KOSSAN

STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD

(Company No.: 48166-W)

Business Stability With Long Term Sustainable Growth

ANNUAL REPORT 2015

AWARDS, ACCREDITATIONS & CERTIFICATIONS

ASEAN - BAC

Asean Business Awards 2015: Priority Integration Sectors, Rubber-Based - ***Excellence Awards***

SME MALAYSIA

SME Recognition Award 2015
Platinum Entrepreneur 2015 Award

MREPC

Malaysian Rubber Products Industry Awards

Top 5 Exporters Of Non-Glove Rubber Products Award

Top 5 Exporters Of Rubbers Gloves Awards

Entreprenuer Of The Year

Billion Dollar Brand Awards 2014-2015

THE BRAND LAUREATE

The Brandlaureate Billion Dollar Brand Awards For 2014-2015

STANDARDS MALAYSIA ACCREDITED LABORATORY

MS ISO/IEC 17025
TESTING
SAMM NO. 464

E-LAB TESTING AND RESEARCH CENTER
DOSHIN RUBBER PRODUCTS (M) SDN.BHD
Has been certified by
Standard Malaysia
for MS ISO/IEC 17025
Certificate No: SAMM 372

STANDARDS MALAYSIA ACCREDITED LABORATORY

MS ISO/IEC 17025
TESTING
SAMM NO. 464

KOSSAN LABORATORY
KOSSAN INDUSTRIES SDN BHD
Has been certified by
Standard Malaysia
for MS ISO/IEC 17025
Certificate No: SAMM 464

Certified System
Automotive
TS 16949
SAI GLOBAL

KOSSAN INDUSTRIES SDN BHD
Has been certified by
SAI-Global Limited, Australia
Against ISO/TS 16949
(Certificate No: IATF20004)

Certified System
Quality
ISO 9001
SAI GLOBAL

KOSSAN INDUSTRIES SDN BHD
Has been certified by
SAI-Global Limited, Australia
Against AS/NZS ISO 9001
(Certificate No: QEC 12558)

Certified System
Quality
ISO 9001
SAI GLOBAL

DOSHIN RUBBER PRODUCTS (M) SDN.BHD
QUALITY PROFILE SDN.BHD
Has been certified by
SAI-Global Limited, Australia
Against AS/NZS ISO 9001
(Certificate No: QEC 23010)

IKRAM QA SERVICES SDN BHD

KOSSAN INDUSTRIES SDN BHD
Has been certified by
IKRAM QA Service Sdn Bhd
for BS EN 681:Pt.1
Certificate No: IKRAM-B166-G0141-N0608

IKRAM QA SERVICES SDN BHD

DOSHIN RUBBER PRODUCTS (M) SDN.BHD
QUALITY PROFILE SDN.BHD
Has been certified by
SAI-Global Limited, Australia
Against AS/NZS ISO 9001
Certificate No: QEC 23010)
Certificate No: IKRAM-B104-G0107-N2505

HIBON CORPORATION SDN BHD
Has been certified by
SAI-Global Limited, Australia
Against AS/NZS ISO 9001
(Certificate No: QEC 12558)

HIBON CORPORATION SDN BHD
Has been certified by
Lloyd's Register of Shipping (M) Bhd,
Against ISO 9001
Approval Certificate No: KLR 0403696)

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

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

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

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

HIBON CORPORATION SDN BHD
Has been certified by
Lloyd's Register Quality Assurance Limited,
Against ISO/TS 16949
Certificate No: IATF0202332)
Approval Certificate No: KLR 6012731

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

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

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

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

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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	O	S	S	A	N
Keeping a healthy growth through teamwork.	Opting to be competitive through the provision of good services and quality innovative products.	Striving towards our own vision with full commitment and dedication.	Stepping up the welfare, competency and professionalism of our employees.	Aspiring creativity and innovation in our entire business processes.	Navigating towards a sustainable low carbon foot print economy.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Haji Mokhtar Bin Haji Samad
(Chairman)

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

Lim Leng Bung
Tan Kong Chang
Lim Siau Tian
Lim Siau Hing
Lim Ooi Chow
Tong Siew Choo
Lee Choo Hock

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
Sumitomo Mitsui Banking Corporation Malaysia 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

FINANCIAL HIGHLIGHT

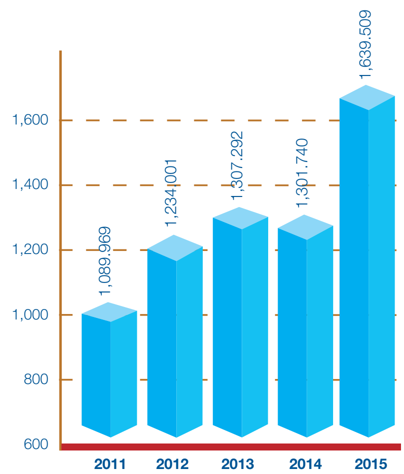
Operation (RM Million) for the year ended 31 December	2011 RM '000	2012 RM '000	2013 RM '000	2014 RM '000	2015 RM '000
Revenue	1,089.969	1,234.001	1,307.292	1,301.740	**1,639.509**
Profit Before Taxation	112.290	138.451	180.134	186.721	**268.567**
Profit Attributable to Equity Shareholders	89.192	102.163	136.422	145.597	**202.530**
Dividend per share(%)	14.00	24.00	14.00	16.00	**24.00**

Balance Sheet (RM Million)	2011	2012	2013	2014	2015
Share Capital	153.867	159.867	319.734	319.734	**319.734**
Shareholders' Funds	531.159	604.599	704.941	807.030	**950.921**
Net Asset per share (RM)	1.69*	0.97**	1.13**	1.26**	**1.49****

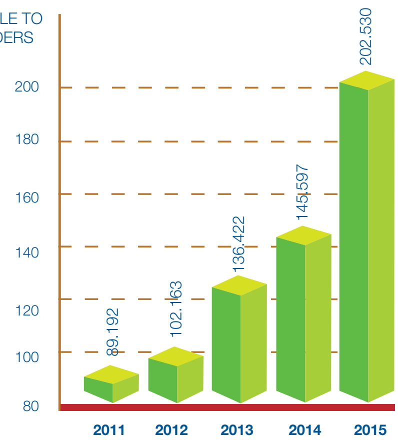
* *NA per share is calculated based on 319,733,952 shares of RM0.50 each*

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

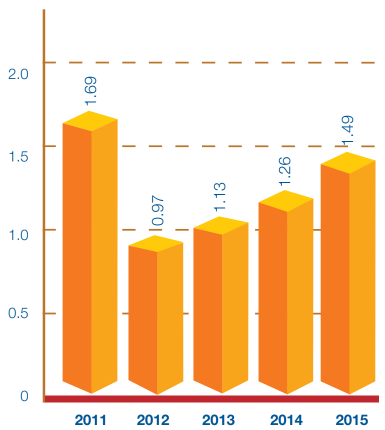
REVENUE
(RM MILLION)



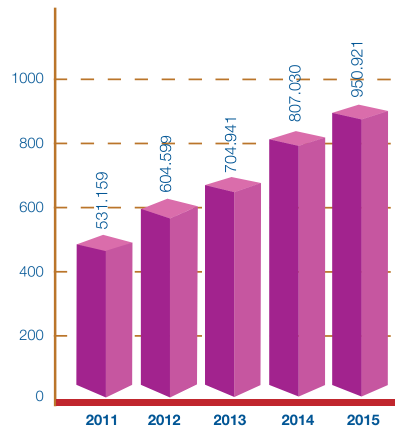
PROFIT ATTRIBUTABLE TO
EQUITY SHAREHOLDERS
(RM MILLION)



NET ASSET PER SHARE
(RM)



SHAREHOLDERS' FUNDS
(RM MILLION)



Dear Shareholders,

For the financial year ended 31 December 2015 ("FY 2015), I am pleased to report that Kossan Rubber Industries Bhd ("Kossan" or the "Company") continued to deliver strong financial and operational performance. Despite a challenging market backdrop, FY 2015 was a record-breaking year for Kossan in terms of revenue and earnings, meeting all our expectations.

Profit before taxation ("PBT") surged 43.8% on the back of a 25.9% growth in revenue. Our key business divisions – Gloves and Clean-room registered strong growth in operating profits ranging from 47.4% to 182.0% respectively while the technical rubber products ("TRP") reported stable earnings performance. On the strength of our solid performance, and for the 20th consecutive year, we are making good on our goal to deliver strong returns to our shareholders.

The results we have achieved reflect the disciplined pursuit and execution of a strategy that we have put in place to produce near-term results and reinforce the foundation for future success. An aggressive capacity expansion plan for our Glove Division initiated two years ago was successfully implemented with the timely completion of the remaining two new plants in July 2015. This has boosted our production capacity from 18 billion to 22 billion gloves per annum, firmly establishing Kossan as the world's second largest manufacturer of gloves in terms of capacity. As a result, we have also achieved a more optimal product-mix of nitrile to natural latex gloves of 70:30, an improvement from 53:47 registered the previous year.

While the results we have achieved in FY 2015 are commendable, we see them as stepping stones to 2016 and beyond. Kossan's distinctive capabilities of advanced technology, proven expertise and strong customer relationships have brought Kossan to where it is today – one of the top four gloves manufacturing companies in the world. The Company will continue to leverage on technology to remain competitive well into the future and to achieve the goals set out in our Corporate Vision. We have a lot more to do but from our current position of strength, I am convinced that we can achieve even more.

On behalf of the Board of Directors, it gives me pleasure to present this Annual Report and Audited Accounts of Kossan Rubber Industries Bhd for the financial year ended 31 December 2015.

BUSINESS OVERVIEW

Global growth for 2015 at 3.1% is marginally lower than in 2014. (Source : International Monetary Fund, World Economic Outlook Update, January 2016) Among factors affecting global growth were capital market volatility, currency depreciation in emerging markets and developing economies, possibility of a hike in US interest rate and lower commodity prices.

When the Malaysian 2016 Budget was presented, the nation's gross domestic product ("GDP") was projected to grow between 4.5% and 5.5% in 2015. (Source : Economic Report 2015/2016, page 2-1) However, with the value of the Ringgit depreciating to levels not seen since 1998 and with falling oil prices, the Budget was recalibrated in February 2016. Bank Negara has adjusted the full year GDP growth for 2015 to 5%.

Notwithstanding the considerable headwinds in the market environment, which have impacted Corporate Malaysia in one way or another, our core Glove and TRP businesses have remained robust. Global demand for rubber gloves from both developed and developing markets has been growing by between 8 and 9% for the past five years, attributed mainly to improved healthcare standards particularly in the developing countries. Malaysia has been the world's biggest supplier of rubber gloves for the past two decades and the Malaysian Rubber Glove Manufacturers Association ("MARGMA") is optimistic of achieving a 20% export growth for 2015. Meanwhile, demand for TRPs remained stable throughout 2015. Around 60% of our TRP production is exported, while the remainder is sold locally.

In a year that saw the value of the Ringgit weaken against the US Dollar by almost 27%, we are fortunate that this had little impact on Kossan's bottom-line. Being an exporter, our costs are subject to foreign exchange volatilities and we have always adopted a prudent hedging policy and effective risk management strategies to protect our profit margins.

FINANCIAL PERFORMANCE

Riding the momentum established, Kossan is now in its 20th year of an unbroken profit record. For FY 2015, the Group achieved a revenue of RM1.64 billion, an increase of 25.9% from RM1.30 billion registered in the previous year. PBT rose sharply by 43.8% year-on-year ("y-o-y") to RM268.57 million against RM186.72 million. Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") which has been trending upwards for the past five years, surged 38.2% to RM343.46 million from RM248.50 million.

Our Glove Division remained the biggest contributor to Group revenue and operating profit, accounting for approximately 86.1% and 94.1% respectively. Our TRP segment, which involves the manufacturing and distribution of high technical input rubber products, accounted for 9.8% of Group revenue while the balance was made up by our Clean-room operations. As at year-end 2015, our Shareholders' Fund stood at RM950.92 million, a 17.8% y-o-y improvement from RM807.03 million. On the strength of our better performance, earnings per share improved y-o-y by 39.1% to 31.7 sen, from 22.8 sen.

Kossan's strong financial performance in FY 2015 was driven by several factors, which includes a 26% increase in the total volume of gloves sold on the back of additional capacity. With demand for nitrile outpacing natural latex gloves, we have kept pace with the global trend to achieve a more favourable product mix of 70:30 nitrile to natural latex gloves. Operating margins have also improved in line with overall operational efficiency attributed mainly to increasing automation and business process optimisation. We have also benefitted from lower raw material prices over the past year and a currency exchange rate that is favourable to our business.

As evidenced by the quality of its balance sheet, Kossan's fundamentals are strong. Total assets grew 14.5% y-o-y to RM1.48 billion. With net debt of RM54.9 million, the Company's net gearing position has been reduced further to 5.8% from 17.6% a year ago. Our cash and bank balance remain healthy with over RM168.38 million in reserves. During the year, Net Assets per Share, Return on Equity ("ROE") and Return on Assets ("ROA") all registered double digit growth as compared with the previous year.

Since making its debut on the Main Board of Bursa Malaysia in 1996, Kossan has been one of the fastest growing companies in Malaysia. The share price of Kossan has been on the uptrend since listing and it is therefore no surprise that our counter has increasingly come on to the radar of several research houses and investment analysts. Investors like the stock for many reasons, notably consistency in performance, proven execution capabilities, technical know-how in the rubber products industry, consistency in dividend payments, generosity in declaring bonus issues and zero loss-making record.

DIVIDENDS

It is the Group's intention to create value for shareholders through a sustained dividend policy – minimum 30% payout from our annual earnings. We are planning to increase the payout rate to 50% in the near future.

For FY 2015, the company has paid an interim payment of 5.5 sen (2014 : 3.5 sen) and proposed a final dividend of 6.5 sen (2014: 4.5 sen), subject to the approval of shareholders at the forthcoming Annual General Meeting. The total dividend for the FY2015 will be 12.0 sen amounting to RM76.74 million, a 37.2% payout rate (2014 : RM51.16 million or 34.4% payout rate).

CORPORATE DEVELOPMENTS

On 17 April 2015, Kossan Rubber Industries Bhd incorporated a wholly-owned subsidiary under the name of Kossan Industries Sdn Bhd ("Kossan Industries"), with an authorised capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The current paid up capital is RM2.50 million. The principal business of Kossan Industries is the manufacturing of rubber products.

Our wholly-owned subsidiary, Kossan International Sdn Bhd ("Kossan International") has incorporated a new subsidiary, KISB HK Limited, to market its glove products. KISB HK Limited was incorporated on 16 November 2015 under the laws of Hong Kong, with an issued and paid-up capital of US One Dollar.

Kossan has also streamlined its glove businesses to achieve greater operational efficiency and provide the Group with the operational agility and flexibility to respond quickly in a dynamic and evolving market. All the Company's gloves businesses will be consolidated under Kossan Gloves Sdn Bhd, while the technical rubber manufacturing activities of Kossan Rubber Industries Bhd have been transferred to Kossan Industries Sdn. Bhd.

In keeping abreast with increasing automation in the industry, Kossan has entered into a joint-venture agreement ("JVA") with Aseptapak Limited and Aseptapak UK Limited to acquire the innovative automated packing machine technology and intellectual property rights. The technology will enable Kossan to increase the packing speed for gloves, besides reducing the risk of contamination during dispensing. It will help cut headcount by 70-80% on packaging lines and drive a more efficient manufacturing process.

AWARDS & ACCOLADES

Over the years, Kossan has had the privilege of being acknowledged in numerous industry awards and accolades, and FY 2015 proved to be no exception. Early in the year, we won two awards from The BrandLaureate - the Billion Dollar Brand Award 2014-2015 and Entrepreneur of the Year. Kossan was also honoured by the Malaysian Rubber Export Promotion Council ("MREPC") in two categories. We won awards for being Top 5 Exporters of Non-Glove Rubber Products as well as Top 5 Exporters of Rubber Gloves.

