2008.

Besides Kossan, Mr. Lee is an independent non executive director of HSBC Bank (Malaysia) Berhad.

Mr. Lee does not hold any shares in Kossan and does not have any family relationship with any director and/or major shareholder of Kossan or has any business arrangements involving Kossan.

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

Corporate **Governance Statement**

The Board of Directors ("the Board") of Kossan Rubber Industries Bhd. ("Kossan") wishes to confirm that the Board had continuously endured to maintain the highest standards of Corporate Governance throughout the financial year ended 31 December 2014. In ensuring the application of the principles of Corporate Governance in its business activities, the Board regularly reviews and maintains all identifiable means to ensure that the Company's Corporate Governance Standards complies with the Malaysian Code on Corporate Governance 2012 (the "Code") and to that effect has put in place self regulating processes in the operating procedures of the Company.

The Board is pleased to present the Corporate Governance Statement for the year ended 31 December 2014 outlining the application of the principles as set out in the Code.

BOARD OF DIRECTORS

1. Establish Clear Roles and Responsibilities of the Board and Management

The ultimate decision making body in the Group is the Board of the holding company, Kossan. It has the responsibility of overall governance of the Group. Together with the subsidiaries' boards, it takes full responsibility in ensuring businesses are carried out in compliance with governance practices and in a transparent and objective manner. Its overall objective is to enhance the value of its shareholders by achieving the strategic objectives of the Group with the implementation of the Code.

1.1 Strengthen Composition Of The Board

The Board of Directors shall designate one of its members to serve as Chairman of the Board. The powers and responsibilities of the Chairman of the Board shall be set forth in the Board Charter, as supplemented from time to time by resolutions of the Board.

As at the date of this Annual Report, the Board is represented by nine Directors, six of whom are non independent executive directors, whilst three are independent non executive directors. The Chairman of the Board is an independent non-executive director and the Group Managing Director is an executive director.

The Board has no specific policy on setting targets on female candidates to be appointed to the Board. The Board currently has one female director who is an independent non-executive director. With the current composition, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All directors on the Board are well qualified with many years of experience in their respective fields of expertise.

A brief profile of each Director is set out on pages 9 to 11 of this Annual Report.

1.2 Board Balance

The wide mix of different skill sets and professional diversity of the members provides an environment where deliberations draw a wide range of view points before a decision is arrived at. The Board of Kossan acknowledges that a well balanced board will benefit the organization in quickly appraising matters at hand and to competently arrive at decisions which will enhance the performance of the Group.

The Chairman of the Board is an independent non-executive director with clear and distinct separation in his duties and responsibilities from those of the Group Managing Director, who is an executive director.

The Board is satisfied that it has achieved an optimal size that reflects the needs of the kind of businesses the Group is involved in as well as the diversity of the Company's shareholders, employees, customers, stakeholders and communities. The Kossan Board has their independent directors, in compliance with the Bursa's Main Market Listing Requirements, which stipulates that no less than one third of the Board must be comprised of Independent Directors.

1.3. Board Membership Criteria

The Nominating Committee works with the Board on an annual basis to determine the appropriate characteristics, skills, and experience required for the Board as whole and its individual members with the objective of having a Board with diverse backgrounds and experience in business. Characteristics expected of all Directors include independence, integrity, high personal and professional ethics, sound business judgement, and the ability and willingness to commit sufficient time to the Board.

1. Establish Clear Roles and Responsibilities of the Board and Management (continued)

1.3. Board Membership Criteria (continued)

In evaluating the suitability of individual Board members, the Board takes into account many factors, including skills, knowledge, expertise, experience, professionalism, time commitment to effectively discharge his/her role as a director, contribution, background, character, integrity and competence.

The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best sustain and perpetuate the success of the Company's business and represent shareholders' interests through the exercise of sound judgment, using its diversity of experience. In determining whether to recommend a Director for re-election, the Nominating Committee also considers the Director's past attendance at meetings, participation in and contribution to the activities of the Board.

1.4. Role of Chairman and Group Managing Director

The Board has always ensured that the position of the Chairman and the Group Managing Director is not held by the same person. In this regards our Chairman, Dato' Haji Mokhtar Bin Haji Samad is an independent non-executive member of the Board.

There is a clear and separate division of responsibility in the roles and duties of the Chairman and the Group Managing Director. The Group Managing Director is the officer involved in the day-to-day running of the affairs of the Group.

1.5. Board Responsibilities and Duties

The Board of Kossan has the ultimate responsibility in providing overall stewardship over the management of the companies in the Group. The Board ensures that Management has in place appropriate processes for risk assessment, management and internal controls and monitoring performance against set benchmarks. The Board works with Senior Management in advancing the interests of the Company.

At its meetings, the Board regularly reviews the business financial results, adopts and reviews risk management initiatives, oversees the implementation and effectiveness of internal control systems, and enforces the compliance of legal and statutory requirements within the Group.

The Board has delegated certain responsibilities to Board Committees which operate in accordance with the Terms of Reference approved by the Board and delegated the day to day management of the Business of the Group to the Group Managing Director and Management, subject to an agreed authority limit.

The independent non-executive directors are active in their roles providing independent judgment and contributing actively in the deliberations on policies, providing unbiased and independent views when required. They also act to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board.

The functions of the Board are summarized as follows:-

- reviewing and adopting strategic plans, including setting performance objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;
- overseeing the conduct of the Company's businesses and build sustainable values for shareholders;
- reviewing the procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- succession planning, including appointing, assessing, training, fixing the compensation of and where appropriate, replacing executive directors and senior management;
- developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group; and
- reviewing the adequacy and the integrity of the Group's risk management and internal control systems and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1. Establish Clear Roles and Responsibilities of the Board and Management (continued)

1.6. Board Evaluation

The Board believes in the process of full participation. Although the Board has not put in a structured evaluation mechanism, the Chairman encourages members to discuss any matters for deliberation with open feedback, constructive criticism and exchanging of information. All members of the Board Committees are evaluated on a yearly basis by the Nominating Committee before they are either re-appointed or rotated.

1.7. Reinforce Independence of the Board

Tenure

The Board does not fix a maximum tenure limit for Directors as the Board is of the view that there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's affairs. Furthermore, the ability of a Director to serve effectively as an Independent Director is very much a function of his calibre, qualification, experience and personal qualities, particularly of his integrity and objectivity in discharging his responsibilities in good faith in the best interest of the Company and his duty to vigilantly safeguard the interests of the minority shareholders of the Company, has no direct relationship to his tenure as an Independent Director. Although term limits could help to ensure that there are fresh ideas and viewpoints available to the Board, they do pose the disadvantage of losing experienced Independent Directors who over time have developed better insight in the Company's and/or the Group's operations and therefore, provide an increasing contribution to the effectiveness of the Board as a whole. The Board therefore opined that imposing a fixed term limit for Independent Directors does not necessarily assure independence.

Details of Directors who are seeking to remain Independent at the coming Annual General Meeting and the basis or justifications as recommended by the Board are shown in the Notice of Annual General Meeting on pages 96 to 97 of this Annual Report.

Directors Independence

An Independent Director of the company is a Director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the company. Without limiting the generality of the foregoing, an Independent Director is one who:

- is not an executive director of the company or any related corporation of the company;
- has not been within the last two (2) years, an officer (except as Independent Director) of the company or related corporation of the company;
- is not a major shareholder of the company or any related corporation of the company;
- is not a relative of any executive director, officer or major shareholder of the company or its related corporation. For this purpose, "relative" means the spouse , parent, brother , sister, child (including adopted or step child) and the spouse of such brother, sister or child;
- is not acting as a nominee or representative of any executive director or major shareholder of the company or any of its related corporation; or
- is not engaged as a professional adviser by the company or any of its related corporation either personally or through a firm or company of which he is a partner, director or major shareholder, as the case may be.

2. Foster Commitment of Directors

2.1. Board Procedures

The Board meets on a scheduled basis at least five (5) times a year. Special Board meetings are held as and when the need arises to consider special matters.

The Kossan Board governs the subsidiary companies through the subsidiary boards. Scheduled Board meetings have structured agenda that are drawn up for the Board's deliberation and decision making. All Board meetings are set before the beginning of the year with firm dates, venue and time to enable Directors to plan their time to ensure full attendance.

2. **Foster Commitment of Directors (continued)**

2.1. Board Procedures (continued)

The board members notify the Board or the Chairman before accepting new directorship in other public listed companies. The number of directorship held by each Director complied with Bursa's Main Market Listing Requirements.

The Board meetings also have a pre-determined set of matters for the Board's review. Among these are the financial performance of the Group and the operating performances. All Board papers for consideration and discussion will be circulated to members at least three (3) days prior to the meetings to ensure Directors have sufficient time to study them and be prepared for meaningful discussions.

The company secretary issues a notice of meeting prior to each Board meeting together with relevant Board papers and any corporate announcement for release to Bursa Malaysia. Management and professional advisor may be invited by the Board if there is a need for information or advice on matters that require expertise knowledge.

2.2. Number of Board Meetings and Directors Attendance

For the year under review, the Board held five regular meetings excluding the Annual General Meeting. The matter for review during these meetings included the financial performances of the Group, the quarterly performance and reporting, risk management matters, internal controls and reports of the committees of the Board.

All proceedings of the Board meetings are duly recorded and minuted clearly stating the issues discussed and decisions made. The following are details of the number of Board meetings held during the year 2014 and the record of Directors' attendance during those meetings:-

Details Of Board Meetings

Date of Meeting	Time
26.02.2014	4.00 p.m.
23.04.2014	4.00 p.m.
23.05.2014	3.30 p.m.
20.08.2014	4.20 p.m.
20.11.2014	4.30 p.m.

Director	Position	Number of Meetings Attended/Held
Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman	5/5
Dato' Lim Kuang Sia	Managing Director/ Chief Executive Officer	5/5
Lim Kuang Yong (retired on 25.06.2014)	Executive Director	3/3
Tong Siew Choo	Independent Non-Executive Director	5/5
Tan Kong Chang	Executive Director	5/5
Lim Siau Tian	Executive Director	5/5
Lim Siau Hing	Executive Director	5/5
Lim Ooi Chow	Executive Director	5/5
Lee Choo Hock	Independent Non-Executive Director	5/5
Lim Leng Bung (appointed on 20.08.2014)	Executive Director	1/1

Corporate **Governance Statement** (continued)

2. Foster Commitment of Directors (continued)

2.3 Directors' Training and Education

All Directors of the Company have full opportunity to attend training through seminars, workshops and conferences. Directors are mindful and are further reminded at every Board meeting of the need to enhance competency by improving on their skills and knowledge to stay abreast with the ever-changing business environment, regulatory requirements and corporate governance developments. All members of the Board had attended the Mandatory Accreditation Program (MAP) required by Bursa Malaysia Securities Berhad.

The Board of the Company provides general guidelines for determining the training needs of each Director. Details of training attended by Directors during the financial year 2014 are as shown below:-

No.	Director	List of Training/Conference/Seminar/Workshop Attended	
1.	Dato' Lim Kuang Sia	(i) World Rubber Summit 2014 (S'pore)	: 19-21 May 2014
		(ii) 7th ANRPC Annual Rubber Conference (KL)	: 13 October 2014
2.	Tan Kong Chang	(i) Annual Director Duties, Governance and Regulatory Updates Seminar 2014	: 22 April 2014
		(ii) Governance, Risk & Compliance – A Practical Approach	: 6 May 2014
		(iii) Malaysian Manufacturers and GST	: 29 May 2014
		(iv) Corporate Disclosures Frame work Under Listing Requirements	: 2 July 2014
3.	Tong Siew Choo	(i) Latest Development on RRPT	: 30 April 2014
		(ii) Corporate Board Leadership Symposium	: 25 August 2014
		(iii) Risk Management	: 5 September 2014
		(iv) Public Practitioners Forum 2014	: 11 September 2014
		(v) Guides for Listed Companies	: 30 September 2014
		(vi) Audit Committee Workship Series -	
		(3) - Oversight of Financial Reports & Compliance (4) - Enhancing Audit Quality	: 3 October 2014
		(vii) Business tax deductions - An Accountant's Perspective	: 9 December 2014
4.	Lee Choo Hock	(i) Bursa - Advocacy Session on Corporate Disclosures for Directors.	: 6 May 2014
		(ii) BNM - Recovery and Resolution in Financial Institutions - Board leading the way	: 9 May 2014
		- Engagement Session with Financial Institutions' Board Nomination Committees	: 20 May 2014
		- Intellectual Property Financing Conference	: 25 September 2014
		(iii) BNM / CLIF - Leadership Energy Summit Asia 2014	: 1-2 October 2014
		(iv) The Business of Leadership – What got you here won't get you there	: 12 June 2014
		(v) HSBC Audit & Risk Management Committee Chairmen and Non Executive Directors Forum	: 30 June – 2 July 2014
		(vi) PWC-GST Briefing	: 25 October 2014
		(vii) Audit Committee Institute- Cyber Security	: 11 November 2014

2. Foster Commitment of Directors (continued)

No.	Director	List of Training/Conference/Seminar/Workshop Attended		
5.	Lim Siau Tian	(i)	Governance Risk & Compliance - A Practical Approach	: 6 May 2014
		(ii)	Corporate Disclosure Framework Under Listing Requirements	: 2 July 2014
		(iii)	Power Packed Presentation & Public Speaking Skills	: 30-31 October 2014
6.	Lim Siau Hing	(i)	Great Companies Deserve Great Boards	: 10 October 2014
7.	Lim Leng Bung	(i)	Mandatory Accreditation Programme for Director of Public Listed Company	: 11-12 February 2015

2.4. Supply of Information

The supply of information to the Board is managed in an orderly and timely manner. For matters that require detailed attention, the Board has empowered the committees to obtain all information that is required and to deliberate as well as to advise the Board of Kossan on the course of action. It is through these channels that the Board extends its policies and strategies to the respective managements. The Directors on the subsidiary Boards have the responsibility of ensuring that policies and directions of the Kossan board are kept in focus and strategies are implemented accordingly.

All Directors on the Board and Committees of the Board have full and unrestricted access to senior management and the company secretary on all matters requiring information for deliberation and any regulatory and administrative matters. Information provided to the Board are compiled into reports via the Board papers which are circulated to Directors in timely manner to enable them to discharge their duties and responsibilities effectively.

All Directors have the consent of the Board, whether acting as full Board or on individual capacity, to take independent professional advise at Company' expense, where necessary in furtherance of their duties.

2.5. Company Secretary

The Company Secretary of Kossan is a professional member of Malaysian Institute of Accountants who is suitably qualified, competent and capable of carrying out the duties required. The key roles of the Company Secretary include providing unhindered advice and services for the Directors, as and when the need arises, enhance the effective functioning of the Board, ensure regulatory compliance and ensure that Board procedures and applicable rules are observed.

