KOSSAN

STRETCHING LIMITS • SINCE 1979

A BETTER Tomorrow

KOSSAN RUBBER INDUSTRIES BHD.

ANNUAL REPORT **2021**

OUR VISION

To be a respected global company by protecting lives through purposeful rubber products

OUR MISSION

To provide innovative and reliable gloves and engineered rubber products in a sustainable manner and with integrity

CORE VALUES

INSPIRED

CARING

COMMITTED

INNOVATIVE

HONORABLE

A BETTER TOMORROW

The pandemic and increasing consequences of climate change has shone the spotlight on health, wellbeing and the environment. In the face of this, we at KOSSAN are progressively committed to deliver products that protect lives and conduct our operating activities in a responsible manner to people, planet and profits. Believing that what we do today matters, we strive to enable "A Better Tomorrow" for all generations.

Featured on the cover visual is our hope for people and the planet we live in. We believe that our products and operating activities must create value for all stakeholders - value that improves the quality of life, value that sustains through the generations.

Scan the QR Code or view our Annual Report online version at https://kossan.com.my/investors/reports-announcements.html

42nd ANNUAL GENERAL MEETING

DATE: 19 MAY 2022 I TIME: 10.30 A.M.

INSIDE THIS REPORT

CORPORATE INFORMATION

REGISTERED AND CORPORATE OFFICE

Wisma Kossan,
Lot 782, Jalan Sungai Putus,
Off Batu 3¾ Jalan Kapar,
42100 Klang, Selangor Darul Ehsan.
Tel: +603-3291 2657
Fax: +603-3291 2903
E-mail: kossan@kossan.com.my
Website: www.kossan.com.my

INVESTOR RELATIONS

E-mail: ir@kossan.com.my
Tel: +603-3291 2657

COMPANY SECRETARIES

Chia Ong Leong
(SSM P.C. No. 201908000832, MIA 4797)
Chia Yew Ngo
(SSM P.C. No. 202008000487, LS 1831)

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Bank Muamalat (Malaysia) Berhad
Hong Leong Bank Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor Menara Symphony,
No. 5 Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor Darul Ehsan.
Tel: +603-7890 4700
Fax: +603-7890 4670
Website: www.boardroomlimited.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name: KOSSAN
Stock Code: 7153

AUDITORS

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

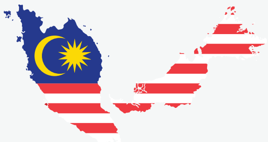
FACTS AT A GLANCE

(as at 31 December 2021)

BUSINESS OPERATIONS

Established in Malaysia in

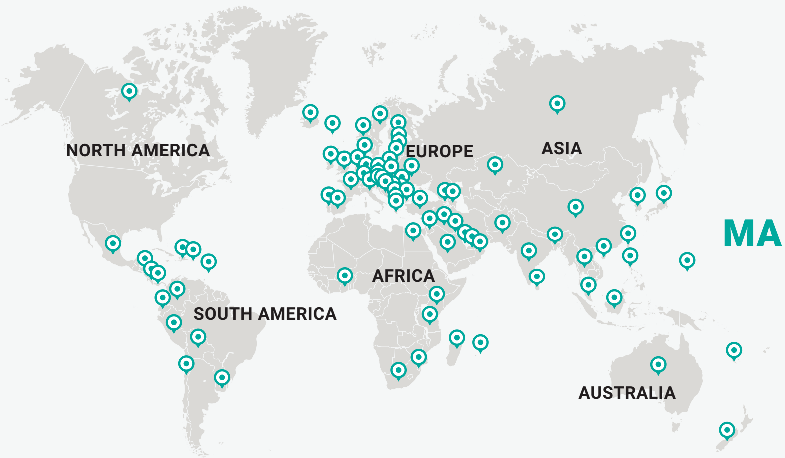
1979



More than

7,000

employees



MARKET PRESENCE

GLOVES DIVISION

Capacity of

33.5 BILLION

pieces of gloves per annum

Launched the **FIRST** KOSSAN Patented Glove Technology with

LOW DERMATITIS POTENTIAL 510(k)

clearance by U.S. FDA in 2016

LOW DERMA™ Technology in Skin Protection

PROTECTION AGAINST FENTANYL > 240 minutes

510(K) GRANTED BY U.S. FDA

Launched the **FIRST**

PROTECTION AGAINST FENTANYL

nitrile gloves with U.S. FDA 510(k) clearance in 2018

The world's **FIRST**

HALAL

certified gloves by Jabatan Kemajuan Islam Malaysia in 2017

TECHNICAL RUBBER PRODUCTS DIVISION

An accredited in-house and independent

TESTING LABORATORY

to support material designs, development and testing; providing cutting edge and value-added services to customers

STANDARDS MALAYSIA ACCREDITED

SAMM NO. 464

ilac-MRA

International Laboratory Accreditation Cooperation

Compounding capacity exceeding

10,000

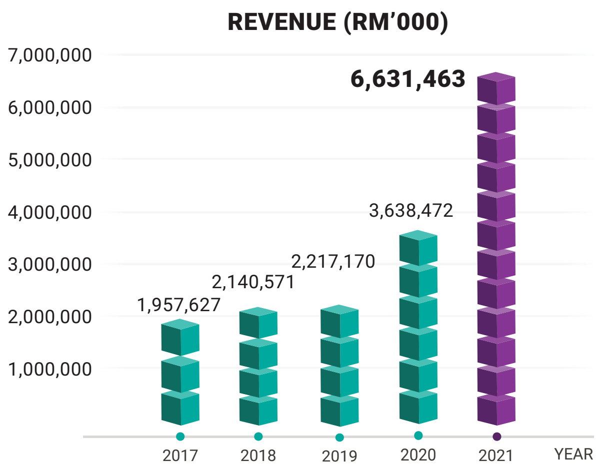
metric tonnes per annum

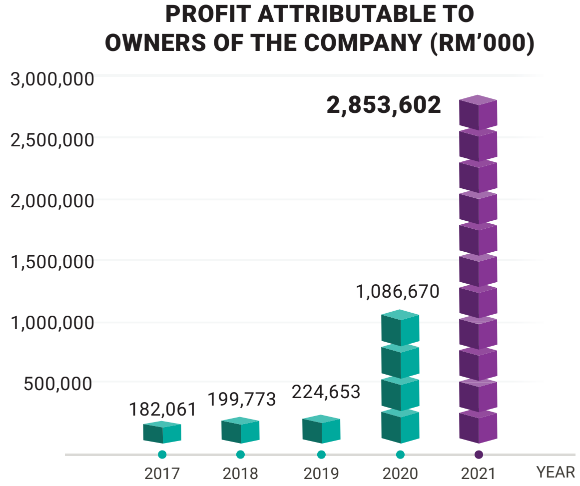
FINANCIAL HIGHLIGHTS

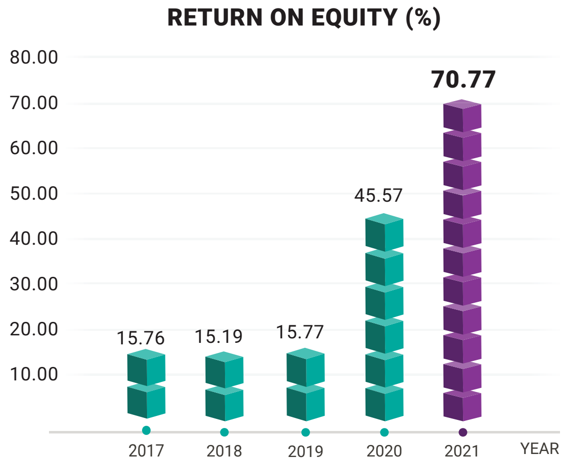
YEAR ENDED	31 DEC 21	31 DEC 20	31 DEC 19	31 DEC 18	31 DEC 17
FINANCIAL RESULTS (RM'000)					
Revenue	**6,631,463**	3,638,472	2,217,170	2,140,571	1,957,627
Profit before taxation	**3,747,312**	1,441,410	276,372	249,264	228,313
Profit attributable to Owners of the Company	**2,853,602**	1,086,670	224,653	199,773	182,061
FINANCIAL POSITION (RM'000)					
Total borrowings	**238,400**	555,037	565,234	508,680	396,746
Total lease liabilities	**13,401**	15,641	12,876	–	–
Cash and cash equivalents	**2,557,765**	1,089,507	162,250	146,315	210,382
Net cash/(debt)	**2,305,964**	518,829	(415,860)	(362,365)	(186,364)
Equity attributable to Owners of the Company	**4,032,346**	2,384,834	1,424,290	1,314,864	1,155,022
Number of shares in issue*	**2,551,620**	2,555,120	1,278,936	1,278,936	639,468
FINANCIAL RATIOS					
Basic earnings per share (sen)	**111.82**	42.49	8.78	7.81	7.12
Net gearing ratio (%)	**Net Cash**	Net Cash	29.20	27.56	16.14
Return on equity (%)	**70.77**	45.57	15.77	15.19	15.76
Dividend per share (sen)	**48.00**	14.00	3.00	3.00	2.75

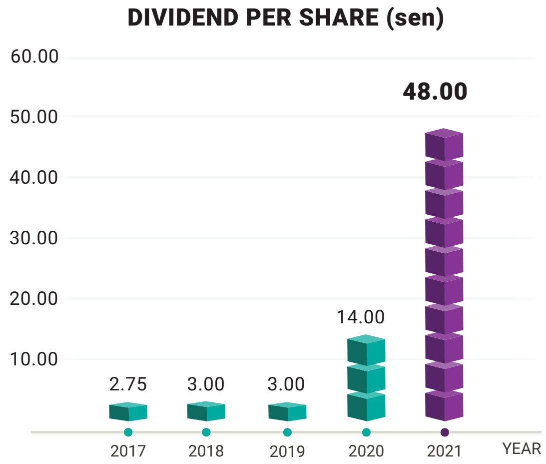
** Based on the number of ordinary shares less treasury shares.*

The comparative basic earnings per share and dividend per share have been adjusted to take into account the effect of share split on the basis of two new ordinary shares for every one existing ordinary shares held in FY2018 and the bonus issue on the basis of one bonus share for each existing share held in FY2020.









AWARDS AND CERTIFICATIONS

Throughout the years, we are grateful to have been honoured by these awards and achieved these certifications, both at industry and international level.

2021

The Edge Billion Ringgit Club Corporate Award 2021
(Healthcare Sector)
• Highest return on equity over three years
• Highest growth in profit after tax over three years
KOSSAN RUBBER INDUSTRIES BHD.

2020

General Motors: Supplier Quality Excellence Award 2020
KOSSAN INDUSTRIES SDN. BHD.
(Year received 2021)

Perfect Quality 2020 Award
KOSSAN INDUSTRIES SDN. BHD.
(Year received 2021)

2019

General Motors: Supplier Quality Excellence Award 2019
KOSSAN RUBBER INDUSTRIES BHD.
(Year received 2020)

Frost & Sullivan: Asia Pacific Best Practices Awards 2019
Global Halal Glove Company of the Year
KOSSAN RUBBER INDUSTRIES BHD.

Sin Chew Business Excellence Awards 2019
Lifetime Excellence Achievement Award 2019
TAN SRI DATO' LIM KUANG SIA

2017-2018

Awards and Certifications (Cont'd)

ACCREDITED LABORATORY

SAMM NO. 464

International Laboratory Accreditation Cooperation

KOSSAN LABORATORY
KOSSAN INDUSTRIES SDN. BHD.

SAMM NO. 372

International Laboratory Accreditation Cooperation

E-LAB TESTING AND RESEARCH CENTER
DOSHIN RUBBER PRODUCTS (M) SDN. BHD.

ENVIRONMENTAL MANAGEMENT SYSTEM

ISO 14001
Lloyd's Register Quality Assurance Limited
KOSSAN INDUSTRIES SDN. BHD.
HIBON CORPORATION SDN. BHD.

ISO 14001
BSI Assurance UK Limited
IDEAL QUALITY SDN. BHD.
PERUSAHAAN GETAH ASAS SDN. BHD.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

ISO 45001
BSI Assurance UK Limited
WEAR SAFE (MALAYSIA) SDN. BHD.
KOSSAN LATEX INDUSTRIES (M) SDN. BHD.

QUALITY MANAGEMENT SYSTEM

IATF 16949
AUTOMOTIVE
Lloyd's Register Quality Assurance Limited
HIBON CORPORATION SDN. BHD.

ISO 9001
Lloyd's Register Quality Assurance Limited
HIBON CORPORATION SDN. BHD.

IATF 16949 & ISO 9001
TÜV Rheinland Malaysia Sdn. Bhd.
KOSSAN INDUSTRIES SDN. BHD.

ISO 9001
TÜV Rheinland Malaysia Sdn. Bhd.
DOSHIN RUBBER PRODUCTS (M) SDN. BHD.
QUALITY PROFILE SDN. BHD.

BS EN 681: Pt. 1
IKRAM QA Service Sdn Bhd
KOSSAN INDUSTRIES SDN. BHD.

EN 15129, EN1337-3, EN1337-7
Certificate of Constancy of Performance
TZUS Cert
DOSHIN RUBBER PRODUCTS (M) SDN. BHD.

ISO 13485 & EN ISO 13485
BSI Assurance UK Limited
KOSSAN INTERNATIONAL SDN. BHD.
KOSSAN LATEX INDUSTRIES (M) SDN. BHD.
WEAR SAFE (MALAYSIA) SDN. BHD.
PERUSAHAAN GETAH ASAS SDN. BHD.
IDEAL QUALITY SDN. BHD.

ISO 9001
BSI Assurance UK Limited
KOSSAN INTERNATIONAL SDN. BHD.
KOSSAN LATEX INDUSTRIES (M) SDN. BHD.
WEAR SAFE (MALAYSIA) SDN. BHD.
PERUSAHAAN GETAH ASAS SDN. BHD.
IDEAL QUALITY SDN. BHD.

MS 2200-1
Jabatan Kemajuan Islam Malaysia (JAKIM)
KOSSAN INTERNATIONAL SDN. BHD.
WEAR SAFE (MALAYSIA) SDN. BHD.
PERUSAHAAN GETAH ASAS SDN. BHD.

HAS 23000
Majelis Ulama Indonesia (MUI)
KOSSAN INTERNATIONAL SDN. BHD.
WEAR SAFE (MALAYSIA) SDN. BHD.
PERUSAHAAN GETAH ASAS SDN. BHD.

EC Certificate
BSI Group The Netherlands B.V.
Sterile Surgeons Natural Rubber and Polyisoprene Gloves
KOSSAN INTERNATIONAL SDN. BHD.
WEAR SAFE (MALAYSIA) SDN. BHD.

BRC Global Standard
SGS United Kingdom Ltd.
WEAR SAFE (MALAYSIA) SDN. BHD.

Hazard Analysis and Critical Control Point (HACCP)
SGS (Malaysia) Sdn. Bhd.
WEAR SAFE (MALAYSIA) SDN. BHD.

CHAIRMAN'S STATEMENT

Mohamed Shafeii bin Abdul Gaffoor
Chairman

Dear Valued Shareholders,

NAVIGATING AN UNPRECEDENTED LANDSCAPE

Without a doubt, the 2021 year has been marked by the continued impact the COVID-19 pandemic has had on a global scale. The healthcare industry has been thrust into the limelight – from the hospitals to medical supplies and equipment to therapeutics and vaccines – all have had an integral role to play. As a leading manufacturer of protective gloves, Kossan Rubber Industries Bhd ("KOSSAN" or "Group") and Malaysia's glove industry has played a leading role in the fight against the devastating pandemic. Throughout this period, the Group's focus has been to ensure that our rubber gloves are directed to where they are needed the most – the frontliners and healthcare practitioners. In this context, the Group has implemented strict compliance to COVID-19 health and safety protocols across all our facilities to ensure continuity of operations and the uninterrupted supply of protective gloves to our customers.

On this note and on behalf of the Board of Directors, it is my pleasure to present to you KOSSAN's Annual Report for the financial year ended 31 December 2021 ("FY2021").

GROWTH IN UNCERTAIN TIMES

As Chairman of the Board, I have witnessed KOSSAN grow from strength to strength. The 2021 year was no exception as the Group achieved its highest-ever revenue and profit before tax of RM6.63 billion and RM3.75 billion respectively. With this performance, the Group has now delivered a record 26 years of unbroken profits since its listing.

Since coming onboard, I have witnessed the Group's transformation where changes have been implemented throughout the organisation. These initiatives have started to pay off, with marked improvements in our efficiency as well as performance, allowing us to be even more resilient in the face of rising costs and heightened competition.

COVID-19 RESPONSE

As one of the leading producers of gloves in the world, KOSSAN is conscious of the role we play not just within the healthcare sector, but also in the health and safety of Malaysians. Recognising that the heart of KOSSAN is its people and to safeguard the lives of employees from the COVID-19 pandemic, the Group had in July 2021, under the Selangor State Government's Vaccination Programme, Vaksin Selangor (Selvax), administered first and second doses of COVID-19 vaccines to over 6,400 local and foreign employees who

Chairman's Statement (Cont'd)

have opted into the programme. This was followed by a booster dose in January 2022 in collaboration with the National Cancer Society Malaysia for over 2,800 of our local and foreign employees who have opted in. Total costs incurred for the vaccination programme amounted to RM2.8 million. This is in addition to the stringent Standard Operating Procedures ("SOPs") implemented throughout the workplace. To mitigate the risk of cross exposure, employees are assigned to specific plants to minimise overlap.

Additionally, KOSSAN is pleased to make a donation of RM50 million to the Government's COVID-19 fund in support of Malaysia's fight against the COVID-19 pandemic. The Group remains committed to safeguarding the health and safety of all our employees and the surrounding community.

ACCELERATING OUR SUSTAINABILITY JOURNEY

At KOSSAN, we understand that financial performance is not the only measure of success. At the centre of our continued growth is a balanced and sustainable approach towards environmental, social and governance ("ESG") factors.

In these challenging times, the safety and welfare of our people remain a foremost priority and we continue to focus our efforts in ensuring that employees are well taken care of. The Group is committed to comply with all relevant local and international labour standards and practices and we have made significant strides in our social compliance journey. The remediation of recruitment fees to migrant workers totalling RM54 million, which commenced in November 2020, was completed in June 2021 ahead of the targeted completion in March 2022.

Yayasan Kossan, which is the Group's charitable arm, spearheads our corporate social responsibility ("CSR") activities and continues to carry out programmes focused on the educational and social welfare of the surrounding communities in which we operate.

Though it is a work-in-progress, I am encouraged by the progress that the Group has made on all three ESG fronts. We will continue to strengthen our sustainability performance by monitoring our performance indicators, fostering close relationships with our stakeholders as well as incorporating sustainability principles across the Group. Our initiatives are further detailed in our Sustainability Statement.

THE ROLE OF TECHNOLOGY IN A RAPIDLY EVOLVING INDUSTRY

The manufacturing sector has evolved rapidly in recent years. With the advent of Industry 4.0, cutting-edge technology will play a key role in the manufacturing sector. The glove industry has seen progress from being labour intensive in the past to the adoption of automation and robotics in today's higher-value manufacturing plants. The Internet of Things ("IoT"), Big Data Analytics, Artificial Intelligence ("AI") and Industrial Automation will be central to this development. To this end, KOSSAN has embraced automation and robotics in its manufacturing process which has over time reduced the reliance on manual labour. Adoption of value-added processes such as digitalisation and integrated manufacturing technologies will allow for a seamless production process with reduced manual input, leading to enhanced quality and efficiency and paving the way for higher productivity and the development of a skilled and innovative workforce.

IN APPRECIATION

In a tumultuous year where the COVID-19 pandemic spread across the world, further compounded by the multiple waves of cases and new variants, my gratitude goes to the Board and management as well as all employees for their determination and commitment that has resulted in an exceptional performance for the Group. Thank you to the Board and management for their dedication to KOSSAN's purpose and values and for remaining resilient and united throughout a watershed year. Under the Board's guidance and efforts, I am confident that the Group will continue to deliver sustainable shareholder value moving forward.

On behalf of the Board, I wish to express our sincere appreciation to all our valued shareholders, clients, partners, vendors, bankers and business associates for the trust and loyalty that you have given KOSSAN over the years. We look forward to further strengthening our relationship with you in the future.

Mohamed Shafeii Bin Abdul Gaffoor
Chairman
7 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Tan Sri Dato' Lim Kuang Sia
Group Managing Director /
Chief Executive Officer

Dear Valued Shareholders,

2021 has been an exceptional year for the Group. For the financial year ended 31 December 2021 ("FY2021"), I am pleased to report that Kossan Rubber Industries Bhd ("KOSSAN" or "Group") has delivered its best-ever performance with revenues and profits at record levels. The Group's profit before tax ("PBT") grew to a record RM3.75 billion on revenue of RM6.63 billion with shareholders' funds increasing to RM4.03 billion in FY2021.

While we are not immune to challenges, the improved performance is a result of our commitment to long-term, sustainable growth, where we continued to invest for the future - continuing the transformation within our organisation, empowering our people, reengineering our processes and rethinking the way we do business. This disciplined focus has meant that for the 26th year running, we are making good on our promise to enhance shareholder value since KOSSAN's listing in 1996.

OPERATING AND FINANCIAL OVERVIEW

Glove demand has historically grown by 8-10% per year on average. With the onset of the COVID-19 pandemic, the demand for personal protective equipment ("PPE") including protective gloves surged to record levels. This surge was reflected in the January-October 2021 period where rubber gloves export revenue grew by almost 91% year-on-year to RM50 billion as the sector gained from higher sales volumes and prices, according to the Malaysian Rubber Council ("MRC").

Against this backdrop, for the financial year ended 31 December 2021, the Group's revenue increased by 82.3% to RM6.63 billion as compared with RM3.64 billion in financial year ended 31 December 2020 ("FY2020"). Profit before tax increased by 160.0% to RM3.75 billion as compared with RM1.44 billion in the previous year mainly attributable to the improved performance in the Gloves division. The surge in the demand for protective gloves during the height of the COVID-19 pandemic led to an acute shortage and a

Management Discussion And Analysis (Cont'd)

supply-demand imbalance in the market. As a result, average selling prices ("ASPs") increased significantly in the period under review. The performance was accomplished despite rising material costs during the pandemic due to the shortage of key raw materials and disruptions to operations from the Enhanced Movement Control Order ("EMCO") imposed in the state of Selangor as well as by the subsequent National Recovery Plan ("NRP") where affected plants were only allowed to operate at 60% workforce capacity.

As a result of the Group's financial performance, cash and cash equivalents grew to RM2.56 billion while total debt stood at RM251.80 million as at 31 December 2021. The net cash position of RM2.31 billion will provide the Group with the flexibility to pursue its growth strategies. Return on equity, which measures the ability to generate profits on shareholders' funds, increased to 70.8% from 45.6% in FY2020, underscoring the Group's position within the healthcare industry and its ability to optimise returns on its equity capital.

Review of Segmental Performance

KOSSAN's business segments are divided into the Gloves, Technical Rubber Products ("TRP") and Cleanroom Products. With the exception of the plant for cleanroom products which is located in Dongguan, China, all our plants are located in Malaysia.

Gloves Division

The Gloves Division is the largest contributor to revenues and profitability. The revenue derived from the Gloves Division for the FY2021 period was up 88.3% to RM6.26 billion from RM3.32 billion in FY2020. Segment profit grew to RM3.71 billion, up 163.7% from RM1.41 billion recorded in the previous year. The improved performance was attributable to the increase in the average selling price for the Group's glove products.

Our glove products are mainly exported to the developed markets of North America, Europe and the Asia Pacific region. With the completion of the Group's Plant 20, KOSSAN's installed capacity stands at 33.5 billion pieces per annum.

Technical Rubber Products Division

The TRP Division is involved in the manufacturing and distribution of high technical-input rubber products, which are used in a wide array of industries, including infrastructure, automotive and industrial applications. The majority of the division's products are exported to North America, South America and Asia-Pacific region.

The revenue derived from the TRP Division for FY2021 increased by 4.1% to RM169.89 million from RM163.18 million in FY2020 while segment profit was RM16.66 million, a decrease of 23.2% from RM21.70 million recorded in the previous year. The performance of the TRP Division was affected by the global logistics disruptions and the imposition of lockdowns as a result of the COVID-19 pandemic.

Cleanroom Division

The Cleanroom Division is involved in the production of cleanroom gloves, face-masks and wipes that are mainly used in the electrical and electronic industries. The Dongguan plant in China is not involved in glove manufacturing but undertakes secondary and value-added processes on the gloves produced in Malaysia by our Gloves Division.

The revenue derived from the Cleanroom Division for FY2021 increased to RM204.13 million from RM152.06 million last year, while segment profit was RM26.16 million compared to RM30.56 million in FY2020.

REWARDING SHAREHOLDERS

KOSSAN is committed to delivering value to our shareholders through consistent dividend distributions. In line with our earnings performance, the Group has paid out a total dividend of 36 sen per share consisting of a first, second and third interim dividend of 12 sen respectively to-date. On 17 February 2022, the Group had also declared a fourth interim dividend of 12 sen per share with an ex-date of 5 April 2022 and a payment date of 22 April 2022, bringing total dividends for FY2021 to 48 sen per share. This amounts to a total payout of RM1.22 billion, representing a payout ratio of 42.9%.