At the regional level, we won an ASEAN Business Award for Excellence in the Rubber-based Category. Conferred by the ASEAN Business Advisory Council, the much coveted award recognises outstanding enterprises in the ASEAN business community that have contributed to the growth of the regional economy. We are honoured and humbled to be included in such a select group.

We closed the year on a winning note, securing the Platinum Entrepreneur 2015 Award from the SME Association of Malaysia. Now in its 14th Year, the SME Recognition Award showcases the achievements of Malaysia's top small and medium-sized enterprises ("SMEs").

Every single award, citation or commendation that we earn means a great deal to Kossan. As the Group continually strive towards excellence, these are indications that we are indeed on the right track and a measure of how we stack up against the best in the business.

OUTLOOK & PROSPECTS

The volatility and uncertainty that has characterised so much of the operating environment in FY 2015 looks likely to extend into the coming financial year. In this regard, we are fortunate that our glove business is not cyclical by nature. Gloves remain an indispensable part of the medical and healthcare industry. According to MARGMA, total global glove consumption is expected to hit 212.2 billion pieces in 2016, and will continue to grow by 8 - 9% per annum over the next 4-5 years. Presently, usage of gloves is dominated by the United States ("US"), European Union ("EU") and some developed countries within Asia Pacific region such as Japan and Korea, which collectively account for 68% of global glove consumption. The other regions, including India and China, where amount of glove consumed is still considered insignificant despite having more than 80% of the world's population.

In India and China, per capita usage of gloves is abysmally low at 4 and 5.3, respectively versus the global average of 25.7 and the US average of 166. This very low market penetration of rubber gloves outside of the US and the EU suggests there remains high growth potential in these large addressable but still relatively untapped markets (Source : HSBC Global Research dated 8 March 2016). There is, therefore, high growth potential in these relatively untapped markets and Kossan has put in place a 5-years strategic marketing plan to expand its geographical footprint in these emerging economies.

The demand for disposable gloves in the healthcare industry remains consistently high, driven by increasing healthcare awareness and hygiene standards. Rising living standards have also resulted in more stringent health regulations, not only in the US and EU but in the developing countries. Other growth drivers include an ageing population, with the elderly being more susceptible to higher risk diseases. The emergence of new health threats like Zika is another factor, and the virus has so far been reported in more than 27 countries. While the healthcare industry accounts for a large chunk of the demand for disposable gloves, there is also a growing demand from the non-medical sector, mainly for food processing, cleanroom and industrial applications. The growth rate for quantity of glove consumed by households also look fascinating and is expected to be the next main glove consumption driver.

We also expect that demand for our TRPs used in the infrastructure, automotive, rail and marine industries will remain stable. Unlike our gloves business, demand for TRP is more cyclical and is vulnerable to unfavourable economic conditions. About 60% of our TRP production is exported. Global economic conditions remain fragile, with volatility persisting in many global financials while growth in China is expected to moderate. Heightened geopolitical tensions emanating mainly from the Middle East and North Africa could also dampen global economic expansion.

Kossan has never been so well-positioned to tap into what is still a growing industry to sustain future dynamic growth and deliver increasing shareholder value. Nevertheless, we cannot allow ourselves to be lulled into complacency and we are aware of the challenges ahead. The implementation of the minimum wage policy starting 1 July 2016 and the recent increase in foreign workers levy will impact on labour and subsequently production costs. This will be mitigated by our automation efforts which we expect to cut headcount by further 60 - 70%. Acquisition of Aseptapak packaging technology is one of our move to reduce manual workforce dependence. We are also monitoring rising utility costs, particularly electricity and natural gas pricing. The water supply situation in Selangor is another area of concern, as frequent disruptions could derail our expansion plans.

The future will undoubtedly hold many uncertainties and challenges, but even before the recent volatility, we have taken proactive measures to strengthen Kossan. We expect our pattern of earnings growth to be sustained in FY 2016 and beyond. Our overriding goal is to provide long-term sustainable growth for our shareholders and the resilience of our business model anchored in three main lines of businesses provides for consistent, profitable and responsible growth.

We are already one of the most efficient and cost-effective players in the glove industry, but we need to constantly challenge ourselves to further strengthen our financial position and unlock the value-creating potential of our businesses. Having a strong balance sheet means we have the capacity to invest and secure the first mover advantage in the most attractive growth markets and execute our strategic priorities. Integral to our forward-looking strategies, we will continue to harness the vast potential of technology to move Kossan forward towards achieving its Corporate Vision.

ACKNOWLEDGEMENTS

Kossan owes its success to date to a dedicated and talented team. All of our employees employed at our various locations in the Klang Valley have embraced our culture of excellence and it is inspirational how everyone has pulled together to deliver results. Our performance in FY 2015 would not have been possible without their exceptional contributions.

The Company also has a great support team comprising our customers across the globe, business associates, regulatory bodies, various government authorities, research analysts and members of the media. Your support and cooperation has always been appreciated and in a challenging year, it has made the difference. Our shareholders deserve special mention for their ongoing interest and support as they continue with us on our journey to expand our horizons. We also have an exceptionally strong Board and I thank my colleagues for their diligence and commitment throughout the year.

From our position of strength, Kossan faces the future with confidence. With your continuing support I am confident we will achieve all we set out to do and deliver sustainable returns well into the future.

I thank all of you.

DATO ' HAJI MOKHTAR BIN HAJI SAMAD
Chairman

26 April 2016

Dear Shareholders,

FY 2015 was another remarkable year of growth and achievement for Kossan Rubber Industries Bhd. Notwithstanding a challenging macroeconomic environment, our Group delivered record earnings and profitability, establishing us as one of the most successful, fastest growing and exciting companies on the Main Market of Bursa Malaysia.

Kossan has met all its operational targets for FY 2015, which include its capacity expansion programme, improvement in profit margin, product development and product mix improvement. Among the year's highlights are the following achievements:

- We have an active export customer base of more than 350 spread over 190 countries. About 50% of our customers are from the United States ("US"), with the Euro Zone accounting for 30%, Asia Pacific region at 15% and 5% for other countries.
- Kossan is widely acknowledged for its premium powder-free medical gloves and 100% of our capacity was exported. Our sales volume hit all time high with 26% increase y-o-y.
- The two remaining plants in our expansion programme were successfully commissioned in July 2015, expanding our production capacity by more than 20.0% to 22 billion pieces.
- The utilisation rate of all our production lines was consistently above 80%.
- We have improved our nitrile-to-natural latex mix to 70:30 from 57:43 in FY 2014, and this has translated into better profit margins.
- Through increasing automation, we have also reduced our manual labour workforce by 30%, while enhancing productivity and efficiency.
- We have successfully registered the Intellectual Property ("IP") right of our low accelerator glove in some developed countries.

Our solid operating results also underscore the strategic moves and efforts we have invested in automation, business process computerisation, quality and production process optimisation while exercising cost discipline. New and advanced high-speed production lines with a high automation content have been installed to improve efficiency, reduce dependence on manual labour and to boost our competitiveness. We have also invested in state-of-the-art equipment and technology to reduce our consumption of utilities including water, electricity and natural gas. Older plants and production lines have been revamped and modification works carried out to improve efficiency and productivity.

All these initiatives have resulted in improvements in all key earnings parameters. For the year under review, we achieved an EBIDTA margin of 20.9% (2014 : 19.1%), while operating profit margin rose to 16.9% (2014 : 14.8 %) and PBT margin improved to 16.4% (2014 : 14.3%). These numbers are all the more commendable in the face of a tough operating environment that has taken its toll on many Malaysian corporations.

REVIEW OF OPERATIONS

Since inception, Kossan has built a strong and diverse portfolio anchored in three main business divisions – Glove, Cleanroom and Technical Rubber Products ("TRP"). We now have a total of 20 manufacturing plants, of which 15 are for glove production, 4 plants specialising in the manufacture of high technical input rubber products and one plant in Dongguan, China manufacturing cleanroom products, face masks and wipes. Save for the plant for cleanroom products, all our plants are located within the Klang Valley, which allows for more effective management and logistics control.

Glove Division

FY 2015 was an exceptional year for Kossan's Glove Division, with revenue and profitability soaring to an all-time high. The Division achieved a 47.4% hike in operating profits on the back of a 28.6% increase in revenue. Our Cleanroom business also reported commendable results, with revenue and operating profits surging by more than 59% and 182% respectively during the year in review.

Kossan's Glove Division specialises in the manufacturing of premium medical grade gloves, establishing a solid reputation for the quality of its premium grade powder-free examination gloves. The Division also manufactures special purpose gloves for surgical, cleanroom, food processing, industrial, laboratory, diagnostic, dentistry, chemotherapy and home care applications. More than 80% of our total production capacity is sold to developed nations in the US, Euro Zone, Japan and Korea.

The year in review saw the completion of an expansion programme kicked-off in June 2013 to build three new plants with a total of 17 new production lines. The first plant commenced operations in November 2014, while the remaining two plants were completed and successfully commissioned in July 2015. This has enlarged Kossan's glove production capacity from 16 billion pieces per annum to 22 billion pieces per annum, an increase of more than 37%. With these new production lines, the Division has been able to increase its production of nitrile gloves by approximately 43%. Often referred to as "medical grade", nitrile gloves are made of synthetic rubber. They are not only puncture resistance, but are an ideal alternative when latex allergies are of concern.

The quality requirements for glove products in the developed markets are very stringent. As the world's second largest manufacturer of disposable gloves and a global supplier, all our manufacturing facilities have earned certification to internationally recognised quality management systems such as those accredited by the International Organisation for Standardisation ("ISO"). In additional to ISO certification, we are also in compliance with the requirements of the US Food & Drug Administration ("FDA"), Conformite Europeene ("CE") and the Health Canada Medical Device Bureau, among others.

Technical Rubber Products ("TRP") Division

When Kossan was incorporated in 1979, it started out by manufacturing TRPs, which are widely used in a wide range of industry applications. We are presently the largest manufacturer of TRPs in Malaysia, not only in terms of capacity but also the range of products available to the market. Our four manufacturing plants have a total compounding capacity exceeding 10,000 metric tons per annum and about 60% of our TRP capacity is exported, with the balance sold locally.

All our facilities are ISO-certified. Our TRP laboratory is also certified under MS ISO/IEC 17025 while our aviation quality management system conforms to the specific standards of Ford and Meggit Aircraft.

In FY 2015, TRP Division accounted for about 10% of Group revenue. Unlike our gloves business where demand is relatively inelastic, the demand for TRPs is subject to economic conditions. Concerted efforts have been channeled towards improving productivity and efficiency to counter rising production costs. Simultaneously, we have embarked on more aggressive marketing efforts to shore up sales.

COMPETITIVE STRENGTHS

Kossan operates in a challenging and evolving business landscape. More than just responding to trends, we are determined to play an active part in shaping our future. Our fundamentals have never been more solid and our competitive strengths will take us to where we want to be.

Strong Balance Sheet

One way to measure our success is the shareholder value we have built. As at FY 2015 year-end, the Group's net gearing was only 5.8%, while our cash balance position stood at RM168.4 million. Our operating cash-flow in the coming years is expected to remain strong. During the year under review, Total assets and shareholders' funds expanded by 14.5% and 17.8% respectively. Return on assets and equity hit an all-time high of 14.0% and 21.7% respectively.

The Compound Annual Growth Rate ("CAGR") of our key financial indicators over a 10-year period from 2005-2015 have been equally impressive. Kossan recorded a CAGR in shareholders' fund, revenue and profit after taxation of 19.6%, 15.7% and 21.8% respectively.

Given its balance sheet strength, Kossan is considered low-risk by banks and financial institutions. We will not encounter any problems tapping into capital markets for funds to finance our expansions plans to achieve greater profitability and breakaway growth. We are aware that Kossan has the capacity to grow even faster with a higher gearing ratio but this has to be balanced with our appetite for risks. We have always been guided by the old axiom of "Doing Things Within Our Means", and this means we will ensure that we do not stretch our financial and other key resources.

Technological Edge

Innovation and technology are key enablers in meeting the challenges we face. In today's challenging business environment, besides having sizeable production capacity, what is more important is the technological capability glove manufacturers must have in order to compete more efficiently. Kossan has always been a firm believer in technology and by leveraging its strong mechanical and chemical technological capabilities, we are able to offer our growing customer base a wide array of products that are unique, functional and at very competitive prices.

Uncompromising Quality Control

With more than 80% of our glove capacity designated for the developed markets, we meet the most stringent quality standards, including the FDA and European Standards (“ENs”). We are continually raising the bar as far as quality is concerned and we have an in-house Quality Assurance Department to conduct regular internal audits and reinforce the Kossan Brand as “A Name You Can Trust”.

Strong R&D Back-up

As a chemist and an engineer by qualification, I take a personal interest in Kossan’s R&D Department and its activities. Our R&D capabilities have always been a driving force of the Company.

Our R&D capabilities are the backbone of Kossan’s robust competitiveness and key to our long-term success. We have two major R&D teams, comprising qualified and experienced chemists and engineers. While each team has its own Key Performance Indicators (“KPIs), together they focus on product innovation, quality improvement, process improvement, automation and cost reduction initiatives. These are key factors that accelerate the momentum of business transformation in Kossan.

New product development is a key competitive strength and in FY 2015, Kossan was among the first in the industry to introduce a range of light-weight 3-grams accelerator-free nitrile glove that meets various medical requirements. Our polymer-coated and chlorinated gloves have also proven popular for ease of donning.

Over the years our home-grown R&D efforts have resulted in many innovative and unique products and this is what differentiates Kossan from other players. In the glove business, the technology developed is unique and is specific to a particular market, product range and clientele. Any new technology developed, be it product formulation, new chemicals, production processes or automation, is proprietary. To protect our innovative processes and unique products, we have filed patent rights in the relevant developed countries. Our latest innovative product is the accelerator-free nitrile glove, for which we have successfully registered the patent rights in some developed countries to deter any infringements.

Kossan prides itself on the quality of its products and services. Within the Laboratory Department, we have also established a Quality Control Laboratory, where ongoing testing and development of new compounds are carried out. All of our final products are tested to ensure compliance with international standards that meet or exceed clients’ expectations.

Customer-Supplier Relationship

Over the years, we have built excellent long-term strategic relationship with our customers and suppliers based on trust, transparency and ethical behavior; and we take them as our partners in all the business dealings. We believe in working closely with our partners, leveraging on each other’s strengths and competencies to create value together.

Riding on a strong reputation for product quality, competitive pricing, timely delivery and ability to meet our customers’ specific requirements, Kossan is the preferred supplier of latex gloves to most of the renowned multinationals in the pharmaceutical field in the developed countries. We strive to do better all the time and whenever an opportunity arises when we can serve our customers better, we act on it.

Excellent Track Record

Any account of Kossan's competitive strengths must take into account our impressive track record in many areas. We have posted impressive patterns of growth, capped by 20 years of an unbroken profitability record. The Company has also demonstrated a strong execution record in its expansion programme. Across many of the developed countries, our track record and good name continue to resonate, helping to expand our customer base. We are focused on building long-term, win-win relationships with our customers. This is why Kossan has always been able to sell its available capacity consistently and achieve the highest utilisation rate within the glove industry.

MOVING FORWARD

Kossan has come a long way and with the momentum established, I believe this is just the beginning of a new and dynamic phase of growth for Kossan. With solid foundations to build upon and continue to be guided by our Vision : "To be the world class market leader in rubber products through technological advancement, people value and continual improvement to deliver long term sustainable growth" as the direction, Kossan will always be in the right path to achieve all its business targets with sound strategies. To achieve our business targets and the long-term sustainability of our business, our strategic priorities will be on five key areas.