3. Appointment and Re-election to the Board

3.1. Appointment to the Board

The Board has mandated the Nominating Committee with the responsibility of identifying, assessing and recommending suitable candidates for appointment to the Board and Board Committees. The Nominating Committee is comprised exclusively of non-executive independent directors.

The Nominating Committee carries out the assessment, evaluation of the potential candidates in respect of appropriate skills, knowledge, expertise, experience, professionalism and integrity.

The Nominating Committee only recommends a candidate but the authority of appointment lies with the full Board.

3.2. Re-election of Directors

The Company's Articles of Association provides that at least one third of the Directors including the Group Managing Director retire from the office at the Annual General Meeting. Any Directors appointed during the year to fill a casual vacancy will retire at the next Annual General Meeting and may offer themselves for re-election.

The Board has empowered the Nominating Committee to undertake the review of Directors seeking re-election. The Committee also reviews cases for re-appointment of Directors who retire in accordance with Section 129 of the Companies Act, 1965 and the retention of independent directors who has served cumulatively for more than nine years.

4. **Directors' Remuneration**

4.1. Directors Remuneration Policy

The Board adopts a remuneration policy that fairly supports the Directors undertaking responsibility and fiduciary duties to steer, grow and achieve the Company's long term strategies, thereby enhancing the value of its shareholders.

The Remuneration Committee is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the Company is in.

The Remuneration Committee also assists the Board to put in place a framework and benchmark value for other compensation and benefits to Directors. It recommends the Directors' fee payable to members of the Board which is then deliberated and decided by the Board and before it is presented at the Annual General Meeting for shareholders' approval.

The Board and Remuneration Committee strive to put in place a fair structure of compensation suited for an organization of this size and market sector and business complexity to attract and retain directors who have the right calibre, skills and experience to contribute meaningfully towards the success of the business.

4.2. Basic Salaries and Fees

All non-executive directors receive an annual director's fee upon approval of shareholders at the Annual General Meeting. An executive director receives a remuneration package which includes a basic salary, discretionary bonus and other benefits-in-kind.

The Remuneration Committee and the Board strive to implement a formal and transparent procedure of remuneration for executive directors of the Company.

The remuneration package is reviewed annually by the Remuneration Committee in relation to the business strategy, long term objectives of the Company, market demand and supply, scale of responsibility, performance of the business and individual performance evaluation. All other benefits-in kind are specified in the contract of service. The benefits-in-kind include company car and driver, personal telecommunications facilities, club memberships, medical and dental coverage and vacation.

Details of directors' remuneration for the financial year ended 31 December 2014 are as follows:-

Range of Remuneration	Executive Director	Non-Executive Director
RM50,001 - RM 100,000	0	3
RM450,001 - RM500,000	1	0
RM550,001 - RM600,000	1	0
RM850,001 - RM900,000	1	0
RM950,001 - RM1,000,000	1	0
RM1,600,001 – RM1,650,000	1	0
RM5,000,001 – RM5,050,000	1	0

5. **Board Committees**

As part of its reporting structure the Kossan Board has put in place several committees to undertake specific duties of deliberating, evaluating on a continuous basis the mechanism, and framework of business processes that should be in place to ensure the achievement of business strategies and targets. Apart from monitoring the defined activities under their purview, these Committees would also undertake the Board's delegated role of detailed review of matters that require Board's deliberation and approval.

All such Committees have been empowered by the Board to oversee, monitor and to carry out the necessary detailed study and review of their respective areas of expertise and to provide feedback to the Board for its decision making.

The empowerment to these Committees is done by delegating its authority and defining its mutually exclusive scope of work in the Terms of Reference. Each Committee shall have a written charter of responsibilities, duties and authorities which shall be periodically reviewed by the Board.

5. Board Committees (continued)

During the year, the following Committees of the Board were in place:-
- Audit Committee
- Nominating Committee
- Remuneration Committee
- Risk Management Committee

5.1. Audit Committee

	Number of Meetings Attended/Held
Dato' Haji Mokhtar Bin Haji Samad - Chairman	5/5
Tong Siew Choo	5/5
Lee Choo Hock	5/5

The Audit Committee assists the Board in providing oversight on the Group's financial reporting, disclosure, regulatory compliance and monitoring of internal control processes within the Group. The Audit Committee reviews the quarterly financial results, unaudited and audited financial statements, internal and external audit reports as well as related party transactions.

Fuller details of the Audit Committee's Terms of Reference and its report for the year are presented on pages 30 to 32 of this Annual Report.

5.2 Nominating Committee

	Number of Meetings Attended/Held
Dato' Haji Mokhtar Bin Haji Samad - Chairman	2/2
Tong Siew Choo	2/2
Lee Choo Hock	2/2

The Nominating Committee oversees matters relating to the nomination of new Directors, annually review the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

In the case of position of Independent Non-Executive Directors, the Nominating Committee will also evaluate the candidates' ability to discharge such responsibility as expected of an Independent Non-Executive Director.

During the year, the Nomination Committee met twice to carry out its responsibilities.

5.3 Remuneration Committee

	Number of Meetings Attended/Held
Dato' Haji Mokhtar Bin Haji Samad - Chairman	1/1
Dato' Lim Kuang Sia	1/1
Tong Siew Choo	1/1

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Directors, Non-Executive Directors and Senior Management in all its forms, drawing from outside advice if necessary.

The level of remuneration should be aligned with the business strategy and long-term objectives of the Company, complexity of the Company's activities, and reflects the experience and level of responsibilities undertaken by the Executive Directors.

The determination of remuneration packages of Executive Directors and Non-Executive Directors should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration.

During the year, the Remuneration Committee met once to carry out its responsibilities.

5. **Board Committees (continued)**

5.4. Risk Management Committee

	Number of Meetings Attended/Held
Lee Choo Hock - Chairman	4/4
Tan Kong Chang	4/4
Lim Siau Hing	3/4
Lim Ooi Chow	4/4

The Risk Management Committee ("RMC") is primarily responsible for providing assurance and support to the Board concerning the Group's risk management and internal control.

The principal roles and responsibilities of the RMC in risk management are:

- To establish a risk management framework and policy for identifying, evaluating and managing the significant risks in achieving the Group's business objectives;
- To ensure that the risk management strategy is complete and takes into account the environment within which the Group operates and the requirements of all stakeholders;
- To ensure that the overall risk management processes are adopted by the strategic business units and to oversee the development of appropriate guidelines and policies for implementation;
- To ensure risk management processes are integrated into all core business processes; and
- To review and evaluate the effectiveness of the risk management and internal control system and practices and recommending measures for improvement.

6. **Code of Ethics and Conduct**

The Board acknowledges and emphasizes the importance of all Directors and employees maintaining the highest standards of corporate governance practice and ethical standards.

7. **Sustainability**

The Company recognises the importance of sustainability and its impact to the business. The Company is committed to implement sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

8. **Uphold Integrity in Financial Reporting by Company**

8.1. Financial Reporting

The Board is committed to providing a balanced, fair and comprehensive assessment of the Company's state of affairs in its financial statements. To ensure this, the Board has put in place adequate financial processes that are aimed at keeping the Group's accounting records and transactions in accordance with accepted accounting standards. This ensures the preparation of the annual financial statements that present a true and fair view of the state of affairs of the Group and Company at the reporting dates.

The Board of Kossan is also committed to ensure that it presents a balanced and comprehensive assessment of the operation and financial results of the Group on a quarterly basis via its interim financial reports. It releases the quarterly financial report promptly within the deadline established after each quarter of the year for public announcement together with the required disclosure of the Bursa Main Market Listing Requirements. These quarterly reports are published in a condensed format with full financial statements prepared and published in the Annual Report after the financial year end.

The Audit Committee assists the Board under its terms of reference in ensuring that the Financial Statements are prepared in accordance with approved applicable Malaysian Financial Reporting Standards and are in accordance with the provision of the Companies Act, 1965.

The Statement of Responsibility by Directors in relation to the Audited Financial Statements is presented on page 26 of this Annual Report.

8. Uphold Integrity in Financial Reporting by Company (continued)

8.2. Internal Control

The Board maintains a sound system of Internal Control to manage the day-to-day running of the business activities of the Group. The internal control system is a mechanism of checks and balances in the operating and financial processes wherein the transactions and processes are carried out and are subjected to this self checking mechanism. The management of the companies have established such control mechanism within their Standard Operating Procedures to ensure its continuous and effective operations.

The Board has mandated the Audit Committee with the overall responsibility of ensuring adequacy, completeness and effectiveness of this internal control system. The Audit Committee undertakes periodic reviews and monitors the compliance to these systems via the Internal Audit Department who carries out audit checks on such control processes and provide feedback on its effectiveness and compliance at the operating level. Any weaknesses or variances reported by the Internal Auditor to the Audit Committee will be forwarded to management to rectify any weaknesses in those control processes.

The Head of Internal Audit Department who is a professional member of the Institute of Internal Auditors Malaysia ("IIAM") is suitably qualified, competent and capable to carry out the duties required. The Internal Audit Department acts as a unit independent of management to carry out the audit of management processes and business transactions of the operating units by way of pre-approved audit programme and reports its findings back to the Audit Committee. This independent mechanism provides independent feedback of the accountability, adequacy and effectiveness of the system of internal controls in place, giving the assurance that the Board needs to fulfil its responsibility. The Internal Audit Function is complemented by a firm of outsourced internal auditor.

The Audit Committee monitors the feedback and reports of the Internal Audit Department for matters of non-compliance, weaknesses in internal control systems or the lack of it and monitors the implementation of any such inadequacies by the Management.

Full details of the Statement of Risk Management and Internal Control are presented on pages 27 to 29 of this Annual Report.

8.3. Relationship with Internal and External Auditors.

The Board maintains good working relationship with the external auditors of the Group, Messrs KPMG, through the Audit Committee. The Audit Committee acts as the platform used by both the external and internal auditors for communication and avenue to access the Board. The Audit Committee invites the external auditors to attend its meeting as and when required but at least twice a year when they intend to begin the final year audit and when they have completed their audit. The internal auditors meet the Committee at least four times a year. During such meeting the auditors highlights and discusses the nature, scope of the audit, audit programme, internal controls and problems that may require the attention of the Board.

In compliance to Bursa's Main Market Listing Requirements and Corporate Governance principles the Audit Committee reviews the scope of work, independence, objectivity and the feedback and results of the audits conducted by both the external and internal auditors.

The Board, through the Audit Committee, provides general guidelines governing the contracts for the provision of non-audit services which can be entered into by the external auditors. The Audit Committee has also obtained the confirmation from the external auditors of their independence.

The Audit Committee also makes arrangements to meet and discuss with the external and internal auditors separately without the presence of management on any matters relating to the Group and its audit activities.

9. Ensure Timely and High Quality Disclosure and Strengthen Relationship Between Company and Shareholders.

The Board is committed under its Corporate Governance obligation to have an effective channel of communication with shareholders and the investing public. It affirms that the primary channel to engage and communicate with its shareholders is during the Annual General Meeting.

During these general meetings, the Board provides an account of the affairs of the business that was undertaken by the Group and its future direction. The Annual Report is tabled at this meeting and the shareholders can engage the Board in productive dialogue.

9. Ensure Timely and High Quality Disclosure and Strengthen Relationship Between Company and Shareholders. (continued)

In respect of the investing public, the Board has put in place an investor relations initiative where a page is dedicated to investor relations on the Company's corporate website (www.kossan.com.my) wherein official announcements made to Bursa are made available.

Furthermore, the Group Managing Director and the Investor Relations Manager arrange regular face to-face briefing and discussions with analysts and investors to provide information on developments and to take questions on matters relating to their interest.

The Company's Annual General Meeting is a crucial forum where the Company's shareholders meet to have discussions with the Board of Directors on the affairs of the business. Notice of the Annual General Meeting is sent out to shareholders at least 21 days ahead of the meeting date together with Financial Statements and agenda for the meeting.

The Board encourages all shareholders to attend the Annual General Meeting and to participate in its proceedings. Every opportunity is given to shareholders to seek clarification on the performance of the Company and the Group. The Chairman also shared with shareholders of the meeting responses to questions submitted in advance by the Minority Shareholder Watchdog Group (MSWG). All the resolutions set out in the Notice of the AGM were put to vote. The outcome of the AGM will be announced to Bursa Malaysia Securities Berhad on the same meeting day.

The Company will encourage the adoption of poll voting for all the resolutions at future AGM.

The full agenda of the 35th Annual General Meeting of Kossan is presented on pages 92 to 97 of this Annual Report.

The Board confirms that the Group has made strong efforts of maintaining high standards of Corporate Governance throughout the year to seek to achieve the highest level of integrity and ethical standards in all its business dealings.

This statement is made in accordance with the resolution of the Board of Directors dated 21 May 2015.

Dato' Haji Mokhtar Bin Haji Samad
Chairman

Dato' Lim Kuang Sia
Managing Director/Chief Executive Officer

Corporate **Governance Statement** (continued)

OTHER INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS

During the financial year under review

(a) Executive Share Option Scheme (ESOS)

The ESOS approved by shareholders in 2005 had not been implemented.

(b) Utilization of proceeds

The Company did not implement any fund raising exercise.

(c) Share Buy-Back

The shareholders of the Company approved the renewal of the Share Buy-Back Scheme at the 34th Annual General Meeting held on 25 June 2014.

During the financial year ended 31 December 2014, the Company did not buy back any shares. The Company also did not hold any Treasury Shares.

(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 program.

(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 or have 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 RM279,000.00 audit fees paid to the external auditors, the Company also paid RM10,000.00 in non audit fees for the year ended 31 December 2014.

(j) Variation in results

There were 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.

Corporate **Social Responsibility**

The Group has long recognized and acknowledged the importance of a corporate culture that emphasize good corporate social responsibility ("CSR") and corporate citizenship. Besides driving sustainable profit growth and uninterrupted returns for the shareholders, the Group continues to place reasonable emphasis on CSR activities to uphold the betterment of its employees' welfare, sustainability of the industry and well being of the community surrounding us during the year under review. As the Group continues to pursue and honor the promise of uninterrupted returns to its shareholders by expanding its operations, it will strive to further broaden and deepen its sustainability and CSR endeavors. In this perspective, being a mindful corporate citizen, the Group continued to focus on the four ("4") key areas in pursuing our CSR goal: in the Marketplace, the Workplace, the Community and the Environment around us.

MARKETPLACE

In the marketplace, the Group practices strong leadership through sound corporate governance and ethical business conducts. Apart from adhering to rules and regulations, the Group has refreshed its principles and standards of good governance and business ethics in line with its commitment to effective corporate governance. Adding to it, we remain supportive to our suppliers and treasure our business relationship with all our customers. As part of the effort to improve ourselves and grow together with our suppliers and customers, we conduct annual satisfaction surveys to draw feedbacks on our products and services and areas that require improvement.