MOVING FORWARD

Industry Landscape

Two years after the World Health Organisation ("WHO") declared a pandemic, COVID-19 continues to impact the world. The International Monetary Fund ("IMF") in its January 2022 World Economic Outlook ("WEO") report projects global growth to moderate from 5.9 in 2021 to 4.4 percent in 2022. Global growth is expected to slow to 3.8 percent in 2023, according to the IMF.

Management Discussion And Analysis (Cont'd)

As a result of the pandemic, the demand for protective gloves increased significantly. In its July 2021 statement, the Malaysian Rubber Glove Manufacturers Association ("MARGMA") projected global glove demand to be 420 billion pieces for 2021 (2020: 360 billion pieces). In the near term, the glove industry is expected to be challenging with the tapering of glove demand and ASP from the heights of the pandemic as a result of the rollout of mass vaccinations globally. Even with the COVID-19 variants, the percentage of COVID-19 cases categorised as severe has declined compared to the earlier stages of the pandemic. As such, the exceptionally high ASP which were due to the shortage and panic-buying of gloves during the onset of the pandemic, have decreased rapidly leading to inventory adjustments and delayed customer orders. In addition, the glove sector is seeing increased competition and incoming capacity from existing manufacturers and new entrants, domestically as well as overseas. The global logistics disruptions and container shipping shortages have also adversely affected glove shipments and deliveries. Furthermore, the industry is subject to increases in manpower and energy costs amidst an inflationary environment. Based on these reasons, the glove sector is expected to face headwinds in the current year 2022.

Nevertheless, looking beyond the current COVID-19 situation and adopting a long-term perspective, global demand is expected to remain higher than pre-pandemic levels as a result of a shift in glove usage due to higher healthcare standards and hygiene awareness in both the medical and non-medical sectors. MARGMA in a February 2022 statement, projects the demand for gloves to be 10-15% higher than pre-Covid levels in 2022 and 2023.

Rubber gloves remain an indispensable part of the healthcare industry as the contamination and infection control medical device of choice. In the non-medical sector, rubber gloves' functional barrier properties and low absolute unit price has lent itself to a broad range of applications across industries and end-uses. In addition, increasing demand from emerging markets and countries with low per capita consumption will continue to drive the industry's expansion. With our proven track record, KOSSAN is well-positioned to pursue these opportunities and develop its competitive edge in these markets.

The TRP Division is involved in two main segments which are the infrastructure and automotive sectors. The anticipated gradual uptick in economic activity and infrastructure spending domestically and regionally as economies reopen post-pandemic will bode well for the division.

LONG-TERM SUSTAINABLE GROWTH

As we move forward, the Group will accelerate its transformation plans where changes have been implemented throughout the organisation which will allow the Group to be resilient even in the face of rising costs and heightened competition.

KOSSAN's strategy is to drive long-term sustainable growth. Capacity expansions in Selangor over the next two years are projected to increase capacity by 5 billion pieces of gloves through the construction of two new plants. The first plant with an installed capacity of 2 billion pieces is expected to be completed in the 1st half of 2023 while the second plant with an installed capacity of 3 billion pieces is expected to be completed in the 2nd half of 2023.

Thereafter, expansion will be focused on the 824-acre industrial land in Bidor, Perak. The Group plans to build an integrated glove manufacturing facility that will increase annual installed capacity by an additional 42 billion pieces over the next 8 to 10 years through the construction of ten (10) glove plants which will be completed in stages. The first plant in Bidor which will have a capacity of 4.2 billion pieces per annum is projected to be completed in the 1st half of 2024. This expansion in a centralised location with available sources of utilities (natural gas, electricity and water) and local manpower will facilitate the Group's expansion program. Beyond the anticipated near-term headwinds in the current year 2022, the Group remains optimistic of its future prospects and the continued growth of the glove industry.

To stay ahead of the curve, KOSSAN has embarked on a transformation journey by ensuring we have the right people, processes and systems in place. In addition, the Group recognises that cutting-edge technology such as robotics, Industry 4.0, the Internet of Things, Big Data and Artificial Inteligence are crucial to the development of the glove industry.

As part of its ongoing transformation, the Group has accelerated investments into digitalisation and automation in its plants to increase productivity and efficiency and to prepare the Group for its next phase of growth. In this regards, KOSSAN has invested in a new Enterprise Resource Planning ("ERP") system which will be implemented across the Group progressively. ERP systems integrate financials, supply chain, operations, commerce, reporting, manufacturing, and human resource activities in one seamless digital platform leading to better cost management, improved inventory management, and overall improved productivity. In addition, the implementation of automation and robotics in our plants allow us to improve quality and consistency. Automation streamlines the production process, minimising costly human errors, wastage and rejects whilst ensuring product quality. Automation not only reduces over-reliance on manual labour, it also resolves problems of labour shortages and rising wages in the long run. With the implementation of automated packaging, the number of workers per million pieces of gloves produced per month will further decrease in the future. As we move forward, we remain focused on harnessing technology to complement our manufacturing excellence.

AWARDS & RECOGNITION

During the year, KOSSAN was awarded two awards in The Edge Billion Ringgit Club Corporate Award 2021 for the Highest Return on Equity Over Three Years and the Highest Growth in Profit After Tax Over Three Years under the Healthcare sector. The Edge Billion Ringgit Club Corporate Award's recognises Corporate Malaysia's best-performing listed companies and these awards are a testament to the Group's profitability and consistent growth despite the challenging times.

ACKNOWLEDGEMENTS

To the Directors and management team and to all employees of KOSSAN - thank you for the outstanding leadership in steering the company to where it is today and for yet another year of record performance. Your unwavering dedication and commitment even in these challenging times form the backbone of our success and in everything that we strive to achieve.

To our customers, business partners, associates, suppliers, consultants and bankers - my appreciation for your unwavering support and trust, many of whom have been on this journey with us since the beginning.

Without the contributions from all our stakeholders over the years, we would not have been able to grow from a five-man operation in 1979 to a world-class manufacturer of disposable gloves and technical rubber products today. With the support of all our stakeholders, I am confident KOSSAN will continue to deliver sustainable growth now and far into the future.

Tan Sri Dato' Lim Kuang Sia
Group Managing Director / Chief Executive Officer
7 April 2022

DIRECTORS' PROFILE

TAN SRI DATO' LIM KUANG SIA

70 I MALE I MALAYSIAN
Group Managing Director / Chief Executive Officer, Non-Independent Executive Director

Date Appointed to the Board:
14 June 1979 (Founder)

Board Committee Membership(s):
• Member of the Remuneration Committee

Qualifications and Working Experience:
Tan Sri Dato' Lim, a founder director of Kossan, graduated with a Bachelor of Science Degree in Chemistry from Nanyang University in Singapore in 1975, a Post-graduate Diploma in Chemical Engineering from University College, University of London in 1976 and a Master's Degree in Chemical Engineering from Imperial College, University of London in 1977.

Present Appointment(s):
• Honorary President of The Associated Chinese Chambers of Commerce and Industry of Malaysia
• Executive Advisor to the Klang Chinese Chamber of Commerce and Industry
• Deputy President of the Malaysia Teochew Chamber of Commerce
• Honorary Life President of the Teochew Association Klang and Coast
• Honorary Advisor to the Lim Association Klang and Coast
• Deputy Chairman of Pin Hwa High School
• Vice Chairman of Kwang Hua Private High School
• Vice Chairman of Hin Hua High School

Present Directorship(s):
• Founder and Trustee of Yayasan Kossan

Directorship(s) in other Public Companies and Listed Entities:
NIL

MOHAMED SHAFEII BIN ABDUL GAFFOOR

59 I MALE I MALAYSIAN
Chairman, Independent Non-Executive Director

Date Appointed to the Board:
23 January 2017

Board Committee Membership(s):
• Chairman of the Nominating Committee
• Chairman of the Remuneration Committee
• Member of the Audit Committee

Qualifications and Working Experience:
En. Mohamed Shafeii graduated with a Bachelor of Arts (Hons) Degree from the University of Waterloo, Canada in 1986 and obtained the Master of Business Administration (Oil and Gas Management) from University of Dundee, United Kingdom in 1994.

He has experience in auditing, administration and consulting. He was an economist with Bank Negara Malaysia in 1986, an auditor with Ernst & Young between 1987 to 1990 and was with Shapadu Corporation Sdn. Bhd., a company involved in transportation, toll concession, oil and gas and investment, between 1991 to 1994. He joined Desa Pachi Consultancy Sdn. Bhd., a company that provides management and technical consulting services in 1995 as its Managing Director. While at the consulting company, he was seconded to Westmont Industries Bhd./Sabah Shipyard Sdn. Bhd. (1997 to 1999) and Ipco International Ltd (2000 - 2002) as their Managing Director and to Xian Leng Holdings Bhd. (1998 to 2008) as its Independent Director.

Present Appointment(s):
NIL

Directorship(s) in other Public Companies and Listed Entities:
NIL

Directors' Profile (Cont'd)

LEE CHOO HOCK

69 I MALE I MALAYSIAN
Senior Independent Non-Executive Director

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):
- Chairman of the Audit Committee
- Chairman of the Risk Management Committee
- Member of the Nominating Committee

Qualifications and Working Experience:
Mr. Lee is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Institute of Chartered Accountants in England and Wales. 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 supervision, retail banking, products development and market research, as well as treasury operations. He was the Head of Finance in Malayan Banking Berhad from 1997 until his retirement in 2008.

Present Appointment(s):
- Chairman of the Audit Committee of HSBC Bank Malaysia Berhad
- Member of the Nomination Committee of HSBC Bank Malaysia Berhad
- Member of the Audit, Risk and Nomination Committee of HSBC Amanah Malaysia Berhad

Directorship(s) in other Public Companies and Listed Entities:
- Independent Non-Executive Director of HSBC Bank Malaysia Berhad
- Non-Independent Non-Executive Director of HSBC Amanah Malaysia Berhad
- Trustee of Yayasan Kossan

HOH KIM HYAN

64 I FEMALE I MALAYSIAN
Independent Non-Executive Director

Date Appointed to the Board:
23 January 2017

Board Committee Membership(s):
- Member of the Audit Committee
- Member of the Risk Management Committee
- Member of the Nominating Committee
- Member of the Remuneration Committee

Qualifications and Working Experience:
Madam Hoh is a Chartered Accountant with membership in the Institute of Chartered Accountants in England and Wales since 1983. She graduated with a Bachelor of Commerce from the University of Melbourne, Australia in 1978.

She has experience in accounting, auditing, internal audit, administration, education and training. She was with KPMG Malaysia (1984-2000 and 2008-2010) and headed one of its audit departments. Her last position in KPMG was technical director. During her second stint at KPMG, she was a Director in the Professional Practice Department.

From 2000 to 2002, she was the senior technical consultant at the Malaysian Accounting Standards Board where she assisted in the formulation of accounting standards for application in Malaysia. Between 2004 and 2008, she taught at University Tunku Abdul Rahman and University of Malaya. She was the Operations Director at the Institute of Internal Auditors Malaysia between 2011 to 2012. Madam Hoh was with The Malaysian Institute of Certified Public Accountants as its Senior Technical Manager from 2012 to 2019. Her main scope of work was to provide technical support to two of the Institute's Committees – the Accounting and Audit Technical Committee and the Financial Statements Review Committee.

Present Appointment(s):
NIL

Directorship(s) in other Public Companies and Listed Entities:
NIL

Directors' Profile (Cont'd)

LIM LENG BUNG

59 I MALE I MALAYSIAN
Non-Independent Executive Director

Date Appointed to the Board:
20 August 2014

Board Committee Membership(s):
NIL

Qualifications and Working Experience:
Mr. Lim Leng Bung has more than 35 years of experience in technical rubber products. He joined Kossan Rubber Industries Bhd in 1983 in production operations. He acquired extensive skills and experiences in the production of technical rubber products over the years and was promoted to be the Production Planning and Control Manager in 1989. Following this, he held several roles, including the management of building and premises.

He currently holds the position of Executive Director of Production in the Technical Rubber Products Division.

Present Appointment(s):
NIL

Directorship(s) in other Public Companies and Listed Entities:
NIL

TAN KONG CHANG

55 I MALE I MALAYSIAN
Non-Independent Executive Director

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):
NIL

Qualifications and Working Experience:
Mr. Tan graduated with a Bachelor's Degree in Architecture from the University of Southwestern Louisiana, USA in 1992. Mr. Tan was a Project Architect with DEG Akitek Sdn. Bhd. from 1992 to 1995 and a Project Manager with KYM Holdings Berhad from 1996 to 1997. In 1998, he joined Perusahaan Getah Asas Sdn. Bhd., a subsidiary, where he gained experience in finance, human resource, production management, quality control and research and development.

He is currently a Key Senior Management and holds the position of Chief Operating Officer in the Gloves Division and Executive Director of Human Resources of the Group. Additionally, he is responsible for all expansion and upgrading of manufacturing facilities and the construction of the Group's buildings. He also oversees several subsidiaries in the Gloves Division.

Present Appointment(s):
NIL

Directorship(s) in other Public Companies and Listed Entities:
NIL

Directors' Profile (Cont'd)

LIM SIAU TIAN

49 I MALE I MALAYSIAN
Non-Independent Executive Director

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):
NIL

Qualifications and Working Experience:
Mr. Lim Siau Tian graduated with a Bachelor's Degree in Marketing 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 the Operations and Marketing Manager. He joined KOSSAN in 2003 and was promoted to General Manager of Marketing in the Gloves Division in 2008. Following this, he held several roles and contributed his expertise in the rubber glove industry during his term as Trustee in Malaysian Rubber Council and as elected committee member in the Malaysian Rubber Glove Manufacturers Association.

He is currently a Key Senior Management and holds the position of Executive Director of Marketing in the Gloves Division. Additionally, he oversees several subsidiaries in the Gloves Division and drives several corporate level projects.

Present Appointment(s):
NIL

Directorship(s) in other Public Companies and Listed Entities:
• Trustee and President of Yayasan Kossan

LIM SIAU HING

49 I MALE I MALAYSIAN
Non-Independent Executive Director

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):
NIL

Qualifications and Working Experience:
Mr. Lim Siau Hing graduated with a Bachelor's Degree in Business Administration (majoring in Operations Management and Analysis) from the University of Central Oklahoma, USA in 1998. He joined KOSSAN upon graduation and gained experience in quality control, production management, engineering and marketing.

He is currently a Key Senior Management and holds the position of Executive Director of the Technical Rubber Products Division and oversees all the division's subsidiaries.

Present Appointment(s):
NIL

Directorship(s) in other Public Companies and Listed Entities:
NIL

Directors' Profile (Cont'd)

LIM OOI CHOW

39 I MALE I MALAYSIAN
Non-Independent Executive Director

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):
• Member of the Risk Management Committee

Qualifications and Working Experience:
Mr. Lim Ooi Chow graduated with a Bachelor's Degree in Computer Science from Monash University, Australia in 2005. He obtained his Masters of International Business, also from Monash University in 2006. Upon graduation, he worked as a Computer Engineer in Australia. He joined KOSSAN in 2007 and gained experience in finance, information technology, project management, production management and engineering.

He is currently a Key Senior Management and holds the position of Executive Director of Engineering and oversees several subsidiaries in the Gloves Division.

Present Appointment(s):
NIL

Directorship(s) in other Public Companies and Listed Entities:
NIL

Notes:

The details of Directors' attendance at Board Meetings are set out in the Corporate Governance Overview Statement on page 44 of this Annual Report.

None of the Directors of the Company have family relationships with any Director and/or substantial shareholder with the exception of the following:
- *Tan Sri Dato' Lim Kuang Sia and Mr. Lim Leng Bung are siblings.*
- *Mr. Lim Ooi Chow is the son of Tan Sri Dato' Lim Kuang Sia and the nephew of Mr. Lim Leng Bung.*
- *Messrs Lim Siau Tian, Lim Siau Hing and Lim Ooi Chow are cousins.*
- *Messrs Lim Siau Tian and Lim Siau Hing are nephews of Tan Sri Dato' Lim Kuang Sia and Mr. Lim Leng Bung.*

Other than as disclosed, none of the Directors have any conflict of interest with the Company, have not been convicted of any offence, other than traffic offences, within the past five years and have no public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE

PUAN SRI DATIN CHOW CHENG MOEY

69 I FEMALE I MALAYSIAN
Chief Financial Controller

Qualifications and Working Experience:
Puan Sri Datin Chow holds a Bachelor of Science Degree in Engineering. She joined KOSSAN in 1980 and has served in various capacities in the Group prior to her appointment in her present position in February 2017. She does not hold any directorship in public companies or listed issuers. Puan Sri Datin Chow is the spouse of Tan Sri Dato' Lim Kuang Sia and the mother of Mr. Lim Ooi Chow.

MOK CHEE HONG

49 I MALE I MALAYSIAN
Chief Financial Officer

Qualifications and Working Experience:
Mr. Mok is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He joined KOSSAN in his present position in June 2021.

Mr. Mok started his career as an auditor with BDO Binder before joining Talam Corporation Berhad as Assistant Finance Manager and Panasonic Malaysia as Finance Manager. He subsequently moved to Carlsberg Brewery Malaysia Berhad as Senior Finance Manager and then to a multinational company as Financial Controller. Prior to joining KOSSAN, he was the Chief Financial Officer in public listed company.

LEE HON CHEE

60 I MALE I MALAYSIAN
Senior Group Accountant

Qualifications and Working Experience:
Mr. Lee is a member of the Malaysian Institute of Accountants and holds a Bachelor's Degree in Business Accounting. He joined KOSSAN in 1994 and has served in various capacities in the Group prior to his appointment in his present position in 2009.

DR. OR TAN TENG

73 I MALE I MALAYSIAN
Chief Operations Officer (TRP – Infrastructure)

Qualifications and Working Experience:
Dr. Or holds a PhD in Seismic Engineering from University of Southampton (UK). He is a Fellow of the Plastics and Rubber Institute of Malaysia, Fellow of the Institute of Materials (UK) and Fellow and President of the Malaysian Earthquake Engineering and Technology Society.

Dr. Or is also an Industrial Engineering Consultant for University Tunku Abdul Rahman, University Technology Mara, University Pertanian Malaysia, and First College University, Kuala Lumpur. He is the founding director of Doshin Rubber Products (M) Sdn. Bhd., incorporated in 1984 and appointed director of Quality Profile Sdn. Bhd. in 2001, both of which are subsidiaries of KOSSAN.

TAN ENG TECK

62 I MALE I MALAYSIAN
General Manager, Business Development (TRP)

Qualifications and Working Experience:
Mr. Tan holds an Honours Degree in Polymer Science and Technology. He joined KOSSAN in 1994 and has held various positions in KOSSAN prior to his appointment in his present position in 2003.

JOYCE YOONG

44 I FEMALE I MALAYSIAN
General Manager, Corporate Strategy and Governance

Qualifications and Working Experience:
Ms. Joyce holds a Bachelor of Science in Accounting and Finance from University of Warwick and is a fellow of the Institute of Chartered Accountants in England and Wales. She joined KOSSAN in September 2020 and was appointed to her present position in January 2021.

Ms. Joyce began her career as an auditor in Arthur Anderson and Ernst & Young. She then joined Public Mutual Berhad as Deputy Finance Manager. Prior to joining KOSSAN, she worked in Bursa Malaysia Berhad, starting in the finance department as Senior Manager of Financial Reporting and Tax, and ended her tenure there in strategy department as Senior Vice President of Strategic Planning and Business Development.

Notes:

Other than as disclosed, the above key senior management members have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interests with the Company, have not been convicted of any offences, other than traffic offences, within the past five years and have no public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

The disclosure on the particulars of the key senior management is made in compliance pursuant to Appendix 9C of Bursa Malaysia Securities Main Market Listing Requirements.

SUSTAINABILITY STATEMENT

This Sustainability Statement for financial year 2021 marks the sixth year in our sustainability reporting journey.

Our Sustainability Statement is published on an annual basis and has been prepared based on the following recognised sustainability reporting frameworks and guidance:

- Bursa Malaysia's Sustainability Reporting Guide, 2nd Edition;
- Global Reporting Initiative ("GRI") Standards: Core Option; and
- United Nations Sustainable Development Goals

For a full list of disclosures referenced in this Statement, please refer to the GRI Content Index on page 36.

Reporting Scope and Boundary

This Statement contains information for 2021, unless otherwise stated. It focuses on our core Business Units - Gloves and Technical Rubber Products ("TRP"). There is no change to the scope of our Sustainability Statement from the previous financial year.

SUSTAINABILITY GOVERNANCE STRUCTURE

The responsibility to embed sustainability in KOSSAN's business strategy and operations rests with the Board of Directors ("Board"). The sustainability direction from the Board is cascaded to the organisation through direction provided by the Group MD/CEO, strategised and driven by Corporate Sustainability and executed by the relevant departments.

BOARD OF DIRECTORS

1. Responsible for overall governance of sustainability strategies and performance.
2. Ensures that sustainability is embedded in business strategy.

GROUP MD/CEO

1. Provides leadership and direction on sustainability focus areas and emerging matters.
2. Oversees the management of Group's sustainability risks and opportunities.
3. Approves sustainability targets.

CORPORATE SUSTAINABILITY

1. Develops the sustainability pillars, strategies and targets.
2. Engages with key stakeholders.
3. Tracks the progress of key sustainability initiatives and targets.
4. Provides regular reporting to Top Management and the Board of Directors.

Sustainability Statement (Cont'd)

MATERIAL SUSTAINABILITY MATTERS

Materiality Assessment Process

Our materiality assessment process identifies sustainability matters that are significant to our business and stakeholders. This facilitates the response to and management of key sustainability opportunities and risks.

IDENTIFICATION	PRIORITISATION	RESPONSE AND MANAGEMENT
Important and impactful material matters to our business and stakeholders	Most prevalent material matters that are significant to our business and stakeholders	Formulation of strategic initiatives to ensure each material matter is well managed

Apart from an internal review based on material matters identified in 2020, we collated feedback from stakeholders through regular business and community engagements, conducted desktop assessment against industrial peers and considered reviews based on globally-recognised ESG ratings and assessments.

For 2021, we identified 13 material matters and clustered these under four strategic pillars:

ENVIRONMENTAL STEWARDSHIP
- Pollution Management
- Energy and Emissions
- Water Management

PEOPLE MATTER
- Social Compliance and Labour Practices
- Workplace Safety
- Health and Wellness
- People Development

COMMUNITY DEVELOPMENT
- Employment Opportunities
- Partnership with Schools
- Community Welfare

BUSINESS INTEGRITY
- Ethical Business
- Supply Chain Management
- Product Quality and Safety

In Support of United Nation Sustainable Development Goals ("SDGs")

The SDGs are a good guide for us in priortise business strategies to generate greatest positive impact to environment and society. It enables us to align with nation-building and the global sustainability agenda.

In 2021, we identified 10 SDGs that are relevant to our business strategies and initiatives:

Sustainability Statement (Cont'd)

Key Stakeholders' Material Sustainability Matters

Stakeholder engagement is crucial in addressing and managing material sustainability matters. Our proactive and regular engagement approach enables us to gain valuable insights and perspectives on material sustainability matters that are significant to key stakeholders. This allows us to prioritise our sustainability efforts in alignment with our key stakeholders to ensure continuous value creation.

The following table summarises our key stakeholders, engagement channels and mapping with material sustainability matters:

Key Stakeholders	Engagement Channels	Material Sustainability Matters
Employees	• ESG focus groups • Performance evaluation • Induction programmes	• Energy and emissions • Social compliance and labour practices • Workplace safety • Health and wellness • People development
Customers	• Meetings • Customer satisfaction surveys • Customer audits • ESG questionnaires from customers	• Energy and emissions • Social compliance and labour practices • Ethical business • Supply chain management • Product quality and safety
Shareholders and investors	• Annual general meeting • Investor questionnaires and dialogues	• Energy and emission • Social compliance and labour practices • Ethical business
Regulators	• Site visits and inspections • Local council meetings • Industrial group meetings	• Pollution management • Energy and emissions • Water management • Social compliance and labour practices • Workplace safety • Employment opportunities • Partnership with schools • Community welfare • Ethical business • Product quality and safety
Local communities and society	• Corporate social responsibility programmes • Community engagement activities • Industry association meetings	• Pollution management • Employment opportunities • Partnership with schools • Community welfare
Vendors	• Meetings • Vendor evaluation and audits	• Social compliance and labour practices • Ethical business • Supply chain management

ENVIRONMENTAL STEWARDSHIP

In support of SDGs:

At KOSSAN, we are committed to conduct business in a responsible manner, being cognisant that what we do today must enable a sustainable green tomorrow for future generations.

We drive responsibility and accountability for the impact of our activities on the environment through our Environmental Management System ("EMS") framework, that is guided by ISO 14001 Environmental Management System.