R & D. The importance of R&D to Kossan's business cannot be over-emphasized. Our distinctive capabilities of advanced technology set us apart from our peers and will be the driving force of our business in moving forward. Our R&D efforts will continue to focus on new product development, quality, process improvement and the development of high-speed efficient production lines.

Automation. We will be investing more resources to automate our production processes – from latex compounding, production dipping and glove stripping up to the final stage of packaging. By reducing reliance on manpower resources, it will hold the key to resolving problems of labour shortages and rising wages. By automating our processes, it will also minimise costly human errors, reduce wastage and rejects, besides ensuring product consistency.

Production Process Optimisation.Increasing higher utilities costs have contributed to escalating cost of production. As a mitigating measure, we will continue to invest in various technologies and the latest equipment to optimise the consumption of utilities and raw materials.

Business Process Computerisation. Our businesses processes will increasingly be computerised for greater efficiency and effectiveness. In-house, we have developed the necessary software and acquired the next generation Systems, Applications, Products ("SAP') software to undertake day-to-day stringent and routine process controls. This will help eliminate redundant and non value-added processes.

Investing in Human Capital. The expertise of our people is central to our progress and we need to continue investing and developing our human capital to defend our leading position in the glove industry. As a progressive employer, Kossan has put in place a comprehensive human capital management programme to attract and retain the best talents. We remain attentive to the career needs of our people and promising talents are nurtured to ensure a strong and steady pipeline of future leaders. We have an extensive training programme to help keep our employees abreast of the latest industry trends and acquire the necessary competency skills to perform effectively.

What we have for the next 4 to 5 years?

Going forward, we have to transform our business operations to another higher level by:

- Building new advanced efficient production lines with high output and high degree of automation;
- Fully computerize all our production plants and business units

These strategic transformation programmes will enable us to further strengthening our manufacturing capability besides enlarging the much needed production capacity for further business expansion.

To cope with increasing demands of gloves, Kossan has embarked on a new expansion programme with the development of two sites in Meru, Klang and at Bestari Jaya, Selangor. The first is a 10-acre site at Jalan Meru, which will house one nitrile glove plant with a capacity of 3.0 billion pieces per annum. The construction of the plant is ongoing, with targeted commercial production from September 2017.

The other is Kossan's biggest expansion project to date, on a 56-acre plot of land at Bestari Jaya. This RM450.0 million project will be implemented in four phases over the next four years, from now until the year 2020. When completed, there will be a total of four new plants built with a total annual production capacity of up to 18 billion pieces of nitrile gloves. Under Phase 1, a plant with an annual production capacity of 4.5 billion pieces of gloves is expected to be completed by September 2017.

The additional capacity of 7.5 billion pieces per year (3.0 billion from the Meru plant and 4.5 billion from the Bestari Jaya, Phase 1 plant) will boost Kossan's total capacity to 29.5 billion pieces per annum and will underpin its earnings from 2017 onwards. Upon completion of the expansion programme on our Bestari Jaya site by 2020, our production capacity will enlarge further to 44.0 billion pieces per annum.

ACKNOWLEDGEMENTS

Kossan's record performance in FY 2015 was due in large measure to the commitment and hard work of our people. At the management level, our leaders have displayed the vision and focused energy to help set the course that we are on today. Kossan employees continue to demonstrate the dedication and teamwork that brings results. The quality of our people is one of the reasons why I am optimistic and confident about the future of Kossan.

As we look forward to a new financial year, we know that we have our work cut out for us. These are exciting times for all of us and we will continue to shape Kossan's future with entrepreneurial far-sightedness and energy.

I thank all of you for journeying with us.

DATO' LIM KUANG SIA
Managing Director/Chief Executive Officer

26 April 2016

Dato' Haji Mokhtar Bin Haji Samad

Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 68, 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 64, 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 Honorary Life President of the Klang and Coast Teochew Association, Vice President of the Federated Teochew Associations of Malaysia, President of the Klang Chinese Chamber of Commerce and Industry, President of the Gabungan Dewan Perniagaan Dan Perindustrian Cina Pantai Selangor, 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 04.12.2015 Dato' was bestowed the "SME Recognition Award 2015" for being the Platinum Entrepreneur for 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 53 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.

Tan Kong Chang

Mr. Tan Kong Chang, a Malaysian aged 49, 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 43, 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 43, 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.

Tong Siew Choo

Madam Tong Siew Choo, a Malaysian aged 55, 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 63, 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.

Lim Ooi Chow

Mr. Lim Ooi Chow ("OC Lim"), a Malaysian aged 33, 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.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of Kossan Rubber Industries Bhd is committed and will continue to endeavor to comply with the principles and recommendations set out in the Malaysia Code of Corporate Governance 2012 ("Code"). The Board will regularly reviews and maintains all identifiable means to ensure the Company's corporate governance standards meet the requirements of the Code. This practice will ensure/assure continuous and sustainable growth of the Group for the interest of all stakeholders.

The Board is pleased to provide the following statement, which outlined how the Group had applied the principles and recommendations of the Code that were in place throughout the financial year ended 31 December 2015.

A) PRINCIPLE 1: ESTABLISH CLEAR ROLE AND RESPONSIBILITIES

Board composition and balance

The Board currently has nine (9) members, comprising four (4) non independent executive directors, two (2) executive directors and three (3) independent directors. This composition meets the requirements of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad which stipulate that at least two (2) directors or one third of the Board, whichever is higher, must be independent.

The Directors, with their different backgrounds, specialisations, qualifications and experiences, bring with them a wide range of knowledge and expertise, particularly in the fields of accountancy, banking, business, marketing, chemical engineering and administration for the effective management of the Group's diversified businesses. Their qualifications and experiences are set out in the Directors' Profile on pages 15 to 18 of the Annual Report.

The current Board composition also broadly balances and reflects the interest of the major shareholders, management and minority shareholders.

The Board recognises the importance and contributions of its Independent Directors. They provide objectivity, impartiality and independent judgement to the Board and ensure adequate check and balance in Board's decisions. Their presence provide an unbiased and independent views, advice and opinion to safeguard the interest of minority shareholders.

The positions of the Chairman and the chief executive officer are held by two (2) different individual with distinct and separate roles, with clear division of responsibilities will ensure balance of power and authority and that no one individual has unfettered powers on decision making.

The Chairman is primarily responsible for the leadership of the Board and ensure Board effectiveness and to facilitate constructive deliberations during Board meetings. He has authority over the agenda of each Board meeting, ensure all Board members are provided with the relevant information on a timely basis on matters to be deliberated at meetings and regulate the conduct at the meetings.

The Chief Executive Officer has overall responsibility for the Group's business operations, organizational effectiveness and the implementation of Board's policies and decisions.

Dato' Haji Mokhtar Bin Haji Samad has been identified as the Senior Independent Non Executive Director of the Board to which concern relating to the affairs of the Group may be conveyed.

Roles and Responsibilities of the Board

The Board has overall responsibility for the proper conduct of the Company's business and strategic direction, development and control of the Group. The Board has formally adopted a Board Charter that clearly sets out the roles and responsibilities of the Board and the management to ensure accountability. The Board charter will be subject to annual review by the Board to ensure it remains consistent with the Board's objectives and responsibilities.

A) PRINCIPLE 1: ESTABLISH CLEAR ROLE AND RESPONSIBILITIES (Cont’d)

Roles and Responsibilities of the Board (cont’d)

The Board has adopted the following major responsibilities to facilitate the Board in discharging its fiduciary duties:

- review and adopt strategic plans and policies for the Company and the Group;
- oversee and monitor the conduct of business and financial performance and major capital commitments;
- identify principal risks and implement appropriate risk management to minimize the risks;
- establish succession planning to ensure sustainability;
- establish, implement and monitor communications with shareholders; and
- review the adequacy of the internal control system and management information system.

Directors’ Code of Conduct/Ethics

The Board has adopted a Code of Ethics for Directors to enhance corporate governance and promote ethical conduct. This code also covers all employees to ensure professional and ethical conduct are maintained at all time in the discharge of their duties and responsibilities.

Corporate’s strategy to promote sustainability

The Board in formulating its Corporate Social Responsibility Statement has taken cognisance of the impact of the Company’s businesses on the environment, the community and stakeholders.

Supply of Information

All Directors have unrestricted and timely access to all information concerning the Company and the Group’s business for the discharge of their responsibilities. The Board papers and reports are distributed to the Directors in sufficient time prior to the meetings to enable them to seek clarification and/or explanation, where necessary, to expedite the decision making process.

The Board is supported by a qualified, experienced and competent Company Secretary, who is a member of a professional body. The Company Secretary plays an advisory role to the Board in relation to the Company’s constitution and advises and updates the Board on new statutory and regulatory requirements.

All Directors have access to the advice and services of the Company Secretary and senior management staff in the Group. They may also obtain independent professional advices at the Company’s expense in furtherance of their duties.

Board Meeting

The Board meets at least five (5) times a year at quarterly intervals with additional meetings convened as necessary. During the financial year ended 31 December 2015, five (5) Board Meetings were held and the attendance of the Directors at the Board Meetings were as follows:

Details of Board Meetings

Date of meeting	Time
23.02.2015	4.00 pm
22.04.2015	4.00 pm
21.05.2015	3.45 pm
20.08.2015	3.30 pm
19.11.2015	4.30 pm

All the meeting were held at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang, Selangor.

A) PRINCIPLE 1: ESTABLISH CLEAR ROLE AND RESPONSIBILITIES (Cont'd)

Board Meeting (cont'd)

Director	No. of meeting attended
Dato' Haji Mokhtar Bin Haji Samad	5/5
Dato' Lim Kuang Sia	5/5
Lim Leng Bung	5/5
Tan Kong Chang	5/5
Lim Siau Tian	3/5
Lim Siau Hing	5/5
Lim Ooi Chow	5/5
Tong Siew Choo	5/5
Lee Choo Hock	5/5

In the intervals between Board meetings, routine Board decisions were carried out through circular resolutions, supported with all relevant information and explanations for an informed decision.

B) PRINCIPLE 2: STRENGTHEN COMPOSITION

1. Nominating Committee

The Nominating Committee of the Company comprises exclusively of Independent Non-Executive Directors as follows:

Dato' Haji Mokhtar Bin Haji Samad - Chairman
Tong Siew Choo
Lee Choo Hock

The Nominating Committee meets as and when required and at least once a year. The Committee met twice in the financial year ended 31 December 2015.

The Committee's responsibilities include, amongst others, reviewing the Board composition and making recommendations to the Board for appointment of new directors (including gender considerations) by evaluating and assessing the suitability of candidate for Board/Committee membership. Factors taken into consideration will include the required mix of skills, knowledge, expertise, experience, professionalism and integrity.

The Committee also assesses on an annual basis the effectiveness of the Board as a whole, the Board committees and the individual contributions of each Director. All assessments and evaluations carried out are properly documented.

For the financial year ended 31 December 2015, the Board was satisfied that the Board and the Board Committees had discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition, in terms a of size, mix of executive, non executive and independent directors, and mix of skills and experience, were adequate.

The Board took note on the recommendation on boardroom diversity and will endeavor to comply should the right candidate with the required skills, knowledge and experience is available. Appointment based on merit and contributions would benefit the Company. The Company currently has one female director.

B) PRINCIPLE 2: STRENGTHEN COMPOSITION (Cont'd)

1. Nominating Committee (cont'd)

Re-elections of Directors

The Committee also conduct an assessment of the Directors who are subject to retirement at the forthcoming annual general meeting ("AGM") in accordance with the Articles of Association of the Company and the relevant provision of the Companies Act, 1965.

The Company's Articles provide that a Director appointed during the year is required to retire and seek re-election at the following AGM immediately after his appointment. The Articles also provide that one third of the Board, including the Managing Director, to retire by rotation and to seek re-election at every AGM, such that each Director should submit for re-election once in every three years.

Pursuant to Section 129(6) of the Companies Act, 1965, a Director, who is over 70 years of age must retire at the AGM and may after himself for re-appointment to hold office until the next AGM.

2. Remuneration Committee

The Remuneration Committee of the Company comprises a majority of independent non executive Directors. Its composition is as follows:

Dato' Haji Mokhtar Bin Haji Samad	- Chairman/Independent Non Executive
Tong Siew Choo	- Independent Non Executive
Dato' Lim Kuang Sia	- Chief Executive Officer/Managing Director/Executive

The Committee is responsible for reviewing the policy and making recommendations to the Board on the remuneration package and terms of employment of Executive Directors. The determination of the remuneration for the Non-Executive Directors will be decided by the Board as a whole, with the Director concerned abstaining from deliberations and voting in respect of his individual remuneration package.

The fees payable to the Non Executive Directors will be recommended by the Board for approval of shareholders at the AGM.

Details of the Directors' Remuneration

The aggregate Directors' remuneration paid or payable to the Directors in office during the financial year by the Company and the Group categorised into appropriate components for the financial year ended 31 December 2015 are as follows:

	Fees RM'000	Benefit in kind RM'000	Salaries & other emoluments RM'000	Total RM'000
Executive	–	145	15,428	15,573
Non-Executive	255	–	–	255
Total	**255**	**145**	**15,428**	**15,828**

B) PRINCIPLE 2: STRENGTHEN COMPOSITION (Cont'd)

2. Remuneration Committee (cont'd)

Details of the Directors' Remuneration (cont'd)

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands are as follows:-

	Number of Director	
Disclosure for Annual Report	**Executive**	**Non Executive**
RM 50,001 - RM 100,000	0	3
RM 550,001 - RM 600,00	1	0
RM 1,000,001 - RM 1,050,000	1	0
RM 1,500,001 - RM 1,550,000	1	0
RM 1,550,001 - RM 1,600,000	1	0
RM 2,300,001 - RM 2,350,000	1	0
RM 8,550,001 - RM 8,600,000	1	0

C) PRINCIPLE 3: REINFORCE INDEPENDENCE

Assessment of Independent Directors

The Board recognises the importance of independence and objectivity in its decision making process. The presence of the Independent Directors is essential to ensure unbiased and impartial opinion, advice and judgment are taken into account in arriving at decisions that may have impact on the Group, its shareholders, employees, customers and the communities in which the Group conducts its business.

The Board, through the Nominating Committee, assesses the independence of its Independent Non-Executive Directors on an annual basis based on the criteria used in the definition of "Independent Directors" as prescribed in the MMLR.

Based on the assessment, the current three (3) Independent Non Executive Directors have fulfilled the criteria of "Independence" and remain objective and independent.

Tenure of Independent Directors

The Company does not have term limits for all its Directors, including the Independent Directors. The Board believes that as long as the Independent Directors can continue to contribute positively towards the Company, their tenure will be retained.

The Nominating Committee take cognizant of

(a) Recommendation 3.2 of the Code – An independent director completing nine (9) years of services may be retained by reclassified as non independent;
(b) Recommendation 3.3 of the code – An independent director who has served nine (9) years of services may be retained as independent director if the Board can provide justification and obtain shareholders' approval at the AGM.

C) PRINCIPLE 3: REINFORCE INDEPENDENCE (Cont'd)

Tenure of Independent Directors (cont'd)

Both Dato' Haji Mokhtar Bin Haji Samad and Madam Tong Siew Choo had served the Company for a cumulative term of more than nine (9) years. Shareholders at 35th AGM held on 18.6.2015 had approved their retention as independent directors.

The Nominating Committee and the Board have assessed their independence and are satisfied they remain objective and independent in participating in the deliberation and decision making at Board and Committee meetings.

The Board has recommended that the approval of shareholders be sought at the Company's forthcoming AGM to retain both Dato' Haji Mokhtar Bin Haji Samad and Madam Tong Siew Choo as Independent Non Executive Directors based on the following justifications:

(i) they have fulfilled the criteria under the definition of Independent Director as stated in the MMLR;
(ii) they are familiar with the Company's business operation which allow them to participate effectively in deliberation and decision making process at Board and Committee level; and
(iii) they have continued to exercise independence and due care and have carried out their professional duties in the interest of the Company and the shareholders.