To create more value for our customers and suppliers, the Group continuously engaged and invested in R&D for more unique products and raw materials formulations which brought about meaningful synergistic values and benefits to the entire business value chains.

WORKPLACE

Our people have been always our key assets. In stepping up the welfare and professionalism of our employees, the Group has conducted trainings with emphasis on quality for the staff to improve further their leadership skills and work quality. Various in house and external trainings have been made available to relevant employees after having determined the area of improvement needed. In this respect, the Group has engaged an external consultant-trainer to facilitate the world renowned and highly acclaimed FranklinCovey's signature program, The 7 Habits of Highly Effective People for supervisory and managerial level of employees.

As the Group employs a significant number of foreign and out-stationed workers; the Group has provided to them comfortable accommodations which located within the vicinity of their workplace.

Corporate **Social Responsibility** (continued)

Health and safety are two major concerns in all our plants and manufacturing facilities. On best practice in occupational safety, the Group has strives to comply with all the Department of Occupational Safety and Health Malaysia ("DOSH") standards on health and safety perspectives. Work Safety Committee is set up to develop policies and ensure a safe and healthy workplace for all its employees, contractors and fellow visitors. All our workers on the production floors are made compulsory to attend trainings, safety meetings, inspections and prevention programs. These programs are aimed to alert employees on the importance of safety and hygiene conditions in the workplace.

All our employees are reasonably covered for any foreseen mishaps through the various levels of insurance including coverage on medical, comprehensive hospitalization benefits and critical illness besides the usual personal accident insurance..

COMMUNITY

The Group continues to engage the Community through various social and educational activities. During the year, the Group organized a blood donation program and this netted a total of 68 pints of blood for the needy.

In the educational front, this year is the third year we engaged into internship program to provide students with opportunity to work with Kossan during the semester break. A total of 43 internships were provided so far and this opportunity is expected to increase gradually over the time. Scholarships were also provided to eligible students to continue their tertiary educations.

Donations were also made to various charitable bodies and the underprivileged, schools building and reading funds. The Group also organized charitable visits to orphanage homes within the vicinity where we are doing our business.

ENVIRONMENT

For a greener world, the Group has also sponsored and planted 50 trees jointly hosted by Forest Research Institute of Malaysia ("FRIM"). To encourage employees' initiative for environment protection, the Group organized 3R Program: RECYCLE, REUSED and REDUCED. Different bins are provided in each dumping sites and office floors for disposal of different materials.

The Group also invested in good R&D to optimize or reduce the consumption of natural resources including water, natural gas and electricity. With effective scrubber system installed in all our production plants, all the waste/harmful gas discharged are neutralized. Our biotechnologist team is tasked to continuously carrying our research for effective techniques how to recycle the waste water discharged during the manufacturing processes. In this perspective, the Group managed to salvage and reuse the water after being recycled.

Statement of **Responsibility by Directors**

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 of the Company and the results and cash flow of the Group and of the Company for each 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 these financial statements, the Directors have:

(a) adopted suitable accounting policies and applied them consistently;

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

(c) ensured that all applicable approved 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.

This Statement of Responsibility by Directors is made in accordance with the resolution of the Board of Directors dated 21 May 2015

Statement on **Risk Management and Internal Control**

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors (Board) of listed issuers is required to provide a Statement on Risk Management and Internal Control of the Group in their Annual Report.

Set out below is the Board's Statement on Risk Management and Internal Control prepared in accordance with the "Statement on Risk Management & Internal Control – Guidelines for Directors of Public Listed Issuers" and Principle 6 and Recommendation 6.1 of the "Malaysian Code on Corporate Governance 2012".

BOARD RESPONSIBILITY

The Board acknowledges and affirms its responsibility in establishing and maintaining an effective risk management and internal control system that safeguard shareholders' investments and the Group's assets. Hence, in discharging their responsibilities, the Board is committed that the risk management and internal control framework and practices would provide reasonable assurance that risks are managed effectively and efficiently within the Group's defined risk appetite and tolerance.

The Group's risk management and 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 risk management and internal control, the system can only provide reasonable and not absolute assurance against material misstatement, losses or fraud.

The Board is assisted by the Audit Committee (AC) in the implementation of the Board's policies and procedures on the system of risk management and internal control. The AC is responsible to, amongst others, implement the process for identifying, evaluating, monitoring and reporting of risks and internal control; design, implement and monitor the risk management framework inline with the Group's business objectives and risk appetite; identify changes to risk and taking appropriate actions to mitigate and control these risks; and provide assurance to the Board that the risk management and internal control system is operating adequately and effectively.

RISK MANAGEMENT

The Board recognizes that risk management forms an integral part of the Group's business operations and therefore has put in place a Risk Management framework for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies.

The Risk Management framework contains the following key elements:

- A Risk Management Policy and guidelines outlining the risk strategy, risk management policy and risk management structure of the Group. The risk organization structure details the lines of reporting and responsibility of the Board, Audit Committee, Risk Management Committee (GRMC), and Management. The risk management policy and guidelines is subject to review and improvement from time to time in order to enhance the risk management process and framework within the Group.

- A Risk Register containing risk profiles of the business operations within the Group which have been developed and communicated to the Board. The development of such risk profiles involved identification of key risks faced by the Group's core business units, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans being taken to manage those risks to the desired level.

- The GRMC, comprising representatives from the Board and the Management, is tasked with the overall responsibility for establishing a strategic approach to risk management within the Group. The GRMC reviews the effectiveness of the Group's risk management in relation to the core strategic objectives of the Group, identifies and communicates to the Board and Management with regards to the changing and emerging risks and to formulate action plans to address key risks and control issues in accordance with their profiles of the Group. In line with the Group's existing organization model, the line management remains primarily responsible for the management of risk. During the year, the GRMC held four meetings and has formalized and approved the Risk Management framework. The GRMC reports to the Audit Committee (AC).

The Board believed that maintaining a sound system of risk management is premise on a clear understanding and appreciation of the aforementioned key elements of the Risk Management Framework.

Statement on **Risk Management and Internal Control** (continued)

SYSTEM OF INTERNAL CONTROL

Whilst the Board focuses on effective risk oversight and setting the tone and culture towards an effective risk management and internal control structure, the management is entrusted with the implementation of the system of internal control encompassing the types of control including strategic, financial, operational, and compliance issues.

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

- At quarterly board meetings, the Board members review the performance and profitability of the Group, discuss and deliberate on the business development, management, corporate issues and regulatory matters affecting the Group.

- Various Board Committees with formal terms of reference governing their functions and duties delegated by the Board have been established to assist the Board in overseeing internal controls and Board effectiveness.

- The Group Managing Director (GMD) plays a pivotal role in communicating the Board's expectations of the system of internal control to management. This is achieved 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 GMD will update the Board of any significant matters that require the latter's immediate attention.

- Clear defined organization 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 key performance indicators, productivity, efficiency and effectiveness. This includes evaluation of factors such as business, operational and key management issues impacting on their performance.

- Regular visits to manufacturing units by GMD, Executive Directors and Senior Management to provide support and ensure operating activities are under control and also assist to resolve issues and challenges from the business environment.

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

- Identify and review the risk elements that impact on the financial performances of the Group and establish mechanism to manage risk including and not limiting to volatility of foreign exchange rates, escalating cost of operations and competitive pricing of products.

- Quarterly review on the adequacy and integrity of the Group's internal control system and to follow-up on action plans by Management on the recommendations proposed by the internal audit function.

The existing system of internal control has been in place for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

ASSURANCE MECHANISM

The Audit Committee (AC) are tasked with the duty of reviewing and monitoring the effectiveness of the Group's system of risk management and system of internal control. The AC is assisted by the Group's internal audit department that reports directly to the AC, to ensure that significant risks are identified and the adequacy and integrity of the Group's risk management and internal control system is in place and effective. The internal audit department perform quarterly reviews of key business processes to identify and evaluate significant operational, financial and compliance risks including assessing the effectiveness and adequacy of the system of risk management and internal control.

The AC reviews the findings, recommendations, management response and action plans reported by the internal audit department and presents the AC's finding and recommendation to the Board on a quarterly basis.

For the year ended 31 December 2014, the Internal Audit function reviewed the adequacy and effectiveness of the internal control process and necessary actions have been and are being taken to remedy any significant failings or weaknesses for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report. During the year, the Internal Audit function performed financial and operational audits on inventory management, procurement and human resources management of the glove manufacturing entities.

Statement on **Risk Management and Internal Control** (continued)

The Board, through the AC, has reviewed the effectiveness of the Group's system of risk management and internal control. There were no significant risk management and internal control aspects that would have resulted in any material losses or contingencies that would require disclosure in the Group's Annual Report.

The Board has received assurances from the GMD who is also the Group Chief Executive Officer and the Senior Group Accountant that for the year ended 31 December 2014, the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group. Taking into consideration the information and assurances given, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control.

In addition, continuous quality assurance audits are being conducted as part of the requirements and compliance of the ISO 9001, ISO 13485, ISO/TS 16949, MS ISO/IEC 17025 and ISO 14001 certifications. Results of these audits are reported to the Quality Management Committee, which is chaired by the GMD.

BOARD'S COMMITMENT

The Board remains committed towards keeping abreast with the ever-changing business environment in order to support the Group's business and size of operations. There were no material losses incurred during the current financial year as a result of weaknesses in internal control that would require a separate disclosure in the Annual Report.

The Board and the Management, in striving for continuous improvement, have and will continue to put in place appropriate measures to further strengthen and enhance the Group's system of risk management and internal control environment.

This Statement is made in accordance with a resolution of the Board of Directors dated 21 May 2015.

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 2014.

1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1.1. Composition

The Audit Committee shall consist of at least three Directors, all of whom are non executive and a majority of them are independent. The Chairman of the Audit Committee shall be an independent director.

1.2. Authority

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

1.3 Responsibility

The Audit Committee shall be the focal point for communication between external auditors, internal auditors, Directors and 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.

1.4. Functions

The duties of the Audit Committee shall include the following:

(i) To consider the appointment of the external auditor and 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 approved 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 functions namely::

- the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- the internal audit program 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.

1.5 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.

2. COMPOSITION AND ATTENDANCE AT MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 December 2014 are as follows:-

Composition of the Committee	Attended
Dato' Haji Mokhtar Bin Haji Samad (Chairman / Independent Non-Executive Director)	5/5
Tong Siew Choo (Member / Independent Non-Executive Director)	5/5
Lee Choo Hock (Member / Independent Non-Executive Director)	5/5

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

The Group's external auditors attended three (3) of the meetings. The outsourced internal auditors and the inhouse internal auditors attended four (4) of the meetings.

3. ACTIVITIES

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

(a) reviewed the annual audited financial statements of the Company/Group, semi annual returns and quarterly results of the Group prior to submission to the Board for approval;

(b) reviewed the Statement on Risk Management and Internal Control before submission to the Board for approval;

(c) reviewed and approved the annual Report of the Audit Committee;

(d) reviewed the terms of the Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature and be 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;

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

(f) 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;

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

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

(i) 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;

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

(k) appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported; and

(l) reviewed the viability and reasonableness of the acquisition of landed properties by the Group.

The Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

4. COST OF INTERNAL AUDIT

The total cost incurred for the internal audit function of the Company and the Group for the financial year 2014 was RM257,763.00.

5. REPORT TO THE EXCHANGE

The Audit Committee did not see any matter in breach of the Main Market Listing Requirements that warrants reporting to Bursa Malaysia Securities Berhad.

Dato' Haji Mokhtar Bin Haji Samad
Chairman
Audit Committee

Directors' **Report**
for the year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, manufacturing and sales of rubber products and provision of management services to subsidiaries, 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'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	145,597	32,036
Non-controlling interests	3,239	-
	148,836	32,036

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid:

i) a final dividend of 3.5 sen per ordinary share, tax exempted, totalling RM22,381,376 in respect of the year ended 31 December 2013 on 18 July 2014; and

ii) an interim ordinary dividend of 3.5 sen per ordinary share, tax exempted, totalling RM22,381,376 in respect of the year ended 31 December 2014 on 23 December 2014.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2014 is 4.5 sen per ordinary share, tax exempted, totalling RM28,776,056.

DIRECTORS OF THE COMPANY

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

Dato' Lim Kuang Sia
Dato' Haji Mokhtar bin Haji Samad
Tong Siew Choo
Lee Choo Hock
Lim Ooi Chow
Lim Siau Tian
Lim Siau Hing
Tan Kong Chang
Lim Leng Bung (appointed on 20 August 2014)
Lim Kuang Yong (retired on 25 June 2014)

DIRECTORS' INTERESTS

The interest and deemed interest in the ordinary 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 1.1.2014 Date of appointment#	**Bought**	**Sold**	**At 31.12.2014**
Direct interest				
Dato' Lim Kuang Sia	763,776	-	-	763,776
Tong Siew Choo	59,904	-	-	59,904
Deemed interest				
Dato' Lim Kuang Sia				
- ultimate holding company	326,512,480	-	-	326,512,480
- spouse	1,044,496	-	-	1,044,496
Lim Leng Bung				
- ultimate holding company	326,512,480#	-	-	326,512,480
Lim Siau Tian*	326,512,480	-	-	326,512,480
Lim Siau Hing*	326,512,480	-	-	326,512,480
Lim Ooi Chow				
- ultimate holding company	326,512,480	-	-	326,512,480
- parents	1,808,272	-	-	1,808,272

* Shares held through person connected to the Director or shareholder

By virtue of their interests in the shares of the Company, Dato' Lim Kuang Sia, Lim Leng Bung, Lim Siau Tian, Lim Siau Hing and Lim Ooi Chow are deemed interested in the shares of the subsidiaries during the financial year to the extent Kossan Rubber Industries Bhd. has an interest.

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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 corporations) 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 to the financial statements.

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 AND DEBENTURES

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

There were no debentures issued 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 financial year.