ENVIRONMENTAL STEWARDSHIP

- Pollution Management
- Energy and Emissions
- Water Management

EMS Framework

KEY COMPONENTS OF KOSSAN'S EMS FRAMEWORK

ENVIRONMENTAL POLICY	ENVIRONMENTAL WORKING GROUP	ENVIRONMENTAL COMPETENT PERSONS	ENVIRONMENTAL ASSESSMENT
ENVIRONMENTAL OBJECTIVES AND TARGETS	ENVIRONMENTAL AUDIT	ENVIRONMENTAL TRAINING AND AWARENESS	

A. Environmental Policy

KOSSAN's Environmental Policy demonstrates our commitment to:

√ Environmental protection
√ Efficient use of natural resources and energy
√ Reduce emissions and waste
√ Measure and monitor environmental indicators
√ Report and resolve environmental issues
√ Inculcate an environment-conscious culture

This policy is shared and communicated with all employees, vendors and other relevant stakeholders.

B. Environmental Working Group ("EWG")

KOSSAN's EWG is a Group level function set up with the objective of enabling best practices to be shared across the plants and group-think and resolution of complex, pervasive or emerging environmental issues. The EWG is chaired by a director and its members consist of environmental professionals from each plant.

C. Environmental Competent Persons

All plants have licensed competent persons on-site to ensure industrial effluents and hazardous waste (or scheduled waste) are well managed and in compliance to local environmental laws issued by the Department of Environment ("DOE").

The competent person for industrial effluents monitors real-time data, takes necessary measurements and ensures discharge quality is maintained in accordance with local environmental requirements.

The competent person for hazardous waste ensures the safe management and correct disposal of such waste in accordance with local environmental requirements.

Sustainability Statement (Cont'd)

D. Environmental Assessment

Environmental Aspect and Significant Impact ("EASI") assessments are conducted to evaluate the environmental impact of our operations and tailor mitigating measures to minimise environmental pollution. EASI records are acted upon and monitored, and where necessary, included in the formulation of targets.

E. Environmental Objectives and Targets

A set of environmental objectives and targets with deadlines are formulated according to our environmental policy and the outcome of our regular reviews of environmental data.

Plant Environment Departments monitor and report the performance and progress of environmental targets to Plant Management, who are in turn accountable to Top Management for the achievement of the targets.

F. Environmental Audits

Environmental audits are conducted annually by the Internal Audit Department. Audit findings are discussed with Management and presented to the Audit Committee. In addition, plants are also subject to external audits by the DOE, customers and other third party audits (e.g. certification bodies). Management ensures that corrective actions are taken on a timely basis.

G. Environmental Training and Awareness

Employees are made aware of impacts of the manufacturing and supporting activities through a sharing of outcomes of EASI assessment and appropriate on-the-job training is given to internalise minimising actions in day-to-day activities. Employees are additionally provided specific understanding and training on hazardous waste and its management.

Pollution Management

KOSSAN is committed to minimise waste, hazardous waste and effluents. KOSSAN is also committed to ensure that effluent discharge does not harm the environment.

We employ a 3R strategy to Reduce, Reuse and Recycle to manage the impacts of pollutants that come from our activities. Examples of our on-going initiatives include the review of chemicals types and optimising processes and usage quantities, reusing of containers and the recycling of used lubricant oil.

Effluent processing and discharge is constantly monitored and managed to ensure the discharge quality is maintained at Standard B, in compliance with local environmental regulations.

Environmental competent person performing checks at wastewater treatment plant

Sustainability Statement (Cont'd)

Energy and Emissions

Climate change has led to more frequent extreme and unexpected weather events that has resulted in the loss of life and significant financial recovery costs. In line with the Malaysian government commitments to achieve net zero by 2050 and to reduce carbon emission intensity by 45% by 2030, we actively manage our carbon footprint through initiatives to reduce and optimise energy consumption.

Our key mitigating strategies are driven by Top Management. These include the transition to solar energy and plant level energy optimisation that are driven by annual targets. In addition, all factories and offices are fitted with LED lights and solar-powered perimeter spotlights. Office equipment continues to be progressively transitioned to be increasingly energy-saving.

Photo-voltaic solar panels at one of KOSSAN's manufacturing plants

Management regularly monitors consumption metrics for electricity and natural gas, usage of solar-powered energy and carbon emissions.

ELECTRICITY
Consumption: 167,945,825 kWh
Intensity: 7.776 kWh / 1,000 pcs gloves

RENEWABLE ENERGY
Consumption: 3,066,789 kWh

NATURAL GAS
Consumption: 7,192,501 MMBTU
Intensity: 0.333 MMBTU / 1,000 pcs gloves

CARBON EMISSION
Scope 1: 381,634 tonnes CO2e
Scope 2: 116,554 tonnes CO2e
Total: 498,188 tonnes CO2e
Intensity: 0.023 tonnes CO2e / 1000 pcs gloves

Water Management

At KOSSAN, we are cognisant that water, being a key input to the glove manufacturing process, is a scarce resource. Here again, we employ our 3R strategy to Reduce, Reuse and Recycle water, and work towards annual targets set by Top Management.

Examples of our on-going initiatives include optimising plant processes to reduce consumption volume and reusing of tank water in the manufacturing line. In 2021, we recorded a water consumption of 7,627,788 m3 at and intensity 0.353 m3 / 1000 pcs gloves.

During the year, we began our first consumption of recycled water at certain manufacturing plants. The initiative was made possible through partnership with the largest water service provider in the state, giving rise to KOSSAN becoming the first customer of the state's reclaimed water project. At the end of 2021, KOSSAN recorded a usage of recycled water amounting to 9% of total water consumption.

KOSSAN's sizeable investment in supplying certain plants with reclaimed water is also in support of the Malaysian government's target to recycle 33% of the nation's treated effluents by 2030.

Sustainability Statement (Cont'd)

PEOPLE MATTER

In support of SDGs:

PEOPLE MATTER

- Social Compliance and Labour Practices
- Workplace Safety
- Health and Wellness
- People Development

Our people are the backbone of our business growth and we are committed to protect and respect the rights of each person. Driven by this commitment, we strive to create a fair, safe and healthy working environment.

Social Compliance and Labour Practices

KOSSAN appreciates and respects the rights and dignity of every person, and incorporates this in our people policies and practices. Our policies and practices are guided by local labour laws and international requirements.

People policies and practices are summarised in the diagram below. These policies are translated in the languages relevant to our people, and communicated through knowledge share sessions.

KEY PEOPLE POLICIES AND PRACTICES

- RESPONSIBLE RECRUITMENT
- FAIR AND ETHICAL TREATMENT
- REASONABLE WORKING HOURS
- FAIR REMUNERATION
- FREEDOM OF ASSOCIATION
- FREEDOM OF MOVEMENT
- FREEDOM TO HOLD PERSONAL DOCUMENTS
- PROTECTING CHILDREN AND YOUNG PERSONS
- EQUAL EMPLOYMENT AND DIVERSITY

A. Responsible Recruitment

KOSSAN is committed to fair and ethical recruitment of all employees.

In line with best practices, our recruitment policies and practices for migrant workers are guided by our Employee Pays (Zero-Cost) Policy. To this end, we ensure our recruitment practices protect workers from debt bondage, prohibit coercion into employment and allow freedom of movement. We ensure transparency in the terms of employment and make available employment contracts in the workers' native languages.

Prospective workers are briefed about KOSSAN's Employee Pays (Zero-Cost) Policy and social compliance practices during recruitment interviews in the source country and informed directly that they do not have to pay any recruitment fees, travel and pre-employment costs. Workers are interviewed at four points of the pre- and post-recruitment journey to ensure that they have not paid any recruitment fees to agents. Workers found to have paid recruitment fees would be remediated immediately.

We implemented our Recruitment Agency Code of Conduct ("RACC") to clearly communicate our stand on zero-cost recruitment and acceptable recruitment agency practices. Potential recruitment agencies go through an on-site due diligence audit. As good practice, this vetting is done together with an independent consultant. Recruitment agencies who qualify are required to sign a commitment to adhere to the RACC. Should any agency be found to have collected fees from workers, the matter will be investigated and, if found to have violated the RACC or Recruitment Agency Agreement, the agency will be immediately disqualified and blacklisted.

KOSSAN announced its Remediation Program in October 2020 and completed remediation payments in June 2021 at a total cost of RM54 million.

B. Fair and Ethical Treatment

KOSSAN advocates a fair and ethical treatment of all employees. To support the cascading of this advocacy throughout the organisation, we have embedded these values in KOSSAN's Code of Ethics and Conduct as well as the Employees Handbook. In addition, we have also put in place a Prevention of Abuse Policy and a Prohibition of Workplace Harassment and Discrimination Policy.

Together with the practice of fair and ethical treatment is the right of our people to be heard. In upholding this right, KOSSAN provides both a grievance and whistle-blowing channel for employees to channel their grievances or report on unfair or unethical treatment.

Our Grievance Policy and Procedures, which are specifically for employees, is accessible on our internal employee portal. The procedures provide a safe and confidential way for employees to report misconduct, non-compliance, issues with employment conditions or job responsibilities, and other matters related to the work environment. Each grievance raised is treated confidentially and in an unbiased manner.

The Whistle-Blowing Policy and Framework, which is an avenue for internal and external parties to highlight unethical practices, is available on both the internal employee portal and corporate website. The procedures provide a safe and confidential way for whistle-blowers to report any malpractice or improper conduct. Each report received is treated confidentially and in an unbiased manner.

In 2021, we stepped-up our grievance mechanism for our migrant workers by transitioning from an in-house grievance channel to a helpline managed by an independent third-party service provider with the relevant professional and language capabilities. We named this new grievance channel "Suara Kami", which means "Our Voice", and is dedicated to independently receive grievances raised by our migrant workers, and to obtain fair and amicable solutions for all parties involved.

Suara Kami

In addition to these channels, we also have workers representatives who are elected by the migrant workers. The worker representatives act as a voice for the migrant workers by receiving inputs from them and channeling such feedback to management, and vice versa.

C. Reasonable Working Hours

At KOSSAN, we care for the health and well-being of each person in our employment. As part of our commitment of care, we ensure that work hour and overtime limits are applied and rest days are given to all employees in accordance with local labour laws. In compliance to this, overtime work at KOSSAN must be on a voluntary basis and was capped at 104 hours per month, while a minimum of 1 rest day per week is compulsory.

As KOSSAN's DNA is to continuously learn and improve, we will be progressively adjusting work schedules towards a 60-hour work week in 2022. This is in line with international standards.

D. Fair Remuneration

All employees are paid no less than the minimum wage rate set by local labour laws. Remuneration packages are benchmarked against market rates and are finalised based on mutually agreed terms. We do not unlawfully withhold or deduct salaries nor impose monetary penalties for misconduct.

E. Freedom of Association

KOSSAN respects the right of our people to form and participate in the lawful activities of a group, whether formally or informally. In accordance to local labour laws, we do not interfere with, restrain or coerce our employee in this regard.

Sustainability Statement (Cont'd)

F. Freedom of Movement

KOSSAN respects the mobility rights of our people and does not place any restrictions on them beyond working hours. Workers do not need to seek permission to leave the workplace or residence during non-working hours. In addition, hostel wardens are also available to assist them to book for transport during non-working hours.

The exception to this freedom of movement policy and practice occurred during the movement restrictions imposed by the government at specified locations to contain the spread of the COVID-19 virus and the flood situation that occurred during the year.

G. Freedom to Hold Personal Documents

KOSSAN respects the right of our people to be in possession of their personal documents and belongings. Our migrant workers have full custody of their own documents and have the right to resign at any time without a penalty being imposed. To practically support this, we provide personal storage facilities at hostels to safeguard documents and belongings.

H. Protecting Children and Young Persons

KOSSAN is committed to support a child's right to education and prohibits the employment of children and young persons below the age of 18 years. A remediation procedure is in place and will be applied should there be any age non-compliance detected. KOSSAN has been in compliance to its minimum age policy over the years and continues to record zero non-compliance.

I. Equal Employment and Diversity

KOSSAN is an advocate for Equal Employment Opportunity, and accordingly, recruits individuals with the right qualifications and experience, and provides career advancements opportunities for high-performing employees, regardless of nationality, race, religion, gender, age and background. In line with this, we also practice gender pay equality and do not make a distinction between women and men when determining pay scales, increments or performance rewards.

LOCAL WORKFORCE BY GENDER

Female	Male
38%	62%

LOCAL WORKFORCE BY AGE

GEN Z (18 - 24)	GEN Y (25 - 40)	GEN X (41 - 56)	BABY BOOMERS (57 - 75)
26.32%	61.47%	11.87%	0.33%

LOCAL WORKFORCE BY ETHNICITY

MALAY	CHINESE	INDIAN	OTHERS
65.95%	17.49%	15.98%	0.56%

Social Compliance

KOSSAN has a dedicated social compliance team to ensure the Group-wide labour practices are equally applied to the migrant workers in our employment. The social compliance team performs human rights impact assessments and engages our HR team and management to implement any additional policies and practices to ensure the rights and needs of our migrant workers are properly addressed.

The team drives social compliance through a Social Compliance Team Task Force. This task force is chaired by an executive director and comprises plant directors, HR personnel and the social compliance team. The task force receives updates, implementation guidance, discusses issues and derives solutions, and shares best practices.

Social compliance audits are conducted by our internal team, customers and certification providers. Audit findings are discussed and acted upon in a timely manner. KOSSAN maintains a Supplier (B) membership in Sedex.

KOSSAN marked a key milestone in our social compliance journey when we became one of the founding members of the Responsible Glove Alliance ("RGA") that was launched in early 2022. The RGA is a collaboration among customers and manufacturers of gloves from Malaysia, with the aim of ensuring the rights and dignity of workers vulnerable to forced labour in Malaysia's glove industry are respected and promoted through responsible recruitment and employment practices.

Workplace Safety

At KOSSAN, we place high priority on workplace safety. We drive workplace safety through our Occupational Safety and Health ("OSH") Management System framework. Our OSH framework is guided by ISO 45001 Occupational Safety and Health Management System to ensure a holistic consideration, management and accountability for safety.

KEY COMPONENTS OF KOSSAN'S OSH FRAMEWORK

SAFETY AND HEALTH POLICY	SAFETY AND HEALTH WORKING GROUP	SAFETY AND HEALTH OFFICERS	SAFETY AND HEALTH ASSESSMENT
SAFETY AND HEALTH OBJECTIVES AND TARGETS	SAFETY AND HEALTH AUDIT	SAFETY AND HEALTH TRAINING AND AWARENESS	EMERGENCY PREPAREDNESS

A. Safety and Health Policy

KOSSAN's Safety and Health Policy demonstrates our commitment to:

- √ Implement occupational safety and health measures
- √ Eliminate occupational hazards
- √ Monitor safety and health indicators
- √ Report and resolve safety and health incidents
- √ Comply with relevant OSH legislation
- √ Inculcate a health and safety conscious culture

This policy is shared and communicated with all employees, vendors and other relevant stakeholders.

B. Safety and Health Working Group ("SHWG")

KOSSAN's SHWG is a Group level function set up with the objective of enabling best practices to be shared across the plants and facilitate group-think and resolution of complex, pervasive or emerging safety and health issues. The SHWG is chaired by an executive director and its members consist of safety and health professionals from each plant.

Sustainability Statement (Cont'd)

C. Safety and Health Officers

All plants have registered safety and health officers on-site to ensure safety and health matters are well managed and in compliance to local safety and health laws issued by the Department of Safety and Health ("DOSH") and industrial operating guidelines.

Safety and health officers also investigate safety and health incidents according to DOSH guidelines, and report accordingly to Management and DOSH. Necessary corrective and prevention actions are developed and implemented according to investigation findings. This year, we recorded zero work-related fatalities at our plants.

D. Safety and Health Assessment

Hazard Identification, Risk Assessment and Risk Control ("HIRARC") assessments are conducted to identify potential hazards in operational processes and develop mitigating measures to minimise risks to employees. HIRARC records are acted upon and monitored, and where necessary, included in the formulation of targets.

E. Safety and Health Objectives and Targets

A set of safety objectives and targets with deadlines are formulated according to our safety and health policy, as well as the outcome of our regular review of safety and health indicators and audits findings.

F. Safety and Health Audit

Safety and health audits are conducted annually by the Internal Audit Department. Audit findings are discussed with Management and presented to the Audit Committee. In addition, plants are also subject to external audits by the DOSH, customers and other third party audits (e.g. certification bodies). Management ensures that corrective actions are taken on a timely basis.

As a testament of rigour and continuous improvement in safety measures, one of our plants was given a Grade A rating in DOSH's Workplace Inspection Level Assessment.

G. Safety and Health Training and Awareness

Safety and health training programs and workshops are regularly conducted to ensure and continuously improve general safety, first aid and emergency response knowledge and preparedness, as well as specific knowledge for operational tasks, e.g. the handling of chemicals and spillage.

Safety and health training

Hazardous chemicals are handled according to specifications and safety procedures in Material Safety Data Sheets by trained safety and health officers who are adequately equipped with personal protective equipment. Chemical spillage kits, emergency showers and eye washout stations are strategically located at each plant to ensure employee safety while handling chemical spillage incidents.

H. Emergency Preparedness

Emergency preparedness framework and procedures are established at each plant. This includes a ready Emergency Response Team ("ERT"), emergency evacuation plans / options for different emergency scenarios and identified assembly points.

Emergency drills for different scenarios – e.g. fire, flood, health disease, occupational injury and fatalities – are conducted to ensure the effectiveness of emergency management by the ERT.

Health and Wellness

At KOSSAN, we emphasise the need for our people to stay healthy.

Caring for our people in the pandemic

A key focus for KOSSAN during the pandemic was to keep our people safe while continuing operations in order to meet the demand for gloves to the nation and global communities. An Emergency Management Team was set up at the onset of the pandemic to consider strategic preventive measures, while our human resource ("HR") teams manage operational preventive measures and incidents.

Preventive measures include the following:

- A priority measure was to ensure all our people were fully vaccinated as soon as possible. We partnered with the state and other agencies to set up a vaccination centre that primarily administered vaccine doses to our people. The total investment for this vaccine initiative is RM2.78 million.

  Together with employees who were vaccinated through MySejahtera appointments, we saw 98% of our total workforce fully vaccinated as at 31 December 2021.

- As an on-going preventive measure, bi-weekly RTK tests are done by all employees using self-test kits provided by KOSSAN.

KOSSAN's Vaccination Programme

- Temperature scans are done daily for all who enter the premises, and sanitisers are made available in common areas and at each department. Personal sanitisers are also given to employees with available refills at any time of the work day.

- Premises are sanitised each morning and at specified intervals of the day.

- COVID-19 knowledge, updates and precautionary reminders are sent out to all employees on a weekly basis.

Incident management measures include identification and quarantine of close contacts (per local guidelines) and deep sanitisation of the affected areas.

In-house outpatient clinic

KOSSAN collaborated with Qualitas Medical Group to provide a well-equipped main clinic for all employees. This clinic is easily assessable to our employees as it is located at the centre-point of all our plants. Our migrant workers are provided transport to our clinic should they need medical attention.

In addition, KOSSAN provides clinics with qualified doctors at each factory site.

Sustainability Statement (Cont'd)

Staying fit and healthy

At KOSSAN, we encourage our people to stay fit and healthy. Activities that were organised during the year included virtual running competitions, while other sports, such as badminton and bicycling activities, were organised when conditions permitted.

Virtual run combo picture

People Development

A learning culture

At KOSSAN we are committed to provide a learning environment that helps our employees realise their potential.

A dedicated and specialised learning and development team designs development programmes that are tailored to the needs of targeted groups. The development plan is reviewed annually with Top Management, who provides active feedback on modules and contents. Our suite of development programmes include modules in technical skills, on-the-job training, soft skills, management skills and leadership.

The modules are rolled-out through on-the-job trainings at plants, in-person workshops (where permissible), and on our in-house online learning platform.

- Our in-person workshops happen at KOSSAN Training Centre ("KTC") which is well-equipped for this purpose and houses four training rooms. Additionally, in-person workshops can happen on-site as each plant is equipped with training facilities and sufficient capacity.
- The online learning platform tailors a list of recommended modules by employee group and makes available other online modules for employees who may be interested to develop themselves in other areas.

Workshop in progress

In 2021, total training hours increased by 38% to 89,806 hours from 65,887 hours in 2020. Total investment in learning and development was RM1.5 million in 2021.

Growing through feedback

Another crucial element in people development is the informal and formal two-way communication between superior and subordinates.

At KOSSAN, we encourage regular communication and open feedback in order for superiors to better understand team member concerns and career path aspirations, and for team members to better understand company and department direction as well as rationale for work goals and objectives.

As a formal measure, performance goals and objectives are agreed upon at the start of the year and appraised at the end of each year. Here again, honest and robust conversations are encouraged with the objective of nurturing each individual and improving each person's contribution to the Group.

Sustainability Statement (Cont'd)

COMMUNITY DEVELOPMENT

In support of SDGs:

COMMUNITY DEVELOPMENT
- Employment Opportunities
- Partnership with Schools
- Community Welfare

2021 was a challenging year as communities in the nation and around the world continued to grapple with the effects of COVID-19 on livelihood and loss of lives. Seeing this, KOSSAN reached out in practical ways to those who have been hard hit by the pandemic and responded to the needs of governments, local authorities and frontliners.

KOSSAN's community outreach is channeled mainly through its foundation, Yayasan Kossan ("YK"), whose vision is to ***Make Life Better For All***. This vision is encapsulated through YK's tagline of ***"We Care, We Love, We Help"***. During the year, YK partnered with schools to support the on-going needs of students, provided aid to the underprivileged, and contributed gloves and personal protective equipment ("PPE") to frontliners.

As an organisation, KOSSAN supported the local community during the pandemic through an increase in employment opportunities. In this respect, local employment had increased by 38% since the start of the pandemic year.

KOSSAN is also pleased to have contributed RM50 million to the Malaysian government in support of its COVID-19 Fund, and a further RM3.12 million investment towards community development and support.

Employment Opportunities

KOSSAN is an Equal Employment Opportunity employer. In support of local communities who may have had their livelihoods affected during the pandemic, KOSSAN increased job opportunities to local communities and those from the underprivileged group. Additionally, we continued to provide job placements for Technical and Vocational Education and Training graduates and internships to those who are qualified, in a collective effort as a nation to reduce unemployment among youth.

Partnership with Schools

Education is a crucial building block in every nation and it is important for us to continue our partnership with schools during the pandemic. In 2021, we contributed towards educational infrastructure and equipment, reading materials for students, food for the underprivileged students and classroom refurbishments.

Community Welfare

KOSSAN's heart has always been for the underprivileged communities. This year, we sought to once again give practical aid and bring festive cheer to welfare homes for children, the elderly and persons with disabilities. We also engaged with local councils and village heads to understand the needs of communities in the lower income group and to address some of the needs in a practical way, and provided flood aid to the local community. The financial aid and food packages distributed this year reached more than 22,000 people.

United to Nourish

A key community welfare initiative this year was our United to Nourish ("UTN") program, a collaborative effort with local and global customers and vendors. The UTN successfully raised a contribution pool of RM1 million and provided food aid packages to 10,000 households in the underprivileged group.

Sustainability Statement (Cont'd)

Supporting communities in the pandemic

KOSSAN supported frontliners with necessities such as gloves, PPE, ventilators, oxygen equipment and wheelchairs. We also provided continuous aid to the local communities in the form of financial funding, food and other basic necessities.

Contributed 10,000 pieces of gloves and 5,000 units of coveralls to frontliners in hospitals, vaccination and COVID-19 assessment centres.

Donated 10 wheelchairs to a vaccination centre to ease the mobility of old folks and the disabled at the centre.

Distributed food baskets to welfare homes and indigenous people.

Brought festive cheer during Chinese New Year, Hari Raya, Deepavali and Christmas to welfare homes for senior citizens, children and the disabled.

Sustainability Statement (Cont'd)

Supporting the community in times of natural disaster

In December 2021, communities in the vicinity of our factory operations were hit with the worst floods since more than four decades ago. KOSSAN mobilised immediately to support nearby communities and our people who lived in the affected areas.

Collaborated with the local council to assist flood victims through practical donations of food, face masks, gloves, sanitisers and cleaning equipment (water sweepers, mops and brushes).

Distributed food baskets to affected families in nearby communities, including families of our employees.

Distributed packed lunch and dinner to flood victims at temporary shelter.

Sustainability Statement (Cont'd)

BUSINESS INTEGRITY

In support of SDGs:

We operate in a responsible manner to protect people and the environment, and to preserve the integrity of our brand and reputation.

BUSINESS INTEGRITY

- Ethical Business
- Supply Chain Management
- Product Quality and Safety

Ethical Business

At KOSSAN, we are guided by the following policies in our dealings with stakeholders and adopt a Zero-Tolerance approach to violations of our ethical policies.

Our key policies are as follows:

- The ***KOSSAN Code of Ethics and Conduct*** ("KCEC") outlines guiding principles for general ethical standards that are applicable to all our employees and directors.
- Our ***Anti-Bribery and Corruption Policy*** ("ABC Policy") prohibits any acts, either directly or indirectly, of inducing, soliciting, seeking, offering and receiving any and all sorts of benefits, incentives, commissions, gifts and advantages, either in cash or kind, in all business dealings with KOSSAN.
- Our ***Whistleblowing Policy*** ("WB Policy") provides an avenue for employees and the public to lodge complaints of corrupt practices or wrongdoings in a confidential manner. Employees or other persons making such reports will be treated fairly and protected from reprisals.

Our employees are aware and stay informed of our KCEC, ABC Policy and WB Policy through orientation, our in-house online learning platform, workshops and our employee portal.