D) PRINCIPLE 4: FOSTER COMMITMENTS

Recommendation 4.1 of the Code recommends the Board to set out expectation on time commitment for its members and protocol for accepting new directorship.

Each director is required to notify the chairman of the Board prior to his acceptance of directorship outside the Group. The notification should include an approximate indication of time to be spent on the new directorship.

Directors' Training

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

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

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

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

D) PRINCIPLE 4: FOSTER COMMITMENTS (Cont'd)

Directors' Training (cont'd)

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

Director		Program/Courses/ Forums/Training		Date
1.	Dato' Lim Kuang Sia	(i)	Board Chairman Series: Part 2: Leadership Excellence from the Chair	28.07.2015
		(ii)	Rabobank Exclusive Business Forum	13.10.2015
		(iii)	5th Malaysia – China Entrepreneur Conference	07.11.2015
2.	Tan Kong Chang	(i)	Audit, Internal Control & Fraud Detection	29-30 July 2015
		(ii)	Simplified Strategic Planning	2-3 September 2015
		(iii)	Enterprise Risk Management Workshop	28-29 September 2015
		(iv)	Corporate Governance Breakfast Series- Board Reward & Recognition	26.11.2015
3.	Tong Siew Choo	(i)	Directors' Corporate Governance Series : Building Effective Finance Function- From Reporting to Analytics to Strategic Input	10.08.2015
		(ii)	Enterprise Risk Management Workshop	28-29 September 2015
		(iii)	Corporate Governance Breakfast Series- Future of Auditors' Reporting – The Game Change for Boardroom	02.11.2015
4.	Lee Choo Hock	(i)	HSBC - Briefing on Basel III and Group Strategy - Review of Malaysian Property Sector - NED Forum – Lender Driving Growth in Asean - FCC training for Board of Directors	12.01.2015 24.04.2015 23/24 Jun 2015 27.08.2015 10.12.2015
		(ii)	ICLF/ IIAM - Focus Group Discussion - Audit Committee Conference - Dialogue with Governor, Bank Negara Malaysia - Launch of Directors' Remuneration Report 2015	10.12.2015 24.03.2015 23.03.2015 07.12.2015
		(iii)	Directors' Corporate Governance Series : Building Effective Finance Function- From Reporting to Analytics to Strategic Input	10.08.2015
		(iv)	Enterprise Risk Management Workshop	28-29 September 2015

D) PRINCIPLE 4: FOSTER COMMITMENTS (Cont'd)

During the financial year, the Directors had attended the following programs: (Cont'd)

Director		Program/Courses/ Forums/Training		Date
5.	Lim Siau Hing	(i)	Simplified Strategic Planning	2-3 September 2015
6.	Lim Ooi Chow	(i)	Lecture Services – Connecting Latex Science to Factory Operations	26.03.2015 02.05.2015
		(ii)	Audit, Internal Control & Fraud Detection Seminar for the Public & Private Sector	29-30 July 2015
		(iii)	Simplified Strategic Planning	2-3 September 2015
		(iv)	Maximising Board Effectiveness Through A Strong Board with Oversight Role Beyond Financial Performance	02.10.2015
		(v)	Bursa Malaysia ASEAN CAP 10 Sustainability Series – Sustainability symposium	08.10.2015
		(vi)	Corporate Governance Breakfast Series – Board Reward & Recognition	26.11.2015
		(vii)	National Seminar on Trans-Pacific Partnership Agreement 2015	01.12.2015
7.	Lim Siau Tian	(i)	Kossan: Vision and Mission Sharing	04.03.2015
		(ii)	2015 International Latex Conference	11-12 August 2015

E) PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

i) Financial Reporting

In presenting the annual audited financial statements to the shareholders, the Board takes responsibility to present a balanced and meaningful assessment of the Group's financial performance and prospects and ensure that the financial statements reviewed and recommended by the Audit Committee for the Board's approval are prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards so as to present a true and fair view of the state of affairs of the Group.

A statement by the Directors of their responsibilities in the preparation of financial statements is set out below:

E) PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING (Cont'd)

ii) Statement of Directors' Responsibility in respect of the Financial Statements

Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the result and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:-

(a) select suitable accounting policies and apply them consistently;
(b) state whether applicable financial reporting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
(c) make judgements and estimates that are reasonable and prudent; and
(d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with accuracy at any time the financial position of the Company and of the Group and which will enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and are required to take reasonable steps for the prevention and detection of fraud and other irregularities.

iii) Relationship with the auditors

Through the Audit Committee, the Company has established an active, transparent and professional relationship with the Group's auditors, both internal and external in seeking professional advice and ensuring compliance with the relevant accounting standards. From time to time, the auditors highlight to the Audit Committee and the Board on matters that require the Board's attention, including the latest amendments to the Financial Reporting Standards and its implementations thereof.

In addition, the external auditors were invited to attend the Company's Annual General Meeting ("AGM") in order to address clarifications sought pertaining to the Audited Financial Statements by shareholders.

The Audit Committee is responsible for the annual assessment of the competency and independence of the external auditors. Having assessed their performance, the Audit Committee will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

The external auditors are required to declare their independence annually to the Audit Committee as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the Audit Committee of the Company.

The Audit Committee also reviewed the provision of non-audit services rendered to the Group by the external auditors and noted that the total amount of fees paid for non-audit services rendered by the Group external auditors for the financial year ended 31 December 2015 was RM10,000.00.

F) PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board is responsible for the Group's risk management framework and system of internal control and for reviewing their adequacy and integrity. Accordingly, the Directors are required to ensure that an effective system of internal control, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines is in place within the Group.

While acknowledging their responsibly for the system of internal control, the Directors are aware that such a system is designed to manage rather than eliminate risk and therefore cannot provide an absolute assurance against material misstatement or loss.

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investment and the Company's assets, the Group has in place an inhouse internal audit department. The activities of this department are reported regularly to the Audit Committee and provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control. The inhouse internal audit function is complemented by the services provided by an outsourced firm. As proper risk management is a significant component of a sound system of internal control, the Group has also put in place risk management process to help the Board in identifying, evaluating and managing risks. The implementation and maintenance of the risk management process is carried out by the Risk Management Committee of the Group.

A Statement on Risk Management and Internal Control of the Group which provides an overview of the state of internal controls within the Group is set out on pages 36 to 38 of the Annual Report.

G) PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board will ensure that it adheres to and comply with the disclosure requirements of the MMLR as well as the Corporate Disclosure Guide issued by Bursa Securities.

The Company continues to recognise the importance of transparency and accountability to its shareholders and investors. The Board endeavors to keep its shareholders and investors informed of its performance through the annual report and financial statements, circulars to shareholders, quarterly financial reports, and the various announcements made during the year. These will enable the shareholders, investors and members of the public to have an overview of the Group's performance and operations.

The Group also maintains a corporate website at www.kossan.com.my whereby shareholders as well as members of the public may access for the latest information on the Group. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

H) PRINCIPLE 8: STRENGTHEN RELATIONSHIPS BETWEEN COMPANY AND SHAREHOLDERS

The Company's Annual General Meeting ("AGM") remains the principal forum for dialogue with private and institutions shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with and constructive feedback from the shareholders. At each AGM, the Board presents the progress and performance of the Company's businesses and shareholders are encouraged to participate in the proceedings and question and answer session and thereafter to vote on all resolutions.

The Chairman as well as the CEO will respond to shareholders' questions at the AGM. The Notice and agenda of AGM together with the Proxy Form are given to shareholders at least twenty-one days before the AGM, which gives them sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. Each item of special business include in the Notice of AGM is accompanied by an explanatory statement for the proposed resolution to facilitate the full understanding and evaluation of issues involved.

H) PRINCIPLE 8: STRENGTHEN RELATIONSHIPS BETWEEN COMPANY AND SHAREHOLDERS (Cont'd)

All members present at each meeting have the rights to demand for a poll in accordance with the provisions of the Articles of Association of the Company on the voting for any resolutions. The voting process at each meeting shall be by way of show of hands unless a poll is demanded. The Chairman may demand for a poll for any substantive resolutions put forward for voting at the shareholders' meetings, if so required.

Dialogue between the Company and shareholders

The Company strives to maintain an open transparent channel of communication with its shareholders, institutional investors, analysts and the public at large with the objective of providing as clear and complete picture of the Group's performance and financial position as possible. The provision of timely information is principally important to the shareholders and investors for informed decision making. However, whilst the Company endeavors to provide as much information as possible to its shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The various channels of communications are through the quarterly announcement on financial results to Bursa Securities, relevant announcements and circulars, when necessary, AGM and also the Group's website.

COMPLIANCE WITH THE CODE

The Board is satisfied that the Company has, in all material aspects, complied with the principles and recommendations of the Code that were in place during the financial year ended 31 December 2015.

This Statement is made in accordance with the resolution of the Board of Directors dated 8 April 2016.

Dato' Haji Mokhtar Bin Haji Samad
Chairman

Dato' Lim Kuang Sia
Managing Director/Chief Executive Officer

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 35th Annual General Meeting held on 18 June 2015.

During the financial year ended 31 December 2015, 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 RM95,000.00 audit fees paid to the external auditors, the Company also paid RM10,000.00 in non audit fees for the year ended 31 December 2015.

(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.

Sustainability has always been crucial to our business. While aiming for top financial performance and growth, we believe that this should be achieved by adhering to the highest standards of corporate and social responsibility ("CSR").

Visited Orang Asli Community in Temenggor when they were affected by floods.

Kossan staffs volunteered their time and efforts in beautifying a rural school in Jeram.

Growth must be inclusive and we are committed to integrate corporate responsibility and sustainability across every aspect of our business. That is why we set up Yayasan Kossan in December 2015 as the guiding force in spearheading our CSR initiatives, particularly in our community outreach programmes. With an injection of RM1.0 million at initial stage, Yayasan Kossan is working out a more structured approach in responding to CSR needs at grassroots levels.

Kossan's CSR agenda is fully aligned with Bursa Malaysia's CSR Framework for Malaysian Corporations. Our CSR programmes and initiatives rest on four pillars : Marketplace Development; Workplace Development; Community Development and Environment preservation.

MARKETPLACE DEVELOPMENT

Kossan embraces good corporate governance as a driver of performance and creation of value over the long-term. Our shareholders expect their company to be run in a responsible, sustainable and transparent manner and the Board is determined that Kossan be known for its high standards of corporate governance. The policies and practices we have in place are consistent with the Corporate Governance Standards prescribed by the Malaysian Code of Corporate Governance 2012. These are revisited and strengthened from time to time in fulfillment of our social responsibility as a corporation.

In the digital age, investors and other stakeholders depend on corporate websites as a source of reliable information. Organised into useful categories, our home page www.kossan.com.my, provides information relating to our business activities, career opportunities as well as financial information, including our latest annual report. This service is part of our commitment to provide current and accurate information to shareholders and other constituents on a continuing basis. The latest announcements on developments affecting the Company can also be accessed through Bursa Malaysia's website.

Participation in Environment Preservation – "Recycle, Reuse, Reduce" (Pulau Ketam)

In managing our supply chain, we strive to operate our business to the highest ethical standards and we work closely with our vendors and suppliers so that they too meet high standards of ethics and business conduct. We believe they deserve fair and equitable treatment and we adopt great degree of transparency in all our dealings with our suppliers and vendors, ensuring that they have the same access to information. Even as we grow, we try to ensure that our growth is inclusive through various efforts including vendor development programme and annual satisfaction surveys for mutual improvements.

Undoubtedly, one of Kossan's biggest contributions to the marketplace is through its research and development ("R&D") activities. Each year, a reasonable percentage of our operating budget has been channeled into R&D to enhance the functionality and quality of our products. Among our many breakthroughs is the invention of an accelerator free nitrile glove that reduces the possible risk of chemical allergies to certain users. In FY 2015, we reduced the weight of the accelerator free nitrile glove further to only 3 grams, which is the one of the thinnest in the industry that meets various medical requirements. This light weight nitrile glove is also priced cheaper owing to lower material and production costs, making it affordable for more users. We place great emphasis on quality and 80% of our glove capacity is exported to developed markets where quality standards are very stringent.

Connecting with our stakeholders, both internally and externally, is important to identify and manage issues that may affect our ability to create value over time. Our investor relations initiative is headed by the Managing Director who is assisted by the General Manager of Investor Relations. Face-to-face meetings with our shareholders and other investors have been organised along with road shows and investment conferences locally and overseas. We have also organised site visits so that our investors can have a first-hand look at our manufacturing facilities. Kossan enjoys a good working relationship with the various media and to keep them abreast of key developments, interviews and briefings are held on a regular basis.

WORKPLACE DEVELOPMENT

As a Company with a bold vision, we recognise that our ability to deliver depends on the caliber of our people. In this respect, we compete with the rest of Corporate Malaysia in attracting the best talents the market has to offer. Our employment value proposition includes job security, unlimited opportunities for career advancement, an attractive remuneration package, generous performance-based bonuses and comprehensive medical benefits. We strive to make Kossan an exciting and highly satisfying place to work as we believed, a conducive working environment will boost employee's sense of belonging and loyalty to the company. At a time when many companies are retrenching, it is noteworthy that Kossan is bucking the trend, hiring new peoples to realise its current expansion.

The culture we try to inculcate is one marked by openness, integrity, honesty and professionalism. We see ourselves as a progressive employer, and with almost 75% of our workforce comprising foreigners, we have a policy of non-discrimination and offer an equal treatment to our foreign workers like the local workers. As always, we remain attentive to the needs of our foreign workers, providing them with housing, canteen facilities and rest areas. In the pipeline are plans to build staff quarters within the compounds of our plants that are guarded for greater security and safety. Through Yayasan Kossan, we offer financial and medical aids to workers should the need arises. Besides this, their children are also entitled for the monthly education subsidies provided under the education funds of Yayayan Kossan.

We take the training and development of our human capital very seriously and in FY 2015, sufficient financial resources was invested in training, which consisted of both internal and external programmes. Structured training programmes have been designed to enhance the knowledge, professional and personal skills of staff at every phase of the employment life-cycle. Each year a training needs analysis is conducted so that programmes can be specifically tailored for the respective employees. This ensures that our training effort is more fruitful and effective. During the year, the training calendar included a revisit to Dr Stephen Covey's the "7 Habits of Highly Effective People", which has become a blueprint for personal development. We encourage our people to better themselves academically and we are willing to sponsor suitable candidate who might want to pursue a postgraduate programme in a field relevant to our business.

Kossan recognises that succession planning is an essential part of any successful business. We thrive on meritocracy and we have developed a succession plan whereby high-potential candidates are identified through assessment and evaluation. These candidates are mentored and subjected to a series of "stress and simulation" tests to ascertain their suitability to step into leadership positions at some time in the future.

The safety of our employees, contractors and suppliers is a paramount concern for us and we continually strive to make Kossan a safer place to work. We comply fully with the health and safety standards prescribed by the Department of Occupational Safety and Health Malaysia ("DOSH"). Led by our Safety Department, we adopt a proactive stance in rolling out preventive programmes to minimise accidents at the workplace. The department is supported by a Work Safety Committee whose task is to develop policies and improve safety and hygiene conditions. In FY 2015, various agencies were invited to instill road and workplace safety awareness in our employees. Our staff also benefited from consultations with nutritionists and also complimentary eye and dental check-ups. All these efforts were done through our Health and Safety Campaign conducted on yearly basis.

Putting the Company's safety policy into practice is challenging and all employees are expected to play an active role in making their contributions. However, we are encouraged that all our efforts in safety have paid off. Nonetheless, we are not about to take things for granted and we are now working to earn accreditation to Occupational Health & Safety Management System "OHSAS").

Working hard is part of the culture at Kossan, but at the same time, we ensure that time is set aside for social and recreational activities. The Corporate Annual Dinner and New Year dinner are regular fixtures on our calendar of events. In a convivial environment away from the pressures of work, camaraderie and team spirit are then reinforced.