Directors' **Report**
for the year ended 31 December 2014 (continued)

OTHER STATUTORY INFORMATION

Before the financial 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 allowance made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 the 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 financial statements of the Group and of the Company 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, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 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:

....
Dato' Lim Kuang Sia

....
Lim Leng Bung

Klang, Selangor Darul Ehsan

Date: 22 April 2015

Statements of **Financial Position**
at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Property, plant and equipment	3	724,616	600,539	40,511	36,782
Investments in subsidiaries	4	-	-	21,874	21,874
Other investments	5	116	116	116	116
Deferred tax assets	6	11	-	-	-
Goodwill	7	4,926	4,926	-	-
Total non-current assets		729,669	605,581	62,501	58,772
Inventories	8	193,532	148,782	17,488	15,100
Other investments	5	8,143	-	8,143	-
Current tax assets		7,844	3,531	823	1,048
Trade and other receivables	9	280,909	242,945	257,891	254,954
Prepayments		5,669	4,578	351	386
Cash and cash equivalents	11	63,899	100,601	26,178	50,976
Total current assets		559,996	500,437	310,874	322,464
Total assets		1,289,665	1,106,018	373,375	381,236
Equity					
Share capital		319,734	319,734	319,734	319,734
Share premium		4,151	4,151	4,151	4,151
Translation reserve		2,109	855	-	-
Retained earnings		481,036	380,201	25,618	38,344
Total equity attributable to owners of the Company	12	807,030	704,941	349,503	362,229
Non-controlling interests		20,983	17,069	-	-
Total equity		828,013	722,010	349,503	362,229
Liabilities					
Loans and borrowings	13	63,429	49,385	366	265
Deferred tax liabilities	6	62,456	55,897	4,551	3,941
Total non-current liabilities		125,885	105,282	4,917	4,206
Loans and borrowings	13	142,667	119,586	1,188	538
Current tax liabilities		8,294	10,031	-	-
Trade and other payables	14	170,347	142,071	17,040	13,944
Derivative financial liabilities	10	14,459	7,038	727	319
Total current liabilities		335,767	278,726	18,955	14,801
Total liabilities		461,652	384,008	23,872	19,007
Total equity and liabilities		1,289,665	1,106,018	373,375	381,236

The notes on pages 42 to 83 are an integral part of these financial statements.

Statements of **Profit or Loss and Other Comprehensive Income**
for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	15	1,301,740	1,307,292	155,272	286,444
Other income		3,020	2,607	1,167	915
Changes in inventories of finished goods and work-in-progress		38,835	(1,873)	3,212	(960)
Raw materials and consumables used		(721,765)	(735,410)	(54,122)	(54,342)
Goods purchased for resale		(2,913)	(1,370)	(14,909)	(13,558)
Staff costs		(185,831)	(170,592)	(36,003)	(34,249)
Depreciation of property, plant and equipment	3	(55,939)	(50,983)	(3,708)	(3,215)
Other operating expenses		(184,587)	(165,342)	(18,067)	(16,359)
Results from operating activities		192,560	184,329	32,842	164,676
Finance costs	16	(8,144)	(6,884)	(72)	(73)
Finance income	19	2,305	2,689	1,333	1,665
Profit before tax		186,721	180,134	34,103	166,268
Tax (expense)/credit	18	(37,885)	(40,079)	(2,067)	158
Profit for the year	19	148,836	140,055	32,036	166,426
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		1,929	1,651	-	-
Other comprehensive income for the year, net of tax		1,929	1,651	-	-
Total comprehensive income for the year		150,765	141,706	32,036	166,426
Profit attributable to:					
Owners of the Company		145,597	136,422	32,036	166,426
Non-controlling interests		3,239	3,633	-	-
Profit for the year		148,836	140,055	32,036	166,426
Total comprehensive income attributable to:					
Owners of the Company		146,851	137,427	32,036	166,426
Non-controlling interests		3,914	4,279	-	-
Total comprehensive income for the year		150,765	141,706	32,036	166,426
Basic earnings per ordinary share (sen)	20	22.77	21.33		

The notes on pages 42 to 83 are an integral part of these financial statements.

Consolidated Statements of **Changes in Equity**

for the year ended 31 December 2014

Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to shareholders of the Company →							
		← Non-distributable →				Distributable			
At 1 January 2013		159,867	11	(150)	(3,460)	488,331	604,599	12,790	617,389
Foreign currency translation differences from foreign operations		-	-	1,005	-	-	1,005	646	1,651
Total other comprehensive income for the year		-	-	1,005	-	-	1,005	646	1,651
Profit for the year		-	-	-	-	136,422	136,422	3,633	140,055
Total comprehensive income for the year		-	-	1,005	-	136,422	137,427	4,279	141,706
Issue of bonus shares	12	159,867	-	-	-	(159,867)	-	-	-
Sale of treasury shares	12	-	4,140	-	3,460	-	7,600	-	7,600
Dividends to owners of the Company	21	-	-	-	-	(44,685)	(44,685)	-	(44,685)
At 31 December 2013/1 January 2014		319,734	4,151	855	-	380,201	704,941	17,069	722,010
Foreign currency translation differences from foreign operations		-	-	1,254	-	-	1,254	675	1,929
Total other comprehensive income for the year		-	-	1,254	-	-	1,254	675	1,929
Profit for the year		-	-	-	-	145,597	145,597	3,239	148,836
Total comprehensive income for the year		-	-	1,254	-	145,597	146,851	3,914	150,765
Dividends to owners of the Company	21	-	-	-	-	(44,762)	(44,762)	-	(44,762)
At 31 December 2014		319,734	4,151	2,109	-	481,036	807,030	20,983	828,013
		Note 12.1	Note 12.2	Note 12.3					

The notes on pages 42 to 83 are an integral part of these financial statements.

Statements of **Changes in Equity**

for the year ended 31 December 2014

Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to owners of the Company				
		Non-distributable			*Distributable*	
At 1 January 2013		159,867	11	(3,460)	76,470	232,888
Total other comprehensive income for the year		-	-	-	-	-
Profit for the year		-	-	-	166,426	166,426
Total comprehensive income for the year		-	-	-	166,426	166,426
Issue of bonus shares	12	159,867	-	-	(159,867)	-
Sale of treasury shares	12	-	4,140	3,460	-	7,600
Dividends to owners of the Company	21	-	-	-	(44,685)	(44,685)
At 31 December 2013/1 January 2014		319,734	4,151	-	38,344	362,229
Total other comprehensive income for the year		-	-	-	-	-
Profit for the year		-	-	-	32,036	32,036
Total comprehensive income for the year		-	-	-	32,036	32,036
Dividends to owners of the Company	21	-	-	-	(44,762)	(44,762)
At 31 December 2014		319,734	4,151	-	25,618	349,503
		Note 12.1	Note 12.2			

The notes on pages 42 to 83 are an integral part of these financial statements.

Statements of **Cash Flows**
for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from operating activities					
Profit before tax		186,721	180,134	34,103	166,268
Adjustments for:					
Depreciation of property, plant and equipment	3	55,939	50,983	3,708	3,215
Dividend income	15	-	-	(25,000)	(160,000)
Finance costs	16	8,144	6,884	72	73
(Gain)/Loss on disposal of property, plant and equipment	19	(564)	7	(553)	(181)
Finance income	19	(2,305)	(2,689)	(1,190)	(1,665)
Dividend income from other investments	19	(143)	-	(143)	-
Property, plant and equipment written off	19	483	474	-	-
Net unrealised derivatives	19	14,459	7,038	727	319
Net unrealised foreign exchange differences	19	(16,883)	(79)	(1,302)	-
Operating profit before changes in working capital		245,851	242,752	10,422	8,029
Change in inventories		(44,750)	198	(2,388)	(422)
Change in trade and other receivables, prepayments and other financial assets		(27,565)	(22,569)	7,158	(136,532)
Change in trade and other payables		28,956	27,758	(5,982)	(4,040)
Cash generated from/(used in) operations		202,492	248,139	9,210	(132,965)
Dividends received		-	-	25,000	160,000
Interest received		2,305	2,689	1,190	1,665
Interest paid		(3,177)	(3,458)	(38)	(37)
Tax paid		(38,410)	(35,182)	(1,625)	(687)
Tax refund		1,023	-	394	-
Net cash from operating activities		164,233	212,188	34,131	27,976
Cash flows from investing activities					
Acquisition of other investments		(8,143)	-	(8,143)	-
Dividend income from other investments		143	-	143	-
Proceeds from disposal of property, plant and equipment		1,412	994	858	301
Acquisition of property, plant and equipment	(ii)	(141,279)	(119,821)	(7,092)	(5,351)
Acquisition of a subsidiary		-	-@	-	-
Increase in investments in subsidiaries		-	-	-	(400)
Net cash used in investing activities		(147,867)	(118,827)	(14,234)	(5,450)
Cash flows from financing activities					
Dividends paid to owners of the Company	21	(44,762)	(44,685)	(44,762)	(44,685)
Decrease in deposits pledged		-	700	-	-
Finance costs		(4,967)	(3,426)	(34)	(36)
Repayment of hire purchase liabilities		(14,049)	(9,966)	(492)	(357)
Repayment of long-term borrowings		(52,410)	(12,259)	-	-
Proceeds from long-term borrowings		54,927	14,563	593	-
Proceeds from/(Repayment of) other borrowings		7,325	(41,669)	-	(408)
Proceeds from sale of treasury shares		-	7,600	-	7,600
Net cash used in financing activities		(53,936)	(89,142)	(44,695)	(37,886)
Net (decrease)/increase in cash and cash equivalents		(37,570)	4,219	(24,798)	(15,360)
Effect of exchange rate fluctuations on cash held		171	78	-	-
Cash and cash equivalents at 1 January		97,975	93,678	50,976	66,336
Cash and cash equivalents at 31 December	(i)	60,576	97,975	26,178	50,976

@ Denote RM2

The notes on pages 42 to 83 are an integral part of these financial statements.

Statements of **Cash Flows**

for the year ended 31 December 2014 (continued)

i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash and bank balances	11	38,143	69,345	22,178	45,976
Short term deposits	11	25,756	31,256	4,000	5,000
Bank overdrafts	13	(3,067)	(2,370)	-	-
		60,832	98,231	26,178	50,976
Less: Deposits pledged	11	(256)	(256)	-	-
		60,576	97,975	26,178	50,976

ii) Acquisition of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM180,269,000 (2013: RM137,383,000) and RM7,742,000 (2013: RM5,849,000) respectively of which RM38,990,000 (2013: RM17,562,000) and RM650,000 (2013: RM498,000) respectively were acquired by means of hire purchase.

The notes on pages 42 to 83 are an integral part of these financial statements.

Notes to the **Financial Statements**

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

Principal place of business/Registered office
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 as at and for the financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2014 do not include other entities.

The Company is principally involved in investment holding, manufacturing and sales of rubber products and provision of management services to subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements.

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

These financial statements were authorised for issue by the Board of Directors on 22 April 2015.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014
- *Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle) #*
- *Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle) #*
- *Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- *Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- *Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions #*
- *Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle) #*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016
- *Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle) @*
- *Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- *Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- *Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations @*
- *MFRS 14, Regulatory Deferral Accounts @*

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)
- *Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative*
- *Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants @*
- *Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)@*
- *Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements @*
- *Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017
- *MFRS 15, Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- *MFRS 9, Financial Instruments (2014)*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for those standards marked with "#" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for those standards marked with "@" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the financial statements of the Group and the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers
MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments
MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

1. BASIS OF PREPARATION (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs 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 estimates are 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 disclosed in the following notes:
- Note 6 – deferred tax assets
- Note 7 – measurement of the recoverable amounts of cash-generating units

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) 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.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) 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 transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those 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 profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of gains or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(a) Financial assets at fair value through profit or loss (continued)

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss.

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date and in accordance to Note 2(q).

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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 lives for the current and comparative periods are as follows:

• Buildings	50 years
• Plant and machinery	5 - 10 years
• Motor vehicles	5 years
• Factory renovation	10 years
• Factory furniture and equipment	10 years
• Electrical installation	10 years
• Office furniture, equipment and renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets (continued)

(iii) 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.

(f) Intangible assets

Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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 the estimated costs necessary to make the sale.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(h) 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 fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the financial year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iv) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(k) Employee benefits

(i) 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.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. 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 or 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 end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(q) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or changes in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land* RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Factory furniture and equipment RM'000	Electrical installation RM'000	Office furniture, equipment and renovation RM'000	Plant and machinery under construction RM'000	Building under construction RM'000	Total RM'000
Cost											
At 1 January 2013	86,210	144,514	469,134	13,419	8,194	9,497	4,439	9,739	8,374	17,503	771,023
Additions	26,724	1,285	22,325	2,523	52	1,795	9	2,006	53,130	27,534	137,383
Disposals	-	-	(1,858)	(1,488)	(260)	-	-	-	-	-	(3,606)
Write-off	-	-	(8,175)	-	-	-	-	(16)	-	-	(8,191)
Reclassification	70	17,608	34,268	-	-	1,335	-	325	(29,043)	(24,563)	-
Effect of movements in exchange rates	811	76	794	-	-	-	-	22	-	-	1,703
At 31 December 2013/ 1 January 2014	113,815	163,483	516,488	14,454	7,986	12,627	4,448	12,076	32,461	20,474	898,312
Additions	56,877	15,683	83,443	5,225	209	2,404	-	1,241	10,898	4,289	180,269
Disposals	-	-	(1,977)	(879)	-	-	-	(126)	-	-	(2,982)
Write-off	-	-	(1,471)	-	-	-	-	(4)	-	-	(1,475)
Reclassification	15	21,805	38,209	-	-	-	171	-	(40,446)	(19,754)	-
Effect of movements in exchange rates	787	73	572	-	-	-	-	15	-	-	1,447
At 31 December 2014	171,494	201,044	635,264	18,800	8,195	15,031	4,619	13,202	2,913	5,009	1,075,571
Accumulated depreciation											
At 1 January 2013	-	9,089	226,995	6,689	3,298	3,548	2,212	4,826	-	-	256,657
Charge for the year	-	3,478	42,670	2,042	443	909	500	941	-	-	50,983
Disposals	-	-	(1,200)	(1,348)	(57)	-	-	-	-	-	(2,605)
Write-off	-	-	(7,707)	-	-	-	-	(10)	-	-	(7,717)
Effect of movements in exchange rates	-	60	379	-	-	-	-	16	-	-	455
At 31 December 2013/ 1 January 2014	-	12,627	261,137	7,383	3,684	4,457	2,712	5,773	-	-	297,773
Charge for the year	-	4,090	46,003	2,613	390	1,302	505	1,036	-	-	55,939
Disposals	-	-	(1,585)	(493)	-	-	-	(56)	-	-	(2,134)
Write-off	-	-	(989)	-	-	-	-	(3)	-	-	(992)
Effect of movements in exchange rates	-	58	300	-	-	-	-	11	-	-	369
At 31 December 2014	-	16,775	304,866	9,503	4,074	5,759	3,217	6,761	-	-	350,955
Carrying amounts											
At 1 January 2013	86,210	135,425	242,139	6,730	4,896	5,949	2,227	4,913	8,374	17,503	514,366
At 31 December 2013/ 1 January 2014	113,815	150,856	255,351	7,071	4,302	8,170	1,736	6,303	32,461	20,474	600,539
At 31 December 2014	171,494	184,269	330,398	9,297	4,121	9,272	1,402	6,441	2,913	360,772	724,616

* Included in the freehold land is an amount of USD3,680,000, equivalent to RM12.863 mil as at 31 December 2014 (31 December 2013: USD3,680,000, equivalent to RM12.076 mil) representing the freehold land and building of an overseas subsidiary of which the carrying amount of the building are not segregated from the freehold land as the required details are not available.

3. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Company	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Office furniture and equipment RM'000	Total RM'000
Cost							
At 1 January 2013	10,100	16,291	48,697	3,637	133	2,193	81,051
Additions	-	-	3,627	1,049	-	1,173	5,849
Disposal	-	-	(165)	(1,009)	-	-	(1,174)
At 31 December 2013/ 1 January 2014	10,100	16,291	52,159	3,677	133	3,366	85,726
Additions	-	1,768	4,429	1,405	-	140	7,742
Disposal	-	-	(1,290)	-	-	(65)	(1,355)
At 31 December 2014	10,100	18,059	55,298	5,082	133	3,441	92,113
Accumulated depreciation							
At 1 January 2013	-	996	41,919	2,742	133	993	46,783
Charge for the year	-	437	2,065	473	-	240	3,215
Disposal	-	-	(68)	(986)	-	-	(1,054)
At 31 December 2013/ 1 January 2014	-	1,433	43,916	2,229	133	1,233	48,944
Charge for the year	-	450	2,204	717	-	337	3,708
Disposal	-	-	(1,049)	-	-	(1)	(1,050)
At 31 December 2014	-	1,883	45,071	2,946	133	1,569	51,602
Carrying amounts							
At 1 January 2013	10,100	15,295	6,778	895	-	1,200	34,268
At 31 December 2013/ 1 January 2014	10,100	14,858	8,243	1,448	-	2,133	36,782
At 31 December 2014	10,100	16,176	10,227	2,136	-	1,872	40,511

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Plant and machinery under hire purchase

At 31 December 2014, the net carrying amount of plant and machinery under hire purchase was as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Plant and machinery	123,894	29,373	-	-
Motor vehicles	5,359	5,090	1,233	862
	129,253	34,463	1,233	862

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Unquoted shares, at cost	21,874	21,874

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2014 %	Effective ownership interest 2013 %
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	90.4	90.4
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Ideal Quality Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	100	100
Kossan International Sdn. Bhd.	Malaysia	Trading of latex examination gloves	100	100
Kossan Sdn. Bhd.	Malaysia	Investment holding	100	100
Premium Medical Products Sdn. Bhd.	Malaysia	Investment holding	100	100
Cleanera (Malaysia) Sdn. Bhd.	Malaysia	Trading of latex examination gloves and cleanroom products	100	100

4. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2014 %	Effective ownership interest 2013 %
Cleanera HK Limited+	Hong Kong	Investment holding and the trading of cleanroom products	55	55
KPH Logistics, Inc.#	United States of America	Distribution	100	100
KPH (San Francisco), LLC.#	United States of America	Property holding	100	100
Kossan Labuan Bhd.#	Labuan, Malaysia	Investment holding	100	100
Assurguard Sdn. Bhd.	Malaysia	Dormant	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 Cleanera HK Limited				
Dongguang Cleanera Cleanroom Products Company Limited+	The People's Republic of China	Manufacturing and dealing in cleanroom products	55	55
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Kossan Gloves Sdn. Bhd. (formerly known as Envi-Care Sdn. Bhd.)	Malaysia	Investment holding	100	100
Subsidiary of Kossan Gloves Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	100
Subsidiary of Kossan Labuan Bhd.				
PT. Kossan Setia Jaya#	Republic of Indonesia	Property holding	100	100

Not required to be audited under the laws of country of incorporation. The financial statements of the subsidiaries are consolidated based on management accounts.
+ Not audited by member firms of KPMG International.

Material Non-controlling interest in subsidiaries

There are no non-controlling interests that are material to the Group for the year ended 31 December 2014.

5. OTHER INVESTMENTS

	Group and Company	
	2014 RM'000	2013 RM'000
Non-current		
Investment in club membership		
- Available-for-sale financial assets at amortised cost	116	116
Current		
Investment in money market fund quoted in Malaysia		
- Available-for-sale financial assets at market value	8,143	-
	8,259	116

6. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment	-	-	(63,375)	(53,966)	(63,375)	(53,966)
Revaluation on properties#	-	-	(6,162)	(6,320)	(6,162)	(6,320)
Unutilised reinvestment allowance	7,645	2,489	-	-	7,645	2,489
Tax losses carry-forwards	80	164	-	-	80	164
Derivatives	-	1,759	(852)	-	(852)	1,759
Other items	219	-	-	(23)	219	(23)
Tax assets/(liabilities)	7,944	4,412	(70,389)	(60,309)	(62,445)	(55,897)
Set off of tax	(7,933)	(4,412)	7,933	4,412	-	-
Net tax assets/(liabilities)	11	-	(62,456)	(55,897)	(62,445)	(55,897)

\# This pertained to properties that the Group elected to apply the optional exemption to use previous revaluation or valuation at the date of transition to MFRSs as deemed cost under MFRSs in the financial year ended 31 December 2012.

Deferred tax assets and liabilities are offset where there is legally enforceable right to set off current tax assets against current tax liabilities and where the defined taxes relate to the same tax authority.

Movement in temporary differences during the year

Group	Property, plant and equipment RM'000	Revaluation on properties RM'000	Unutilised reinvestment allowance RM'000	Tax loss carry-forwards RM'000	Derivatives RM'000	Other item RM'000	Total RM'000
At 1 January 2013	(45,527)	(6,478)	2,670	-	-	(487)	(49,822)
Recognised in profit or loss (Note 18)	(8,439)	158	(181)	164	1,759	464	(6,075)
At 31 December 2013/ 1 January 2014	(53,966)	(6,320)	2,489	164	1,759	(23)	(55,897)
Recognised in profit or loss (Note 18)	(9,409)	158	5,156	(84)	(2,611)	242	(6,548)
At 31 December 2014	(63,375)	(6,162)	7,645	80	(852)	219	(62,445)

6. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Unrecognised deferred tax assets

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

	Group	
	2014 RM'000	2013 RM'000
Tax loss carry-forwards	359	74
	359	74
Tax at 25%	90	19

The tax loss carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in the end of the reporting period 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.

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
Company	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Property, plant and equipment	-	-	(3,578)	(3,285)	(3,578)	(3,285)
Revaluation on properties#	-	-	(711)	(736)	(711)	(736)
Derivatives	-	80	(80)	-	(80)	80
Other	-	-	(182)	-	(182)	-
	-	80	(4,551)	(4,021)	(4,551)	(3,941)

\# This pertained to properties that the Company elected to apply the optional exemption to use previous revaluation or valuationat the date of transition to MFRSs as deemed cost under MFRSs in the financial year ended 31 December 2012.

Movement in temporary differences during the year

Company	Property, plant and equipment RM'000	Revaluation on properties RM'000	Derivatives RM'000	Other RM'000	Total RM'000
1 January 2013	(3,582)	(759)	-	-	(4,341)
Recognised in profit or loss (Note 18)	296	24	80	-	400
At 31 December 2013/ 1 January 2014	(3,286)	(735)	80	-	(3,941)
Recognised in profit or loss (Note 18)	(293)	25	(160)	(182)	(610)
At 31 December 2014	(3,579)	(710)	(80)	(182)	(4,551)

7. GOODWILL

Group	RM'000
Cost	
At 31 December 2013/1 January 2014/31 December 2014	4,926

7. GOODWILL (continued)

7.1 Impairment testing for cash-generating units containing goodwill

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 aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2014 RM'000	2013 RM'000
Technical rubber products	864	864
Cleanroom products	4,062	4,062
Total	4,926	4,926

Key assumptions used in recoverable amount

For the purpose of impairment testing, the carrying amounts are allocated to the individual entities which are the cash-generating units ("CGU"). Recoverable amount of each CGU is estimated based on its value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on past experiences, actual operating results and financial budgets approved by management covering a 5-year (2013: 5-year) period.

The key assumptions for the computation of value-in-use of goodwill, pertained to cleanroom entity, include the following:

- The revenue growth in the 5-year (2013: 5-year) cash flow projection is estimated at a compounded annual growth rate of 25% supported by historical trend (2013: 25%).
- The terminal value was estimated using the perpetuity growth model, with a growth rate to perpetuity of 2% (2013: 2%).
- A pre-tax discount rate of 11.0% (2013: 11.0%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.
- There will be no other significant changes in the government policies and regulations which will directly affect the investees' businesses. The inflation for the operating expenses is in line with the estimated gross domestic product growth rate for the country based on the past trends.

The key assumptions represent management's assessment of future trends in the glove industry and are based on both external sources and internal sources (historical data).

The Group believes that no reasonably foreseeable changes in the above key assumptions that would cause the carrying values of these CGUs to materially exceed their recoverable amounts other than changes in the prevailing operating environment of which the impact is not ascertainable.

8. INVENTORIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Raw materials	46,660	40,286	7,950	8,774
Work-in-progress	4,800	4,168	3,905	2,957
Finished goods	142,072	104,328	5,633	3,369
	193,532	148,782	17,488	15,100

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade					
Trade receivables		260,273	223,246	22,177	24,648
Less: Allowance for impairment loss		(376)	(509)	-	(77)
		259,897	222,737	22,177	24,571
Amount due from subsidiaries	9.1	-	-	1,067	1,108
Amount due from related parties	9.1	3,904	3,482	-	-
		263,801	226,219	23,244	25,679
Non-trade					
Amount due from subsidiaries	9.1	-	-	232,320	227,363
Amount due from related parties	9.1	689	770	499	246
Other receivables		9,716	8,124	1,526	1,350
Refundable deposits		6,703	7,832	302	316
		17,108	16,726	234,647	229,275
		280,909	242,945	257,891	254,954

9.1 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. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Group	2014 Nominal value RM'000	2014 Assets RM'000	2014 Liabilities RM'000	2013 Nominal value RM'000	2013 Assets RM'000	2013 Liabilities RM'000
Derivatives held for trading at fair value through profit or loss - Forward exchange contracts	254,958	-	(14,459)	303,939	-	(7,038)
Company						
Derivatives held for trading at fair value through profit or loss - Forward exchange contracts	9,667	-	(727)	12,754	-	(319)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period and are utilised subsequent to year-end.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	38,143	69,345	22,178	45,976
Short term deposits with licensed banks	25,756	31,256	4,000	5,000
	63,899	100,601	26,178	50,976

Included in deposits with licensed banks of the Group are amounts of RM256,000 (2013: RM256,000) pledged to the banks for banking facilities granted to the Group.

12. CAPITAL AND RESERVES

12.1 Share capital

	Group and Company			
	Amount 2014 RM'000	Number of shares 2014 '000	Amount 2013 RM'000	Number of shares 2013 '000
Authorised:				
Ordinary shares of RM0.50 each				
At 1 January / 31 December	1,000,000	2,000,000	1,000,000	2,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 January	319,734	639,468	159,867	319,734
Issue of bonus shares	-	-	159,867	319,734
At 31 December	319,734	639,468	319,734	639,468

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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

12.2 Share premium

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

12.3 Translation reserve

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

13. LOANS AND BORROWINGS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Term loans (unsecured)	38,630	37,862	-	-
Hire purchase liabilities	24,799	11,523	366	265
	63,429	49,385	366	265

13. LOANS AND BORROWINGS (continued)

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Current				
Term loan (unsecured)	12,799	14,548	-	-
Revolving credit (unsecured)	47,951	42,809	-	-
Bank overdraft (unsecured)	3,067	2,370	-	-
Trade finance (unsecured)	59,770	52,444	739	146
Hire purchase liabilities	19,080	7,415	449	392
	142,667	119,586	1,188	538
	206,096	168,971	1,554	803

13.1 Term loans (Unsecured)

Unsecured term loans consisting of:

(a) MYR denominated 5-year loan of RM10.945 million (2013: RM13.840 million), obtained in 2013 with monthly repayment installments, and bears interest rates of 4.75% (2013: 4.75%) per annum,

(b) MYR denominated term loan of RM40.484 million (2013: RM Nil) representing 5-year term loan obtained in 2014 with quarterly repayment installments, and bears interest rate of 4.43% (2013: Nil) per annum,

(c) MYR denominated term loan of RM Nil (2013: RM0.137 million) representing a 7-year term loan obtained in 2007 with monthly repayment installments, and bears interest rates of Bank Lending Rate ("BLR")+0.75% (2013: ("BLR")+0.75%) per annum,

(d) MYR denominated term loan of RM Nil (2013: RM12.189 million) representing a 7-year term loan obtained in 2009 with monthly repayment installments, and bears interest rates of Bank Lending Rate ("BLR")+0.75% (2013: ("BLR")+0.75%) per annum, and

(e) USD denominated term loan of RM Nil (2013: RM26.244 million) representing a 5-year term loan obtained in 2012 with semi-annual repayment installments, and bears interest rates of 4.75% (2013: 4.75%) per annum.

13.2 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2014 RM'000	Interest 2014 RM'000	Principal 2014 RM'000	Minimum lease payments 2013 RM'000	Interest 2013 RM'000	Principal 2013 RM'000
Group						
Less than one year	20,893	(1,813)	19,080	8,244	(829)	7,415
Between one and five years	25,705	(906)	24,799	12,099	(576)	11,523
	46,598	(2,719)	43,879	20,343	(1,405)	18,938
Company						
Less than one year	473	(24)	449	414	(22)	392
Between one and five years	377	(11)	366	272	(7)	265
	850	(35)	815	686	(29)	657

14. TRADE AND OTHER PAYABLES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade					
Trade payables		105,969	99,508	6,239	6,224
Amount due to a subsidiary	14.1	-	-	1,736	-
		105,969	99,508	7,975	6,224
Non-trade					
Amount due to ultimate holding company	14.2	3	3	-	-
Amount due to subsidiaries	14.1	-	-	9	7
Amount due to related parties	14.1	5,424	3,638	19	208
Other payables		32,891	18,963	1,556	1,178
Accrued expenses		26,060	19,959	7,481	6,327
		64,378	42,563	9,065	7,720
		170,347	142,071	17,040	13,944

14.1 Amounts due to a subsidiary

The trade amounts due to a subsidiary are subject to normal trade terms.
The non-trade amounts due to related parties and subsidiaries are unsecured, interest free and repayable on demand.