Our KCEC, ABC Policy and WB Policy is also available on our KOSSAN website. We make these policies transparent to our business partners and have worked collaboratively with them to uphold ethical business practices.

Supply Chain Management

KOSSAN is cognisant that environmental, social and governance ("ESG") policies and practices need to be adopted throughout the value chain and not just in KOSSAN. To this end, we are progressively aligning the ESG policies of our vendors and customers with our own ESG policies and learning best practices from our business partners.

Our Vendors

KOSSAN vets and manages vendors through a Vendor Assessment, which includes business, technical and ESG criteria. Our approved vendors are given copies of our Vendor Code of Conduct and ABC Policy, and indicate their commitment through an acknowledgement of acceptance.

Annual audits and performance evaluations are conducted on our vendors. Audit findings and performance assessments are shared and discussed with vendors. Vendors are expected to act on the improvements within an agreed upon duration.

As part of our supply chain management, we prioritise qualified vendors from our own country and use vendors from other countries only when our specifications cannot be met by local vendors.

Our Customers

In the same way we have put in place vetting criteria, audits and performance evaluation for our vendors, our customers also vet, audit and evaluate us. We have a dedicated team to enable a smooth audit from our customers and to ensure that any audit findings are addressed in a timely manner by the relevant departments.

Sustainability Statement (Cont'd)

Product Quality and Safety

KOSSAN manufactures two distinct products – gloves and technical rubber products. Both product types are governed by high quality and safety standards.

Gloves

Our gloves comply with quality management systems and regulations for medical devices, specifically ISO 13485:2016 Medical Device Quality Systems, US Food and Drug Administration Quality System Regulation, and Europe Union Medical Device Regulation (EU) 2017/745.

Our dedicated regulatory assurance team ensures strict product compliance and accurate reporting at all times, and are updated with the latest regulations and requirements for our products, while our quality assurance team ensures the product quality, safety and performance requirements are met.

Our products are tested in our in-house and external laboratories to ensure adherence to technical and biological characteristics of various regulatory requirements. We appoint accredited and experienced laboratories for clinical trials. Prior to the clinical trials, risk and impact assessments are conducted and participants consent is obtained. On-going clinical trials are monitored by our regulatory assurance team to ensure that the trials are conducted ethically and in compliance with the Declaration of Helsinki.

We practice a strict adherence to labeling review process. We ensure that all labeling are accurate and complies with the various requirements of importing countries.

A "vigilance system" is in place for stakeholders to report any product quality and safety incidents. A cross-functional team investigates reported incidents, and where necessary, performs corrective action, recalls or formulates preventive actions for future production.

KOSSAN adopts a cruelty-free principle in our research and development processes, and is committed to replace, reduce and refine animal testing in accordance with best practices. To this end, we do not use animal testing except where legally required. When such testing is required, an external laboratory is used and we monitor testing procedures and any issues that may arise from animal testing procedures.

Technical Rubber Products

Our TRP are customised in accordance to customer specifications. Our in-house certified laboratory is responsible for material design and product testing to deliver internationally recognised technical quality.

This year, KOSSAN is pleased to receive General Motors: Supplier Quality Excellence Award and Nexteer Automotive's Perfect Quality Award for our delivery and performance in 2020.

General Motors:
Supplier Quality
Excellence Award 2020

Nexteer Automotive's
Perfect Quality 2020 Award

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Kossan Rubber Industries Bhd ("KOSSAN" or "the Company") is committed and will continue to endeavour to comply with the principles and practices set out in the Malaysian Code on Corporate Governance 2021 ("MCCG"). The Board will regularly review and maintain all identifiable means to ensure the Company's corporate governance standards meet the high standards including accountability and transparency of the MCCG. This practice will assure continuous and sustainable growth of the Group for the interest of shareholders and other stakeholders.

The Board is pleased to present this statement, prepared in compliance with Bursa Malaysia Securities Main Market Listing Requirement ("MMLR") which outlines how the Company and its subsidiaries ("Group") had applied the principles and best practices of the MCCG. The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report ("CG Report") which is available on KOSSAN's website: https://kossan.com.my/investors/reports.html and to be read together with this Statement.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Board Leadership

1.1. Role of the Board

All Directors should objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. Every Director must act with integrity, lead by example, keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group. The Board Charter clearly sets out the key responsibilities of the Board and it can be found on KOSSAN's website: www.kossan.com.my/about-us/corp-governance.html.

1.2. Chairman

The Chairman of the Board, En. Mohamed Shafeii Bin Abdul Gaffoor, an independent non-executive director ("INED"), is primarily responsible for matters pertaining to the Board and the overall conduct of the Company. The Chairman is committed to good corporate governance practice and has been leading the Board towards continuous improvement. The Chairman also encourages healthy debates and promotes active participation by Board members.

1.3. Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by two (2) different individuals with distinct and separate roles and clear division of responsibilities. This will ensure balance of power and authority and that no one individual has unfettered powers on decision making.

1.4. Qualified and Competent Company Secretary

The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

The Company Secretary through the Chairman plays an important role in good governance by helping the Board and its Committees to function effectively and in accordance with their terms of reference and best practices.

The Company Secretary possesses the qualification, knowledge and experience to carry out his functions. These include knowledge in company and securities law, finance, governance, company secretaryship and other areas of compliance such as the listing requirements. The Company Secretary undertakes continuous professional development.

Corporate Governance Overview Statement (Cont'd)

1.5. 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. Board papers and reports are distributed to the Directors with sufficient time prior to meetings to enable them to seek clarification and/or explanation, where necessary, to expedite the decision-making process.

All Directors have access to the advice and services of the Company Secretary and senior management in the Group.

2. Demarcation of Responsibilities

2.1. Board Charter

The Board Charter clearly establish the functions, governance structure, authority and terms of reference of the Board, Board Committees and Management, as well as a schedule of matters reserved for the Board. It provides a reference to the Board and Management on the functions of the Board.

The Board Charter was reviewed in 2021 to ensure consistency with the Board's objectives and prevailing legislations and practices.

3. Business Conduct and Corporate Culture

3.1. Kossan Code of Ethics and Conduct ("KCEC")

The KCEC is applicable to all Directors and employees. This KCEC provides guidance for professional and ethical conduct in the discharge of duties and responsibilities.

The key areas in KCEC include compliance with national laws and regulations, conflicts of interest, employment policy and guidelines (discrimination and harassment, compliance with employment laws and regulations, non-compete policy, workplace violence, illegal drugs and alcohol policy, intellectual property, occupational health, safety and environment, dress code and public communications), confidentiality and data protection, and responsibility of employees.

3.2. Anti-Bribery and Corruption Policy

The Group adopts a zero-tolerance approach towards any form of bribery and corruption and has also implemented an Anti-Bribery and Corruption ("ABC") Policy which governs the prevention of corruption and unethical practices within the Company.

3.3. Whistleblowing Policy

The Board established a Whistleblowing Policy with procedures, that provides an avenue for its employees and the general public to raise any concern about malpractice or improper conduct.

All reports will be channeled to the Whistleblowing Committee comprising exclusively of INEDs as follows:

Lee Choo Hock	-	Chairman / Senior Independent Non-Executive Director
Mohamed Shafeii Bin Abdul Gaffoor	-	Member / Independent Non-Executive Director
Hoh Kim Hyan	-	Member / Independent Non-Executive Director

Our Whistleblowing Policy provides assurance that the identity of whistleblowers will be kept confidential and that whistleblowers will not risk retaliation, harassment or victimisation.

Corporate Governance Overview Statement (Cont'd)

4. Sustainability Risks and Opportunities

4.1. Sustainability Governance Structure

The Board is responsible to embed sustainability in the Group's strategy and operations. The Board is assisted by the Group Managing Director/Chief Executive Officer ("Group MD/CEO") who oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. The Sustainability Governance Structure can be found in the Sustainability Statement on page 18 of this Annual Report.

The Group MD/CEO provides leadership, direction and targets for the sustainability priorities of the Group. The Senior Manager of Corporate Sustainability drives the implementation of the priorities and tracks relevant measurements and targets.

4.2. Key Sustainability Matters

All Board members and senior management attended sustainability trainings during the financial year under review. In order to ensure the Board is kept abreast with and understand sustainability issues related to the Group's business and operations, Management had presented to the Board key sustainability matters, including climate-related risks and opportunities.

4.3. Stakeholder Engagement

The Group's key sustainability matters are communicated through KOSSAN's website, and targeted engagements with customers, vendors, relevant authorities and community leaders. Multiple engagements are also done with internal stakeholders who are responsible for driving and executing the sustainability initiatives.

The Group's key sustainability matters and performance for the financial year under review are reported in the Sustainability Statement on pages 18 to 35 of this Annual Report.

II. BOARD COMPOSITION

5. Board's Objectivity

5.1. Composition of the Board

The Board currently has nine (9) members, comprising six (6) Executive Directors and three (3) INED.

The Directors, with their diverse backgrounds, specialisations, qualifications and experiences, bring with them a wide range of knowledge and expertise for the effective management of the Group's business and operations. Their qualifications and experiences are set out in the Directors' Profile on pages 12 to 16 of this Annual Report.

5.2. Independent Directors and Tenure of Independent Non-Executive Directors

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

None of the INEDs' tenure exceeded a cumulative term of nine (9) years.

Corporate Governance Overview Statement (Cont'd)

5.3. Board and Senior Management

The appointment of the Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. For further information, please refer to the Directors and Key Senior Management Profiles on pages 12 to 17 of the Annual Report.

5.4. Gender Diversity

Currently the Board has a single woman representation. The Board acknowledges the importance of having more women representation on the Board and through the Nominating Committee will strive to meet the objective stated in the MCCG.

5.5. Appointment of New Directors

The appointment of candidates as Directors of the Company will be sourced from unrelated third parties. The shortlisted candidates, unknown to existing Board members, will be interviewed by the Nominating Committee prior to presentation to the Board for approval.

5.6. Nominating Committee

5.6.1. Composition

The Nominating Committee ("NC") comprises exclusively of INED as follows:

Mohamed Shafeii Bin Abdul Gaffoor	- Chairman / Independent Non-Executive
Lee Choo Hock	- Member / Senior Independent Non-Executive
Hoh Kim Hyan	- Member / Independent Non-Executive

5.6.2. Meetings

The NC meets as and when required but at least once a year. The NC met twice in the financial year ended 31 December 2021.

5.6.3. Roles and responsibilities

The NC's responsibilities include, amongst others, reviewing the Board composition and making recommendations to the Board for appointment of new directors (including gender consideration) by evaluating and assessing the suitability of candidate for Board/ Committee membership. Factors to be taken into consideration will include age, the required mix of skills, knowledge, independence, expertise, experience, professionalism, capabilities, integrity and time commitments. The selection of candidates was not solely based on recommendations made by existing Board members, Management and Major Shareholders.

The terms of reference of the NC are set out on KOSSAN's website: www.kossan.com.my/about-us/corp-governance.html.

5.6.4. Activities of the NC

(a) Board Effectiveness Evaluation ("BEE") for Financial Year 2021

For the year under review, the NC, being the evaluation committee, undertook an annual evaluation of the Board, board committees and individual Directors including the independence of each Independent Director.

The BEE was facilitated by the Company Secretary. The assessments and evaluations carried out are properly documented.

Corporate Governance Overview Statement (Cont'd)

(b) Composition of Board and Board Committees, and Succession Planning

The NC reviewed the size and composition of the Board and Board Committees, vis-à-vis the chairmanship as well as discussed succession planning for the Board, Board Committees and Directors.

(c) Re-election of Directors

The NC recommended the re-election of retiring Directors, having considered the outcome of the BEE 2021, the contribution to board deliberations, level of competence and ability to act in the best interest of the Company in decision making.

The Board, save for the Directors who had abstained from deliberations on their own re-election, supported the NC's views and recommends the reappointment of the retiring Directors at the forthcoming AGM. The statement of support is included in the notes accompanying the Notice of AGM.

(d) Directors' Trainings

During the financial year 2021, all Directors attended the necessary trainings to keep abreast of the relevant changes in the law, regulations, business environment and sustainability. The trainings attended by the Directors are set out on pages 8 to 12 of the CG Report.

(e) Corporate Governance

The NC reviews its terms of reference annually, taking into account changes in the MMLR and MCCG.

6. Overall Board Effectiveness

6.1. Annual Evaluation

For the financial year ended 31 December 2021, the Board was satisfied that the Board and the Board Committees had discharged their duties and responsibilities effectively and in accordance with their terms of references. The Board was also satisfied that the Board composition, in terms of size, mix of executive, non-executive and independent directors, and mix of skills and experience, were adequate.

The Board meets at least five (5) times a year at quarterly intervals with additional meetings convened as necessary. Five (5) Board meetings were held during the financial year ended 31 December 2021 and the attendance of the Directors at the Board Meetings were as follows:

Director	No. of meeting attended
Mohamed Shafeii Bin Abdul Gaffoor	5/5
Tan Sri Dato' Lim Kuang Sia	5/5
Lee Choo Hock	5/5
Hoh Kim Hyan	5/5
Lim Leng Bung	5/5
Tan Kong Chang	5/5
Lim Siau Tian	5/5
Lim Siau Hing	5/5
Lim Ooi Chow	5/5

Corporate Governance Overview Statement (Cont'd)

The meetings were held at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3¾, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan and/or online.

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.

To facilitate Directors' attendance at meetings, an annual meeting calendar is given to Directors before the beginning of each new financial year. The Board is satisfied with the commitments given by the Directors.

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.

III. REMUNERATION

7. Level and Composition of Remuneration

7.1. Remuneration Policy

The objective of the Group's remuneration policy is to attract and retain the Directors and senior management required to lead and manage the Group effectively. For Executive Directors and senior management, their remuneration packages are linked to corporate and individual performance, scope of duties and responsibilities, qualifications, skills and experience. For Non-executive Directors, the level of remuneration reflects their level of responsibilities, skills and time commitment.

Directors do not participate in deliberations and voting on decisions in respect of their own remuneration package at the Remuneration Committee ("RC") and Board meetings.

The Remuneration Policy can be found on KOSSAN's website: www.kossan.com.my/about-us/corp-governance.html.

7.2. Remuneration Committee

The RC of the Company comprises a majority of INED. The RC has written terms of reference that covers its scope of authority and its duties. This can be viewed on KOSSAN's website: www.kossan.com.my/about-us/corp-governance.html.

The composition of the RC as at 31 December 2021 was as follows:

Mohamed Shafeii Bin Abdul Gaffoor	-	Chairman / Independent Non-Executive
Hoh Kim Hyan	-	Independent Non-Executive
Tan Sri Dato' Lim Kuang Sia	-	Group Managing Director / Chief Executive Officer

The RC meets as and when required, at a minimum of once a year.

The RC met once in the financial year ended 31 December 2021.

8. Remuneration of Directors

Details of the remuneration of Directors of the Company for the financial year on a named basis, including the components of remuneration, can be found on page 34 of the CG Report.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE ("AC")

9. Effective and Independent AC

9.1. Composition of the AC

The AC comprises three (3) INED. The composition is reviewed annually by the Nominating Committee and submitted to the Board for action. The review looks into the level of expertise, experience and understanding of the Company's business.

9.2. Chairman of the AC and Chairman of the Board

The Chairman of the AC is not the Chairman of the Board. Mr. Lee Choo Hock, the Senior INED is the Chairman of the AC while En. Mohamed Shafeii Bin Abdul Gaffoor, also an INED, is the Chairman of the Board.

9.3. Financial Literacy of AC Members

Two of the AC members are chartered accountants and all members of the AC are well educated and financially literate. They are encouraged to attend courses to improve their understanding of matters under the purview of the AC, including developments in accounting and auditing standards and practices.

9.4. Appointment of a Former Key Audit Partner as AC Member

The Company's policy on recruiting any former key audit partner as a member of AC requires the said key audit partner to exercise a cooling period of at last three (3) years before his appointment to the AC.

9.5. Independence of External Auditor

The AC undertakes the annual assessment of the competency and independence of the external auditors and recommends 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 AC 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 AC.

The AC also reviewed the provision of non-audit services rendered to the Group by the external auditors and its affiliates 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 2021 was RM643,150.

Further information on the AC can be found in the AC Report on pages 55 to 57 of this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

10. Risk Management and Internal Control

10.1. Establishing an Effective Risk Management and Internal Control Framework

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

The Board is aware that the internal control system is designed to manage rather than eliminate risk and therefore cannot provide an absolute assurance against material misstatement or loss.

Corporate Governance Overview Statement (Cont'd)

10.2. Features of Risk Management and Internal Control Framework

The Board oversees the risk management function through the Risk Management Committee ("RMC"). The RMC reviews and recommends for the Board's consideration and approval the risk management principles, framework and policies for managing risks within the Group. The RMC also monitors and assesses the risk appetite and tolerance of the Group to safeguard the Group's assets and shareholders' investment.

The Group has in place a structured process for identification, assessment, monitoring and communication of risks and effectiveness of risk mitigation strategies at all level of operations.

10.3. Risk Management Committee

The RMC comprises of a majority of independent directors, to oversee the Group's risk management framework and policies. The composition of RMC is as below:

Lee Choo Hock	-	Chairman, Senior Independent Non-Executive Director
Hoh Kim Hyan	-	Member, Independent Non-Executive Director
Lim Ooi Chow	-	Member, Executive Director

Details of the Group's risk management and internal control are contained in the Statement on Risk Management and Internal Control on pages 50 to 54 of this Annual Report.

11. Effective Governance, Risk Management and Internal Control Framework

11.1. Internal Audit Function

The Board has established an in-house internal audit ("IA") function which reports directly to the AC. The IA function undertakes an independent assessment of the internal control system of the Group and provides assurance to the AC that no material issue or major deficiency has been noted which could pose a high risk to the overall system of internal control.

The IA assignments were carried out in accordance with the 2021 audit plan approved by the AC.

The AC, in its oversight of the IA function, was satisfied that the said function was effective and able to function independently.

11.2. Internal Audit Objectivity and Independence

The Board ascertained that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and are satisfied that the internal audit department is adequately staffed with qualified and experienced persons.

The IA function is carried out in accordance with the IA Charter and IA Framework with reference to The Institute of Internal Auditors' International Professional Practices Framework.

Further details of the Group's IA function are contained in the AC Report on page 57 of this Annual Report.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

12. Communication between Company and Stakeholders

The Board adheres to and complies with the disclosure requirements of the MMLR as well as the Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad.

The Company recognises the importance of transparency and accountability to its shareholders and investors. The Board endeavours 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 maintains a corporate website at www.kossan.com.my. Shareholders and members of the public may access the latest information of the Group at the website. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

II. CONDUCT OF GENERAL MEETINGS

13. Shareholders Participation at General Meetings

The Company's Annual General Meeting ("AGM") is the principal forum for dialogue with private and institutional shareholders and to obtain constructive feedback. At each AGM, attended by all members of the Board, the Board presents the progress and performance of the Company's businesses and shareholders are encouraged to participate in the proceedings, the question-and-answer session and thereafter to vote on all resolutions tabled.

The Chairman, CEO and Directors 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 28 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 included 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.

Extraordinary general meeting is held as and when required to seek shareholders' approval. The Chairman and CEO take the opportunity to fully explain the rationale for proposal put forth for shareholders' approval and the implications of such proposal for the Company.

In 2021, the Company had leveraged on technology by conducting the Company's 41st AGM on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. Shareholders registered for remote participation via Boardroom Smart Investor Portal to join the live streaming of the proceedings of the AGM and posed questions to the Chair, and casted their votes online via the RPV facilities.

The administrative details for the AGM with detailed registration and voting procedures were distributed to shareholders and published on KOSSAN's website. The Company had appointed Boardroom Share Registrars Sdn Bhd as poll administrators to conduct the polling process on all resolutions tabled at the AGM, and Sky Corporate Services Sdn. Bhd. as the scrutineers to verify the poll results.

Corporate Governance Overview Statement (Cont'd)

The Company strives to maintain an open and transparent channel of communication with its shareholders, institutional investors, analysts and the public at large with the objective of providing a clear and complete picture of the Group's performance and financial position. The provision of timely information is principally important to the shareholders and investors for informed decision making. However, whilst the Company endeavours 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.

Communications are effected through the quarterly announcements of financial results to Bursa Malaysia Securities Berhad, relevant announcements of transactions and circulars, and when necessary, at the AGM and KOSSAN's website.

COMPLIANCE STATEMENT

The Board continues to strive for high standards of corporate governance throughout the Group. The Board is of the view that the Company has, in all material aspects, satisfactorily complied with the principles and practices set out in the MCCG except for the departures as set out in the CG Report.

This Statement was approved by the Board on 7 April 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad where the Board of Directors ("Board") of a public listed companies are required to publish a statement about the state of risk management and internal controls of the listed issuer as a group and is prepared in accordance with Principle B Part II of the Malaysian Code on Corporate Governance of Securities Commission Malaysia ("MCCG"), with the guidance from the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

The Board is committed to maintain and continuously improve the Group's system of risk management as well as internal controls and is pleased to provide the following statement which outlines the nature and scope of risk management and internal controls of the Group during the year under review.

BOARD'S RESPONSIBILITY

The Board acknowledges and affirms its responsibility in establishing and maintaining an effective risk management framework and internal control system to safeguard shareholders' investments and the Group's assets and also ensures that the system of internal control manages risk and forms part of its corporate culture.

The Board continuously reviews the risk management framework, processes, responsibilities and assesses for reasonable assurance that the risks faced by the Group are being managed effectively and efficiently within the Group's defined risk appetite and tolerance. However, 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 inherent in any system of risk management and internal control, the system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board delegates the oversight and implementation of the Board's policies and procedures on the system of risk management and internal control to the Audit Committee ("AC"). The AC is responsible to, amongst others:

- Review and monitor the effectiveness of the Group's system of risk management and internal control;
- Evaluate the process of identifying, evaluating, monitoring and reporting of risks and internal control;
- Evaluate and monitor the risk management framework in line with the Group's business objectives and risk appetite;
- Identify changes to risk and take appropriate actions to mitigate and control risks;
- Provide assurance to the Board that the risk management and internal control system is operating adequately and effectively; and
- Review the Internal Audit Report of its findings, recommendations, management response and action plans and present to the Board of its recommendation on a quarterly basis.

RISK MANAGEMENT

The Board has established a risk management framework for identifying, monitoring, reviewing and continually improving risk management. The risk management framework is being adopted as a standardised approach in implementing risk management in the Group for timely identification, reporting and management of principal risks. The implementation of the risk management framework promotes an effective risk culture whilst embedding risk management into its processes and structures to create and maintain an environment that enables the Group to meet performance objectives.

Statement on Risk Management and Internal Control (Cont'd)

RISK MANAGEMENT (CONT'D)

The key features of the risk management framework provide a risk control environment that includes:

A **Risk Management Policy Statement** describing the Group's commitment to embed risk management to create and maintain an environment that enables the Group to meet performance objectives driven through technological advancement, people value, and continual improvement to deliver sustainable business growth, manage risk exposures and pursue opportunities in line with its risk appetite.

A **Governance and Risk Organisation Structure** identifying the Board in retaining the overall risk management responsibility and the delegation of authority and responsibility of the management and reporting mechanism as depicted in the diagram below:

A **Risk Management Committee ("RMC")** established by the Board and reporting to the Audit Committee to provide assurance concerning the Group's risk management. The RMC is fully represented by members of the Board and is tasked with the overall responsibility to oversee the implementation of the risk management framework and policies within the Group. The RMC is responsible to, amongst others:

- Ensure the overall risk management processes are adopted by the Group and to oversee the development of appropriate guidelines and policies for implementation;
- Ensure the risk management processes are integrated into all core business processes and that the culture of the organisation reflects the risk consciousness of the Board;
- Review the periodic risk management reports, risk registers, risk management activities and management response thereto;
- Identify and communicate to the Board on principal risks challenges and management action plans to manage the risks; and
- Evaluate and review the risk management framework and policy.

A **Group Risk Committee ("GRC")** formed in May 2020 to support the RMC in establishing the strategic approaches to implement risk management within the Group. The GRC is headed by an Executive Director who is a member of the RMC and comprises majority of other Executive Directors who are risk owners themselves and are responsible to ensure the implementation of the risk management framework, procedures and policies within the Group.

Statement on Risk Management and Internal Control (Cont'd)

RISK MANAGEMENT (CONT'D)

A **Risk Management Process** which is aligned to risk management practices to ISO 31000:2018 Risk Management – Guidelines. Risks arising from the business operations are continuously identified and updated into a risk register. The level of residual risk is determined after identifying and evaluating the effectiveness of the controls measures. Each risk is mapped based on a matrix which specifies its likelihood (how likely the risk to occur) and its impact (the extent of its impact if the risk did occur). The risks are assessed to determine if the residual risk rating is High, Significant, Moderate or Low. Thereafter, depending on the residual risk rating, the owners of these risks will drive the implementation of risk mitigation measures guided by a residual risk response guide towards achieving a residual risk that is within the acceptable tolerance. On a quarterly basis, a risk management report detailing the Group's status of risk reviews and any incidents is presented to the RMC for review and deliberation and thereafter recommend for endorsement by the AC and to the Board.