COMMUNITY DEVELOPMENT

In today's world, successful corporations are also measured in terms of their standing in the eyes of the community. We have long realised that our success is closely linked to the vibrancy and well-being of the communities we serve. One of our priorities was the establishment of Yayasan Kossan in December 2015 as a platform for Kossan to utilise part of its corporate profits to bring the promise of a better tomorrow for the various communities we serve. The key emphasis areas of Yayasan Kossan covered education, welfare and charity; and cultural developments including art and performance. Traditionally, we have lent our support to programmes related to education, community health and well-being and preventing the abuse of child labour.

At the corporate level, Kossan continued to support many charities throughout the country. When the severe flood hit the east coast states, we donated RM50,000 in January 2016 to help the flood victims in Kelantan.


Safety Campaign


Blood Donation Campaign


Safety Campaign

Reaching out to the community is a responsibility shared by Kossan employees. Under "Project Smile", many of our staff volunteered their time and efforts in beautifying a rural school in Jeram. Our people also visited an Orang Asli community deep in the rainforest of Temenggor when they were affected by floods. They delivered much needed clothing, food items, drinking water and even toys for the children. For these volunteers, visiting the community was an eye-opener and ultimately enriching experience and genuine understanding, compassion and empathy were forged. Though the time spent was all too short, our people will always carry with them indelible impressions interacting with the community. Kossan people have also been exemplary at all our blood donation campaigns. In FY2015, 104 employees turned up for the annual event and donated a total of 98 pints of blood.

Since 2000, Kossan has established an internship programme whereby students at diploma and post-graduate levels in both the technical and non-technical disciplines, are given an opportunity to receive on-the-job training. The duration of internship varies from 3 to 6 months and each intern is given a monthly allowance besides being covered by the Company's personal accident and hospitalisation insurance. For FY 2015, a total of 50 scholars were accepted under our internship programme, at the end of which, exceptional and deserving candidates were offered scholarships. Since 2014, we have offered 29 scholarships and education subsidies to those bright and eligible but less affordable students to continue their studies.

ENVIRONMENT PRESERVATION

Forty-five years since the inaugural Earth Day celebration, the world today is in greater peril than ever. Scientists have reported that 2015 was the warmest year since record-keeping began, breaking a mark set only a year before. The outlook for Planet Earth is not promising and according to the Inter-Governmental Panel on Climate Change, human impact on climate change is ever increasing with no signs of abatement. It has come to a point when all of us must step up and take immediate actions to conserve our planet.

We use natural gas to generate heats for our manufacturing needs and as compared with fossil fuel and coal, natural gas is a greener and more environmental friendly energy. Many of our environment preservation programmes have been focused on minimising the social impact of our operations on the immediate communities where our business operations are located. One of our plants has already earned certification to the ISO 14001 Environmental Quality Management System and we are currently working actively towards certification of all our plants in stages within the next 5 years.

While we do not produce any hazardous wastes in the manufacturing process, both waste water and gas generated during the manufacturing process will be treated or neutralized to the standard prescribed by the Department of Environment and related authorities, before discharging it into the drainage or air. In the wake of the recent water shortages and disruptions in supply, we have invested in initiatives to recycle waste water which will help reduce consumption of fresh water.

Project Smile plays an active role in encouraging our employees to "Recycle, Reuse and Reduce". During the year, we joined forces with the Tzu Chi Foundation to clean up at various housing estates at Pulau Ketam. The thrash collected along with those collected on our premises was first sorted out and ultimately recycled. Kossan also made a cash donation to the Tzu Chi Foundation to enable it to carry out its charitable work.

EXPECT MORE

CSR at Kossan remains a work in progress. We are determined to make tomorrow a better place for all of us. With the establishment of Yayasan Kossan, we are taking a more holistic approach to CSR in identifying long-term projects and to see where our initiatives are most relevant, needed and impactful. You can expect more from us.

8 April 2016

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 8 April 2016.

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 a listed issuer 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 ("Statement") 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'S 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, amongst others, to implement the process for identifying, evaluating, monitoring and reporting of risks and internal control; design, implement and monitor the risk management framework in line 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 ("RMC"), 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.

RISK MANAGEMENT (Cont'd)

The Risk Management framework contains the following key elements (cont'd):

- The RMC, 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 RMC 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 RMC held two meetings and has formalized and approved the Risk Management Framework. The RMC reports to the Audit Committee.

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.

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 risk management and internal control to management. This is achieved through his active participation in the operations of the business as well as attendance at various 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.

- A 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 impacting performance such as business, operational and key management.

- 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 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 performs 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 2015, the Internal Audit department 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 department performed financial and operational audits on central store and inventory management, procurement, human resources management, and upkeep of machineries of the glove manufacturing entities. The Internal Audit department also conducted audits on the inventory of a subsidiary company in China.

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 2015, 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 8 April, 2016.

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 2015.

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;

1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Cont'd)

1.4. Functions (cont'd)

(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 review the risk management functions, namely:

- the overall risk management processes;
- the adequacy of the scope, founctions, competency and recources for the risk management founction, and that it has the necessary authority to carry out its work;
- the risk management processes are intergrated into all core business processes;
- the risk reporting mechanism.

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

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

(xii) 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 2015 are as follows:-

Composition of the Committee	Attendance
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 of the meetings (4/5).

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 2015 was RM242,544.00.

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 2015

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 2015.

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 6 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	202,530	39,134
Non-controlling interests	3,789	–
	206,319	39,134

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 4.5 sen per ordinary share, tax exempted, totalling RM28,776,056 in respect of the year ended 31 December 2014 on 22 July 2015; and

ii) an interim ordinary dividend of 5.5 sen per ordinary share, tax exempted, totalling RM35,170,735 in respect of the year ended 31 December 2015 on 12 January 2016.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2015 is 6.5 sen per ordinary share, tax exempted, totalling RM41,565,000.

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

Directors' interests in shares

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 financial 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 1.1.2015	**Bought**	**Sold**	**At 31.12.2015**
Direct interest				
Dato' Lim Kuang Sia	763,776	–	–	763,776
Tong Siew Choo	59,904	–	–	59,904
Deemed interest				
Dato' Lim Kuang Sia				
- holding company	326,512,480	–	–	326,512,480
- spouse	1,044,496	–	–	1,044,496
Lim Leng Bung				
- 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*				
- 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 that Kossan Rubber Industries Bhd. has an interest.

None of the other Directors holding office at 31 December 2015 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 substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 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 changes in the authorised, issued and paid-up capital of the Company and no debenture was 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.

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 provision 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 2015 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: 23 March 2016

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Property, plant and equipment	3	771,450	724,616	29,428	40,511
Investment property	4	5,223	–	–	–
Goodwill on consolidation	5	4,926	4,926	–	–
Investments in subsidiaries	6	–	–	24,374	21,874
Other investments	7	91	116	91	116
Deferred tax assets	8	36	11	–	–
Total non-current assets		781,726	729,669	53,893	62,501
Other investments	7	–	8,143	–	8,143
Assets classified as held for sales	9	–	–	27,419	–
Inventories	10	205,588	193,532	–	17,488
Trade and other receivables	11	311,172	280,909	173,668	257,891
Prepayments		7,365	5,669	1,495	351
Current tax assets		2,061	7,844	–	823
Cash and cash equivalents	12	168,383	63,899	123,648	26,178
Total current assets		694,569	559,996	326,230	310,874
Total assets		1,476,295	1,289,665	380,123	373,375
Equity					
Share capital	13	319,734	319,734	319,734	319,734
Share premium	13	4,151	4,151	4,151	4,151
Translation reserve	13	7,417	2,109	–	–
Retained earnings		619,619	481,036	805	25,618
Total equity attributable to owners of the Company		950,921	807,030	324,690	349,503
Non-controlling interests		25,525	20,983	–	–
Total equity		976,446	828,013	324,690	349,503

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Liabilities					
Loans and borrowings	14	103,479	63,429	116	366
Deferred tax liabilities	8	72,379	62,456	4,811	4,551
Total non-current liabilities		175,858	125,885	4,927	4,917
Loans and borrowings	14	119,813	142,667	306	1,188
Current tax liabilities		17,633	8,294	94	–
Trade and other payables	15	186,009	170,347	50,052	17,040
Derivative financial liabilities	16	536	14,459	54	727
Total current liabilities		323,991	335,767	50,506	18,955
Total liabilities		499,849	461,652	55,433	23,872
Total equity and liabilities		1,476,295	1,289,665	380,123	373,375

The notes on pages 55 to 110 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000 Restated
Continuing operations					
Revenue	17	1,639,509	1,301,740	42,875	31,000
Other income		3,962	3,020	618	1,167
Changes in inventories of finished goods and work-in-progress		855	38,835	–	–
Raw materials and consumables used		(858,456)	(721,765)	–	–
Goods purchased for resale		(2,343)	(2,913)	–	–
Staff costs		(213,772)	(185,831)	(18,213)	(15,013)
Depreciation of property, plant and equipment		(66,908)	(55,939)	(1,320)	(1,431)
Other operating expenses		(226,291)	(184,587)	(2,462)	(1,959)
Results from operating activities		276,556	192,560	21,498	13,764
Finance costs	18	(10,155)	(8,144)	(24)	(34)
Finance income		2,166	2,305	1,168	1,333
Profit before tax		268,567	186,721	22,642	15,063
Tax expense	20	(62,248)	(37,885)	–	–
Profit from continuing operations		206,319	148,836	22,642	15,063
Discontinued operation					
Profit from discontinued operation, net of tax	21	–	–	16,492	16,973
Profit for the year	22	206,319	148,836	39,134	32,036
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		6,615	1,929	–	–
Other comprehensive income for the year, net of tax		6,615	1,929	–	–
Total comprehensive income for the year		212,934	150,765	39,134	32,036

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000 Restated
Profit attributable to:					
Owners of the Company		202,530	145,597	39,134	32,036
Non-controlling interests		3,789	3,239	–	–
Profit for the year		206,319	148,836	39,134	32,036
Total comprehensive income attributable to:					
Owners of the Company		207,838	146,851	39,134	32,036
Non-controlling interests		5,096	3,914	–	–
Total comprehensive income for the year		212,934	150,765	39,134	32,036
Basic earnings per ordinary share (sen)	23	31.67	22.77		

The notes on pages 55 to 110 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	<------------- Attributable to owners of the Company				------------->		
	<--------- *Non-distributable*		--------->	*Distributable*			
Group	**Share capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2014	319,734	4,151	855	380,201	704,941	17,069	722,010
Foreign currency translation differences for 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	–	–	–	(44,762)	(44,762)	–	(44,762)
At 31 December 2014	319,734	4,151	2,109	481,036	807,030	20,983	828,013
At 1 January 2015	319,734	4,151	2,109	481,036	807,030	20,983	828,013
Foreign currency translation differences from foreign operations	–	–	5,308	–	5,308	1,307	6,615
Total other comprehensive income for the year	–	–	5,308	–	5,308	1,307	6,615
Profit for the year	–	–	–	202,530	202,530	3,789	206,319
Total comprehensive income for the year	–	–	5,308	202,530	207,838	5,096	212,934
Dividends to owners of the Company	–	–	–	(63,947)	(63,947)	–	(63,947)
Dividends paid to non-controlling interests	–	–	–	–	–	(554)	(554)
At 31 December 2015	319,734	4,151	7,417	619,619	950,921	25,525	976,446
	Note 13.1	Note 13.2	Note 13.3				

The notes on pages 55 to 110 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

Company	Note	<------------ Attributable to owners of the Company ------------> <---- *Non-distributable* ----> Share capital RM'000	Share premium RM'000	*Distributable* Retained earnings RM'000	Total Equity RM'000
At 1 January 2014		319,734	4,151	38,344	362,229
Profit and total comprehensive income for the year		–	–	32,036	32,036
Dividends to owners of the Company	24	–	–	(44,762)	(44,762)
At 31 December 2014/ 1 January 2015		319,734	4,151	25,618	349,503
Profit and total comprehensive income for the year		–	–	39,134	39,134
Dividends to owners of the Company	24	–	–	(63,947)	(63,947)
At 31 December 2015		319,734	4,151	805	324,690
		Note 13.1	Note 13.2		

The notes on pages 55 to 110 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000 Restated
Cash flows from operating activities					
Profit before tax from:					
- continuing operations		268,567	186,721	22,642	15,063
- discontinued operation		–	–	19,697	19,040
		268,567	186,721	42,339	34,103
Adjustments for:					
Depreciation of property, plant and equipment	3	66,908	55,939	3,470	3,708
Dividend income	17	–	–	(34,755)	(25,000)
Finance costs	18	10,155	8,144	71	72
Gain on disposal of property, plant and equipment	22	(22)	(564)	(53)	(553)
Finance income	22	(2,166)	(2,305)	(1,168)	(1,190)
Dividend income from other investments	22	–	(143)	–	(143)
Property, plant and equipment written off	22	31	483	–	–
Net unrealised derivatives	22	536	14,459	54	727
Net unrealised foreign exchange differences	22	(5,628)	(16,883)	(291)	(1,302)
Operating profit before changes in working capital		338,381	245,851	9,667	10,422
Change in inventories		(12,056)	(44,750)	(409)	(2,388)
Change in trade and other receivables, prepayments and other financial assets		(39,775)	(27,565)	82,643	7,158
Change in trade and other payables		15,662	28,956	33,012	(5,982)
Cash generated from operations		302,212	202,492	124,913	9,210
Dividends received		–	–	34,755	25,000
Interest received		2,166	2,305	1,168	1,190
Interest paid		(4,240)	(3,177)	(71)	(38)
Tax paid		(37,948)	(38,410)	(2,028)	(1,625)
Tax refund		720	1,023	–	394
Net cash from operating activities		262,910	164,233	158,737	34,131

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000 Restated
Cash flows from investing activities					
Acquisition of other investments		–	(8,143)	–	(8,143)
Acquisition of property, plant and equipment	(ii)	(97,623)	(141,279)	(1,954)	(7,092)
Dividend income from other investments		–	143	–	143
Increase in investments in subsidiaries		–	–	(2,500)	–
Proceeds from disposal of other investments		8,168	–	8,168	–
Proceeds from disposal of property, plant and equipment		1,283	1,412	98	858
Change in pledged deposit		148	–	–	–
Net cash (used in)/from investing activities		(88,024)	(147,867)	3,812	(14,234)
Cash flows from financing activities					
Dividends paid to owners of the Company		(63,947)	(44,762)	(63,947)	(44,762)
Dividends paid to non-controlling interests		(554)	–	–	–
Finance costs		(5,914)	(4,967)	–	(34)
Proceeds from other borrowings		–	7,325	–	–
Proceeds from term loans		60,000	54,927	–	593
Repayment of finance lease liabilities		(23,162)	(14,049)	(448)	(492)
Repayment of other borrowings		(23,162)	–	–	–
Repayment of term loans		(12,434)	(52,410)	(684)	–
Net cash used in financing activities		(69,173)	(53,936)	(65,079)	(44,695)
Net increase/(decrease) in cash and cash equivalents		105,713	(37,570)	97,470	(24,798)
Effect of exchange rate fluctuations on cash held		1,986	171	–	–
Cash and cash equivalents at 1 January		60,576	97,975	26,178	50,976
Cash and cash equivalents at 31 December	(i)	168,275	60,576	123,648	26,178

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	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Cash and bank balances	12	108,275	38,143	73,648	22,178
Short term deposits	12	60,108	25,756	50,000	4,000
Bank overdrafts	14	–	(3,067)	–	–
		168,383	60,832	123,648	26,178
Less: Deposits pledged	12	(108)	(256)	–	–
		168,275	60,576	123,648	26,178

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 RM116,643,000 (2014: RM180,269,000) and RM1,954,000 (2014: RM7,742,000) respectively of which RM19,020,000 (2014: RM38,990,000) and RM Nil (2014: RM650,000) respectively were acquired by finance lease agreements.