14.2 Amount due to ultimate holding company

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

15. REVENUE

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Sales of goods	1,301,740	1,307,292	124,272	122,044
Dividend income	-	-	25,000	160,000
Management fees	-	-	6,000	4,400
	1,301,740	1,307,292	155,272	286,444

16. FINANCE COSTS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Interest expense on:				
- Bank overdraft	69	79	8	18
- Hire purchase	1,855	566	34	36
- Term loans	3,112	2,860	-	-
- Trade finance	2,129	2,558	30	19
- Revolving credit	979	821	-	-
	8,144	6,884	72	73

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Directors				
- Fees	231	166	231	166
- Remuneration	16,751	12,529	6,799	3,885
	16,982	12,695	7,030	4,051
Other key management personnel:				
- Remuneration	5,243	4,250	2,555	2,204

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

18. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Current tax expense				
Current year	32,139	39,016	1,777	1,349
Over provision in prior year	(980)	(5,097)	(320)	(1,107)
Overseas – current provision	178	85	-	-
	31,337	34,004	1,457	242
Deferred tax expense				
Origination and reversal of temporary differences	7,898	4,237	519	36
(Over)/Under provision in prior year	(1,350)	1,838	91	(436)
	6,548	6,075	610	(400)
Total tax expense/(credit)	37,885	40,079	2,067	(158)
Reconciliation of effective tax expense				
Profit before tax	186,721	180,134	34,103	166,268
Tax at Malaysian tax rate of 25% (2013: 25%)	46,680	45,033	8,526	41,567
Effect of tax rates in foreign jurisdiction	(8)	(167)	-	-
Non-deductible expenses	3,475	3,033	392	423
Tax incentives	(9,871)	(4,562)	(348)	(581)
Income not subject to tax	-	-	(6,250)	(40,000)
Deferred tax not recognised	-	2	-	-
Others	(61)	(1)	(24)	(24)
	40,215	43,338	2,296	1,385
(Over)/Under provided in prior year				
- income tax expense	(980)	(5,097)	(320)	(1,107)
- deferred tax expense	(1,350)	1,838	91	(436)
	37,885	40,079	2,067	(158)

19. PROFIT FOR THE YEAR

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit for the year is arrived at after charging:				
Impairment loss on trade receivables (Note 23.4)	-	450	-	29
Auditors' remuneration				
- statutory audit	279	279	85	85
- other services	10	10	10	10
Depreciation on property, plant and equipment (Note 3)	55,939	50,983	3,708	3,215
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	7,803	6,747	2,165	1,913
- Wages, salaries and others	178,028	163,845	33,838	32,336
Property, plant and equipment written off	483	474	-	-
Loss on disposal of property, plant and equipment	-	7	-	-
Realised loss on foreign exchange	-	23	-	-
Unrealised fair value changes on derivatives	14,459	7,038	727	319
Rental of premises	2,485	2,805	834	931
and after crediting:				
Realised gain on foreign exchange	10,346	5,016	1,158	961
Unrealised foreign exchange gain on receivables and loans and borrowings, net	16,883	79	1,302	-
Gain on disposal of property, plant and equipment	564	-	553	181
Interest on short term deposits	2,305	2,689	1,190	1,665
Dividend income from other investments	143	-	143	-
Rental income	264	604	240	226
Bad debts recovered	-	80	-	-

20. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group 2014 RM'000	Group 2013 RM'000
Profit for the year attributable to owners of the Company	145,597	136,422

Weighted average number of ordinary shares

	Group 2014 '000	Group 2013 '000
Issued ordinary shares at 1 January	639,468	319,734
Effect of bonus issue in October 2013	-	319,734
Weighted average number of ordinary shares at 31 December	639,468	639,468

20. EARNINGS PER ORDINARY SHARE (continued)

Weighted average number of ordinary shares (continued)

	Group 2014 Sen	Group 2013 Sen
Basic earnings per share	22.77	21.33

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

21. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (tax exempt)	Total amount RM'000	Date of payment
2014			
Final 2013 ordinary	3.50	22,381	18.07.2014
Interim 2014 ordinary	3.50	22,381	23.12.2014
		44,762	
2013			
Final 2012 ordinary	7.00	22,303	15.07.2013
Interim 2013 ordinary	3.50	22,382	19.12.2013
		44,685	

After the reporting period the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (tax exempt)	Total amount RM'000
2014		
Final 2014 ordinary	4.50	28,776

22. OPERATING SEGMENTS

The Group has four (4) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group Managing Director (Group MD) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Technical rubber products
- Gloves (other than cleanroom gloves)
- Cleanroom products
- Others

Other operations of the Group mainly comprise investment holding and engineering services which are not of sufficient size to be reported separately.

22. OPERATING SEGMENTS (continued)

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group MD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group MD. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

The total of segment liability is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group MD.

Segment capital expenditure

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

Geographical segments

The four (4) segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Malaysia and/or Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the sales offices. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments, other investments, deferred tax assets and goodwill.

Group **Revenue**	**2014** **RM'000**	**2013** **RM'000**
Sales office located in Malaysia		
- for local market	47,978	71,601
- for export market	1,220,904	1,211,773
Sales office located outside of Malaysia	32,858	23,918
	1,301,740	1,307,292
Non-current assets		
Located in Malaysia	702,138	578,235
Located outside of Malaysia	22,478	22,304
	724,616	600,539

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the year ended 31 December 2014 and 31 December 2013.

22. OPERATING SEGMENTS (continued)

Business segments	Technical rubber products 2014 RM'000	Technical rubber products 2013 RM'000	Gloves 2014 RM'000	Gloves 2013 RM'000	Cleanroom products 2014 RM'000	Cleanroom products 2013 RM'000	Others 2014 RM'000	Others 2013 RM'000	Total 2014 RM'000	Total 2013 RM'000
Total external revenue	162,062	160,268	1,096,842	1,117,401	42,836	29,533	-	90	1,301,740	1,307,292
Segment results	14,597	15,015	176,544	168,164	1,827	1,331	(551)	(181)	192,417	184,329
Finance costs									(8,144)	(6,884)
Finance income									2,448	2,689
Tax expense									(37,885)	(40,079)
Profit for the year									148,836	140,055
Segment assets	188,819	193,179	1,048,198	863,459	29,478	25,481	23,170	23,899	1,289,665	1,106,018
Segment liabilities	36,280	31,956	414,536	343,451	3,365	2,586	11,220	6,014	465,401	384,007
Included in the measure of segment assets are:										
Capital expenditure	13,151	14,382	166,718	113,395	183	119	217	8,233	180,269	136,129
Included in the measure of segment result are:										
Depreciation	7,155	6,189	47,533	43,931	860	783	391	80	55,939	50,983

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:
(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL");
(c) Fair value through profit or loss ("FVTPL")
- Held for trading ("HFT"); and
(d) Available-for-sale financial assets ("AFS").

Group	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
2014				
Financial assets				
Other investments	8,259	-	-	8,259
Trade and other receivables	280,909	280,909	-	-
Cash and cash equivalents	63,899	63,899	-	-
	353,067	344,808	-	8,259
Financial liabilities				
Loans and borrowings	(206,096)	(206,096)	-	-
Trade and other payables	(170,347)	(170,347)	-	-
Derivative financial liabilities	(14,459)	-	(14,459)	-
	(390,902)	(376,443)	(14,459)	-

23. FINANCIAL INSTRUMENTS (continued)

23.1 Categories of financial instruments (continued)

Group	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
2013				
Financial assets				
Other investments	116	-	-	116
Trade and other receivables	242,945	242,945	-	-
Cash and cash equivalents	100,601	100,601	-	-
	343,662	343,546	-	116
Financial liabilities				
Loans and borrowings	(168,971)	(168,971)	-	-
Trade and other payables	(142,071)	(142,071)	-	-
Derivative financial liabilities	(7,038)	-	(7,038)	-
	(318,080)	(311,042)	(7,038)	-
Company				
2014				
Financial assets				
Other investments	8,259	-	-	8,259
Trade and other receivables	257,891	257,891	-	-
Cash and cash equivalents	26,178	26,178	-	-
	292,328	284,069	-	8,259
Financial liabilities				
Loans and borrowings	(1,554)	(1,554)	-	-
Trade and other payables	(17,040)	(17,040)	-	-
Derivative financial liabilities	(727)	-	(727)	-
	(19,321)	(18,594)	(727)	-
2013				
Financial assets				
Other investments	116	-	-	116
Trade and other receivables	254,954	254,954	-	-
Cash and cash equivalents	50,976	50,976	-	-
	306,046	305,930	-	116
Financial liabilities				
Loans and borrowings	(803)	(803)	-	-
Trade and other payables	(13,944)	(13,944)	-	-
Derivative financial liabilities	(319)	-	(319)	-
	(15,066)	(14,747)	(319)	-

23. FINANCIAL INSTRUMENTS (continued)

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) on:				
Financial assets and liabilities of fair value through profit or loss:				
- Forward foreign currency contracts	(14,459)	(7,038)	(727)	(319)
Loans and receivables	29,677	7,311	3,793	2,597
Financial liabilities measured at amortised cost	(8,144)	(6,884)	(72)	(73)
	7,074	(6,611)	2,994	2,205

23.3 Financial risk management

The Group and the Company have exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

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. It is the Group's policy that local customers who wish to trade on credit terms are subject to credit verification procedures, and hence there is no requirement for collateral. New overseas customers will be required either to trade in advance telegraphic transfer or letter of credits issued by reputable banks in countries where the customers are based. Once they become regular customers and proven to be creditworthy, these customers will be assigned a credit term approved by management and letter of credit will no longer be required.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables, especially for established subsidiaries, are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the collectability of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

23. FINANCIAL INSTRUMENTS (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2014			
Not past due	222,968	-	222,968
Past due 0 – 30 days	20,318	-	20,318
Past due 31 – 120 days	14,366	-	14,366
Past due more than 120 days	2,621	(376)	2,245#
	260,273	(376)	259,897
2013			
Not past due	181,175	-	181,175
Past due 0 – 30 days	21,704	-	21,704
Past due 31 – 120 days	15,665	(220)	15,445
Past due more than 120 days	4,702	(289)	4,413#
	223,246	(509)	222,737
Company			
2014			
Not past due	5,725	-	5,725
Past due 0 – 30 days	6,766	-	6,766
Past due 31 – 120 days	9,439	-	9,439
Past due more than 120 days	247	-	247#
	22,177	-	22,177
2013			
Not past due	4,767	-	4,767
Past due 0 – 30 days	6,895	-	6,895
Past due 31 – 120 days	11,438	-	11,438
Past due more than 120 days	1,548	(77)	1,471#
	24,648	(77)	24,571

No allowance for impairment loss has been made for debts past due more than 120 days as the debts are recoverable and there are receipts subsequent to the year-end.

23. FINANCIAL INSTRUMENTS (continued)

23.4 Credit risk (continued)

The movements in the allowance for impairment losses during the financial year were:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	509	1,434	77	55
Impairment loss recognised	-	450	-	29
Impairment loss written off	(133)	(1,375)	(77)	(7)
At 31 December	376	509	-	77

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM202,697,000 (2013: RM165,656,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. 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.

At the financial year end, there were no indications that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Intercompany loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides management services and unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management services and loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

23. FINANCIAL INSTRUMENTS (continued)

23.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2014							
Non-derivative financial liabilities							
Term loans (unsecured)	51,429	4.43 - 4.75	57,055	15,287	12,762	29,006	-
Bank overdraft (unsecured)	3,067	7.40 - 7.85	3,067	3,067	-	-	-
Revolving credit (unsecured)	47,951	2.53	47,951	47,951	-	-	-
Trade finance (unsecured)	59,770	0.65 - 3.95	59,770	59,770	-	-	-
Hire purchase liabilities	43,879	1.88 - 3.50	46,598	20,893	19,134	6,571	-
Trade and other payables	170,347	-	170,347	170,347	-	-	-
	376,443		384,788	317,315	31,896	35,577	-
Derivative financial liabilities							
Foreign currency contracts (gross settled):							
Inflow	-	-	(254,958)	(254,958)	-	-	-
Outflow	14,459	-	269,417	269,417	-	-	-
	390,902	-	399,247	331,774	31,896	35,577	-
2013							
Non-derivative financial liabilities							
Term loans (unsecured)	52,410	4.75 - 7.69	57,801	17,346	29,546	10,909	-
Bank overdraft (unsecured)	2,370	7.40 - 7.85	2,370	2,370	-	-	-
Revolving credit (unsecured)	42,809	2.56 - 2.83	42,809	42,809	-	-	-
Trade finance (unsecured)	52,444	3.29 - 3.44	52,444	52,444	-	-	-
Hire purchase liabilities	18,938	2.25 - 3.50	20,343	8,244	6,894	5,116	89
Trade and other payables	142,071	-	142,071	142,071	-	-	-
	311,042		317,838	265,284	36,440	16,025	89
Derivative financial liabilities							
Foreign currency contracts (gross settled):							
Inflow	-	-	(303,939)	(303,939)	-	-	-
Outflow	7,038	-	310,977	310,977	-	-	-
	318,080		324,876	272,322	36,440	16,025	89

23. FINANCIAL INSTRUMENTS (continued)

23.5 Liquidity risk (continued)

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2014							
Non-derivative financial liabilities							
Trade finance (unsecured)	739	0.65 - 3.85	739	739	-	-	-
Hire purchase liabilities	815	1.88 - 2.85	850	473	260	117	-
Trade and other payables	17,040	-	17,040	17,040	-	-	-
Financial guarantee	-	-	202,697	202,697	-	-	-
	18,594		221,326	220,949	260	117	-
Derivative financial liabilities							
Foreign currency contracts (gross settled):							
Inflow	-	-	(9,667)	(9,667)	-	-	-
Outflow	727	-	10,394	10,394	-	-	-
	19,321		222,053	221,676	260	117	-
2013							
Non-derivative financial liabilities							
Trade finance (unsecured)	146	3.29	146	146	-	-	-
Hire purchase liabilities	657	2.27 - 2.90	686	414	243	29	-
Trade and other payables	13,944	-	13,944	13,944	-	-	-
Financial guarantee	-	-	165,656	165,656	-	-	-
	14,747		180,432	180,160	243	29	-
Derivative financial liabilities							
Foreign currency contracts (gross settled):							
Inflow	-	-	(12,754)	(12,754)	-	-	-
Outflow	319	-	13,073	13,073	-	-	-
	15,066		180,751	180,479	243	29	-

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

23.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar (USD).

Risk management objectives, policies and processes for managing the risk

The Group uses forward foreign currency contracts to hedge its foreign currency risk. Most of the forward foreign currency contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign currency 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.

23. FINANCIAL INSTRUMENTS (continued)

23.6.1 Currency risk (continued)

As at the end of reporting date, forward foreign currency contracts entered into with the following amounts:

Forward foreign currency contracts used to hedge receivables

	Group			Company		
Hedged item	**Amount to be received USD'000**	**Average contract rate**	**Equivalent RM'000**	**Amount to be received USD'000**	**Average contract rate**	**Equivalent RM'000**
2014						
Trade receivables	75,936	3.3575	254,958	2,958	3.2681	9,667
2013						
Trade receivables	94,123	3.2292	303,939	3,954	3.2256	12,754

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Group Denominated in USD		Company Denominated in USD	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade receivables	206,084	203,940	14,520	29,109
Trade payables	(20,756)	(24,518)	(263)	(186)
Loans and borrowings	(43,897)	(82,813)	-	-
Derivatives held for trading at fair value through profit or loss	(14,459)	(7,038)	(727)	(319)
Exposure in the statements of financial position	126,972	89,571	13,530	28,604

Currency risk sensitivity analysis

A 5% strengthening of Ringgit Malaysia against USD at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Equity		Profit or loss	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Group				
USD	-	-	(4,761)	(3,359)
Company				
USD	-	-	(508)	(1,073)

A 5% weakening of Ringgit Malaysia against USD at the end of the reporting period would have equal but opposite effect on equity and post-tax profit or loss respectively, on the basis that all other variables remained constant.