The Board believes that maintaining a sound system of risk management and internal control is premised on a clear understanding and appreciation of the key elements of the risk management framework and Governance Policies.

During the financial year under review, the Group's activities were exposed to the following principal risks:

- **COVID-19 Pandemic**

  The prolonged COVID-19 pandemic poses infection risks to the Group's operations and business. To mitigate the risk of infection, as well as to safeguard the health and safety of the employees and workplaces, the Group has implemented guidelines and standard operating procedures to take neccessary measures in line with the guidelines set by the Malaysia Government and local authorities' requirements. The preventive measures for COVID-19 pandemic are set out in page 29 of the Sustainability Statement.

  The Group continues to monitor the situation and works closely with the relevant ministries and authorities in the on-going precautionary and containment measures of COVID-19 pandemic to safeguard the safety and well-being of its employees, community and to ensure minimal disruption to the operations.

- **Social Compliance**

  The Group had faced various requirements from its global clients and consumers angling towards ethical factors contributing to the make of the Group's products. These include the Group's position and approaches relating to governance across board and across operational processes from its raw material sourcing and utilisation, treatment of workforce and their welfare, compliance and codes of conduct to a range of corporate best and responsible practices.

  In line with the Group's Zero Cost Recruitment Policy, during the financial year, the Group completed the remediation payment of RM54 million in recruitment fees to foreign workers. The Group continues to be committed to ethical recruitment, workhours, workplace conditions and workers' accommodation. The Group's social compliance and labour practices is encapsulated in its people policies and practices, which are set out in pages 24 to 27 of the Sustainability Statement.

  On the local regulation front, the Group has, in its continuous improvement efforts, improved its workers' housing and amenities and conduct regular reviews and audits to meet its corporate obligations and social responsibilities, and taken necessary actions to comply with the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Act 446).

- **Cybersecurity**

  The current business environment is globally interconnected, thus increasing the Group's exposure to cybersecurity risks. To manage this risk, controls have been put in place to manage and protect the Group's information systems. Appropriate security solutions such as firewalls and antivirus software, Information Technology ("IT") policies and procedures, as well as provision of IT security awareness to the employees are in place to protect and secure the accessibility to the Group's information systems. The Group will continue to monitor, assess and enhance the controls and security of its information systems.

Statement on Risk Management and Internal Control (Cont'd)

INTERNAL CONTROL

Whilst the Board focuses on effective risk oversight and setting the tone and culture towards an effective risk management and internal controls structure, the management is entrusted with the implementation of the system of internal control encompassing the types of control including strategic, financial, operational, compliance and governance to achieving the Group's objectives.

The Group has a clear defined organisation structure with clearly defined lines of authority, accountability and responsibility of the Board, Board Committees, corporate and operations unit management.

The key processes in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:

The **Audit Committee** is assisted by the Risk Management Committee and the Internal Audit Department, performs the duty of reviewing and evaluating the adequacy and effectiveness of the Group's system of risk management and internal control.

The **Nominating and Remuneration Committees ("NRC")** assists the Board to review and recommend the appointment of new directors and remuneration policies for directors and senior management. The NRC also assesses the effectiveness of the Board, the Board Committees and individual Board member.

The **Risk Management Committee ("RMC")** has been established by the Board and is supported by the **Group Risk Committee ("GRC")** to provide assurance concerning the Group's risk management. The RMC performs periodic review of the risk management processes and oversee the development of appropriate guidelines and policies for implementation.

The **Internal Audit Department ("IA")** performs internal audits on the effectiveness of internal control mechanism on various operating units and also checks on the compliance with laws and regulatory requirements, including policies and procedures. Significant findings of non-compliance are highlighted in the periodic reports to the Audit Committee.

The key features of the internal control processes are described as follows:

- Board meetings are held at least once in a quarter with a formal agenda on matters for discussion. During the meeting, the Board reviews the financial performance of the Group, discuss and deliberate on the business development, management, corporate issues and regulatory matters affecting the Group.
- Board Committees with clearly defined terms of reference and authority hold regular meetings and assist the Board in overseeing internal controls and Board effectiveness. This includes reviewing 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 department.
- The Group Managing Director/Chief Executive Officer ("Group MD/CEO") 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 management of the business as well as chairing at various management and committee meetings. The Group MD/CEO will update the Board of any significant matters that require Board immediate attention.
- Monthly management meetings are held to review 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.
- There is an established mechanism to identify and review the risks element that impact on the financial performances of the Group to manage risks including and not limiting to volatility of foreign exchange rates, escalating cost of operations and competitive pricing of products.
- A Whistleblowing Policy serves as an avenue for all employees and the general public to raise concerns about malpractice or improper conduct within the Group whilst ensuring the integrity of the process and information and also protecting the rights of informants.
- An Anti-Bribery and Corruption Policy which describes the Group's commitment to ensure zero-tolerance against any forms of bribery and corruption. The Group is committed to maintain and preserve the highest standard of integrity, transparency and accountability in our business operation.

Statement on Risk Management and Internal Control (Cont'd)

ASSURANCE MECHANISM

The Group has in place an in-house Internal Audit Department ("IA") established by the Board to provide independent assurance on the adequacy and effectiveness of the risk management and internal control system.

For the year ended 31 December 2021, the IA reviewed the adequacy and effectiveness of the internal control processes 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 this Annual Report.

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 this Annual Report.

The Board has received assurances from the Group MD/CEO and the Chief Financial Officer that for the year ended 31 December 2021, 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.

Continuous quality assurance audits are being conducted as part of the requirements and compliance of the ISO 9001, ISO 13485, IATF 16949, MS ISO/IEC 17025, ISO 14001 and ISO 45001 certifications.

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 this 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.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement has been approved by the Board on 7 April 2022.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present the Audit Committee Report for the year ended 31 December 2021.

1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The duties and responsibilities of the Audit Committee ("AC") are set out in the Terms of Reference of the AC which is available on KOSSAN's website: https://kossan.com.my/about-us/corp-governance.html.

2. COMPOSITION AND ATTENDANCE AT MEETINGS

The AC comprises the following members and the details of their attendance at the AC meetings held during the year ended 31 December 2021 were as follows:-

Composition of the AC	Attendance
Lee Choo Hock *(Chairman / Senior Independent Non-Executive Director)*	7/7
Mohamed Shafeii Bin Abdul Gaffoor *(Member / Independent Non-Executive Director)*	7/7
Hoh Kim Hyan *(Member / Independent Non-Executive Director)*	7/7

Other directors and members of the Management team attended the AC meeting at the invitation of the AC, when necessary. The Group's external auditors attended three (3) of the meetings while the internal auditors attended four (4) of the meetings.

3. SUMMARY OF ACTIVITIES

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

(a) Financial Reporting

Reviewed the quarterly and annual financial statements of the Group prior to submission to the Board for consideration and approval.

(b) External Audit

(i) Reviewed and discussed with the external auditors the nature and scope of the audit and audit plan prior to the commencement of audit and ensured the audit was comprehensive.

(ii) 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 and Management's responses thereto.

(iii) Reviewed the award of non-audit services provided by the external auditors and its affiliates and the overall independence of the external auditors.

(iv) Reviewed and recommended to the Board the re-appointment of the external auditors and the proposed audit fee.

(v) Conducted private meetings with the external auditors without the presence of Executive Directors or Management.

Audit Committee Report (Cont'd)

3. SUMMARY OF ACTIVITIES (CONT'D)

(c) Internal Audit

(i) Reviewed the internal auditors' reports which covered all business sectors of the Group, audit findings and recommendations on the internal control system.

(ii) Reviewed the follow-up audit reports submitted by the internal auditors to ensure the implementation of agreed audit recommendations by Management in a timely manner.

(iii) Reviewed and approved the internal audit plan for 2022 to ensure adequate scope and coverage of the Group's activities.

(iv) Reviewed and assessed the competency and resources of the internal audit function.

(d) Risk Management and Internal Controls

(i) Reviewed the internal control and risk management framework of the Group.

(ii) Reviewed and discussed with the external and internal auditors on their evaluation of the system of internal control of the Group.

(iii) Reviewed the risk profile of the Group and the business divisions and action plans by Management to mitigate risks.

(e) Annual Report

(i) Reviewed the AC Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and Corporate Governance Report before recommending to the Board for inclusion in the Annual Report.

(f) Corporate Governance

(i) Reviewed the framework and policies relating to anti-bribery and corruption.

(ii) Reviewed the Board Charter, Terms of Reference of the Audit and Nominating Committees pursuant to the Malaysian Code on Corporate Governance 2021 issued by the Securities Commission Malaysia, before submission to the Board for approval.

(g) Others

(i) Reviewed the viability and reasonableness of the acquisition of material assets by the Group.

(ii) Reviewed related party transactions ("RPT") tabled by Management before presentation to the Board, to ensure the RPT undertaken were in the best interest of the Group, the value were fair, reasonable and on normal commercial terms and were not detrimental to the interest of the minority shareholders.

(iii) Reviewed the terms of the Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature and to ensure procedures used were at arm's length and in accordance with the Group's normal commercial terms and were not prejudicial to the minority shareholders or disadvantageous to the Group.

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

4. INTERNAL AUDIT FUNCTION

The Group has in place an in-house Internal Audit Department ("IA") established by the Board to ensure a sound internal control system is in place. The IA reports directly to the AC and is guided by the Internal Audit Charter. The IA performs audits based on an annual internal audit plan approved by the AC. During the financial year under review, the IA performed process, compliance and Information Technology audits. The IA also reviewed recurrent related party transactions for compliance to mandate.

The IA reports its findings, recommendations and Management responses to the AC on a quarterly basis. Follow-up reviews are conducted and the status of the implementation of action plans are monitored and reported to the AC.

The cost incurred for the internal audit function for the financial year ended 31 December 2021 was RM664,947.

5. REPORT TO THE EXCHANGE

There were no material matters that warrant reporting to Bursa Malaysia Securities Berhad.

6. EVALUATION OF THE AC

The Nominating Committee ("NC") reviews the term of office and performance of the AC and each of its members through an annual effectiveness evaluation. The NC is satisfied that the AC and its members had carried out their duties in accordance to their terms of reference.

Lee Choo Hock
Chairman
Audit Committee
7 April 2022

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable Financial Reporting Standards in Malaysia.

In preparing these financial statements, the Directors have:

(a) Adopted appropriate accounting policies and applied them consistently;

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

(c) Prepared the financial statements on a going concern basis;

The Directors are responsible to ensure that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and to ensure these financial statements comply with the Act. The Directors are also responsible for taking such steps as are reasonably open to them to preserve the interest of stakeholders, to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

This Directors' Responsibility Statement is made in accordance with the resolution of the Board of Directors dated 7 April 2022.

DIRECTORS' REPORT

for the Year Ended 31 December 2021

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 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities and provision of management services to subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Kossan Holdings (M) Sdn. Bhd., of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	2,853,602	2,124,850
Non-controlling interests	3,336	–
	2,856,938	2,124,850

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 amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2020 as reported in the Directors' Report of that year:

- a second interim ordinary dividend and special dividend of 3 sen per ordinary share totalling RM76,593,588 and 8 sen per ordinary share totalling RM204,249,569 respectively declared on 16 February 2021 and paid on 17 March 2021.

(ii) In respect of the financial year ended 31 December 2021:

- a first interim ordinary dividend of 12 sen per ordinary share totalling RM306,194,354 declared on 20 April 2021 and paid on 20 May 2021.
- a second interim ordinary dividend of 12 sen per ordinary share totalling RM306,194,354 declared on 27 July 2021 and paid on 26 August 2021.
- a third interim ordinary dividend of 12 sen per ordinary share totalling RM306,194,354 declared on 21 October 2021 and paid on 19 November 2021.
- a fourth interim ordinary dividend of 12 sen per ordinary share totalling RM306,194,354 declared on 17 February 2022 and will be paid on 22 April 2022.

DIRECTORS

Directors of the Company who served during the financial year until the date of this report are:

Tan Sri Dato' Lim Kuang Sia
Lee Choo Hock
Lim Ooi Chow
Lim Siau Tian
Lim Siau Hing
Tan Kong Chang
Lim Leng Bung
Mohamed Shafeii Bin Abdul Gaffoor
Hoh Kim Hyan

The Directors of the Company's subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report are:

Lim Kuang Yong
Lim Kuang Wang
Dr. Or Tan Teng
Lee Seek Ping
Lim Siew Bing
Lee Hon Chee
Matthew Ang Hwee Tong
Wu Zhong
Lim Kwan Hwa (Deceased on 9 May 2021)
Teoh Hock Hean (Resigned on 30 November 2021)

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests 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			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Kossan Rubber Industries Bhd.				
Direct interests				
Tan Sri Dato' Lim Kuang Sia	5,018,904	2,000,000	–	7,018,904
Lim Leng Bung	–	669,200	–	669,200
Deemed interests				
Tan Sri Dato' Lim Kuang Sia				
- holding company	1,200,784,420	–	–	1,200,784,420
- spouse	3,177,984	–	–	3,177,984
Lim Leng Bung				
- holding company	1,200,784,420	–	–	1,200,784,420
Tan Kong Chang				
- spouse	–	100,000	–	100,000
Lim Kuang Yong^				
- holding company	1,200,784,420	–	–	1,200,784,420
Lim Kuang Wang^				
- holding company	1,200,784,420	–	–	1,200,784,420
Lim Ooi Chow**				
- holding company	1,200,784,420	–	–	1,200,784,420
- parents	8,196,888	2,000,000	–	10,196,888
Lim Siau Tian**				
- holding company	1,200,784,420	–	–	1,200,784,420
- parents	–	100,000	–	100,000
Lim Siau Hing**				
- holding company	1,200,784,420	–	–	1,200,784,420
- parents	–	971,000	–	971,000
Lim Siew Bing***^				
- holding company	1,200,784,420	–	–	1,200,784,420

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Doshin Rubber Products (M) Sdn. Bhd.				
Direct interests				
Dr. Or Tan Teng	100,000	–	(50,000)	50,000
Cleanera HK Limited				
Direct interests				
Matthew Ang Hwee Tong	78,866	–	–	78,866
Wu Zhong	25,000	–	–	25,000
Indirect interests				
Matthew Ang Hwee Tong	616,134	–	–	616,134

** Shares held through person connected to the Director or shareholder.

^ These are the Directors of the Company's subsidiaries in office during the financial year until the date of this report.

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lim Kuang Sia, Lim Leng Bung, Lim Kuang Yong, Lim Kuang Wang, Lim Ooi Chow, Lim Siau Tian, Lim Siau Hing and Lim Siew Bing 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 2021 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 remuneration 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 32 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

There were no other changes in the issued and paid-up capital of the Company except as disclosed in Note 16 to the financial statements and no debenture was issued during the financial year.

Directors' Report (Cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

There is no indemnity given to or insurance effected for Director, officer or auditors 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 2021 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.

Directors' Report (Cont'd)

AUDITORS

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

The auditors' remuneration is disclosed in Note 24 to the financial statements.

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

Tan Sri Dato' Lim Kuang Sia
Director

Lim Leng Bung
Director

Klang, Selangor Darul Ehsan

Date: 7 April 2022

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Assets					
Property, plant and equipment	3	1,373,723	1,273,685	88,238	67,452
Right-of-use assets	4	46,417	49,175	224	311
Investment properties	5	65,588	67,591	19,304	19,690
Goodwill on consolidation	6	4,926	4,926	–	–
Intangible assets	7	1,114	1,155	–	–
Investments in subsidiaries	8	–	–	170,241	166,741
Investment in joint venture	9	1,348	1,352	1,400	1,400
Other investments	10	181	413	106	91
Deferred tax assets	11	1,921	194	–	–
Trade and other receivables	12	–	–	160,802	102,279
Total non-current assets		1,495,218	1,398,491	440,315	357,964
Inventories	13	424,022	439,949	–	–
Contract assets	14	–	120	–	–
Trade and other receivables	12	558,566	616,970	2,577	680
Prepayments		33,016	60,312	408	140
Current tax assets		10,552	10,766	1,711	2,752
Derivative financial assets	19	638	17,860	–	–
Cash and cash equivalents	15	2,557,765	1,089,507	1,089,662	242,564
Total current assets		3,584,559	2,235,484	1,094,358	246,136
Total assets		5,079,777	3,633,975	1,534,673	604,100

Statements of Financial Position
as at 31 December 2021
(Cont'd)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Equity					
Share capital	16.1	323,885	323,885	323,885	323,885
Translation reserve	16.2	12,890	7,543	–	–
Capital reserve	16.3	939	(17)	–	–
Treasury shares	16.4	(26,764)	(13,797)	(26,764)	(13,797)
Retained earnings		3,721,396	2,067,220	1,204,331	278,907
Equity attributable to owners of the Company		4,032,346	2,384,834	1,501,452	588,995
Non-controlling interests		28,003	28,405	–	–
Total equity		4,060,349	2,413,239	1,501,452	588,995
Liabilities					
Loans and borrowings	17	56,001	107,176	479	204
Lease liabilities		8,737	11,206	–	72
Deferred tax liabilities	11	129,403	117,109	3,609	1,855
Total non-current liabilities		194,141	235,491	4,088	2,131
Loans and borrowings	17	182,399	447,861	493	96
Lease liabilities		4,664	4,435	72	119
Current tax liabilities		316,968	43,763	–	–
Contract liabilities	14	23,466	187,987	–	–
Derivative financial liabilities	19	503	2,747	–	–
Trade and other payables	18	297,287	298,452	28,568	12,759
Total current liabilities		825,287	985,245	29,133	12,974
Total liabilities		1,019,428	1,220,736	33,221	15,105
Total equity and liabilities		5,079,777	3,633,975	1,534,673	604,100

The notes on pages 77 to 142 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Year Ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	20	6,631,463	3,638,472	2,181,411	416,081
Other (expense)/income		14,981	78,826	(4,451)	872
Changes in inventories of finished goods and work-in-progress		(39,358)	85,667	–	–
Raw materials and consumables used		(1,945,614)	(1,509,695)	–	–
Goods purchased for resale		(45,113)	(56,860)	–	–
Staff costs		(419,667)	(421,249)	(51,317)	(35,797)
Depreciation of property, plant and equipment		(113,975)	(109,144)	(924)	(890)
Net gain on impairment of financial instruments		–	171	–	–
Other operating expenses		(360,846)	(259,473)	(4,733)	(5,601)
Results from operating activities		3,721,871	1,446,715	2,119,986	374,665
Finance costs	21	(8,276)	(14,963)	(20)	(12)
Finance income		33,721	9,661	9,279	2,869
Share of losses of equity-accounted joint venture, net of tax	9	(4)	(3)	–	–
Profit before tax		3,747,312	1,441,410	2,129,245	377,522
Tax (expense)/credit	23	(890,374)	(349,307)	(4,395)	1,140
Profit for the year	24	2,856,938	1,092,103	2,124,850	378,662

Statements of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2021
(Cont'd)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		6,532	2,825	–	–
Other comprehensive income for the year, net of tax		6,532	2,825	–	–
Total comprehensive income for the year		2,863,470	1,094,928	2,124,850	378,662
Profit attributable to:					
Owners of the Company		2,853,602	1,086,670	2,124,850	378,662
Non-controlling interests		3,336	5,433	–	–
Profit for the year		2,856,938	1,092,103	2,124,850	378,662
Total comprehensive income attributable to:					
Owners of the Company		2,858,949	1,089,065	2,124,850	378,662
Non-controlling interests		4,521	5,863	–	–
Total comprehensive income for the year		2,863,470	1,094,928	2,124,850	378,662
Basic earnings per ordinary share (sen)	25	111.82	42.49		
Diluted earnings per ordinary share (sen)	25	111.82	42.49		

The notes on pages 77 to 142 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 December 2021

		Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 January 2020		323,885	–	5,148	(397)	1,095,654	1,424,290	26,721	1,451,011
Foreign currency translation differences for foreign operations		–	–	2,395	–	–	2,395	430	2,825
Total other comprehensive income for the year		–	–	2,395	–	–	2,395	430	2,825
Profit for the year		–	–	–	–	1,086,670	1,086,670	5,433	1,092,103
Total comprehensive income for the year		–	–	2,395	–	1,086,670	1,089,065	5,863	1,094,928
Dividends to owners of the Company	26	–	–	–	–	(115,104)	(115,104)	–	(115,104)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(299)	(299)
Acquisition of non-controlling interests		–	–	–	380	–	380	(3,880)	(3,500)
Own shares acquired		–	(13,797)	–	–	–	(13,797)	–	(13,797)
At 31 December 2020		323,885	(13,797)	7,543	(17)	2,067,220	2,384,834	28,405	2,413,239
		Note 16.1	Note 16.4	Note 16.2	Note 16.3				

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2021
(Cont'd)

		Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 January 2021		323,885	(13,797)	7,543	(17)	2,067,220	2,384,834	28,405	2,413,239
Foreign currency translation differences for foreign operations		–	–	5,347	–	–	5,347	1,185	6,532
Total other comprehensive income for the year		–	–	5,347	–	–	5,347	1,185	6,532
Profit for the year		–	–	–	–	2,853,602	2,853,602	3,336	2,856,938
Total comprehensive income for the year		–	–	5,347	–	2,853,602	2,858,949	4,521	2,863,470
Dividends to owners of the Company	26	–	–	–	–	(1,199,426)	(1,199,426)	–	(1,199,426)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(467)	(467)
Acquisition of non-controlling interests		–	–	–	956	–	956	(4,456)	(3,500)
Own shares acquired		–	(12,967)	–	–	–	(12,967)	–	(12,967)
At 31 December 2021		323,885	(26,764)	12,890	939	3,721,396	4,032,346	28,003	4,060,349
		Note 16.1	Note 16.4	Note 16.2	Note 16.3				

The notes on pages 77 to 142 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the Year Ended 31 December 2021

	Note	*Non-distributable* Share capital RM'000	Treasury shares RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2020		323,885	–	15,349	339,234
Own shares acquired		–	(13,797)	–	(13,797)
Profit and total comprehensive income for the year		–	–	378,662	378,662
Dividends to owners of the Company	26	–	–	(115,104)	(115,104)
At 31 December 2020/1 January 2021		323,885	(13,797)	278,907	588,995
Own shares acquired		–	(12,967)	–	(12,967)
Profit and total comprehensive income for the year		–	–	2,124,850	2,124,850
Dividends to owners of the Company	26	–	–	(1,199,426)	(1,199,426)
At 31 December 2021		323,885	(26,764)	1,204,331	1,501,452
		Note 16.1	Note 16.4		

The notes on pages 77 to 142 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the Year Ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities					
Profit before tax		3,747,312	1,441,410	2,129,245	377,522
Adjustments for:					
Depreciation of investment property	5	–	–	386	1,147
Depreciation of property, plant and equipment	3	113,975	109,144	924	890
Depreciation of right-of-use assets	4	5,584	4,451	87	93
Dividend income	20	–	–	(2,149,503)	(384,581)
Finance costs	21	8,276	14,963	20	12
Finance income		(33,721)	(9,661)	(9,279)	(2,869)
Reversal of impairment loss on trade receivables		–	171	–	–
Amortisation on intangible assets		63	–	–	–
Gain on disposal of property, plant and equipment		(450)	(51,724)	(349)	(9)
Net loss on disposal of right-of-use assets		(70)	103	–	–
Net unrealised fair value changes on derivatives	24	(135)	(15,113)	–	–
Net unrealised foreign exchange differences	24	1,043	4,650	–	–
Property, plant and equipment written off	24	6,342	1,519	6,296	1
Share of losses of equity-accounted joint venture, net of tax		4	3	–	–
Operating profit/(loss) before changes in working capital		3,848,223	1,499,916	(22,173)	(7,794)
Change in inventories		15,927	(118,424)	–	–
Change in trade and other receivables and prepayments		99,770	(248,387)	(60,688)	(14,548)
Change in trade and other payables		(1,165)	83,642	15,809	6,380
Change in contract assets		120	(120)	–	–
Change in contract liabilities		(164,521)	187,987	–	–
Cash generated from/(used in) operations		3,798,354	1,404,614	(67,052)	(15,962)

Statements of Cash Flows
for the Year Ended 31 December 2021
(Cont'd)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash generated from/(used in) operations (continued)		3,798,354	1,404,614	(67,052)	(15,962)
Dividends received		–	–	2,149,503	384,581
Interest received		33,721	9,661	9,279	2,869
Interest paid		(1,010)	(9,504)	(20)	(12)
Tax paid		(606,693)	(266,598)	(1,600)	(1,520)
Tax refund		310	7,759	–	–
Net cash from operating activities		3,224,682	1,145,932	2,090,110	369,956
Cash flows from investing activities					
Acquisition of property, plant and equipment		(220,593)	(173,904)	(28,094)	(13,322)
Acquisition of right-of-use assets		–	(719)	–	–
Acquisition of other investments		(15)	(15)	(15)	–
Acquisition of intangible assets		(22)	(1,155)	–	–
Acquisition of non-controlling interests	8.2	(3,500)	(3,500)	–	–
Increase in investment in subsidiary		–	–	(3,500)	(3,500)
Proceeds from disposal of other investment		247	–	–	–
Proceeds from disposal of property, plant and equipment		987	148,876	437	14
Net cash used in investing activities		(222,896)	(30,417)	(31,172)	(16,808)
Cash flows from financing activities					
Dividends paid to owners of the Company		(1,199,426)	(153,472)	(1,199,426)	(153,472)
Dividends paid to non-controlling interests		(467)	(299)	–	–
Interest paid		(6,132)	(9,879)	–	–
Drawdown of term loans		–	119,552	–	–
Payment of lease liabilities		(4,426)	(3,769)	(119)	(127)
Repurchase of treasury share		(12,967)	(13,797)	(12,967)	(13,797)
Net (repayment)/proceeds from other borrowings		(252,087)	58,771	672	300
Repayment of term loans		(64,550)	(188,520)	–	–
Net cash used in financing activities		(1,540,055)	(191,413)	(1,211,840)	(167,096)

Statements of Cash Flows
for the Year Ended 31 December 2021
(Cont'd)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Net increase in cash and cash equivalents		1,461,731	924,102	847,098	186,052
Effect of exchange rate fluctuations on cash held		6,527	3,155	–	–
Cash and cash equivalents at 1 January		1,089,507	162,250	242,564	56,512
Cash and cash equivalents at 31 December	(i)	2,557,765	1,089,507	1,089,662	242,564

Cash outflows for leases as a lessee

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	24	328	354	–	–
Payment relating to leases of low-value assets	24	70	69	–	7
Interest paid in relation to lease liabilities	21	714	656	20	12
Included in net cash from financing activities:					
Payment of lease liabilities		4,426	3,769	119	127
Total cash outflows for leases		5,538	4,848	139	146

(i) Cash and cash equivalents

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

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash and bank balances	15	108,572	105,455	1,556	948
Short term investment	15	2,213,946	479,552	1,065,106	184,616
Short term deposits placed with licensed banks	15	235,247	504,500	23,000	57,000
		2,557,765	1,089,507	1,089,662	242,564

Statements of Cash Flows
for the Year Ended 31 December 2021
(Cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 January 2020 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 31 December 2020/ 1 January 2021 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 31 December 2021 RM'000
Term loans - unsecured	240,491	(68,968)	–	171,523	(64,550)	–	106,973
Revolving credit - unsecured	229,017	(41,017)	–	188,000	(188,000)	–	–
Trade finance - unsecured	95,726	99,488	–	195,214	(64,759)	–	130,455
Hire purchase financing - unsecured	–	–	300	300	(128)	800	972
Lease liabilities	12,876	(3,769)	6,534	15,641	(6,469)	4,229	13,401
Total liabilities from financing activities	578,110	(14,266)	6,834	570,678	(323,906)	5,029	251,801

Company	At 1 January 2020 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 31 December 2020/ 1 January 2021 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 31 December 2021 RM'000
Hire purchase financing - unsecured	–	–	300	300	(128)	800	972
Lease liabilities	318	(127)	–	191	(119)	–	72
Total liabilities from financing activities	318	(127)	300	491	(247)	800	1,044

The notes on pages 77 to 142 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 follows:

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 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2021 do not include other entities.