The notes on pages 55 to 110 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 2015 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 2015 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 6 to the financial statements.

The 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 23 March 2016.

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs 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 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,* 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 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 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)*

1. Basis of preparation (Cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- 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*

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

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 Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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 Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MASB has also issued the following new and revised MFRSs, interpretations and amendments which are not yet effective, but for which is not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141*, Agriculture – Agriculture: Bearer Plants*

(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.

1. Basis of preparation (Cont'd)

(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 Note 5 – 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 structured 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.

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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (cont'd)

(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) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) 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.

(vi) 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 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.

2. Significant accounting policies (Cont'd)

(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.

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 the gain or loss on disposal.

When the Group disposes off 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.

2. Significant accounting policies (Cont'd)

(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.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

(c) Available-for-sale financial assets (cont'd)

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(k)(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.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) 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.

2. Significant accounting policies (Cont'd)

(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.

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.

(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.

2. Significant accounting policies (Cont'd)

(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, or as investment property if held to earn rental income or for capital appreciation or for both.

(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 in 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.

(f) Goodwill on consolidation

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. Goodwill is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Investment property

Investment property carried at cost

Investment property is property which is owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land which in substance is a finance lease held for a currently undetermined future use. Investment property initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

2. Significant accounting policies (Cont'd)

(h) 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.

(i) Assets classified as held for sale

Assets comprising assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

(j) 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.

(k) 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.

An impairment loss in respect of available-for-sale financial assets is recognised in 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 other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

2. Significant accounting policies (Cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

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, deferred tax asset and assets classified as held for sale) 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, 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 (Cont'd)

(l) 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.

(m) 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. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (Cont'd)

(n) 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, 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) Services rendered

Revenue of the Company represents the management fees charged for the service rendered and is accounted for based on service performed.

(iv) 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.

(o) 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.

2. Significant accounting policies (Cont'd)

(p) 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.

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 assets and liabilities 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 export 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.

(q) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(r) 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.

2. Significant accounting policies (Cont'd)

(s) 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. Operating segment 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.

(t) 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 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/ 1 January 2015	171,494	201,044	635,264	18,800	8,195	15,031	4,619	13,202	2,913	5,009	1,075,571
Additions	49,454	2,687	32,387	1,856	667	1,816	20	1,832	23,687	2,237	116,643
Disposals	–	–	(982)	(2,297)	–	(30)	–	(136)	–	–	(3,445)
Write–off	–	–	(1,677)	(93)	–	–	–	(167)	–	–	(1,937)
Transfer to investment property (Note 4)	(5,223)	–	–	–	–	–	–	–	–	–	(5,223)
Reclassification	–	4,429	(712)	–	520	(516)	(103)	518	260	(4,396)	–
Effect of movements in exchange rates	2,948	274	1,611	7	–	–	–	44	–	–	4,884
At 31 December 2015	218,673	208,434	665,891	18,273	9,382	16,301	4,536	15,293	26,860	2,850	1,186,493

* Included in the freehold land is an amount of USD3,680,000, equivalent to RM15.8 million as at 31 December 2015 (31 December 2014: USD3,680,000, equivalent to RM12.9 million) 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 (Cont'd)

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
Accumulated depreciation											
At 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/ 1 January 2015	–	16,775	304,866	9,503	4,074	5,759	3,217	6,761	–	–	350,955
Charge for the year	–	4,731	55,661	2,850	715	1,418	233	1,300	–	–	66,908
Disposals	–	–	(868)	(1,193)	–	(12)	–	(111)	–	–	(2,184)
Write-off	–	–	(1,647)	(93)	–	(7)	–	(159)	–	–	(1,906)
Reclassification	–	51	(48)	(1)	813	(122)	(813)	120	–	–	–
Effect of movements in exchange rates	–	238	998	1	–	–	–	33	–	–	1,270
At 31 December 2015	–	21,795	358,962	11,067	5,602	7,036	2,637	7,944	–	–	415,043
Carrying amounts											
At 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/ 1 January 2015	171,494	184,269	330,398	9,297	4,121	9,272	1,402	6,441	2,913	5,009	724,616
At 31 December 2015	218,673	186,639	306,929	7,206	3,780	9,265	1,899	7,349	26,860	2,850	771,450

3. Property, plant and equipment (Cont'd)

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 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 2014/1 January 2015	10,100	18,059	55,298	5,082	133	3,441	92,113
Additions	–	–	1,376	305	–	273	1,954
Disposal	–	–	(387)	(136)	–	–	(523)
Transfer to asset classified as held for sale:							
- offset of accumulated depreciation	–	–	(46,765)	–	(133)	–	(46,898)
- transfer of carrying amount (Note 9)	–	–	(9,522)	–	–	–	(9,522)
At 31 December 2015	10,100	18,059	–	5,251	–	3,714	37,124
Accumulated depreciation							
At 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 January 2015	–	1,883	45,071	2,946	133	1,569	51,602
Charge for the year	–	473	2,036	612	–	349	3,470
Disposal	–	–	(342)	(136)	–	–	(478)
Offset of accumulated depreciation on property transferred to asset classified as held for sale	–	–	(46,765)	–	(133)	–	(46,898)
At 31 December 2015	–	2,356	–	3,422	–	1,918	7,696
Carrying amounts							
At 1 January 2014	10,100	14,858	8,243	1,448	–	2,133	36,782
At 31 December 2014/1 January 2015	10,100	16,176	10,227	2,136	–	1,872	40,511
At 31 December 2015	10,100	15,703	–	1,829	–	1,796	29,428

3. Property, plant and equipment (Cont'd)

3.1 Assets under finance lease arrangement

At 31 December 2015, the net carrying amount of assets under finance lease arrangement was as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Plant and machinery	96,917	123,894	–	–
Motor vehicles	3,125	5,359	812	1,233
	100,042	129,253	812	1,233

4. Investment property

	Group	
	2015	**2014**
	RM'000	**RM'000**
At 1 January	–	–
Transfer from property, plant and equipment (Note 3)	5,223	–
At 31 December	5,223	–

Fair value information

Fair value of investment property is categorised as follows:

	Group
	Level 3
	RM'000
2015	
Land	5,571

The following table shows the valuation techniques used in the determination of fair values within Level 3.

Investment property not carried at fair value

Type	**Description of valuation technique and inputs used**
Land	Fair value of land has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

5. Goodwill on consolidation

	Group 2015 RM'000	Group 2014 RM'000
At cost	4,926	4,926

5.1 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 2015 RM'000	Group 2014 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 period.

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

- The revenue growth in the 5-year cash flow projection is estimated at a compounded annual growth rate of 6% supported by historical trend (2014: 12%).
- The terminal value was estimated using the perpetuity growth model, with a growth rate to perpetuity of 2% (2014: 2%).
- A pre-tax discount rate of 11% (2014: 11%) 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.

6. Investments in subsidiaries

	Company 2015 RM'000	Company 2014 RM'000
Unquoted shares, at cost	24,374	21,874

During the year, the Company has incorporated a wholly-owned subsidiary, Kossan Industries Sdn. Bhd. ("KIND") with the issued and paid-up capital comprising of 2 ordinary shares of RM1.00 each. Subsequently, the Company subscribed an additional 2,499,998 ordinary shares of RM1.00 each fully paid-up, in the share capital of KIND by way of cash. The intended principal business activity of KIND is manufacturing and dealing in rubber products.

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2015 %	Effective ownership interest 2014 %
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
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
Kossan Industries Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	100	–

6. Investments in subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2015 %	Effective ownership interest 2014 %
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				
Dongguan 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.	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
Subsidiary of Kossan International Sdn. Bhd.				
KISB HK Limited*	Hong Kong	Dormant	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.

* The financial statement of the subsidiary is consolidated based on management accounts.

Material non-controlling interests in subsidiaries

There are no non-controlling interests that are material to the Group for the year ended 31 December 2015.

7. Other investments

	Group and Company 2015 RM'000	Group and Company 2014 RM'000
Non-current		
Investment in club membership		
- Available-for-sale financial assets at amortised cost	91	116
Current		
Investment in money market fund quoted in Malaysia		
- Available-for-sale financial assets at market value	–	8,143
	91	8,259

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following (stated as gross):

	Assets		Liabilities		Net	
Group	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Property, plant and equipment	–	–	(65,360)	(63,375)	(65,360)	(63,375)
Revaluation on properties #	–	–	(5,914)	(6,162)	(5,914)	(6,162)
Unutilised reinvestment allowance	–	7,645	–	–	–	7,645
Tax loss carry–forwards	3	80	–	–	3	80
Derivatives	134	–	–	(852)	134	(852)
Others	–	219	(1,206)	–	(1,206)	219
Tax assets/(liabilities)	137	7,944	(72,480)	(70,389)	(72,343)	(62,445)
Set off of tax	(101)	(7,933)	101	7,933	–	–
Net tax assets/(liabilities)	36	11	(72,379)	(62,456)	(72,343)	(62,445)

8. Deferred tax assets/(liabilities) (Cont'd)

Recognised deferred tax assets/(liabilities) (cont'd)

Deferred tax assets and liabilities are attributable to the following (stated at gross): (cont'd)

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	–	–	(4,266)	(3,579)	(4,266)	(3,579)
Revaluation on properties #	–	–	(687)	(710)	(687)	(710)
Derivatives	13	–	–	(80)	13	(80)
Others	129	–	–	(182)	129	(182)
	142	–	(4,953)	(4,551)	(4,811)	(4,551)

\# This pertained to properties that the Group and the Company 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.

Unrecognised deferred tax assets

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

	Group	
	2015	2014
	RM'000	RM'000
Tax loss carry-forwards	39	359
Tax at 25%	10	90

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.

8. Deferred tax assets/(liabilities) (Cont'd)

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	Others RM'000	Total RM'000
At 1 January 2014	(53,966)	(6,320)	2,489	164	1,759	(23)	(55,897)
Recognised in profit or loss (Note 20)	(9,409)	158	5,156	(84)	(2,611)	242	(6,548)
At 31 December 2014/1 January 2015	(63,375)	(6,162)	7,645	80	(852)	219	(62,445)
Recognised in profit or loss (Note 20)	(1,985)	248	(7,645)	(77)	986	(1,425)	(9,898)
At 31 December 2015	(65,360)	(5,914)	–	3	134	(1,206)	(72,343)
Company							
At 1 January 2014	(3,286)	(735)	–	–	80	–	(3,941)
Recognised in profit or loss (Note 20)	(293)	25	–	–	(160)	(182)	(610)
At 31 December 2014/1 January 2015	(3,579)	(710)	–	–	(80)	(182)	(4,551)
Recognised in profit or loss (Note 20)	(687)	23	–	–	93	311	(260)
At 31 December 2015	(4,266)	(687)	–	–	13	129	(4,811)

9. Assets classified as held for sale

Following on the proposed internal restructuring on 17 December 2015, the assets relating to its technical rubber business is transferred to an wholly-owned subsidiaries, Kossan Industries Sdn. Bhd. as part of the Kossan Group's rationalisation in streamlining its business operations, therefore, its operating segment was presented in the financial statements as assets classified as held for sale.

At 31 December 2015, the assets classified as held for sales are as follows:

Company	**Note**	**2015 RM'000**
Assets classified as held for sale		
Plant and equipment	(a)	9,522
Inventories	(b)	17,897
		27,419

(a) The carrying value of plant and equipment is the same as its carrying value before it was being reclassified to current asset.

(b) Inventories held for sale comprise raw materials, work-in-progress and finished goods and are carried at cost.

10. Inventories

	Group		**Company**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
At cost:				
Raw materials	59,571	46,660	8,307	7,950
Work-in-progress	5,252	4,800	4,170	3,905
Finished goods	140,765	142,072	5,420	5,633
	205,588	193,532	17,897	17,488
Less: Transfer to assets classified as held for sale (Note 9)	–	–	(17,897)	–
	205,588	193,532	–	17,488

11. Trade and other receivables

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Trade					
Trade receivables		286,054	260,273	20,671	22,177
Less: Allowance for impairment loss		(231)	(376)	(220)	–
		285,823	259,897	20,451	22,177
Amount due from subsidiaries	11.1	–	–	1,236	1,067
Amount due from related parties	11.1	2,979	3,904	–	–
		288,802	263,801	21,687	23,244
Non-trade					
Amount due from subsidiaries	11.2	–	–	149,767	232,320
Other receivables		19,409	10,405	1,667	2,025
Refundable deposits		2,961	6,703	547	302
		22,370	17,108	151,981	234,647
		311,172	280,909	173,668	257,891

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

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

12. Cash and cash equivalents

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Cash and bank balances	108,275	38,143	73,648	22,178
Short term deposits with licensed banks	60,108	25,756	50,000	4,000
	168,383	63,899	123,648	26,178

Included in deposits with licensed banks of the Group are amounts of RM108,000 (2014: RM256,000) pledged to the banks for banking facilities granted to the Group.

13. Capital and reserves

13.1 Share capital

	Group and Company			
	Number of shares 2015 '000	Amount 2015 RM'000	Number of shares 2014 '000	Amount 2014 RM'000
Authorised:				
Ordinary shares of RM0.50 each				
At 1 January/ 31 December	2,000,000	1,000,000	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 January/ 31 December	639,468	319,734	639,468	319,734

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.

13.2 Share premium

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

13.3 Translation reserve

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

14. Loans and borrowings

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current					
Term loans - unsecured	14.1	88,214	38,630	–	–
Finance lease liabilities	14.2	15,265	24,799	116	366
		103,479	63,429	116	366
Current					
Term loans - unsecured	14.1	10,781	12,799	–	–
Revolving credit - unsecured		41,000	47,951	–	–
Bank overdraft - unsecured		–	3,067	–	–
Trade finance - unsecured		43,559	59,770	55	739
Finance lease liabilities	14.2	24,473	19,080	251	449
		119,813	142,667	306	1,188
		223,292	206,096	422	1,554

14. Loans and borrowings (Cont'd)

14.1 Term loans - unsecured

Unsecured term loans consisting of:

(a) MYR denominated term loan of RM30.70 million (2014: RM40.48 million) representing 5-year term loan obtained in 2014 with quarterly repayment installments, and bears interest rates of 4.43% (2014: 4.43%) per annum,

(b) MYR denominated term loan of RM8.29 million (2014: RM10.94 million) representing 5-year term loan obtained in 2013 with monthly repayment installments, and bears interest rates of 4.75% (2014: 4.75%) per annum,

(c) MYR denominated term loan of RM60 million (2014: RM Nil) representing a 5-year term loan obtained in 2015 with quarterly repayment installments, and bears interest rates of 4.50% (2014: Nil) per annum.

14.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000	Future minimum lease payments 2014 RM'000	Interest 2014 RM'000	Present value of minimum lease payments 2014 RM'000
Less than one year	25,879	(1,406)	24,473	20,893	(1,813)	19,080
Between one and five years	15,668	(403)	15,265	25,705	(906)	24,799
	41,547	(1,809)	39,738	46,598	(2,719)	43,879
Company						
Less than one year	260	(9)	251	473	(24)	449
Between one and five years	117	(1)	116	377	(11)	366
	377	(10)	367	850	(35)	815

15. Trade and other payables

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Trade					
Trade payables		91,081	105,969	4,534	6,239
Amount due to a subsidiary	15.1	–	–	1,939	1,736
Amount due to related parties	15.1	772	–	–	–
		91,853	105,969	6,473	7,975
Non-trade					
Amount due to holding company	15.2	3	3	–	–
Amount due to subsidiaries	15.2	–	–	2	9
Amount due to related parties	15.2	4,037	5,424	–	19
Other payables		63,322	32,891	35,863	1,556
Accrued expenses		26,794	26,060	7,714	7,481
		94,156	64,378	43,579	9,065
		186,009	170,347	50,052	17,040

15.1 The trade amount due to a subsidiary and related parties are unsecured, interest free and repayable on demand.

15.2 The non-trade amount due to holding company, subsidiaries and related parties are unsecured, interest free and repayable on demand.