The exposure to currency risk other than USD is not material and hence, sensitivity analysis is not presented.

23. FINANCIAL INSTRUMENTS (continued)

23.6.2 Interest rate risk

The Group's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Fixed rate instruments					
Deposits with licensed banks	11	25,756	31,256	4,000	5,000
Term loans - unsecured	13	(51,429)	(40,084)	-	-
Hire purchase liabilities	13	(43,879)	(18,938)	(815)	(657)
Revolving credits - unsecured	13	(47,951)	(42,809)	-	-
Trade finance - unsecured	13	(59,770)	(52,444)	(739)	(146)
		(177,273)	(123,019)	2,446	4,197
Floating rate instruments					
Term loans - unsecured	13	-	(12,326)	-	-
Bank overdraft - unsecured	13	(3,067)	(2,370)	-	-
		(3,067)	(14,696)	-	-

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedge instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 (2013: 50) basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or Loss: Group 50 bp increase RM'000	Group 50 bp decrease RM'000	Company 50 bp increase RM'000	Company 50 bp decrease RM'000
2014				
Floating rate instruments	(1)	1	-	-
2013				
Floating rate instruments	(55)	55	-	-

23. FINANCIAL INSTRUMENTS (continued)

23.7 Fair value information

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

It was not practicable to estimate the fair value of the Group's investment in club membership due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
Financial asset										
Quoted investments	-	8,143	-	8,143	-	-	-	-	8,143	8,143
Financial liabilities										
Hire purchase liabilities	-	-	-	-	-	-	(42,881)	(42,881)	(42,881)	(43,879)
Forward foreign currency contracts	-	(14,459)	-	(14,459)	-	-	-	-	(14,459)	(14,459)
Term loans (unsecured)	-	-	-	-	-	-	(51,042)	(51,042)	(51,042)	(51,429)
	-	(14,459)	-	(14,459)	-	-	(93,923)	(93,923)	(108,382)	(109,767)
2014										
Company										
Financial asset										
Quoted investment	-	8,143	-	8,143	-	-	-	-	8,143	8,143
Financial liabilities										
Hire purchase liabilities	-	-	-	-	-	-	(799)	(799)	(799)	(815)
Forward foreign currency contracts	-	(727)	-	(727)	-	-	-	-	(727)	(727)
	-	(727)	-	(727)	-	-	(799)	(799)	(1,526)	(1,542)
2013										
Group										
Financial liabilities										
Hire purchase liabilities	-	-	-	-	-	-	(19,424)	(19,424)	(19,424)	(18,938)
Forward foreign currency contracts	-	(7,038)	-	(7,038)	-	-	-	-	(7,038)	(7,038)
Term loans (unsecured)	-	-	-	-	-	-	(52,160)	(52,160)	(52,160)	(52,410)
	-	(7,038)	-	(7,038)	-	-	(71,584)	(71,584)	(78,622)	(78,386)
2013										
Company										
Financial liabilities										
Hire purchase liabilities	-	-	-	-	-	-	(663)	(663)	(663)	(657)
Forward foreign currency contracts	-	(319)	-	(319)	-	-	-	-	(319)	(319)
	-	(319)	-	(319)	-	-	(663)	(663)	(982)	(976)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

23. FINANCIAL INSTRUMENTS (continued)

23.7 Fair value information (continued)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Quoted investments

The fair value of available-for-sale financial assets is based on the net assets value of the money market fund as at the end of the reporting period obtained from fund managers.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2013: no transfer in either direction).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For hire purchase, the market rate of interest is determined by reference to hire purchase agreements.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2014	**2013**
Hire purchase liabilities	4.57 - 5.19	4.33 - 6.54
Term loans (unsecured)	4.43	4.75 - 7.69

24. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2014 and at 31 December 2013 were as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Total borrowings (Note 13)	206,096	168,971
Less: Cash and cash equivalents (Note 11)	(63,899)	(100,601)
Net debt	142,197	68,370
Total equity attributable to owners of the Company	807,030	704,941
Debt-to-equity ratio	0.18	0.10

24. CAPITAL MANAGEMENT (continued)

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

25. CAPITAL AND OTHER COMMITMENTS

	2014 RM'000	2013 RM'000
Group		
Property, plant and equipment		
Within one year:		
Contracted but not provided for	44,811	53,498
Company		
Property, plant and equipment		
Within one year:		
Contracted but not provided for	-	-

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 (see Note 17), are as follows:

	Transactions amount for the year ended 31 December	
Group	**2014 RM'000**	**2013 RM'000**
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
Kossan Chemical Industries (M) Sdn. Bhd.		
Rental expense	(1,466)	(1,399)
Kossan Holdings (M) Sdn. Bhd.		
Rental expense	(172)	(104)
Pleasure Latex Products Sdn. Bhd.		
Rental income*	108	108
Kossan Paint (M) Sdn. Bhd.		
Sales*	158	508
Purchase of consumables, raw materials and property, plant and equipment	(600)	(511)

26. RELATED PARTIES (continued)

Group	Transactions amount for the year ended 31 December 2014 RM'000	2013 RM'000
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (continued)		
Pan Asian Corporation Sdn. Bhd.		
Rental expense	(679)	(648)
Transactions with corporations in which Directors have financial interest		
HT Ceramics (M) Sdn. Bhd.		
Sales*	7	4
Purchase of property, plant and equipment	(4,988)	(3,092)
Kossan F.R.P. Industries (M) Sdn. Bhd.		
Sales*	6	6
Purchase of consumables	(282)	(208)
Company		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
Kossan Chemical Industries (M) Sdn. Bhd.		
Rental expense	(597)	(634)
Pleasure Latex Products Sdn. Bhd.		
Rental income	108	108
Kossan Paint (M) Sdn. Bhd.		
Sales*	158	508
Purchase of consumables	(50)	(39)
Pan Asian Corporation Sdn. Bhd.		
Rental expense	(378)	(361)
Transactions with corporations in which Directors have financial interest		
HT Ceramics (M) Sdn. Bhd.		
Sales*	7	4
Kossan F.R.P. Industries (M) Sdn. Bhd.		
Sales*	6	6

* There are no allowances for impairment loss being provided in respect of the related balances outstanding at year end and no impairment loss made during the year.

Balances with ultimate holding company and related parties at the end of reporting period are disclosed in Note 9 and Note 14 to the financial statements.

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are interest free, unsecured and expected to be settled with cash.

27. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS AND LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2014, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	517,350	416,876	22,127	35,137
- unrealised	(19,262)	(23,187)	3,491	3,207
	498,088	393,689	25,618	38,344
Less: Consolidation adjustments	(17,052)	(13,488)	-	-
Total group retained profits as per consolidated accounts	481,036	380,201	25,618	38,344

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by Malaysian Institute of Accountants on 20 December 2010.

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 36 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2014 and of their financial performances and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 27 on page 83 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....
Dato' Lim Kuang Sia

....
Lim Leng Bung

Klang, Selangor Darul Ehsan

Date: 22 April 2015

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 36 to 83 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 22 April 2015.

....
Lee Hon Chee

Before me:

Goh Cheng Teak
No. B204

Commisioner for Oaths,
Klang

Independent **Auditors' Report**

to the members of Kossan Rubber Industries Bhd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kossan Rubber Industries Bhd., which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 82.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2014 and of their financial performances and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.

c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 on page 83 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Abdullah Abu Samah
Approval Number: 2013/06/16(J)
Chartered Accountant

Petaling Jaya,

Date: 22 April 2015

List of **Properties**
as at 31 December 2014

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2014 RM'000
HSD 27360 PT12772 No 14 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/03/1995*	21 yrs	990 sq.ft	Freehold	Staff quarters	65
HSD 27361 PT12773 No 16 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/03/1995*	21 yrs	990 sq.ft	Freehold	Staff quarters	65
Lot 754 Jalan Hj Sirat 42100 Klang	Industrial land Factory	01/01/2011*	- 20 yrs	246,550 sq.ft	Freehold	- Factory	7,691 8,680
Lot 782 Jalan Sg Putus 42100 Klang	Industrial land Factory and office 5 storey office	01/01/2011*	- Factory-27 yrs Office-20 yrs 7 yrs	47,480 sq.ft	Freehold	- Factory/ and Office Office	1,109 1,176 3,478
HSM 21404 Lot 16632 Jalan Meru 41050 Klang	Industrial land Factory/office	24/03/1995*	- 25 yrs	6,055 sq. mtr	Freehold	- Factory/office	1,042 1,330
GM 551 Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Industrial land Factory	01/01/2011*	- 16 yrs	94,895 sq.ft	Freehold	- Factory	1,300 2,512
HSM 3930 PT 5708 (a) (formerly Lot 2796)	Industrial land Factory	01/01/2011*	- 12 yrs	213,916 sq.ft	Freehold	- Factory	3,836 4,380
(b) (formerly Lot 1365) Jln Sungai Sembilang 45800 Jeram	Industrial land Factory/Office Factory	01/01/2011*	- 16 yrs 7 yrs	217,800 sq.ft	Freehold	- Factory/Office Factory	1,114 6,612 4,464
HSM 15410 PT 21715 & HSM 15405 PT 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 storey light industrial building	03/04/2003	21 yrs	174 sq.mtr	Freehold	Hostel	201
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Industrial land Staff quarters	27/02/2003	- 11 yrs	5,527 sq.mtr	Freehold	- Staff quarters	355 289
HSM 4378 PT 7355 (formerly Lot 6134 and 6135) Batu 16 Jalan Klang, Jeram	Industrial land Factory	01/01/2011*	- 4 yrs	20,357 sq. mtr	Freehold	- Factory	2,241 7,394
Geran 244725 Lot 12262 (formerly Geran 40417 Lot 4761) Mukim Jeram, Kuala Selangor	Industrial land Factory	19/05/2004	- 10 yrs	2.969 hectares	Freehold	- Factory	1,147 2,845
Geran 125449 PT 49816 (formerly Lot 6129) 5 1/4 Mile,Jln Hj Abdul Manan, Jln Meru 41050 Klang	Industrial land Factory/Office	01/01/2011*	- 8 yrs	37,411 sq. mtr	Freehold	- Factory/Office	 15,938

List of **Properties**
as at 31 December 2014 (continued)

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2014 RM'000
Geran 173931 Lot 63617 (formerly HSD 116842 PT 54925) Mukim Kapar Daerah Klang	Industrial land Factory	01/01/2011*	- 1	4.355 hectares	Freehold	- Factory	6,621 27,454
Geran 173929 Lot 63616 (formerly HSD 116841 PT 54924) Mukim Kapar Daerah Klang	Industrial land Factory/Office	01/01/2011*	- Plant A - 4 yrs Plant B - 3 yr	4.544 hectares	Freehold	- Factory/ office	6,800 16,403 6,676
Geran 128405 Lot 24077 (formerly Lot PT 13726) Jln Meru 41050 Klang	Industrial land Factory	01/01/2011*	- 7 yrs	21,805 sq. mtr	Freehold	- Factory/Office	5,900 19,140
HSM 43179 PT 71276 (formerly GM 1724 & 1725 Lot 5068 & 5069) Jalan Meru 41050 Klang	Industrial land Factory/Office	09/11/2010	- 2 yr	21,105 sq. mtr	Freehold	- Factory/Office	10,405 17,658
Geran 45715 Lot 6130 Jln Meru 41050 Klang	Industrial land Factory	01/01/2011*	- 6 yrs	4.0519 hectares	Freehold	- Factory	15,603 28,379
HSM 4233 PT 7201 (formerly Lot 1367) Jalan Kapar Mukim Jeram	Vacant agriculture land	21/07/2009	nil	0.8043 hectares	Freehold	Vacant	836
GRN 52936 Lot 6104; GRN 52937 Lot 6106; GRN 52939 Lot 6108 Mukim Kapar	Vacant agriculture land	06/10/2013	nil	12.766 acres	Freehold	Vacant	22,765
Block 2 Zone C, Guang Hui Industrial Park Dongguan City Guangdong China	Factory/office Constructed on rented property	30/06/2011	10 yrs	na	Rental	Factory/ office	293
5100 E. 2nd Street Benecia CA 94510 United States of America	Industrial land and warehouse	31/05/2012	15 yrs	4.15 acres	Freehold	Warehouse and office	12,863
J1, Utama Modern Industri Blok AH No.2, Sukatani, Serang Indonesia	Industrial land	22/03/2013	nil	22,000 sq. mtr	Freehold	Vacant	5,223
HSD 116993 Lot 55083 Mukim Kapar, No 3 Jln Korporat, Tmn Perindustrian Meru, 42200 Kapar	Factory & hostel constructed on rented property	01/01/2014	1 yrs	12,000 sq.ft	Rental	Factory and hostel	1,894
Geran 45732 Lot 6075, Mukim Kapar, Daerah Klang	Industrial land	12/02/2013	nil	3.7492 hectares	Freehold	Vacant	20,240
HSD 283117, PT 7414, Mukim Pekan Bestari Jaya, Daerah Kuala Selangor	Industrial land	18/03/2014	nil	226,620 sq. mtr	Freehold	Vacant	36,604
							360,772

Statistics on **Shareholdings**
as at 30 April 2015

Authorised Share Capital	:	RM1,000,000,000
Issued and Fully paid up	:	RM 319,733,952
Number of shares in issue	:	639,467,904
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One 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	72	1.94	1,310	0.00
100 - 1,000	727	19.61	496,650	0.08
1,001 - 10,000	1,742	47.00	7,667,964	1.20
10,001 - 100,000	898	24.22	28,336,092	4.43
100,001 to less than 5% of issued shares	265	7.15	259,040,708	40.51
5% and above of issued shares	3	0.08	343,925,180	53.78
Total	3,707	100.00	639,467,904	100.00

DIRECTORS' SHAREHOLDINGS

No.	Name of Director	No. of Shares Direct Interest	%	No. of Shares Indirect Interest	%
1	Dato' Haji Mokhtar Bin Hj. Samad	-	-	-	-
2	Dato' Lim Kuang Sia - Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Lim Kuang Sia (PB)	763,776	0.12	327,556,976	51.22
3	Lim Kuang Yong	-	-	-	
4	Lim Leng Bung	-	-	326,512,480	51.06
5	Tan Kong Chang	-	-	-	-
6	Lim Siau Tian	-	-	-	-
7	Lim Siau Hing	-	-	-	-
8	Lim Ooi Chow	-	-	-	-
9	Tong Siew Choo	59,904	0.01	-	-
10	Lee Choo Hock	-	-	-	-