The Company is principally engaged in investment holding activities and provision of management services to subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 8 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 7 April 2022.

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 2016 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 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

Notes to the Financial Statements (Cont'd)

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 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 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 Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and amendments to MFRS 141 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

Early adoption of amendment to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use

In year 2020, the Group early adopted the amendment to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use* issued in June 2020 which is effective for annual periods beginning on or after 1 January 2022 in relation to the testing costs and net proceeds arising from the testing of its asset in the course of its construction before its intended use.

The early adoption of the abovementioned amendment did not have significant impact to the retained earnings at 1 January 2020.

(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 the following notes:

- Note 4 – extension options and incremental borrowing rate in relation to leases
- Note 12 – measurement of the recoverability of trade receivables

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.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Business combinations (Cont'd)

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) 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 a financial asset depending on the level of influence retained.

(v) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture 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 investment includes transaction costs.

(vi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(vii) 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 joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of 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 of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

(i) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(l)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial liabilities

The categories of financial liabilities at initial recognition is as follows:

(a) 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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel;

(c) or if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

Proceeds before Intended Use

The Group recognises in profit or loss the following:

- directly attributable costs of testing whether the plant and equipment are functioning properly; and
- the proceeds from selling items and the cost of those items which may be produced while bringing the item of plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management.

(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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

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

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

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

(i) Definition of a lease (Cont'd)

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

(ii) Recognition and initial measurement (Cont'd)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

(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) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets (Cont'd)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the patent is 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(h) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract 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 and leasehold land which in substance is a right-of-use asset held under a lease contract for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Reclassification to/from investment property

An item of property, plant and equipment is transferred to/from investment property at its carrying amount following a change in its use.

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Contract assets/Contract liabilities

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) 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.

(l) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using individual assessments based on receivables past due more than 90 days with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(i) Financial assets (Cont'd)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or 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.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

When 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.

(n) 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.

(o) Provisions

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iv) Services rendered

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

(v) 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.

(q) 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.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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, 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 which the unutilised tax incentive can be utilised.

(s) 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.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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 Managing Director 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.

(u) Contingent liabilities

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

(v) Fair value measurements

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 is 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 change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

	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	Software under development RM'000	Total RM'000
Group												
Cost												
At 1 January 2020	284,219	339,293	1,052,197	14,156	9,975	24,213	4,327	30,510	72,334	42,730	4,636	1,878,590
Additions	36,677	16,308	38,773	1,821	568	3,903	1,689	4,577	40,092	27,326	2,170	173,904
Borrowing cost capitalised at 4.95% per annum	–	–	–	–	–	–	–	–	3,174	–	–	3,174
Disposals	–	(340)	(4,181)	(519)	–	(162)	–	(1,427)	–	–	–	(6,629)
Write-off	–	(2,966)	(201)	(46)	–	(24)	(29)	(981)	–	–	–	(4,247)
Reclassification**	–	37,444	86,004	1,444	–	–	–	743	(83,811)	(40,380)	–	1,444
Effect of movements in exchange rates	–	–	614	25	–	–	–	34	–	–	–	673
At 31 December 2020/ 1 January 2021	320,896	389,739	1,173,206	16,881	10,543	27,930	5,987	33,456	31,789	29,676	6,806	2,046,909

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	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	Software under development RM'000	Total RM'000
Group												
Cost												
At 31 December 2020/ 1 January 2021 (continued)	320,896	389,739	1,173,206	16,881	10,543	27,930	5,987	33,456	31,789	29,676	6,806	2,046,909
Additions	34,010	17,065	48,764	3,241	265	1,457	68	2,616	36,789	72,341	3,977	220,593
Disposals	–	–	(1,523)	(2,086)	–	(94)	–	(185)	–	–	–	(3,888)
Write-off	–	–	(7,303)	(68)	–	(8)	–	(268)	–	–	(6,296)	(13,943)
Reclassification**	–	22,800	46,292	767	–	–	–	505	(46,755)	(22,842)	–	767
At 31 December 2021	354,906	429,604	1,259,436	18,735	10,808	29,285	6,055	36,124	21,823	79,175	4,487	2,250,438

* Included in the freehold land is an amount of USD2,995,042 equivalent to RM12.2 million as at 31 December 2021 (31 December 2020: USD3,117,987, equivalent to RM12.5 million) representing the freehold land and building of an overseas subsidiary of which the carrying amount of the building is not segregated from the freehold land as the required details are not available.

** Included in the reclassification is the motor vehicles acquired by means of finance lease which have been fully paid off and reclassed from right-of-use assets to property, plant and equipment.

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	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	Software under development RM'000	Total RM'000
Group												
Accumulated depreciation												
At 1 January 2020	–	44,235	578,292	12,585	7,209	13,303	3,483	12,595	–	–	–	671,702
Charge for the year	–	9,912	88,911	1,795	508	4,070	1,126	2,822	–	–	–	109,144
Disposals	–	(299)	(3,865)	(514)	–	(112)	–	(1,385)	–	–	–	(6,175)
Write-off	–	(1,602)	(194)	(46)	–	(24)	(10)	(852)	–	–	–	(2,728)
Reclassification**	–	(44)	31	281	–	(129)	–	142	–	–	–	281
Effect of movements in exchange rates	–	476	486	13	–	–	–	25	–	–	–	1,000
At 31 December 2020/ 1 January 2021	–	52,678	663,661	14,114	7,717	17,108	4,599	13,347	–	–	–	773,224
Charge for the year	–	10,577	96,470	1,391	347	2,024	97	3,069	–	–	–	113,975
Disposals	–	–	(1,170)	(2,008)	–	(80)	–	(93)	–	–	–	(3,351)
Write-off	–	–	(7,262)	(67)	–	(4)	–	(268)	–	–	–	(7,601)
Reclassification**	–	(27)	27	468	–	–	–	–	–	–	–	468
At 31 December 2021	–	63,228	751,726	13,898	8,064	19,048	4,696	16,055	–	–	–	876,715
Carrying amounts												
At 1 January 2020	284,219	295,058	473,905	1,571	2,766	10,910	844	17,915	72,334	42,730	4,636	1,206,888
At 31 December 2020/ 1 January 2021	320,896	337,061	509,545	2,767	2,826	10,822	1,388	20,109	31,789	29,676	6,806	1,273,685
At 31 December 2021	354,906	366,376	507,710	4,837	2,744	10,237	1,359	20,069	21,823	79,175	4,487	1,373,723

Pursuant to early adoption of amendment to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*, the net proceeds and testing costs arising from the testing of its plant and equipment in the course of its construction before its intended use during the year amounted to RM12,141,976 and RM5,884,556 respectively. These have been included in the Revenue and Raw materials and consumables used in the Statement of Profit or Loss.

Notes to the Financial Statements (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office furniture, equipment and renovation RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Company							
Cost							
At 1 January 2020	42,638	3,799	4,492	4,486	2,199	4,636	62,250
Additions	–	–	787	736	9,629	2,170	13,322
Disposals	–	–	(120)	(12)	–	–	(132)
Write-off	–	–	–	(1,226)	–	–	(1,226)
Reclassification	–	–	329	–	–	–	329
At 31 December 2020/1 January 2021	42,638	3,799	5,488	3,984	11,828	6,806	74,543
Additions	–	–	2,533	185	21,399	3,977	28,094
Disposals	–	–	(1,683)	(82)	–	–	(1,765)
Write -off	–	–	–	(13)	–	(6,296)	(6,309)
At 31 December 2021	42,638	3,799	6,338	4,074	33,227	4,487	94,563
Accumulated depreciation							
At 1 January 2020	–	725	3,795	2,901	–	–	7,421
Charge for the year	–	138	432	320	–	–	890
Disposals	–	–	(120)	(7)	–	–	(127)
Write-off	–	–	–	(1,225)	–	–	(1,225)
Reclassification	–	–	132	–	–	–	132
At 31 December 2020/1 January 2021	–	863	4,239	1,989	–	–	7,091
Charge for the year	–	86	489	349	–	–	924
Disposals	–	–	(1,612)	(65)	–	–	(1,677)
Write-off	–	–	–	(13)	–	–	(13)
At 31 December 2021	–	949	3,116	2,260	–	–	6,325
Carrying amounts							
At 1 January 2020	42,638	3,074	697	1,585	2,199	4,636	54,829
At 31 December 2020/1 January 2021	42,638	2,936	1,249	1,995	11,828	6,806	67,452
At 31 December 2021	42,638	2,850	3,222	1,814	33,227	4,487	88,238

4. RIGHT-OF-USE ASSETS

	Note	Land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
At 1 January 2020		99,061	6,416	3,284	108,761
Additions		719	9,540	–	10,259
Borrowing costs capitalised at 3.46% per annum	4.3	1,246	–	–	1,246
Net loss on disposal of right-of-use assets		(3)	(100)	–	(103)
Reclassification	5	(62,406)*	(2,968)	(1,163)	(66,537)
Depreciation		(1,299)	(2,973)	(179)	(4,451)
At 31 December 2020/ 1 January 2021		37,318	9,915	1,942	49,175
Additions		–	4,229	–	4,229
Borrowing costs capitalised at 3.46% per annum	4.3	869	–	–	869
Net loss on disposal of right-of-use assets		(18)	(1,955)	–	(1,973)
Reclassification	3	–	–	(299)	(299)
Depreciation		(1,226)	(3,755)	(603)	(5,584)
At 31 December 2021		36,943	8,434	1,040	46,417
Company					
At 1 January 2020		–	–	601	601
Reclassification		–	–	(197)	(197)
Depreciation		–	–	(93)	(93)
At 31 December 2020/ 1 January 2021		–	–	311	311
Depreciation		–	–	(87)	(87)
At 31 December 2021		–	–	224	224

The Group leases a number of land, factory buildings, worker hostels and motor vehicles. The leasehold land has lease term of 96 years. The remaining leases typically run for a period between one to thirty years, with an option to renew the lease after that date. Lease payments are increased every two to three years to reflect current market rentals.

The Company leases a number of motor vehicles. The leases typically run for a period between one to three years, with no extension options.

* Included in the reclassification of land in prior year was a reclassification from right-of-use assets to investment property.

Notes to the Financial Statements (Cont'd)

4. RIGHT-OF-USE ASSETS (CONT'D)

4.1 Extension options

Some leases of factory buildings and worker hostels contain extension options exercisable by the Group not less than 6 months before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

None of the leases of motor vehicles contain extension options exercisable by the Company before the end of the non-cancellable contract period.

Group	**Lease liabilities recognised (discounted) RM'000**	**Potential future lease payments not included in lease liabilities (discounted) RM'000**	**Historical rate of extension options %**
Land	734	–	100
Buildings	5,322	–	100
	6,056	–	100

4.2 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Borrowing costs

Included in the additions in right-of-use land is an amount of RM869,068 as at 31 December 2021 (31 December 2020: RM1,245,870) representing the capitalisation of borrowing costs (see Note 21).

Notes to the Financial Statements (Cont'd)

5. INVESTMENT PROPERTIES

	Note	Land RM'000	Buildings RM'000	Total RM'000
Group				
Cost				
At 1 January 2020		101,921	–	101,921
Disposal		(96,698)	–	(96,698)
Reclassification	4	64,075	–	64,075
At 31 December 2020/1 January 2021		69,298	–	69,298
Reclassification		(2,003)	–	(2,003)
At 31 December 2021		67,295	–	67,295
Accumulated depreciation				
At 1 January 2020		–	–	–
Reclassification	4	1,707	–	1,707
At 31 December 2020/1 January 2021		1,707	–	1,707
Reclassification		–	–	–
At 31 December 2021		1,707	–	1,707
Carrying amounts				
At 1 January 2020		101,921	–	101,921
At 31 December 2020/1 January 2021		67,591	–	67,591
At 31 December 2021		65,588	–	65,588
Company				
Cost				
At 1 January 2020/31 December 2020/ 1 January 2021/31 December 2021		10,100	12,305	22,405
Accumulated depreciation				
At 1 January 2020		–	1,568	1,568
Charge for the year		–	1,147	1,147
At 31 December 2020/1 January 2021		–	2,715	2,715
Charge for the year		–	386	386
At 31 December 2021		–	3,101	3,101
Carrying amounts				
At 1 January 2020		10,100	10,737	20,837
At 31 December 2020/1 January 2021		10,100	9,590	19,690
At 31 December 2021		10,100	9,204	19,304

Notes to the Financial Statements (Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

The following are recognised in profit or loss in respect of investment properties:

	Company	
	2021 RM'000	2020 RM'000
Lease income	914	914
Direct operating expenses:		
- income generating investment properties	(459)	(813)

5.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Company 2021 RM'000
Less than one year	823
Between one and five years	78
Total undiscounted lease payments	901

	2020 RM'000
Less than one year	914
Between one and five years	665
Total undiscounted lease payments	1,579

5.2 Fair value information

Fair value of investment properties are categorised as follows:

	Group Level 3 RM'000	Company Level 3 RM'000
2021		
Land and buildings	153,691	44,534
2020		
Land and buildings	68,497	55,576

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

Investment properties not carried at fair value

Type	Description of valuation technique and inputs used
Land and buildings	Fair value of land and buildings 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 meter of comparable properties.

Notes to the Financial Statements (Cont'd)

6. GOODWILL ON CONSOLIDATION

	Group 2021 RM'000	2020 RM'000
At cost	4,926	4,926

6.1 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 2021 RM'000	2020 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 in the 5-year cash flow projection is expected to be consistent with current year.
- The terminal value was estimated using the perpetuity growth model, with nil growth rate to perpetuity which is consistent with prior year.
- A pre-tax discount rate of 15% (2020: 13.5%) 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.

Notes to the Financial Statements (Cont'd)

7. INTANGIBLE ASSETS

	Note	Patents RM'000	Intellectual property rights RM'000	Total RM'000
Group				
Cost				
At 1 January 2020		–	1,639	1,639
Additions		1,155	–	1,155
At 31 December 2020/1 January 2021		1,155	1,639	2,794
Additions		22	–	22
At 31 December 2021		1,177	1,639	2,816
Amortisation and impairment loss				
At 1 January 2020	7.1	–	1,639	1,639
Impairment loss		–	–	–
At 31 December 2020/1 January 2021		–	1,639	1,639
Amortisation for the year		63	–	63
At 31 December 2021		63	1,639	1,702
Carrying amounts				
At 1 January 2020		–	–	–
At 31 December 2020/1 January 2021		1,155	–	1,155
At 31 December 2021		1,114	–	1,114
Company				
Cost				
At 1 January 2020/31 December 2020/ 1 January 2021/31 December 2021		–	1,639	1,639
Impairment loss				
At 1 January 2020	7.1	–	1,639	1,639
Impairment loss		–	–	–
At 31 December 2020/1 January 2021/ 31 December 2021		–	1,639	1,639
Carrying amounts				
At 1 January 2020		–	–	–
At 31 December 2020/1 January 2021/ 31 December 2021		–	–	–

Notes to the Financial Statements (Cont'd)

7. INTANGIBLE ASSETS (CONT'D)

The intellectual property is Aseptapak Innovation, which is the latest automated packing technology for gloves. The intellectual property includes any of its further development, future improvements and enhancements. The intellectual property is owned by Aseptapak (M) Sdn. Bhd. ("Aseptapak") and Aseptapak has granted the rights to the Group to use the Aseptapak Innovation for up to 20 years. The rights are only amortised from the date it is available for use on commercial basis.

7.1 Impairment loss

The loss arising from write-down of the intellectual property rights which have not contributed any revenue since registration. Nevertheless, the project for this intellectual property rights is still on going.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Cost of investment	170,241	166,741

Details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2021 %	Effective ownership interest 2020 %
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	85	80
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

Notes to the Financial Statements (Cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2021 %	2020 %
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 trading of cleanroom products	82	82
KPH Logistics, Inc.#	United States of America	Distribution	100	100
KPH (San Francisco), LLC.#	United States of America	Property holding	100	100
KISB Asia Pacific Sdn. Bhd.	Malaysia	Investment holding	100	100
Kossan Labuan Bhd.#	Labuan, Malaysia	Investment holding	100	100
Kossan Industries Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	100	100
Kossan Security Services Sdn. Bhd.	Malaysia	Manage auxiliary police service for Kossan group	100	100
Kossan Trading Sdn. Bhd.	Malaysia	Manufacturing, processing and trading of chemicals and rubber compound	100	100
Kossan Ceramics Sdn. Bhd.#	Malaysia	Manufacturing of formers and ceramic products	100	–
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	85	80
Subsidiary of Cleanera HK Limited				
Dongguan Cleanera Cleanroom Products Company Limited+	The People's Republic of China	Manufacturing and dealing in cleanroom products	82	82
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Kossan Gloves Sdn. Bhd.	Malaysia	Investment holding	100	100

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2021 %	2020 %
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	Investment holding	100	100
Subsidiary of KISB HK Limited				
KISB Limited Shanghai+	The People's Republic of China	Trading of machinery parts	100	100
Subsidiary of KISB Limited Shanghai				
Pureshield (Shanghai) Health Science and Technology Co. Limited+	The People's Republic of China	Trading of latex examination gloves	100	100

\# Not required to be audited under the laws of the place/country of incorporation. The financial statements of the subsidiaries are consolidated based on management accounts.

\+ Not audited by KPMG PLT.

8.1 Material non-controlling interests in subsidiaries

There are no non-controlling interests that are material to the Group for the year ended 31 December 2021.

8.2 Acquisition of non-controlling interests - Doshin Rubber Products (M) Sdn. Bhd.

On 29 November 2021, the Company acquired an additional 5% interest in Doshin Rubber Products (M) Sdn. Bhd. for RM3,500,000 in cash, increasing its ownership from 80% to 85%. The Group recognised a decrease in non-controlling interests of RM4,455,915 and an increase in capital reserve of RM955,915.

8.3 Acquisition of a newly incorporated Company – Kossan Ceramics Sdn. Bhd.

On 8 September 2021, the Group acquired 2 ordinary shares in the capital of Kossan Ceramics Sdn. Bhd. at RM1 per share. Kossan Ceramics Sdn. Bhd.'s principal business is to manufacture formers and ceramic products. During the year, the subsidiary purchased a land amounting to RM19 million to construct a factory to manufacture formers for the Glove division.

Notes to the Financial Statements (Cont'd)

9. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Investment in shares	1,352	1,355	1,400	1,400
Shares of post-acquisition reserves	(4)	(3)	–	–
	1,348	1,352	1,400	1,400

Aseptapak (M) Sdn. Bhd. ("Aseptapak"), the only joint arrangement in which the Group participates, is principally engaged in the purchase or acquire any patents, trademarks, invention, licenses, concessions, secret processes and the like, in Malaysia or elsewhere, conferring an exclusive or non-exclusive or limited rights to use any invention or process, secret or otherwise, which may be used by the entity, directly, and to use, exercise, develop, grant license in respect of, or turn to account the property, rights and information so acquired.

Aseptapak is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Aseptapak as a joint venture.

The following table summarises the financial information of Aseptapak.

	Group	
	2021 RM'000	2020 RM'000
Percentage of ownership interest and voting interest	50%	50%
Summarised financial information		
As at 31 December		
Non-current assets	–	1,669
Current assets	1,032	1,037
Current liabilities	(4)	(2)
	1,028	2,704
Year ended 31 December		
Loss and total comprehensive expenses for the year	(8)	(6)
Group's share of results for the year ended 31 December		
Group's share of losses during the year	(4)	(3)

10. OTHER INVESTMENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fair value through profit or loss	181	166	106	91
Amortised cost	–	247	–	–
	181	413	106	91

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Property, plant and equipment	–	–	(139,436)	(123,663)	(139,436)	(123,663)
Right-of-use assets	–	–	(5,605)	(6,222)	(5,605)	(6,222)
Revaluation on properties#	–	–	(4,926)	(5,077)	(4,926)	(5,077)
Unutilised reinvestment allowance	–	3,135	–	–	–	3,135
Tax loss carry forwards	97	981	–	–	97	981
Provisions	16,199	9,799	–	–	16,199	9,799
Lease liabilities	6,034	6,640	–	–	6,034	6,640
Derivatives	103	–	–	(2)	103	(2)
Others	52	–	–	(2,506)	52	(2,506)
Tax assets/ (liabilities)	22,485	20,555	(149,967)	(137,470)	(127,482)	(116,915)
Set off of tax	(20,564)	(20,361)	20,564	20,361	–	–
Net tax assets/ (liabilities)	1,921	194	(129,403)	(117,109)	(127,482)	(116,915)
Company						
Property, plant and equipment	–	–	(3,088)	(2,292)	(3,088)	(2,292)
Revaluation on properties#	–	–	(521)	(544)	(521)	(544)
Tax loss carry forwards	–	981	–	–	–	981
	–	981	(3,609)	(2,836)	(3,609)	(1,855)

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.

Unrecognised deferred tax assets

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

	Group	
	2021 RM'000	2020 RM'000
Tax loss carry forwards	58	58
Tax at 24% (2020: 24%)	14	14

A tax loss of RM57,766 (2020: RM57,766) can only be utilised once capital allowance has been fully exhausted for. The tax loss initially expiring in year of assessment 2025 has been extended to 2028 following the Budget 2022 announced by the Ministry of Finance on 29 October 2021 which allows unutilised tax losses to be carried forward for a maximum of 10 consecutive years of assessment.