16. Derivative financial liabilities

Group	2015 Nominal value RM'000	2015 Assets RM'000	2015 Liabilities RM'000	2014 Nominal value RM'000	2014 Assets RM'000	2014 Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	370,563	–	(536)	254,958	–	(14,459)
Company						
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	13,305	–	(54)	9,667	–	(727)

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.

17. Revenue

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Continuing operations				
Sales of goods	1,639,509	1,301,740	–	–
Dividend income	–	–	34,755	25,000
Management fees	–	–	8,120	6,000
	1,639,509	1,301,740	42,875	31,000
Discontinued operation				
Sales of goods	–	–	119,338	124,272
	1,639,509	1,301,740	162,213	155,272

18. Finance costs

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Continuing operations				
Interest expense on:				
- Bank overdraft	41	69	–	–
- Finance lease	2,373	1,855	24	34
- Term loans	3,541	3,112	–	–
- Trade finance	2,327	2,129	–	–
- Revolving credit	1,873	979	–	–
	10,155	8,144	24	34
Discontinued operation				
Interest expense on:				
- Bank overdraft	–	–	3	8
- Trade finance	–	–	44	30
	10,155	8,144	71	72

19. Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors				
- Fees	255	231	255	231
- Remunerations	25,441	16,751	11,117	6,799
	25,696	16,982	11,372	7,030
Other key management personnel:				
- Remunerations	6,426	5,243	2,986	2,555

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.

20. Tax expense

Recognised in profit or loss

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Income tax expense on continuing operations	62,248	37,885	–	–
Income tax expense on discontinued operation	–	–	3,205	2,067
Total income tax expense	62,248	37,885	3,205	2,067
Current tax expense				
Current year	51,262	32,139	2,183	1,777
Overseas - current provision	483	178	–	–
Under/(Over) provision in prior year	605	(980)	762	(320)
	52,350	31,337	2,945	1,457
Deferred tax expense				
Origination and reversal of temporary differences	8,102	7,898	(426)	519
Under/(Over) provision in prior year	1,796	(1,350)	686	91
	9,898	6,548	260	610
Total tax expense	62,248	37,885	3,205	2,067

Reconciliation of tax expense

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Profit before tax				
- continuing operations	268,567	186,721	22,642	15,063
- discontinued operation	–	–	19,697	19,040
	268,567	186,721	42,339	34,103
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)	67,142	46,680	10,585	8,526
Effect of tax rates in foreign jurisdiction	(172)	(8)	–	–
Non-deductible expenses	3,671	3,475	247	392
Tax incentives	(10,480)	(9,871)	(94)	(348)
Income not subject to tax	–	–	(8,690)	(6,250)
Others	(314)	(61)	(291)	(24)
	59,847	40,215	1,757	2,296
Under/(Over) provision in prior year				
- income tax expense	605	(980)	762	(320)
- deferred tax expense	1,796	(1,350)	686	91
	62,248	37,885	3,205	2,067

21. Discontinued operation

Company

During the year, the Company commited a plan to transfer its plant and machinery to a wholly-owned subsidiary on 1 January 2016 for a purchase consideration based on the carrying amount of the related assets as at 31 December 2015. The Company ceased its operations subsequently and solely engaged in investment holding. Therefore, the related assets to be transferred is presented as assets held for sale as at 31 December 2015 and the comparative statement of profit or loss and other comprehensive income has been presented to show the discontinued operation separately from continuing operations.

Profit attributable to the discontinued operation was as follows:

	Note	2015 RM'000	2014 RM'000
Results of discontinued operation			
Revenue	17	119,338	124,272
Changes in inventories of finished goods and work-in-progress		52	3,212
Raw materials and consumables used		(47,977)	(54,122)
Goods purchased for resale		(16,686)	(14,909)
Staff costs		(18,534)	(20,990)
Depreciation of property, plant and equipment		(2,150)	(2,277)
Other operating expenses		(14,299)	(16,108)
Results from operating activities		19,744	19,078
Finance costs	18	(47)	(38)
Profit before tax		19,697	19,040
Tax expense	20	(3,205)	(2,067)
Profit after tax		16,492	16,973

22. Profit for the year

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the year is arrived at after charging:				
Impairment loss on trade receivables (Note 26.4)	220	–	220	–
Auditors' remunerations				
- Audit fees				
- KPMG	321	279	95	85
- Other auditors	25	22	–	–
- Non-audit fees	10	10	10	10
Depreciation of property, plant and equipment (Note 3)	66,908	55,939	3,470	3,708
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	9,140	7,803	2,276	2,165
- Wages, salaries and others	204,632	178,028	34,471	33,838

22. Profit for the year (Cont'd)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the year is arrived at after charging: (continued)				
Property, plant and equipment written off	31	483	–	–
Unrealised fair value changes on derivatives	536	14,459	54	727
Rental of premises	2,584	2,485	761	834
Rental of equipment	37	–	–	–
and after crediting:				
Realised gain on foreign exchange	35,758	10,346	3,238	1,158
Unrealised foreign exchange gain on receivables and loans and borrowings, net	5,628	16,883	291	1,302
Gain on disposal of property, plant and equipment	22	564	53	553
Interest on short term deposits	2,166	2,305	1,168	1,190
Dividend income from other investments	–	143	–	143
Rental income	235	264	211	240

23. Earnings per ordinary share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2015 RM'000	2014 RM'000
Profit for the year attributable to owners of the Company	202,530	145,597

Weighted average number of ordinary shares

	Group	
	2015 '000	2014 '000
Issued ordinary shares at 1 January/31 December	639,468	639,468

	Group	
	2015 Sen	2014 Sen
Basic earnings per share	31.67	22.77

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

24. Dividends

Dividends recognised by the Company:

	Sen per share (tax exempt)	Total amount RM'000	Date of payment
2015			
Final 2014 ordinary	4.50	28,776	22.07.2015
Interim 2015 ordinary	5.50	35,171	12.01.2016
		63,947	
2014			
Final 2013 ordinary	3.50	22,381	18.07.2014
Interim 2014 ordinary	3.50	22,381	23.12.2014
		44,762	

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
2015		
Final 2015 ordinary	6.50	41,565

25. 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.

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.

25. Operating segments (Cont'd)

Segment assets

The total of 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 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 (country of domicile) 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 investment property, goodwill, other investments and deferred tax assets.

Group **Revenue**	**2015** **RM'000**	**2014** **RM'000**
Sales office located in Malaysia		
- for local market	42,068	47,978
- for export market	1,546,839	1,220,904
Sales office located outside of Malaysia	50,602	32,858
	1,639,509	1,301,740
Non-current assets		
Located in Malaysia	745,980	702,138
Located outside of Malaysia	25,470	22,478
	771,450	724,616

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the years ended 31 December 2015 and 31 December 2014.

25. Operating segments (Cont'd)

Business segments	Technical rubber products 2015 RM'000	Technical rubber products 2014 RM'000	Gloves 2015 RM'000	Gloves 2014 RM'000	Cleanroom products 2015 RM'000	Cleanroom products 2014 RM'000	Others 2015 RM'000	Others 2014 RM'000	Total 2015 RM'000	Total 2014 RM'000
Total external revenue	160,221	162,062	1,411,055	1,096,842	68,233	42,836	–	–	1,639,509	1,301,740
Segment results	12,223	14,597	260,262	176,544	5,152	1,827	(1,081)	(408)	276,556	192,560
Finance costs									(10,155)	(8,144)
Finance income									2,166	2,305
Tax expense									(62,248)	(37,885)
Profit for the year									206,319	148,836
Segment assets	285,974	188,819	1,114,031	1,048,198	38,201	29,478	38,089	23,170	1,476,295	1,289,665
Segment liabilities	67,895	36,280	422,304	414,536	7,270	3,365	2,380	7,471	499,849	461,652
Included in the measure of segment assets are:										
Capital expenditure	12,937	13,151	94,277	166,718	226	183	9,203	217	116,643	180,269
Included in the measure of segment results are:										
Depreciation	7,551	7,155	58,078	47,533	870	860	409	391	66,908	55,939

26. Financial instruments

26.1 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**
2015				
Financial assets				
Other investments	91	–	–	91
Trade and other receivables	311,172	311,172	–	–
Cash and cash equivalents	168,383	168,383	–	–
	479,646	479,555	–	91
Financial liabilities				
Loans and borrowings	(223,292)	(223,292)	–	–
Trade and other payables	(186,009)	(186,009)	–	–
Derivative financial liabilities	(536)	–	(536)	–
	(409,837)	(409,301)	(536)	–
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)	–

26. Financial instruments (Cont'd)

26.1 Categories of financial instruments (cont'd)

Company	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
2015				
Financial assets				
Other investments	91	–	–	91
Trade and other receivables	173,668	173,668	–	–
Cash and cash equivalents	123,648	123,648	–	–
	297,407	297,316	–	91
Financial liabilities				
Loans and borrowings	(422)	(422)	–	–
Trade and other payables	(50,052)	(50,052)	–	–
Derivative financial liabilities	(54)	–	(54)	–
	(50,528)	(50,474)	(54)	–
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)	–

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gains/(losses) on:				
Financial assets and liabilities of fair value through profit or loss:				
- Forward foreign currency contracts	(536)	(14,459)	(54)	(727)
Loans and receivables	43,332	29,677	4,477	3,793
Financial liabilities measured at amortised cost	(10,155)	(8,144)	(71)	(72)
	32,641	7,074	4,352	2,994

26. Financial instruments (Cont'd)

26.3 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

26.4 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.

26. Financial instruments (Cont'd)

26.4 Credit risk (cont'd)

Receivables (cont'd)

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
2015			
Not past due	235,214	–	235,214
Past due 0-30 days	29,648	–	29,648
Past due 31-120 days	17,629	–	17,629
Past due more than 120 days	3,563	(231)	3,332
	286,054	(231)	285,823
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
Company			
2015			
Not past due	4,315	–	4,315
Past due 0-30 days	8,482	–	8,482
Past due 31-120 days	7,480	–	7,480
Past due more than 120 days	394	(220)	174
	20,671	(220)	20,451
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

26. Financial instruments (Cont'd)

26.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January 2015	376	509	–	77
Impairment loss recognised	220	–	220	–
Impairment loss written off	(365)	(133)	–	(77)
At 31 December 2015	231	376	220	–

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 RM225,438,000 (2014: RM202,697,000) 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.

26. Financial instruments (Cont'd)

26.5 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, 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
2015							
Non-derivative financial liabilities							
Term loans - unsecured	98,995	4.43 - 4.75	108,686	19,175	28,894	60,617	–
Revolving credit - unsecured	41,000	4.75	41,000	41,000	–	–	–
Trade finance - unsecured	43,559	3.90 - 4.05	43,559	43,559	–	–	–
Finance lease liabilities	39,738	1.88 - 4.90	41,547	25,879	15,668	–	–
Trade and other payables	186,009	–	186,009	186,009	–	–	–
	409,301		420,801	315,622	44,562	60,617	–
Derivative financial liabilities							
Foreign currency contracts (gross settled):							
Inflow	–	–	(370,563)	(370,563)	–	–	–
Outflow	536	–	371,099	371,099	–	–	–
	409,837		421,337	316,158	44,562	60,617	–
Group							
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	–	–	–
Finance lease 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	–

26. Financial instruments (Cont'd)

26.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

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
2015							
Non-derivative financial liabilities							
Trade finance - unsecured	55	4.05	55	55	–	–	–
Finance lease liabilities	367	1.88 - 2.29	377	260	117	–	–
Trade and other payables	50,052	–	50,052	50,052	–	–	–
Financial guarantee	–	–	225,438	225,438	–	–	–
	50,474		275,922	275,805	117	–	–
Derivative financial liabilities							
Foreign currency contracts (gross settled):							
Inflow	–	–	(13,305)	(13,305)	–	–	–
Outflow	54	–	13,359	13,359	–	–	–
	50,528		275,976	275,859	117	–	–
Company							
2014							
Non-derivative financial liabilities							
Trade finance - unsecured	739	0.65 - 3.85	739	739	–	–	–
Finance lease 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	–

26. Financial instruments (Cont'd)

26.6 Market risk

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

26.6.1 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.

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**
2015						
Trade receivables	86,100	4.3039	370,563	3,100	4.2919	13,305
2014						
Trade receivables	75,936	3.3575	254,958	2,958	3.2681	9,667

26. Financial instruments (Cont'd)

26.6 Market risk (cont'd)

26.6.1 Currency risk (cont'd)

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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Trade receivables	261,663	206,084	15,105	14,520
Trade payables	(18,620)	(20,756)	(31)	(263)
Loans and borrowings	–	(43,897)	–	–
Derivatives held for trading at fair value through profit or loss	(536)	(14,459)	(54)	(727)
Exposure in the statements of financial position	242,507	126,972	15,020	13,530

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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Group				
USD	–	–	(9,094)	(4,761)
Company				
USD	–	–	(563)	(508)

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.

26. Financial instruments (Cont'd)

26.6 Market risk (cont'd)

26.6.2 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 was:

		Group		Company	
	Note	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Fixed rate instruments					
Deposits with licensed banks	12	60,108	25,756	50,000	4,000
Term loans - unsecured	14	(38,995)	(51,429)	–	–
Finance lease liabilities	14	(39,738)	(43,879)	(367)	(815)
Revolving credits - unsecured	14	(41,000)	(47,951)	–	–
Trade finance - unsecured	14	(43,559)	(59,770)	(55)	(739)
		(103,184)	(177,273)	49,578	2,446

		Group	
	Note	**2015 RM'000**	**2014 RM'000**
Floating rate instruments			
Bank overdraft - unsecured	14	–	(3,067)
Term loans - unsecured		(60,000)	–
		(60,000)	(3,067)

26. Financial instruments (Cont'd)

26.6 Market risk (cont'd)

26.6.2 Interest rate risk (cont'd)

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 (2014: 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	**50 bp decrease RM'000**
2015		
Floating rate instruments	(225)	225
2014		
Floating rate instruments	(11)	11

26.7 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.

26. Financial instruments (Cont'd)

26.7 Fair value information (cont'd)

2015 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Financial liabilities										
Finance lease liabilities	–	–	–	–	–	–	(38,776)	(38,776)	(38,776)	(39,738)
Forward foreign currency contracts	–	(536)	–	(536)	–	–	–	–	(536)	(536)
Term loans - unsecured	–	–	–	–	–	–	(96,008)	(96,008)	(96,008)	(98,995)
	–	(536)	–	(536)	–	–	(134,784)	(134,784)	(135,320)	(139,269)
Company										
Finance lease liabilities	–	–	–	–	–	–	(356)	(356)	(356)	(367)
Forward foreign currency contracts	–	(54)	–	(54)	–	–	–	–	(54)	(54)
	–	(54)	–	(54)	–	–	(356)	(356)	(410)	(421)

26. Financial instruments (Cont'd)

26.7 Fair value information (cont'd)

2014 Group	Fair value of financial instruments carried at fair value Level 1 RM'000	 Level 2 RM'000	 Level 3 RM'000	 Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	 Level 2 RM'000	 Level 3 RM'000	 Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial liabilities										
Finance lease 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 liabilities										
Finance lease liabilities	–	–	–	–	–	–	(799)	(799)	(799)	(815)
Forward foreign currency contracts	–	(727)	–	(727)	–	–	–	–	(727)	(727)
	–	(727)	–	(727)	–	–	(799)	(799)	(1,526)	(1,542)

26. Financial instruments (Cont'd)

26.7 Fair value information (cont'd)

Level 2 fair value

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 (2014: no transfer in either directions).

Level 3 fair value

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 finance lease, the market rate of interest is determined by reference to finance lease agreements.