Statistics on **Shareholdings**
as at 30 April 2015 (continued)

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders		No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd		326,512,480	51.06
	- Kossan Holdings (M) Sdn. Bhd	270,512,480		
	- Malaysia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kossan Holdings (M) Sdn Bhd	40,000,000		
	- Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account-AmBank (M) Berhad for Kossan Holdings (M) Sdn Bhd	16,000,000		
2	Employees Provident Fund Board		34,744,500	5.43
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	33,412,700		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	1,000,000		
	- Employees Provident Fund Board	331,800		

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	270,512,480	42.30
2	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	40,000,000	6.26
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	33,412,700	5.23
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR KOSSAN HOLDINGS (M) SDN BHD	16,000,000	2.50
5	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	13,529,400	2.12
6	TIAN SENN RESOURCES SDN BHD	12,000,000	1.88
7	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND KG33 FOR INVESCO ASIA PACIFIC GROWTH FUND	11,496,700	1.80
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	9,999,900	1.56
9	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	7,100,000	1.11
10	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND IM94 FOR PYRAMIS EMERGING MARKETS COMMINGLED POOL	6,579,100	1.03
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	4,686,500	0.73
12	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY THEME FUND	4,587,100	0.72

Statistics on **Shareholdings**
as at 30 April 2015 (continued)

No.	Name of Shareholders	No. of Shares	%
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	4,576,200	0.72
14	LIM HUI GUAN	4,466,000	0.70
15	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR HI-KABL-FONDS	4,400,000	0.69
16	RUBY TECHNIQUE SDN BHD	4,350,000	0.68
17	AMANAHRAYA TRUSTEES BERHAD PB GROWTH FUND	3,725,600	0.58
18	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND 6B14 FOR LAZARD EMERGING MARKETS SMALL CAP EQUITY TRUST	3,550,206	0.56
19	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	3,423,700	0.54
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD BANK NEGARA MALAYSIA NATIONAL TRUST FUND (CIMB)	3,315,000	0.52
21	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	3,294,700	0.52
22	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)	3,083,400	0.48
23	AMANAHRAYA TRUSTEES BERHAD PUBLIC ITTIKAL SEQUEL FUND	3,071,000	0.48
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	2,856,258	0.45
25	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	2,769,300	0.43
26	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	2,440,000	0.38
27	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	2,294,000	0.36
28	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR ASIA FLEXIBLE FUND (5758-401)	2,156,200	0.34
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	2,024,000	0.32
30	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	2,013,200	0.31
	Total	**487,712,644**	**76.30**

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Thirty Fifth (35th) Annual General Meeting ("AGM") of the Company will be held at Function Room 8, Mezzanine Floor, Setia City Convention Centre, 1 Jalan Setia Dagang AG U13 /AG Setia Alam, Seksyen U13, 40170 Shah Alam on Thursday, 18 June 2015 at 10.30 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors thereon.

2. To approve payment of a final tax exempt dividend of 4.5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2014. **(Ordinary Resolution 1)**

3. To approve the payment of Directors' fees amounting to RM231,000 for the financial year ended 31 December 2014. (2013: RM191,000) and the payment of Directors' fees of not exceeding RM300,000 for the financial year ending 31 December 2015. **(Ordinary Resolution 2)**

4. To re-elect Mr. Lim Leng Bung retiring pursuant to Article 113 of the Articles of Association, and being eligible, has offered himself for re-election: **(Ordinary Resolution 3)**

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

   (i) Lee Choo Hock **(Ordinary Resolution 4)**

   (ii) Dato' Lim Kuang Sia **(Ordinary Resolution 5)**

6. To re-appoint KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

SPECIAL BUSINESS

7. Proposed Authority To Allot Shares Pursuant To Section 132D Of The Companies Act, 1965 **(Ordinary Resolution 7)**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company as at the date of this Annual General Meeting ("AGM") and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

8. Proposed Renewal Of And New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

   "That pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of and new the shareholders' mandate for the Company and/or its subsidiaries ("Kossan Group") to enter into recurrent related party transactions of a revenue or trading nature ("Proposed Renewal Of And New Shareholders' Mandate"), which are necessary for the day-to-day operations of Kossan Group to be entered into by Kossan Group provided such transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, particulars of which are set out in Section 2.5 of the Circular to Shareholders of the Company dated 27 May 2015

   (i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries
   (ii) Kossan F.R.P. Industries (M) Sdn. Bhd. and its subsidiaries
   (iii) HT Ceramics (M) Sdn. Bhd.

(Ordinary Resolution 8)
(Ordinary Resolution 9)
(Ordinary Resolution 10)

And that such approval conferred by the shareholders' mandate shall continue to be in force until-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier

AND FURTHER THAT the Directors of the Company/ or any of them be and are/is(as the case may be) hereby authorised to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal Of And New Shareholders' Mandate."

9. Proposed Renewal Of Shareholders' Mandate On Share Buy-Back ("Proposed Share Buy-Back") **(Ordinary Resolution 11)**

"That subject to the Companies Act, 1965 ("Act"), the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association and other applicable laws, rules, regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to utilise an amount not exceeding the total share premium account and retained profits of the Company to purchase such number of ordinary shares of RM0.50 each in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares, if any, as defined under Section 67A of the Act ("Treasury Shares") then still held by the Company not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased or retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or to sell same in a manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the applicable laws, rules, regulations and guidelines of Bursa Securities and any other regulatory authorities for the time being in force".

10. Retention of Independent Directors

(a) Dato' Haji Mokhtar Bin Haji Samad

"That approval be and is hereby given to Dato' Haji Mokhtar Bin Haji Samad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company and that the Board of Directors be authorised henceforth to determine, on a year to year basis, the continuation in office of Dato' Haji Mokhtar Bin Haji Samad as an Independent Non-Executive Director of the Company until such authority is revoked at a general meeting." **(Ordinary Resolution 12)**

(b) Madam Tong Siew Choo

"That approval be and is hereby given to Madam Tong Siew Choo, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company and that the Board of Directors be authorised henceforth to determine on a year to year basis, the continuation in office of Madam Tong Siew Choo as an Independent Non-Executive Director of the Company until such authority is revoked at a general meeting." **(Ordinary Resolution 13)**

11. To transact any other business of which due notice shall have been given in accordance with the Act.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the final tax exempt dividend of 4.5 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2014, if approved by members at the Annual General Meeting to be held on Thursday, 18 June 2015, will be paid on 22 July 2015. The entitlement date for the dividend will be 3 July 2015.

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 3 July 2015 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
Klang, Selangor Darul Ehsan

27 May 2015

Notice of **Annual General Meeting** (continued)

NOTES

1. Receiving of the Audited Financial Statements

   Item 1 of the Agenda is intended for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders of the Audited Financial Statements. As such this item is not put forward for voting.

2. Ordinary Resolution 2 - Proposed payment of Directors' fees of not exceeding RM300,000.00 for the financial year ending 31 December 2015.

   The proposed Ordinary Resolution 2 is to seek shareholders' approval to facilitate the payment of Directors' fees on current year basis. In the event the Directors' fees proposed is insufficient, the Board will seek the approval of shareholders at the next Annual General Meeting to meet the shortfall.

3. Proxy Form

   (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.

   (ii) Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

   (iii) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one(1) proxy in respect of each securities account.

   (iv) Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   (v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised.

   (vi) Only members whose names appear in the Record of Depositors as a 11 June 2015 will be entitled to attend, speak and vote at the meeting or appoint a proxy to attend, speak and vote in his stead.

   (vii) To be valid, the original 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 3/4 Jalan Kapar, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time of the meeting and any adjournment thereof.

4. Explanatory Notes on Special Business

   (i) Proposed authority to allot shares pursuant to Section 132 D of the Companies Act, 1965

   The proposed Ordinary Resolution 7, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

   This authority will provide flexibility to the Company for any possible fund raising exercise, including but not limited to placement of shares for purpose of funding investment projects, working capital and/or acquisition.

   At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and/or utilization of proceeds arising from such an issue of shares.

   This is a renewal of the general mandate for the issue of new ordinary shares in the Company which was approved at the last AGM. The Company did not issue any new shares under the previous mandate.

(ii) Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposal")

The proposed Ordinary Resolutions 8, 9 and 10 are to seek shareholders' approval on the related party transactions entered or to be entered into by the Kossan Group in the ordinary course of business. These are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and may arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case-by- case basis before entering into such related party transactions.

As such the Board is seeking an approval and renewal of and new shareholders' mandate pursuant to Part E, Paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad for the related party transactions described in Section 2.5 of the Circular to shareholders dated 27 May 2015 to allow the Kossan Group to enter into such recurrent related party transactions, make at arm's length basis and on normal commercial terms, not more favourable to the related parties than those generally available to the public and which will not be to the detriment of the minority shareholders of the Company. Further details on the Proposal can be obtained from the Circular to shareholders of the Company dated 27 May 2015.

By obtaining the shareholders' mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objective of the Kossan Group or adversely affecting the business opportunities available to the Kossan Group.(iv)Retention of Independent Directors

(iii) Proposed Renewal of Authority for Share Buy-back

The proposed Ordinary Resolution 11, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of ten per cent (10%) of the issued and paid up share capital of the Company by utilising funds allocated out of retained profits and share premium accounts of the Company. Further information on the Proposed Renewal of Authority for Share Buy-back is set out in the Statement to Shareholders dated 27 May 2015, which is despatched together with the Company's 2014 Annual Report.

(iv) Retention of Independent Directors

The proposed Ordinary Resolutions 12 and 13 are to seek the shareholders' approval to retain directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. The Board and the Nominating Committee had assessed the independence of the following directors and recommends them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

- Resolution 12- Dato' Haji Mokhtar Bin Haj Samad

  (a) Dato' has fulfilled the criteria under the definition of an Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

  (b) Dato's vast experience in business will enable him to contribute objectively as well as judgement wise during Board deliberations.

  (c) Dato' has performed his duty diligently and in the best interest of the Company and has always provided the Board balance required by providing the Board a check and balance on matters being deliberated by the Board.

(iv) Retention of Independent Directors (continued)

- Resolution 13 – Madam Tong Siew Choo

  (a) She has fulfilled the criteria under the definition of an Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

  (b) Her vast experience in accounting, auditing and taxation will enable her to contribute with objective judgement during Board deliberations by bringing experience and technical expertise into business management and independent evaluation of judgement on businesses of the Company.

  (c) She has performed her duty diligently and in the best interest of the Company and provides a broader view and independent assessment of matters being deliberated by the Board.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands losses and damages as a result of the member's breach of warranty.

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Proxy Form

KOSSAN RUBBER INDUSTRIES BHD
(COMPANY NO.: 48166-W)
(INCORPORATED IN MALAYSIA)

A. I/We ______________________________
(FULL NAME IN CAPITALS)
of ______________________________
(ADDRESS)
being a member/members of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint ______________________________
(FULL NAME-FIRST PROXY)
of ______________________________
(ADDRESS)

Where it is decided to appoint a second proxy, this section must also be completed. Otherwise it should be deleted.

B. I/We ______________________________
(FULL NAME IN CAPITALS)
of ______________________________
(ADDRESS)
being a member/members of KOSSAN RUBBER INDUSTRIES BHD. hereby appoint______________________________
(FULL NAME- SECOND PROXY)
of______________________________
(ADDRESS)

or failing him/her THE CHAIRMAN OF THE MEETING as my/our first proxy, to vote for me/us and on my/our behalf, at the Thirty Fifth Annual General Meeting of the Company, to be held at Function Room 8, Mezzanine Floor, Setia City Convention Centre, 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 18 June 2015 at 10.30 a.m. and at any adjournment thereof.

The proportion of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy A	%	In case of a vote by a show of hands, First Proxy A*/Second Proxy B* shall vote on my/our behalf
Second Proxy B	%	
	100%	

Resolutions		First Proxy A		Second Proxy B	
		For	Against	For	Against
AS ORDINARY BUSINESS:					
Ordinary Resolution 1	To approve final tax exempt dividend				
Ordinary Resolution 2	To approve Directors' fees amounting to RM231,000.00 for the financial year ended 31 December 2014 and the payment of Directors' fees of not exceeding RM300,000.00 for the financial year ending 31 December 2015.				
Ordinary Resolution 3	To re-elect Lim Leng Bung retiring in pursuant to Article 113 of the Company's Articles of Association.				
Ordinary Resolution 4	To re-elect Lee Choo Hock retiring in pursuant to Article 108 of the Company's Articles of Association.				
Ordinary Resolution 5	To re-elect Dato' Lim Kuang Sia retiring in pursuant to Article 108 of the Company's Articles of Association				
Ordinary Resolution 6	To re-appoint Messrs KPMG as Auditors of the Company and to authorize the Directors to fix their remuneration.				
AS SPECIAL BUSINESS					
Ordinary Resolution 7	Proposed authority to allot shares pursuant to Section 132D of the Companies Act 1965				
	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposal") with:				
Ordinary Resolution 8	(i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries				
Ordinary Resolution 9	(ii) Kossan FRP Industries (M) Sdn. Bhd and its subsidiaries				
Ordinary Resolution 10	(iii) HT Ceramics (M) Sdn. Bhd.				
Ordinary Resolution 11	Proposed renewal of mandate for share buy-back				
Ordinary Resolution 12	To retain Dato' Haji Mokhtar Bin Haji Samad as an Independent Non-Executive Director.				
Ordinary Resolution 13	To retain Madam Tong Siew Choo as an Independent Non-Executive Director.				
	To transact any other business for which due notice shall have been given.				

Please indicate with an "X" on the spaces provided on how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.

Dated this_____________day of ______________2015.

CDS Account No.	
No. of Shares held	

____
Signature of Member(s)/Common Seal

Notes

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.

(ii) Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

(iii) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account.

(iv) Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the had of an officer of attorney duly authorised.

(vi) Only members whose names appear in the Record of Depositors as at 11 June 2015 will be entitled to attend and vote at the meeting or appoint a proxy to attend and vote in his stead.

(vii) To be valid, the original 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, Selangor Darul Ehsan not less than 48 hours before the time of the meeting and any adjournment thereof.

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STAMP

The Secretary
KOSSAN RUBBER INDUSTRIES BHD (48166-W)

Wisma Kossan
Lot 782, Jalan Sungai Putus,
Off Batu 3¾, Jalan Kapar,
42100 Klang, Selangor Darul Ehsan.

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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

www.kossan.com.my