Deferred tax assets have not been recognised in respect for tax loss carry forwards amounting to RM57,766 (2020: RM57,766) because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Movement in temporary differences during the year

	Note	Property, plant and equipment RM'000	Right-of-use assets RM'000	Revaluation on properties RM'000	Unutilised reinvestment allowance RM'000	Lease liabilities RM'000	Derivatives RM'000	Tax loss carry forwards RM'000	Others RM'000	Provisions RM'000	Total RM'000
Group											
At 1 January 2020		(94,586)	(5,229)	(5,228)	19,459	5,523	(162)	–	589	–	(79,634)
Recognised in profit or loss	23	(29,077)	(993)	151	(16,324)	1,117	160	981	(3,095)	9,799	(37,281)
At 31 December 2020/ 1 January 2021		(123,663)	(6,222)	(5,077)	3,135	6,640	(2)	981	(2,506)	9,799	(116,915)
Recognised in profit or loss	23	(15,773)	617	151	(3,135)	(606)	105	(884)	2,558	6,400	(10,567)
At 31 December 2021		(139,436)	(5,605)	(4,926)	–	6,034	103	97	52	16,199	(127,482)
Company											
At 1 January 2020		(2,420)	–	(567)	–	–	–	–	–	–	(2,987)
Recognised in profit or loss	23	128	–	23	–	–	–	981	–	–	1,132
At 31 December 2020/ 1 January 2021		(2,292)	–	(544)	–	–	–	981	–	–	(1,855)
Recognised in profit or loss	23	(796)	–	23	–	–	–	(981)	–	–	(1,754)
At 31 December 2021		(3,088)	–	(521)	–	–	–	–	–	–	(3,609)

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	12.1	–	–	160,802	102,279
Current					
Trade					
Trade receivables		542,622	602,598	–	–
Less: Allowance for impairment loss		(402)	(2,066)	–	–
	12.4	542,220	600,532	–	–
Amount due from related parties	12.2	161	49	–	–
		542,381	600,581	–	–
Non-trade					
Amount due from subsidiaries	12.3	–	–	2,314	343
Other receivables		9,780	10,196	171	229
Refundable deposits		6,396	6,193	92	108
Amount due from related parties		9	–	–	–
		16,185	16,389	2,577	680
		558,566	616,970	2,577	680
		558,566	616,970	163,379	102,959

12.1 The non-trade amount due from subsidiaries are unsecured, subject to interest at 2.09% (2020: 2.09%) per annum and repayable beyond the next 12 months.

12.2 The trade amount due from related parties are subject to normal trade terms.

12.3 The non-trade amount due from subsidiaries are unsecured, subject to interest at 2.09% (2020: 2.09%) per annum and repayable on demand.

12.4 The key assumptions for the estimation of recoverability of trade receivables include the following:

- The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

- The Group considers that any trade receivables with past due less than 90 days are having low credit risk by considering historical payment trends and financial strength of the receivables. The amount of the allowance on these balances is negligible.

Notes to the Financial Statements (Cont'd)

13. INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
At cost:		
Raw materials	120,436	104,261
Work-in-progress	5,023	6,800
Finished goods	298,563	328,888
	424,022	439,949

14. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2021 RM'000	2020 RM'000
Contract assets	–	120
Contract liabilities	(23,466)	(187,987)

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. The amount will be billed on achievement of billing milestones as per the contracts.

The contract liabilities primarily relate to the advance consideration received from customers for the purchase of gloves, for which revenue is recognised at a point of time upon transfer of control as per International Commercial Terms ("INCOTERM"). The contract liabilities are expected to be recognised as revenue within a year.

Significant changes to contract liabilities balances during the period are as follows:

	2021 RM'000	2020 RM'000
Group		
Contract liabilities at the beginning of the period recognised as revenue	(187,987)	–
Advances received during the year	47,669	187,987
Advances received and utilised during the year	(24,203)	–
	(164,521)	187,987

Notes to the Financial Statements (Cont'd)

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	108,572	105,455	1,556	948
Short term investment	2,213,946	479,552	1,065,106	184,616
Short term deposits placed with licensed banks	235,247	504,500	23,000	57,000
	2,557,765	1,089,507	1,089,662	242,564

16. CAPITAL AND RESERVES

16.1 Share capital

	Group and Company			
	Number of shares 2021 '000	Amount 2021 RM'000	Number of shares 2020 '000	Amount 2020 RM'000
Ordinary shares, issued and fully paid with no par value classified as equity instruments:				
At 1 January	2,555,120	323,885	1,278,936	323,885
Bonus issue	–	–	1,278,936	–
Shares buy-back	(3,500)	–	(2,752)	–
At 31 December	2,551,620	323,885	2,555,120	323,885

In prior year, the Group and the Company undertook a shares buy-back exercise by purchasing its 2,752,000 shares amounting to RM13.8 million. The Group's and the Company's total number of shares decreased from 2,557,871,616 to 2,555,119,616. This exercise was completed on 16 December 2020.

During the year, the Group and the Company undertook a shares buy-back exercise by purchasing its 3,500,000 number of shares amounting to RM12.9 million. The Group's and the Company's total number of shares decreased from 2,555,119,616 to 2,551,619,616. This exercise was completed on 31 March 2021.

16.2 Translation reserve

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

16.3 Capital reserve

The capital reserve comprises the difference between the consideration paid and net assets acquired in acquisition of non-controlling interests.

16.4 Treasury shares

Treasury shares comprises cost of acquisition of the Company's own shares. At 31 December 2021, the Group held 6,252,000 (2020: 2,752,000) of the Company's own shares.

Notes to the Financial Statements (Cont'd)

17. LOANS AND BORROWINGS

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Term loans - unsecured	17.1	55,522	106,972	–	–
Hire purchase financing - unsecured	17.2	479	204	479	204
		56,001	107,176	479	204
Current					
Term loans - unsecured	17.1	51,451	64,551	–	–
Hire purchase financing - unsecured	17.2	493	96	493	96
Revolving credit - unsecured		–	188,000	–	–
Trade finance - unsecured		130,455	195,214	–	–
		182,399	447,861	493	96
		238,400	555,037	972	300

17.1 Term loans - unsecured

Unsecured term loans consisting of:

(a) MYR denominated term loan of RM1.69 million (2020: RM2.39 million) representing a 5-year term loan obtained in 2019 with monthly repayment installments, and bears interest rates of 3.10% (2020: 3.10% - 4.35%) per annum,

(b) MYR denominated term loan of RM10.90 million (2020: RM22.90 million) representing a 5-year term loan obtained in 2017 with monthly repayment installments, and bears interest rates of 3.00% (2020: 3.00% - 4.25%) per annum,

(c) MYR denominated term loan of RM76.38 million (2020: RM116.20 million) representing a 3-year term loan obtained in 2020 with monthly repayment installments, and bears interest rate of 2.75% (2020: 2.75%) per annum, and

(d) MYR denominated term loan of RM18 million (2020: RM30.00 million) representing a 5-year term loan obtained in 2018 with monthly repayment installments, and bears interest rates of 3.00% (2020: 3.00% - 4.29%) per annum.

17. LOANS AND BORROWINGS (CONT'D)

17.2 Hire purchase financing payable

The hire purchase financing are payable as follows:

	Group and Company		
	Payment RM'000	**Interest RM'000**	**Principal RM'000**
2021			
Less than one year	523	30	493
Between one and five years	489	10	479
Total undiscounted lease payments	1,012	40	972
2020			
Less than one year	107	11	96
Between one and five years	213	9	204
Total undiscounted lease payments	320	20	300

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Trade					
Trade payables		166,000	179,402	–	–
Amount due to related parties	18.1	–	2,872	–	–
		166,000	182,274	–	–
Non-trade					
Amount due to related parties	18.2	2,103	1,880	–	–
Other payables	18.3	35,340	79,583	6,694	1,246
Accrued expenses		93,844	34,715	21,874	11,513
		131,287	116,178	28,568	12,759
		297,287	298,452	28,568	12,759

18.1 The trade amount due to related parties are subject to normal trade terms.

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

18.3 Included in prior year other payables were provision of remediation costs amounting to RM40,694,000 which had been settled during the year 2021.

Notes to the Financial Statements (Cont'd)

19. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2021			2020		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives at fair value through profit or loss						
- Forward foreign exchange contracts	548,738	638	(503)	616,826	17,860	(2,747)

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

20. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Sales of rubber products	6,631,463	3,638,472	–	–
Dividend income	–	–	2,149,503	384,581
Management fees	–	–	31,908	31,500
	6,631,463	3,638,472	2,181,411	416,081

Disaggregation of revenue by geographical location and by segment is as disclosed in Note 27.

Nature of goods	**Timing of recognition or method used to recognise revenue**	**Significant payment terms**
Rubber products	Revenue is recognised at a point in time upon transfer of control as per International Commercial Terms ("INCOTERM")	Average credit term of 60 - 90 days

There are no variable element in consideration, obligation for returns or refunds nor warranty in substantially all of the contracts for the provision of goods by the Group.

Transaction price allocated to remaining performance obligations

Most of the Group's contracts are based on purchase orders whereby the contracted volumes are agreed upon. An insignificant amount of contracts have original contract period of more than one year, for which the remaining performance obligation is expected to be fulfilled in the next twelve months. Hence, there is no further disclosure on future performance obligation.

21. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense on:				
- Bank overdraft	–	26	–	–
- Term loans	6,132	9,879	–	–
- Trade finance	2,096	3,212	–	–
- Revolving credit	203	5,610	–	–
Interest on lease liabilities	714	656	20	12
	9,145	19,383	20	12
Recognised in profit or loss	8,276	14,963	20	12
Capitalised into qualifying assets as a reduction of borrowing costs:				
- property, plant and equipment	–	3,174	–	–
- right-of-use assets	869	1,246	–	–
	9,145	19,383	20	12

22. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors:				
- Fees	495	495	495	495
- Remunerations	24,346	17,674	22,042	16,737
	24,841	18,169	22,537	17,232
Other key management personnel:				
- Remunerations	14,271	12,291	4,830	3,386

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.

Notes to the Financial Statements (Cont'd)

23. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax expense				
Current year	873,946	282,537	832	–
Under/(Over) provision in prior year	5,861	29,489	1,809	(8)
	879,807	312,026	2,641	(8)
Deferred tax expense				
Origination and reversal of temporary differences	15,824	47,838	104	(1,088)
(Over)/Under provision in prior year	(5,257)	(10,557)	1,650	(44)
	10,567	37,281	1,754	(1,132)
Total tax expense/(credit)	890,374	349,307	4,395	(1,140)

Reconciliation of tax expense

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit before tax	3,747,312	1,441,410	2,129,245	377,522
Add:				
Share of losses of equity-accounted joint venture, net of tax	4	3	–	–
	3,747,316	1,441,413	2,129,245	377,522
Income tax calculated using Malaysian tax rate of 24% (2020: 24%)	899,356	345,939	511,018	90,605
Effect of tax rates in foreign jurisdiction	(706)	(1,737)	–	–
Non-deductible expenses	9,849	7,795	5,821	597
Effect of reinvestment allowance recognised	(9,273)	(7,525)	–	–
Income not subject to tax	(8,893)	(12,619)	(515,880)	(92,267)
Revaluation reserve crystalised	(23)	(23)	(23)	(23)
Others	(540)	(1,455)	–	–
	889,770	330,375	936	(1,088)
Under/(Over) provision in prior year				
- income tax expense	5,861	29,489	1,809	(8)
- deferred tax expense	(5,257)	(10,557)	1,650	(44)
	890,374	349,307	4,395	(1,140)

24. PROFIT FOR THE YEAR

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the year is arrived at after charging/(crediting)					
Auditors' remuneration					
Audit fees:					
- KPMG PLT		481	471	59	59
- Other auditors		67	67	–	–
Non-audit fee					
- KPMG PLT		9	9	9	9
- Local affiliates of KPMG PLT		634	322	61	35
Material expenses/(income)					
Depreciation of property, plant and equipment	3	113,975	109,144	924	890
Depreciation of right-of-use assets	4	5,584	4,451	87	93
Depreciation of investment properties	5	–	–	386	1,147
Amortisation of intangible assets	7	63	–	–	–
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		22,506	18,449	1,735	1,418
- Remediation fees		–	57,095	–	–
- Wages, salaries and others		397,161	348,570	49,398	34,378
Realised loss on foreign exchange		–	346	–	–
Research and development expenses		3,169	3,169	–	–
Property, plant and equipment written off		6,342	1,519	6,296	1
Loss on disposal of right-of-use assets		70	103	–	–
Net unrealised foreign exchange differences		1,043	4,650	–	–
Realised gain on foreign exchange		(20,393)	(17,192)	–	–
Net unrealised fair value changes on derivatives		(135)	(15,113)	–	–
Gain on disposal of property, plant and equipment		(450)	(51,724)	(349)	(9)
Interest on short-term deposits pledged with licensed banks		(33,721)	(9,661)	(7,167)	(1,216)
Interest on amount due from subsidiaries		–	–	(2,112)	(1,653)
Rental income		(1,911)	(456)	(914)	(914)

Notes to the Financial Statements (Cont'd)

24. PROFIT FOR THE YEAR (CONT'D)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Expenses arising from leases					
Expenses relating to short-term leases	a	328	354	–	–
Expenses relating to leases of low-value assets	a	70	69	–	7
Net gain on impairment of financial instruments					
Financial assets at amortised cost		–	171	–	–

Note a

The Group leases premises with contract terms of less than 1 year and these leases are short-term. The Group leases office equipment with contract terms of 1 to 5 years and these leases are leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

25. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2021 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2021 RM'000	Group 2020 RM'000
Profit for the year attributable to owners of the Company	2,853,602	1,086,670

Weighted average number of ordinary shares

	Group 2021 '000	Group 2020 '000
Weighted average number of ordinary shares at 31 December	2,551,986	2,557,752

	Group 2021 Sen	Group 2020 Sen
Basic earnings per share	111.82	42.49

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

26. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2021			
Second interim 2020 ordinary	3.00	76,594	17 March 2021
Special dividend	8.00	204,250	17 March 2021
First interim 2021 ordinary	12.0	306,194	20 May 2021
Second interim 2021 ordinary	12.0	306,194	26 August 2021
Third interim 2021 ordinary	12.0	306,194	19 November 2021
Total amount		1,199,426	
2020			
Second interim 2019 ordinary	3.00	38,368	19 June 2020
Interim 2020 ordinary	3.00	76,736	9 December 2020
Total amount		115,104	

After the end of the reporting period the following dividend was declared by the Directors. This dividend will be recognised in subsequent financial period.

	Sen per share	Total amount RM'000
Fourth interim 2021 ordinary	12.0	306,194

27. OPERATING SEGMENTS

The Group has four 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.

Notes to the Financial Statements (Cont'd)

27. 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 on assets of each segment.

Segment liabilities

The total of segment liabilities 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 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 right-of-use assets, investment properties, goodwill and intangible asset, investments and deferred tax assets.

	2021 RM'000	2020 RM'000
Group		
Revenue		
Sales office located in Malaysia		
- for local market	239,295	216,029
- for export market	6,287,752	3,318,826
Sales office located outside of Malaysia	104,416	103,617
	6,631,463	3,638,472
Non-current assets		
Located in Malaysia	1,358,748	1,258,488
Located outside of Malaysia	14,975	15,197
	1,373,723	1,273,685

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 2021 and 31 December 2020.

27. OPERATING SEGMENTS (CONT'D)

	Technical rubber products		Gloves		Cleanroom products		Others		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Business segments										
Total external revenue	169,890	163,176	6,257,439	3,323,238	204,134	152,058	–	–	6,631,463	3,638,472
Segment results	16,656	21,700	3,712,558	1,408,077	26,162	30,557	(33,505)	(13,619)	3,721,871	1,446,715
Share of losses of joint Venture									(4)	(3)
Finance costs									(8,276)	(14,963)
Finance income									33,721	9,661
Tax expense									(890,374)	(349,307)
Profit for the year									2,856,938	1,092,103
Segment assets	231,068	209,428	3,370,125	2,867,780	98,859	87,987	1,379,725	468,780	5,079,777	3,633,975
Segment liabilities	24,660	27,624	920,953	1,127,453	12,707	22,356	61,108	43,303	1,019,428	1,220,736
Included in the measure of segment assets are:										
Capital expenditure	7,844	9,106	140,926	148,026	329	730	71,494	16,042	220,593	173,904
Included in the measure of segment results are:										
Depreciation	8,419	7,814	103,638	98,279	34	505	1,884	2,546	113,975	109,144

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Financial assets measured at amortised cost ("FAAC");
(b) Financial liabilities measured at amortised cost ("FLAC"); and
(c) Fair value through profit or loss ("FVTPL"):
- Mandatorily required by MFRS 9.

	Carrying amount RM'000	FAAC / (FLAC) RM'000	Mandatorily at FVTPL RM'000
2021			
Financial assets			
Group			
Other investments	181	–	181
Trade and other receivables	558,566	558,566	–
Cash and cash equivalents	2,557,765	2,557,765	–
Derivative financial assets	638	–	638
	3,117,150	3,116,331	819
Company			
Other investments	106	–	106
Trade and other receivables	163,379	163,379	–
Cash and cash equivalents	1,089,662	1,089,662	–
	1,253,147	1,253,041	106
Financial liabilities			
Group			
Loans and borrowings	(238,400)	(238,400)	–
Trade and other payables	(297,287)	(297,287)	–
Derivative financial liabilities	(503)	–	(503)
	(536,190)	(535,687)	(503)
Company			
Loans and borrowings	(972)	(972)	–
Trade and other payables	(28,568)	(28,568)	–
	(29,540)	(29,540)	–

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	FAAC / (FLAC) RM'000	Mandatorily at FVTPL RM'000
2020			
Financial assets			
Group			
Other investments	413	247	166
Trade and other receivables	616,970	616,970	–
Cash and cash equivalents	1,089,507	1,089,507	–
Derivative financial assets	17,860	–	17,860
	1,724,750	1,706,724	18,026
Company			
Other investments	91	–	91
Trade and other receivables	102,959	102,959	–
Cash and cash equivalents	242,564	242,564	–
	345,614	345,523	91
Financial liabilities			
Group			
Loans and borrowings	(555,037)	(555,037)	–
Trade and other payables	(298,452)	(298,452)	–
Derivative financial liabilities	(2,747)	–	(2,747)
	(856,236)	(853,489)	(2,747)
Company			
Loans and borrowings	(300)	(300)	–
Trade and other payables	(12,759)	(12,759)	–
	(13,059)	(13,059)	–

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	135	17,860	–	–
Financial assets at amortised cost	53,071	22,028	9,279	2,869
Financial liabilities at fair value through profit or loss:				
- Mandatorily required by MFRS 9	–	(2,747)	–	–
Financial liabilities at amortised cost	(7,562)	(14,307)	(20)	(12)
	45,644	22,834	9,259	2,857

28.3 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

28.4 Credit risk

Credit risk is the risk of a financial loss 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. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amount of credit impaired trade receivables and contract assets are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

A significant portion of these trade receivables are regular customers that have been transacting with the Group.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and 90 days past due.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The Group considers that any trade receivables with past due less than 90 days are having low credit risk by considering historical payment trends and financial strength of the receivables. The amount of the allowance on these balances is negligible.

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

	2021			2020		
Group	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
Current (not past due)	370,973	–	370,973	457,483	–	457,483
0-30 days past due	127,320	–	127,320	108,399	–	108,399
31-120 days past due	38,501	–	38,501	34,084	–	34,084
More than 120 days past due	5,828	(402)	5,426	2,632	(2,066)	566
	542,622	(402)	542,220	602,598	(2,066)	600,532

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Total RM'000
Group	
Balance at 1 January 2020	2,237
Net remeasurement of loss allowance – credit impaired	(171)
Balance at 31 December 2020/1 January 2021	2,066
Amounts written off	(1,664)
Balance at 31 December 2021	402

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks have low credit risks. The Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

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 RM236,864,000 (2020: RM553,373,000) 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.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides management services, unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

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 statement of financial position.

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

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

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

28.5 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

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:

	Carrying amount RM'000	Contractual interest rate/ Discount 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
Group							
2021							
Non-derivative financial liabilities							
Term loans - unsecured	106,973	2.75 – 3.10	109,720	65,634	43,792	294	–
Trade finance - unsecured	130,455	0.51 – 2.24	130,455	130,455	–	–	–
Hire purchase financing	972	2.17 – 5.00	1,013	524	489	–	–
Lease liabilities	13,401	2.36 – 4.55	19,825	4,449	3,895	2,413	9,068
Trade and other payables	297,287	–	297,287	297,287	–	–	–
	549,088		558,300	498,349	48,176	2,707	9,068
Derivative financial liabilities							
Forward foreign exchange contracts (gross settled):							
Inflow	(135)	–	(548,738)	(548,738)	–	–	–
Outflow	–	–	548,603	548,603	–	–	–
	548,953		558,165	498,214	48,176	2,707	9,068

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate/ Discount 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
Group							
2020							
Non-derivative financial liabilities							
Term loans - unsecured	171,523	2.75 - 5.02	178,429	68,688	65,655	44,086	–
Revolving credit - unsecured	188,000	2.55 - 4.35	188,000	188,000	–	–	–
Trade finance - unsecured	195,214	0.56 - 3.50	195,214	195,214	–	–	–
Hire purchase financing	300	2.17	320	107	107	106	–
Lease liabilities	15,641	2.36 - 4.55	16,287	4,334	4,165	4,283	3,505
Trade and other payables	298,452	–	298,452	298,452	–	–	–
	869,130		876,702	754,795	69,927	48,475	3,505
Derivative financial liabilities							
Forward foreign exchange contracts (gross settled):							
Inflow	(15,113)	–	(616,826)	(616,826)	–	–	–
Outflow	–	–	601,713	601,713	–	–	–
	854,017		861,589	739,682	69,927	48,475	3,505

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	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
Company							
2021							
Non-derivative financial liabilities							
Hire purchase financing	972	2.17 - 5.00	1,012	523	489	–	–
Lease liabilities	72	2.39 - 4.55	72	72	–	–	–
Trade and other payables	28,568	–	28,568	28,568	–	–	–
Financial guarantee	–	–	1,010,394	1,010,394	–	–	–
	29,612		1,040,046	1,039,557	489	–	–
2020							
Non-derivative financial liabilities							
Hire purchase financing	300	2.17	320	107	107	106	–
Lease liabilities	191	2.39 - 4.55	198	125	73	–	–
Trade and other payables	12,759	–	12,759	12,759	–	–	–
Financial guarantee	–	–	1,349,314	1,349,314	–	–	–
	13,250		1,362,591	1,362,305	180	106	–

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 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.

28.6.1 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 exchange contracts to hedge its foreign currency risk. Most of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign exchange contracts are rolled over at maturity.

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

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

Forward foreign exchange contracts used to hedge receivables and payables

	Amount to be (received)/ paid USD'000	Average contract rate USD/MYR	Equivalent RM'000
Group			
Hedged item			
2021			
Trade receivables	149,487	4.1967	627,350
Trade payables	(18,703)	4.2033	(78,612)
	130,784	4.1957	548,738
2020			
Trade receivables	188,968	4.1142	777,458
Trade payables	(39,150)	4.1030	(160,632)
	149,818	4.1172	616,826

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.1 Currency risk (Cont'd)

Exposure to foreign currency risk

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

	Group Denominated in USD	
	2021 RM'000	2020 RM'000
Bank account	24,399	12,252
Trade receivables	509,414	544,165
Trade payables	(25,383)	(18,283)
Forward foreign exchange contracts used to hedge receivables and payables	135	15,113
Net exposure	508,565	553,247

Currency risk sensitivity analysis

A 5% (2020: 5%) strengthening of RM against USD at the end of the reporting period would have 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.

	Profit or loss	
	2021 RM'000	2020 RM'000
Group		
USD	(19,326)	(21,023)

A 5% (2020: 5%) weakening of RM against USD at the end of the reporting period would have had 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.2 Interest rate risk

The Group's investments in 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 are as follows:

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	15	235,247	504,500	23,000	57,000
Short term investment	15	1,340,599	479,552	664,422	184,616
Lease liabilities		(13,401)	(15,641)	(72)	(191)
Revolving credit - unsecured	17	–	(188,000)	–	–
Trade finance - unsecured	17	(130,455)	(195,214)	–	–
Hire purchase financing - unsecured	17	(972)	(300)	(972)	(300)
Term loans - unsecured	17	(106,973)	(116,231)	–	–
		1,324,045	468,666	686,378	241,125
Floating rate instruments					
Short-term investment		873,347	–	400,684	–
Term loans - unsecured		–	(55,292)	–	–
Amount due from subsidiaries		–	–	160,802	102,622
		873,347	(55,292)	561,486	102,622

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.2 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 hedging instruments under a fair value hedge 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 (2020: 50) basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	50 bp increase RM'000	**50 bp decrease RM'000**
Group		
2021		
Floating rate instruments	3,319	(3,319)
2020		
Floating rate instruments	(210)	210
Company		
2021		
Floating rate instruments	2,134	(2,134)
2020		
Floating rate instruments	390	(390)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 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.

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
2021										
Financial asset										
Other investment	–	–	–	–	–	–	181	181	181	181
Forward foreign exchange contracts	–	638	–	638	–	–	–	–	638	638
	–	638	–	638	–	–	181	181	819	819
Financial liabilities										
Forward foreign exchange contracts	–	(503)	–	(503)	–	–	–	–	(503)	(503)
Term loans - unsecured	–	–	–	–	–	–	(109,720)	(109,720)	(109,720)	(106,973)
	–	(503)	–	(503)	–	–	(109,720)	(109,720)	(110,223)	(107,476)
2020										
Financial asset										
Other investment	-	-	-	-	-	-	413	413	413	413
Forward foreign exchange contracts	-	17,860	-	17,860	-	-	-	-	17,860	17,860
	-	17,860	-	17,860	-	-	413	413	18,273	18,273
Financial liabilities										
Forward foreign exchange contracts	–	(2,747)	–	(2,747)	–	–	–	–	(2,747)	(2,747)
Term loans - unsecured	–	–	–	–	–	–	(168,569)	(168,569)	(168,569)	(171,523)
	–	(2,747)	–	(2,747)	–	–	(168,569)	(168,569)	(171,316)	(174,270)

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value				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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Company										
2021										
Financial asset										
Other investment	–	–	–	–	–	–	106	106	106	106
Amount due from subsidiaries	–	–	–	–	–	–	160,802	160,802	160,802	160,802
	–	–	–	–	–	–	160,908	160,908	160,908	160,908
2020										
Financial asset										
Other investment	–	–	–	–	–	–	91	91	91	91
Amount due from subsidiaries	–	–	–	–	–	–	102,622	102,622	102,622	102,622
	–	–	–	–	–	–	102,713	102,713	102,713	102,713

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (Cont'd)

Level 2 fair value

Derivatives

The fair value of forward foreign 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).