Interest rates used to determine fair value

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

	2015	**2014**
Finance lease liabilities	4.64 - 4.90	4.57 - 5.19
Term loans (unsecured)	4.50	4.43

27. 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 2015 and at 31 December 2014 were as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Total borrowings (Note 14)	223,292	206,096
Less: Cash and cash equivalents (Note 12)	(168,383)	(63,899)
Net debt	54,909	142,197
Total equity	950,921	807,030
Debt-to-equity ratio	0.06	0.18

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

28. Capital and other commitments

	2015 RM'000	**2014 RM'000**
Group		
Property, plant and equipment		
Within one year:		
Contracted but not provided for	4,234	44,811

29. 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. 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.

29. Related parties (Cont'd)

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 19), are as follows:

Group	Transactions amount for the year ended 31 December 2015 RM'000	2014 RM'000
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
Kossan Chemical Industries (M) Sdn. Bhd.		
Rental expense	(1,565)	(1,466)
Kossan Holdings (M) Sdn. Bhd.		
Rental expense	(172)	(172)
***Pleasure Latex Products Sdn. Bhd*.**		
Sales*	3	–
Rental income*	54	108
Kossan Paint (M) Sdn. Bhd.		
Sales*	174	158
Purchase of consumables and property, plant and equipment	(1,766)	(600)
Pan Asian Corporation Sdn. Bhd.		
Rental expense	(679)	(679)
Transactions with corporations in which Directors have financial interest		
HT Ceramics (M) Sdn. Bhd.		
Sales*	4	7
Purchase of consumables and property, plant and equipment	(12,109)	(4,988)
Kossan F.R.P. Industries (M) Sdn. Bhd.		
Sales*	14	6
Purchase of consumables and property, plant and equipment	(518)	(282)
Gummitech Industries Sdn. Bhd.		
Rental income	27	–

29. Related parties (Cont'd)

	Transactions amount for the year ended 31 December 2015 RM'000	2014 RM'000
Company		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
Kossan Chemical Industries (M) Sdn. Bhd.		
Rental expense	(597)	(597)
Pleasure Latex Products Sdn. Bhd.		
Rental income	63	108
Kossan Paint (M) Sdn. Bhd.		
Sales*	174	158
Purchase of consumables and property, plant and equipment	(19)	(50)
Pan Asian Corporation Sdn. Bhd.		
Rental expense	–	(378)
Transactions with corporations in which Directors have financial interest		
HT Ceramics (M) Sdn. Bhd.		
Sales*	4	7
Kossan F.R.P. Industries (M) Sdn. Bhd.		
Sales*	14	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 holding company and related parties at the end of reporting period are disclosed in Note 11 and Note 15 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.

30. Subsequent event

On 29 January 2016, the Group had entered into a Joint Venture Agreement ("JVA") with Aseptapak Limited ("Aseptapak") and Aseptapak UK Limited ("Aseptapak UK") to form a Joint Venture Company. The JVA entered is intended to enhance the performance of Kossan Group which is in line with the management's strategy to increase automation of the Group's manufacturing processes.

31. 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 2015, 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**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised	668,823	517,350	(1,894)	22,127
- unrealised	(28,865)	(19,262)	2,699	3,491
	639,958	498,088	805	25,618
Less: Consolidation adjustments	(20,339)	(17,052)	–	–
Total retained earnings	619,619	481,036	805	25,618

The determination of realised and unrealised profits is based on the Guidance on 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 46 to 109 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 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 110 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: 23 March 2016

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 46 to 110 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 23 March 2016.

....

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 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows 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 46 to 109.

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 position of the Group and of the Company as of 31 December 2015 and of their financial performance 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 6 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 31 on page 110 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 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.

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

Lee Yee Keng
Approval Number: 2880/04/17(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 23 March 2016

LIST OF PROPERTIES

As at 31 December 2015

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2015 RM '000
HSD 27360 PT12772 No 14 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/3/1995 *	22 yrs	990 sq.ft	Freehold	Staff quarters	62
HSD 27361 PT12773 No 16 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/3/1995 *	22 yrs	990 sq.ft	Freehold	Staff quarters	62
Lot 754 Jalan Hj Sirat 42100 Klang	Industrial land Factory	1/1/2011 *	– 21 yrs	246,550 sq.ft	Freehold	– Factory	7,691 8,409
Lot 782 Jalan Sg Putus 42100 Klang	Industrial land Factory and office 5 storey office	1/1/2011 *	– Factory - 28 yrs and Office - 21 yrs Office - 8 yrs	47,480 sq.ft	Freehold	– Factory and Office Office	1,109 1,137 3,397
HSM 21404 Lot 16632 Jalan Meru 41050 Klang	Industrial land Factory/office	24/3/1995 *	– 26 yrs	6,055 sq. mtr	Freehold	– Factory/ Office	1,042 1,202
GM 551 Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Industrial land Factory	1/1/2011 *	– 17 yrs	94,895 sq.ft	Freehold	– Factory	1,300 2,440
HSM 3930 PT 5708 (a) (formerly Lot 2796)	Industrial land Factory	1/1/2011 *	– 13 yrs	213,916 sq.ft	Freehold	– Factory	3,836 4,375
(b) (formerly Lot 1365) Jln Sungai Sembilang 45800 Jeram	Industrial land Factory/Office Factory	1/1/2011 *	– 17 yrs 8 yrs	217,800 sq.ft	Freehold	– Factory/ Office Factory	1,114 6,427 4,351
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	3/4/2003	22 yrs	174 sq.mtr	Freehold	Hostel	195
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar, Jeram	Industrial land Staff quarters	27/2/2003	– 12 yrs	5,527 sq.mtr	Freehold	– Staff quarters	355 209
HSM 4378 PT 7355 (formerly Lot 6134 and 6135) Batu 16 Jalan Kapar, Jeram	Industrial land Factory	1/1/2011 *	– 5 yrs	20,357 sq. mtr	Freehold	– Factory	2,241 7,230

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2015 RM '000
Geran 244725 Lot 12262 (formerly Geran 40417 Lot 4761) Mukim Jeram, Kuala Selangor	Industrial land Factory	19/5/2004	– 11 yrs	2.969 hectares	Freehold	– Factory	1,147 2,772
Geran 125449, PT 49816 (formerly Lot 6129) 5 1/4 Mile, Jln Hj Abdul Manan, 41050 Klang	Industrial land Factory	1/1/2011 *	– 9 yrs	37,411 sq. mtr	Freehold	– Factory/ Office	16,752 14,430
Geran 173931 Lot 63617 (formerly HSD 116842 PT 54925) Mukim Kapar Daerah Klang	Industrial land Factory Extension of buildings	1/1/2011 *	– 2 yrs 1 yr	4.355 hectares	Freehold	– Factory Factory	6,574 26,905 2,013
Geran 173929 Lot 63616 (formerly HSD 116841 PT 54924) Mukim Kapar Daerah Klang	Industrial land Factory/Office	1/1/2011 *	– Plant A - 5 yrs Plant B - 4 yrs	4.544 hectares	Freehold	– Factory/ Office	6,800 16,587 6,531
Geran 128405 Lot 24077 (formerly Lot PT 13726) Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 8 yrs	21,805 sq. mtr	Freehold	– Factory/ Office	5,900 19,079
HSM 43179 PT 71276 (formerly GM 1724 & 1725 Lot 5068 & 5069) Jalan Meru 41050 Klang	Industrial land Factory	9/11/2010	– 3 yrs	21,105 sq. mtr	Freehold	– Factory/ Office	10,405 17,654
Geran 45715 Lot 6130 Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 7 yrs	4.0519 hectares	Freehold	– Factory	15,603 32,011
HSM 4233 PT 7201 (formerly Lot 1367) Jalan Kapar Mukim Jeram	Vacant agriculture land	21/7/2009	n/a	0.8043 hectares	Freehold	–	836
GRN 52936 Lot 6104; GRN 52937 Lot 6106; GRN 52939 Lot 6108 Mukim Kapar	Vacant agriculture land	10/6/2013	n/a	12.766 acres	Freehold	–	21,506

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2015 RM '000
Block 2 Zone C, Guang Hui Industrial Park Dongguan City Guangdong China	Factory/office constructed on rented property	30/6/2011	11 yrs	n/a	Rental	Factory/ Office	152
5100 E. 2nd Street Benecia CA 94510 United States of America	Industrial land and warehouse	31/5/2012	16 yrs	4.15 acres	Freehold	Warehouse and office	15,806
HSD 116993 Lot 55083 No 3 Jalan Korporat 42200 Kapar	Factory & hostel constructed on rented property	1/1/2014	2 yrs	12,000 sq ft	Rental	Factory and hostel	1,715
Geran 45732 Lot 6075, Mukim Kapar Daerah Klang.	Vacant industrial land Building	2/12/2013	n/a n/a	10 acres (3.7492 hectares)	Freehold	– Under construction	20,191 2,520
HSD 283117 PT 7414 Mukim Bestari Jaya Daerah Kuala Selangor	Vacant land	18/3/2014	n/a n/a	56 acres (226,620 sq mtr)	Freehold	– Under construction	36,589 46
Geran 52935 Lot 6103 Mukim Kapar Daerah Klang	Vacant industrial land	12/12/2014	n/a	5.3292 hectares	Freehold	–	40,349
GM 3334 Lot 779, Mukim Kapar Daerah Klang	Vacant land	22/6/2015	n/a	3.406 acres (148,376 sq ft)	Freehold	–	9,105
As Per Property, Plant and Equipment (Note 3 of Financial Statements)							**408,162**
J1, Utama Modern Industri Blok AH No.2, Sukatani, Serang Indonesia	Vacant industrial land	22/3/2013	n/a	22,000 sq. mtr	Freehold	–	5,223
As Per Investment Property (Note 4 of Financial Statements)							**5,223**

STATISTICS ON SHAREHOLDINGS
as at 31 March 2016

Authorised Share Capital	:	RM1,000,000,000
Issued and Fully Paid Up Share Capital	:	RM319,733,952
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	82	1.67	1,480	0.00
100 - 1,000	1,222	24.85	869,462	0.14
1,001 - 10,000	2,283	46.43	9,661,936	1.51
10,001 - 100,000	1,044	21.23	32,593,480	5.09
100,001 to less than 5% of issued shares	283	5.76	241,642,466	37.79
5% and above of issued shares	3	0.06	354,699,080	55.47
Total	**4,917**	**100.00**	**639,467,904**	**100.00**

Directors' Shareholdings

		No. of Shares		No. of Shares	
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Dato' Haji Mokhtar Bin Haji 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 Leng Bung	–	–	326,512,480	51.06
4	Tan Kong Chang	–	–	–	–
5	Lim Siau Tian	–	–	–	–
6	Lim Siau Hing	–	–	–	–
7	Lim Ooi Chow	–	–	–	–
8	Tong Siew Choo	59,904	0.01	–	–
9	Lee Choo Hock	–	–	–	–

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		63,695,100	9.96
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Amundi)	1,444,400		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Arim)	650,000		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	2,000,000		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	14,938,200		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	44,186,600		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHBIslamic)	475,900		

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	270,512,480	42.30
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	44,186,600	6.91
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	40,000,000	6.26
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR KOSSAN HOLDINGS (M) SDN BHD	16,000,000	2.50
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	14,938,200	2.34
6	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	11,886,900	1.86
7	TIAN SENN RESOURCES SDN BHD	10,653,100	1.67
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	9,277,000	1.45
9	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	6,232,400	0.97

30 Largest Shareholders (cont'd)

No.	Name of Shareholders	No. of Shares	%
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC ITTIKAL SEQUEL FUND	5,926,300	0.93
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	4,878,100	0.76
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	4,686,500	0.73
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	4,576,200	0.72
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	4,137,600	0.65
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	4,042,258	0.63
16	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,025,000	0.63
17	RUBY TECHNIQUE SDN BHD	3,550,000	0.56
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	3,465,400	0.54
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	3,217,200	0.50
20	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,201,300	0.50
21	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR CIMB ISLAMIC DALI EQUITY THEME FUND	3,071,100	0.48
22	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	2,980,800	0.47
23	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC EQUITY FUND	2,781,600	0.43
24	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	2,611,500	0.41
25	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR HI-KABL-FONDS	2,200,000	0.34
26	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	2,192,100	0.34
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	2,165,000	0.34
28	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND KG33 FOR INVESCO ASIA PACIFIC GROWTH FUND	2,155,600	0.34
29	CHIA BAK LANG	2,000,000	0.31
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	2,000,000	0.31
	TOTAL	**493,550,238**	**77.18**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Sixth (36th) 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, 19 May 2016 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 2015 together with the Reports of the Directors and the Auditors thereon.
2. To approve payment of a final tax exempt dividend of 6.5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2015. **(Ordinary Resolution 1)**
3. To approve the payment of Directors' fees of not exceeding RM300,000.00 for the financial year ending 31 December 2016. (2015: RM300,000.00) **(Ordinary Resolution 2)**
4. 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) Tan Kong Chang **(Ordinary Resolution 3)**
   (ii) Lim Siau Tian **(Ordinary Resolution 4)**
   (iii) Lim Siau Hing **(Ordinary Resolution 5)**

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

SPECIAL BUSINESS

6. 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."

7. Proposed Renewal Of And New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature **(Ordinary Resolution 8)**

"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 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 26 April 2016

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."

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

"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".

9. 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 10)**

(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 11)**

10. 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 6.5 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015, if approved by members at the Annual General Meeting to be held on Thursday, 19 May 2016, will be paid on 5 July 2016. The entitlement date for the dividend will be 3 June 2016.

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 June 2016 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

26 April 2016

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 2016.

   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 at 13 May 2016 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 office of the 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 not less than 48 hours before the time of the meeting and any adjournment thereof.

4. Explanatory Notes on Special Business

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

   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.

4. Explanatory Notes on Special Business (cont'd)

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

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 Resolution 8 is 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 26 April 2016 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 26 April 2016.

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.

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

The proposed Ordinary Resolution 9, 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 utilizing 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 26 April 2016, which is despatched together with the Company's 2015 Annual Report.

(iv) Retention of Independent Directors

The proposed Ordinary Resolutions 10 and 11 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:-

4. Explanatory Notes on Special Business (cont'd)

(iv) <u>Retention of Independent Directors (cont'd)</u>

- Resolution 10- Dato' Haji Mokhtar Bin Haji 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.

- Resolution 11 – 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.

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

No. of Shares held
CDS Account No.

PROXY FORM

I/We ____
(FULL NAME IN CAPITALS)

of ____
(ADDRESS)

being a member/members of KOSSAN RUBBER INDUSTRIES BHD, ("the Company") hereby appoint:

Full Name (in Block) Proxy A	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

And /or

Full Name (in Block) Proxy B	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
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 Sixth (36th) 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 on Thursday, 19 May 2016 at 10.30 a.m. and at any adjournment thereof, in the manner indicates below:

Agenda		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 of not exceeding RM300,000.00 for the financial year ending 31 December 2016.				
Ordinary Resolution 3	To re-elect Tan Kong Chang retiring pursuant to Article 108 of the Company's Articles of Association.				
Ordinary Resolution 4	To re-elect Lim Siau Tian retiring pursuant to Article 108 of the Company's Articles of Association.				
Ordinary Resolution 5	To re-elect Lim Siau Hing retiring 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				
Ordinary Resolution 8	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposal") :				
Ordinary Resolution 9	Proposed renewal of mandate for share buy-back.				
Ordinary Resolution 10	To retain Dato' Haji Mokhtar Bin Haji Samad as an Independent Non-Executive Director.				
Ordinary Resolution 11	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 ____________ 2016.

____
Signature of Member(s)/Common Seal

Fold this flap for sealing

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 13 May 2016 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 office of the 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 not less than 48 hours before the time of the meeting and any adjournment thereof.

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AFFIX
STAMP

The 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

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