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 (2020: 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.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans and amount due from subsidiaries	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

29. 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 investor, creditor 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 2021 and at 31 December 2020 were as follows:

		Group	
	Note	2021 RM'000	2020 RM'000
Total borrowings	17	238,400	555,037
Lease liabilities		13,401	15,641
Less: Cash and cash equivalents	15	(2,557,765)	(1,089,507)
Net (cash)/debt		(2,305,964)	(518,829)
Total equity		4,032,346	2,384,834
Debt-to-equity ratio		–*	–*

There was no change in the Group's approach to capital management during the financial year.

* Not presented as the Group is in net cash position.

Notes to the Financial Statements (Cont'd)

30. CAPITAL AND OTHER COMMITMENTS

	Group	
	2021 RM'000	2020 RM'000
Property, plant and equipment		
Within one year:		
Contracted but not provided for	127,416	17,671

31. CONTINGENT LIABILITY

	Group	
	2021 RM'000	2020 RM'000
Contingent liability arising from:		
Remediation fees	–	6,964

In prior year, the Group announced to pay an estimated RM50 million remediation fees to its foreign workers. These remediation payments were categorised by the Group according to eligibility criteria. The remaining foreign workers who did not fall under the initial eligibility criteria were separately identified by the Group under a residual category. The contingent liability in prior year was pertaining to the remediation payments to foreign workers under the residual category. The Group has assessed that it is not probable that the present obligation to make remediation payments to foreign workers under this residual category exists at the end of 31 December 2020 because these foreign workers were unreachable at the time of payment. In the current financial year, the Group has assessed that the probability of making remediation payments to the foreign workers under this residual category is remote due to the low take-up rate by these workers in the past 12 months. Therefore, as at the end of the reporting date, the contingent liability is no longer required.

32. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly 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 parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationships with its holding company, subsidiaries and related parties.

32. RELATED PARTIES (CONT'D)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 22), are shown below. The balances related to the below transactions are shown in Notes 12 and 18.

	2021 RM'000	2020 RM'000
Group		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
Kossan Holdings (M) Sdn. Bhd.		
Payment of lease liability	(720)	(638)
Kossan Chemical Industries (M) Sdn. Bhd.		
Payment of lease liability	(1,996)	(1,992)
Improgen Sdn. Bhd.		
Payment of lease liability	–	(132)
Hai Poh Marketing Sdn. Bhd.		
Purchase of chemicals and processing services	(12,764)	–
Kossan Paint (M) Sdn. Bhd.		
Sales*	240	83
Purchase of consumables and property, plant and equipment	(1,745)	(1,103)
Pan Asian Corporation Sdn. Bhd.		
Payment of lease liability	(741)	(741)
Chemtube (M) Sdn. Bhd.		
Sales*	32	3
Purchase of consumables and property, plant and equipment	(2,393)	(1,544)
Transactions with corporations in which Directors have financial interest		
HT Ceramics (M) Sdn. Bhd.		
Sales*	7	5
Purchase of consumables and property, plant and equipment	(6,103)	(1,204)
Kossan F.R.P. Industries (M) Sdn. Bhd.		
Sales*	50	34
Purchase of consumables and property, plant and equipment	(149)	(173)
Gummitech Industries Sdn. Bhd.		
Rental income	133	133
Kossan Adhesive (M) Sdn. Bhd.		
Sales*	11	9

Notes to the Financial Statements (Cont'd)

32. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	2021 RM'000	2020 RM'000
Company		
Transactions with corporation in which Directors have financial interest		
Gummitech Industries Sdn. Bhd.		
Rental income	133	133
Company		
Transactions with subsidiaries		
Kossan Latex Industries (M) Sdn. Bhd.		
Dividend income	325,000	174,000
Management fee income	8,040	8,040
Perusahaan Getah Asas Sdn. Bhd.		
Dividend income	360,750	195,000
Management fee income	9,576	9,576
Rental income	235	235
Wear Safe (Malaysia) Sdn. Bhd.		
Management fee income	7,392	7,392
Ideal Quality Sdn. Bhd.		
Dividend income	370,000	–
Management fee income	3,840	3,432
Kossan Industries Sdn. Bhd.		
Dividend income	–	14,009
Management fee income	2,820	2,820
Rental income	546	546
Cleanera HK Limited		
Dividend income	2,653	1,573
Hibon Corporation Sdn. Bhd.		
Management fee income	240	240
Premium Medical Products Sdn. Bhd.		
Interest income	2,083	1,644
Kossan Security Services Sdn. Bhd.		
Security charges	(144)	(144)
Kossan Engineering (M) Sdn. Bhd.		
Dividend income	1,091,100	–

* 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.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 66 to 142 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Dato' Lim Kuang Sia
Director

Lim Leng Bung
Director

Klang, Selangor Darul Ehsan

Date: 7 April 2022

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

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 66 to 142 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Lee Hon Chee, MIA CA6481, at Klang in the State of Selangor Darul Ehsan on 7 April 2022

Lee Hon Chee

Before me:

Commissioner for Oaths
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT
to the members of Kossan Rubber Industries Bhd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kossan Rubber Industries Bhd., which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 142.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

Refer to Note 12 – Trade and other receivables

The key audit matter

As at 31 December 2021, the Group has significant trade receivables with a total carrying value of RM542 million. Certain customers having experienced higher days sales outstanding than the Group's average days sales outstanding, which increase the inherent exposure to credit risk. This results in a risk over the recoverability of the Group's trade receivables.

Independent Auditors' Report
to the members of Kossan Rubber Industries Bhd.
(Cont'd)

Key Audit Matters (Cont'd)

Recoverability of trade receivables (Cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the Group's policy on valuation of trade receivables against the requirements of MFRS 9, *Financial Instruments*;
- We assessed the adequacy of impairment loss provided by management and compared the impairment loss based on Expected Credit Losses model;
- We challenged the Group's assumptions and judgements in making provisions by reference to historical credit loss experience and considered the forward looking information incorporated in the impairment assessment, if any;
- We obtained and tested the accuracy of the receivables ageing as at year end by testing the age profile of the trade receivables balance to invoices raised; and
- We considered the adequacy of the Group's disclosure on the degree of estimation involved in arriving at the allowance for impairment loss.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report
to the members of Kossan Rubber Industries Bhd.
(Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report
to the members of Kossan Rubber Industries Bhd.
(Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Lee Yee Keng
Approval Number: 02880/04/2023 J
Chartered Accountant

Petaling Jaya, Malaysia

Date: 7 April 2022

TOP 10 LIST OF PROPERTIES
as at 31 December 2021

	Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2021 RM'000
1	HSD 24213, PT 10478, Mukim Bidor, Batang Padang, Perak	Industrial land Building	12/03/2018	– –	817.392 acres	Leasehold 99 years expiring on 22/11/2114	– Under construction	97,783 26,687
2	Geran 52935, Lot 6103, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory	12/12/2014	– 3 yrs	5.3292 hectares	Freehold	– Factory and office	40,611 45,108
3	GRN 52936 Lot 6104; GRN 52937 Lot 6106; GRN 52939 Lot 6108, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory	10/06/2013	– 1 yr	12.766 acres	Freehold	– Factory and office	21,506 56,879
4	HS(D) 264386, PT26537, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Commercial land Office complex	5/02/2016	– n/a	2.5 acres	Freehold	– Under Construction	42,638 33,227
5	Geran 45732, Lot 6075, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory	28/02/2014	– 3 yrs	10 acres (3.7492 hectares)	Freehold	– Factory and office	20,191 33,580
6	Geran 45731, Lot 6074, Mukim Kapar Daerah Petaling, Negeri Selangor	Industrial land Factory	6/07/2020	– 19-22 yrs n/a	4.0494 hectares	Freehold	– Factory and office Under Construction	29,395 11,954 8,453
7	Geran 45715, Lot 6130, Jln Meru, 41050 Klang, Negeri Selangor	Industrial land Factory	1/01/2011	– 13 yrs	4.0519 hectares	Freehold	– Factory	15,603 27,897
8	HSD 283117, PT 7414, Mukim Bestari Jaya, Daerah Kuala Selangor, Negeri Selangor	Industrial land Factory	18/03/2014	- n/a	56 acres (226,620 sq.mtr)	Freehold	– Under Construction	36,589 5,985
9	Geran 173929, Lot 63616, (formerly HSD 116841, PT 54924), Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory and Office Plant A Plant B Plant C	1/01/2011 *	– 11 yrs 10 yrs 4 yrs	4.544 hectares	Freehold	– Factory and office	6,800 15,171 5,700 11,713
10	Geran 173931, Lot 63617, (formerly HSD 116842, PT 54925), Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory Extension of buildings	1/01/2011 *	– 8 yrs 7 yrs	4.355 hectares	Freehold	– Factory Factory	6,570 25,536 1,063

ADDITIONAL COMPLIANCE INFORMATION

(a) Utilisation of Proceeds

The Company did not implement any fund-raising exercise.

(b) Material Contracts

Save as disclosed, the Company and its subsidiaries did not have any material contracts involving directors' and major shareholders' interests either still subsisting at the end of the financial year or, if not subsisting, entered into since the end of the previous financial year.

(c) 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.

(d) Audit and Non-Audit Fees

The audit fees paid or payable by the Group and the Company to the external auditors, KPMG PLT, amounted to RM480,919 and RM59,400 respectively.

The non-audit fees paid or payable to the Group's and the Company's external auditors, KPMG PLT, or firms affiliated to the external auditors' firm amounted to RM643,150 and RM69,750 respectively.

The non-audit fees of the Group and Company amounted to 57% and 54% respectively of the total fees payable mainly due to (i) Company taxation services and tax advisory and (ii) additional engagement for statutory requirements. Approximately RM357,000 of the non-audit fees are pertaining to tax related studies or projects and tax compliance matters engaged by various entities of the Group.

(e) Variation in Results

There was no material variance between the result for the financial year and the unaudited results previously announced by the Company.

STATISTICS ON SHAREHOLDINGS

as at 31 March 2022

Total number of issued shares : 2,557,871,616
Class of shares : Ordinary share
Number of shareholders : 31,820
Voting right : 1 vote per ordinary vote

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	175	0.55	3,001	0.00
100 - 1,000	8,110	25.49	5,708,466	0.22
1,001 - 10,000	17,203	54.06	73,928,322	2.90
10,001 - 100,000	5,413	17.01	162,036,879	6.35
100,001 to less than 5% of issued shares	916	2.88	904,745,528	35.46
5% and above of issued shares	3	0.01	1,405,197,420	55.07
Total	**31,820**	**100.00**	**2,551,619,616***	**100.00**

* *Exclusive of 6,252,000 treasury shares*

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares			
		Direct Interest	%	Indirect Interest	%
1	Tan Sri Dato' Lim Kuang Sia	7,018,904	0.28	1,210,437,904 [1]	47.44
2	Lim Leng Bung	669,200	0.03	1,207,259,920 [2]	47.31
3	Tan Kong Chang	–	–	100,000 [3]	0.00 [4]
4	Lim Siau Tian	–	–	–	–
5	Lim Siau Hing	–	–	–	–
6	Lim Ooi Chow	–	–	–	–
7	Lee Choo Hock	–	–	–	–
8	Hoh Kim Hyan	–	–	–	–
9	Mohamed Shafeii Bin Abdul Gaffor	–	–	–	–

[1] *through holding company and spouse*
[2] *through holding company*
[3] *through spouse*
[4] *negligible*

Statistics on Shareholdings (Cont'd)

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders		No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd		1,207,259,920	47.31
	- Malaysia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kossan Holdings (M) Sdn Bhd	160,000,000		
	- Kossan Holdings (M) Sdn Bhd	1,047,259,920		
2	Employees Provident Fund Board		224,057,300	8.78
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AMUNDI)	2,643,000		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F TEMPLETON)	9,217,900		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (ARIM)	2,060,000		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHB INV)	1,200,000		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	197,937,500		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHBISLAMIC)	4,516,000		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F.TEMISLAMIC)	2,677,000		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (BNP NAJMAH EQ)	3,805,900		

Statistics on Shareholdings (Cont'd)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	KOSSAN HOLDINGS (M) SDN BHD	1,047,259,920	41.04
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	197,937,500	7.76
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	160,000,000	6.27
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	38,704,500	1.52
5	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	35,508,400	1.39
6	TIAN SENN RESOURCES SDN BHD	32,000,000	1.25
7	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	24,447,400	0.96
8	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND WTAU FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND	20,029,900	0.78
9	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGES BANK (FI 17)	19,865,100	0.78
10	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	19,288,900	0.76
11	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	18,289,400	0.72
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (2)	18,284,146	0.72
13	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LONDON FUND OD80 FOR ISHARES V PUBLIC LIMITED COMPANY	17,777,100	0.70
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	17,607,300	0.69
15	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	17,244,286	0.68
16	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	12,235,826	0.48
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	11,847,400	0.46
18	CITIGROUP NOMINEES (ASING) SDN BHD MERRILL LYNCH INTERNATIONAL	10,387,100	0.41
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	10,000,000	0.39
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F TEMPLETON)	9,217,900	0.36

Statistics on Shareholdings (Cont'd)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	9,062,900	0.36
22	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	7,576,350	0.30
23	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	7,548,772	0.30
24	ATTRACTIVE FEATURES SDN. BHD.	7,176,200	0.28
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	7,141,100	0.28
26	LIM KUANG SIA	7,018,904	0.28
27	CITIGROUP NOMINEES (ASING) SDN BHD MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("CLIENT")	6,850,100	0.27
28	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	6,604,800	0.26
29	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND	6,170,400	0.24
30	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FOCUS FUND	6,104,100	0.24
	TOTAL	**1,809,185,704**	**70.93**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 42nd Annual General Meeting ("AGM") of Kossan Rubber Industries Bhd ("Company") will be conducted virtually for the purpose of considering and if thought fit, passing with or without modifications the following resolutions, as **ordinary resolutions**, set out in this notice.

Day and Date	:	Thursday, 19 May 2022
Time	:	10.30 a.m.
Broadcast Venue	:	Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan
Meeting Platform	:	https://meeting.boardroomlimited.my
Mode of Communication	:	Typing text in the Meeting Platform

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees of RM 495,000.00 for the financial year ended 31 December 2021. (2020: RM 495,000.00) ***(Resolution 1)***

3. To re-elect the following Directors who are retiring by rotation pursuant to Article 86 of the Company's Constitution and who being eligible offer themselves for re-election:

   (i) Lim Siau Tian ***(Resolution 2)***

   (ii) Lim Siau Hing ***(Resolution 3)***

   Mr. Lim Leng Bung who also retires by rotation in accordance with Article 86 of the Company's Constitution, has expressed his intention not to seek re-election. He will retain office until the close of the 42nd AGM.

4. To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. ***(Resolution 4)***

SPECIAL BUSINESS

5. **Proposed Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** ***(Resolution 5)***

   "THAT pursuant to sections 75 and 76 of the Companies Act 2016, 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 total number of issued shares of the Company (excluding treasury shares) 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 and quotation of 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."

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** ***(Resolution 6)***

"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 shareholders' mandate for the Company and/or its subsidiaries ("Kossan Group") to enter into recurrent related party transactions of a revenue or trading nature with the Related Party ("Proposed Renewal of Shareholders' Mandate for RRPT"), which are necessary for the day-to-day operations of the 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 21 April 2022.

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 is required to be held pursuant to section 340(2) of the Companies Act 2016 ("Act") (but must not extend to such extensions as may be allowed pursuant to section 340(4) 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 Constitution of the Company, as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate for RRPT."

Notice of Annual General Meeting (Cont'd)

7. **Proposed Renewal of Share Buy-Back Authority ("Proposed Share Buy-Back")** ***(Resolution 7)***

   "THAT subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and other relevant statutory and/or regulatory requirements, the Company be and is hereby authorised to utilise an amount not exceeding the retained profits of the Company to purchase such number of ordinary shares in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient 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 127 of the Act ("Treasury Shares") then still held by the Company did not exceed 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, retain as Treasury Shares, distribute as share dividend, to sell, to transfer, and/or deal in any other manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the Main Market Listing Requirements of Bursa Securities, the Company's Constitution and other relevant statutory and/or regulatory requirements for the time being in force".

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

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG (SSM P.C. No. 201908000832, MIA 4797)
CHIA YEW NGO (SSM P.C. No. 202008000487, LS 1831)

Company Secretaries

Klang, Selangor Darul Ehsan
21 April 2022

Notice of Annual General Meeting (Cont'd)

NOTES

1. Remote Participation and Voting

The 42nd AGM will be conducted virtually through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the RPV facilities. No members/proxy(ies) will be physically present at the broadcast venue on the day of the meeting.

2. Proxy

2.1. Only members whose names appear in the Record of Depositors as at 12 May 2022 shall be entitled to participate and vote at the AGM or appoint a proxy(ies) to participate and vote in his/her stead via RPV.

2.2. A member entitled to participate and vote remotely in the AGM via RPV is entitled to appoint a proxy(ies) to virtually participate and vote remotely in his/her stead. A proxy may but need not be a member of the Company.

2.3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

2.4. 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. 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.

2.5. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, be executed under its common seal or the hand of the attorney duly authorised.

2.6. The instrument appointing a proxy must be deposited at the office of the share registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or via electronic means through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my/ (please refer to the Administrative Details for further information on electronic submission) not less than 24 hours before the time of the meeting and any adjournment thereof.

EXPLANATORY NOTES

3. Receiving of the Audited Financial Statements for Financial Year Ended 31 December 2021

Item 1 of the Agenda is intended for discussion only as the provision of section 340(1) of the Companies Act 2016 does not require the Audited Financial Statements to be formally approved by the shareholders. As such, this item is not put forward for voting.

4. Ordinary Resolution 1: Non-Executive Directors' ("NED") Remuneration

4.1. Section 230 (1) of the Companies Act 2016 provides, amongst others, that the fee of a director and any benefits to a director of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that shareholders' approval shall be sought at the 42nd AGM on Ordinary Resolution 1 on the payment of directors' fees for the preceding year 2021. None of the NED received any benefits in 2021.

4.2. Any NED who are shareholders of the Company shall abstain from voting on Ordinary Resolution 1 concerning the remuneration to the NED.

Notice of Annual General Meeting (Cont'd)

EXPLANATORY NOTES (CONT'D)

5. Ordinary Resolutions 2 and 3: Re-election of Directors who retire in accordance with Article 86 of the Company's Constitution

5.1. Article 86 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company and be eligible for re-election. Hence, three (3) Directors are to retire at the 42nd AGM in accordance with Article 86 of the Constitution.

(a) For the purpose of determining the eligibility of the retiring Directors to stand for re-election at the 42nd AGM, the Board through the Nominating Committee ("NC") had assessed each of the retiring Directors, taking into account the following:-

(i) The Director's performance and contribution based on the assessment results of the Board Effectiveness Evaluation (BEE) 2021;
(ii) The Directors' level of contribution to Board deliberations; and
(iii) The level of competence demonstrated by the Director, and his ability to act in the best interest of the Company in decision making.

(b) Based on the assessment results, the individual Director met the performance criteria required of an effective Board. The Board thus approved the NC's recommendations that the retiring Directors are eligible to stand for re-election.

(c) All the retiring Directors had abstained at Board deliberations and decisions on their own eligibility to stand for re-election.

(d) Mr. Lim Leng Bung, a Director of the Company who is subject to retire by rotation in accordance with Article 86 of the Constitution, has expressed his intention not to seek re-election. He will retain office until the close of the 42nd AGM.

5.2. Any director referred in Ordinary Resolutions 2 and 3, who is a shareholder of the Company, shall abstain from voting on the resolution in respect of his re-election.

6. Ordinary Resolution 4: Appointment of Auditors

6.1. The Audit Committee ("AC") at its meeting held on 17 February 2022 undertook an annual assessment of the suitability and independence of the external auditors, KPMG PLT. In the assessment, the AC considered the audit scope, performance and independence of the external auditors.

6.2. The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussion at the private meetings, which demonstrated their independence, objectivity and professionalism.

6.3. The AC was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by KPMG PLT to the Company for financial year 2021 did not in any way impair their objectivity and independence as external auditors of the Company.

6.4. The Board at its meeting held on 17 February 2022 approved the AC's recommendation for the shareholders' approval to be sought at the 42nd AGM on the appointment of KPMG PLT as the external auditors of the Company for financial year 2022 under Ordinary Resolution 4.

EXPLANATORY NOTES (CONT'D)

7. Special Business

7.1. Ordinary Resolution 5: Proposed authority to allot and issue shares pursuant to sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 5, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. This authority will provide flexibility to the Company for any possible fund-raising exercise, including but not limited to placement of shares for purpose of funding investment projects, working capital and/or acquisition. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and/or utilisation 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.

7.2. Ordinary Resolution 6: Proposed Renewal of shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")

The proposed Ordinary Resolution 6 is to seek shareholders' approval on the related party transactions entered or to be entered into by the Group and the related parties 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 for the renewal of 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 to allow the Group to enter into such recurrent related party transactions, made at arm's length 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 Part A of the Document to shareholders of the Company dated 21 April 2022.

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 Group or adversely affecting the business opportunities available to the Group.

7.3. Ordinary Resolution 7: Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 7, 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 share capital of the Company (excluding treasury shares) by utilising funds allocated out of retained profits of the Company. Further information on the Proposed Renewal of Share Buy-Back Authority is set out in Part B of the Document to shareholders of the Company dated 21 April 2022.

Notice of Annual General Meeting (Cont'd)

STATEMENT ACCOMPANYING THE NOTICE OF AGM

No individual is seeking election as a Director at this AGM.

Details of the Directors who are standing for re-election at this AGM can be found in the Directors' Profile on pages 12 to 16 of this Annual Report.

Personal Data Privacy

By registering for the RPV and/or submitting an instrument appointing a proxy(ies) and/or representative(s) to participate and vote at the AGM via RPV, 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. 197901003918 (48166-W))
(Incorporated in Malaysia)

STRETCHING LIMITS • SINCE 1979

No. of Shares held
CDS Account No.

PROXY FORM

I/We ____
(FULL NAME IN CAPITALS)

of ____
(ADDRESS)

being a member 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 proxy, to vote for me/us and on my/our behalf, at the 42nd Annual General Meeting of the Company to be conducted virtually on our following Meeting Platform on Thursday, 19 May 2022 at 10.30 a.m. or at any adjournment thereof, in the manner indicated below:

Meeting Platform	:	https://meeting.boardroomlimited.my
Day and Date	:	Thursday, 19 May 2022
Time	:	10.30 a.m.
Broadcast Venue	:	Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan / KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan
Mode of Communication	:	Typing text in the Meeting Platform

Agenda		First Proxy A		Second Proxy B	
		For	Against	For	Against
AS ORDINARY BUSINESS:					
Ordinary Resolution 1	To approve the payment of Directors' fees of RM495,000 for the financial year ended 31 December 2021.				
Ordinary Resolution 2	To re-elect Lim Siau Tian retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 3	To re-elect Lim Siau Hing retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 4	To re-appoint KPMG PLT as Auditors of the Company and to authorize the Directors to fix their remuneration.				
AS SPECIAL BUSINESS:					
Ordinary Resolution 5	To approve authority to allot shares pursuant to sections 75 and 76 of the Companies Act 2016.				
Ordinary Resolution 6	To approve renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.				
Ordinary Resolution 7	To approve renewal of shareholders' mandate for share buy-back.				

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/her discretion.

Dated this ____________day of _____________2022.

____
Signature of Member(s) / Common Seal

Fold this flap for sealing

Notes:

The 42nd AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the RPV facilities. No members/proxy(ies) will be physically present at the broadcast venue on the day of the meeting.

(i) Only members whose names appear in the Record of Depositors as at 12 May 2022 shall be entitled to participate and vote at the AGM or appoint a proxy(ies) to participate and vote in his/her stead via RPV.

(ii) A member entitled to participate and vote remotely in the AGM via RPV is entitled to appoint a proxy(ies) to virtually participate and vote remotely in his/her stead. A proxy may but need not be a member of the Company.

(iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

(iv) 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. 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/her attorney duly authorised in writing and in the case of a corporation, be executed under its common seal or the hand of the attorney duly authorised.

(vi) The instrument appointing a proxy must be deposited at the office of the share registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or via electronic means through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my/ (please refer to the Administrative Details for further information on electronic submission) not less than 24 hours before the time of the meeting and any adjournment thereof.

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AFFIX
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The Share Registrar,

KOSSAN RUBBER INDUSTRIES BHD.
C/O BOARDROOM SHARE REGISTRARS SDN. BHD.
11th Floor Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7890 4700
Fax : 03-7890 4670
Website : www.boardroomlimited.com

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Company No.: 197901003918 (48166-W)

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