



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

ANNUAL REPORT

2011



Business Stability With Long Term
SUSTAINABLE GROWTH

K

eeeping a healthy growth through teamwork

Opting to be competitive through the provision of good services and quality products

Striving to reduce Malaysia's dependence on imported rubber goods

Stepping up the welfare and professionalism of our employees

Aspiriring to develop more high technology products

Navigating towards Malaysia's vision 2020



Board Of Directors

Dato' Haji Mokhtar Bin Haji Samad
(Chairman)

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

Lim Kuang Yong

Lim Kuang Wang

Lim Kwan Hwa

Heng Bak Tan

Dato' Tai Chang Eng @ Teh Chang Ying

Tong Siew Choo

Lim Leng Bung
(Alternate to Lim Kuang Wang)



Corporate Information

COMPANY SECRETARIES

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

BUSINESS AND REGISTERED ADDRESS

Wisma Kossan
Lot 782, Jalan Sungai Putus,
Off Batu 3 ¼ Jalan Kapar,
42100 Klang Selangor Darul Ehsan
Tel : 03-3291 2657
Fax : 03-3291 2903
E-mail : kossan@kossan.com.my
Website : www.kossan.com.my

AUDITORS

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

PRINCIPAL BANKERS

Bank Muamalat (Malaysia) Berhad
Cooperative Centrale Raiffeisen –
Boerenleenbank B.A
(Labuan Branch)
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

INVESTOR RELATIONS

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

Financial Highlights

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

Operation (RM Million) for the year ended 31 December

	2007	2008	2009	2010	2011
Revenue	702.637	897.194	842.135	1,046.887	1,089.969
Profit Before Taxation	58.318	72.906	85.828	140.651	112.920
Profit Attributable to Equity Shareholders	55.085	58.639	66.679	113.376	89.687
Dividend per share(%)	16.0	12.0	18.0	16.0	14.0

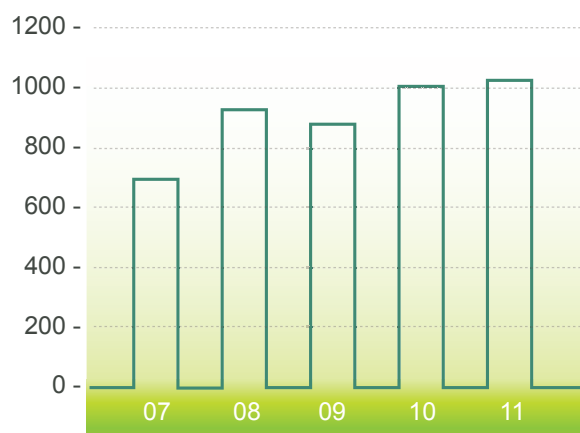
Balance Sheet (RM Million)

	2007	2008	2009	2010	2011
Share Capital	79.933	79.933	79.933	159.866	159.866
Shareholders' Funds	251.370	298.883	358.999	442.597	496.853
Net Asset per share (RM)	1.57*	1.87*	2.24*	1.38**	1.55**

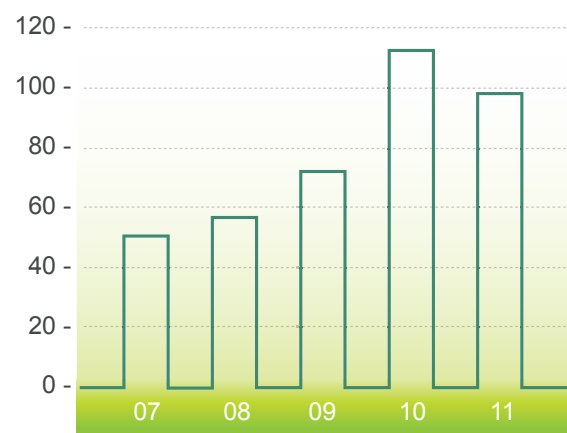
* NA per share is calculated based on 159,866,976 shares at RM0.50 each

** NA per share is calculated based on 319,733,952 shares at RM 0.50 each

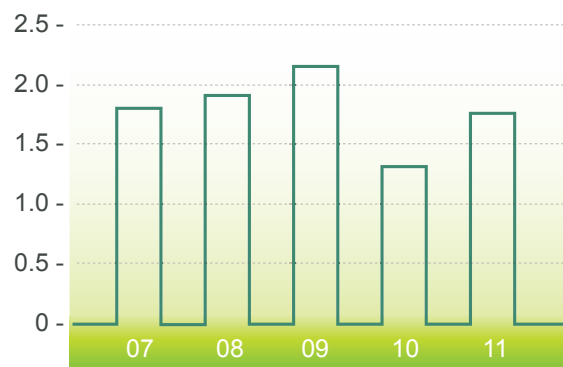
REVENUE
(RM MILLION)



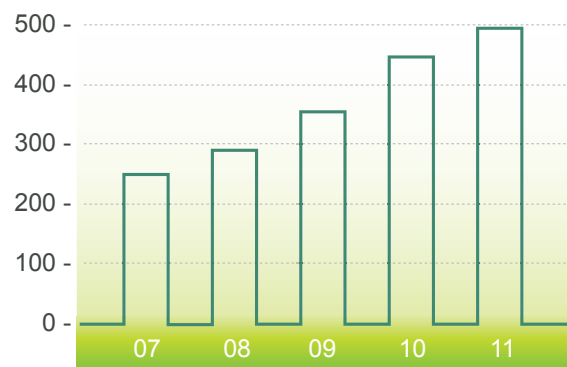
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(RM MILLION)



NET ASSET PER SHARE
(RM)



SHAREHOLDERS' FUNDS
(RM MILLION)



ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT MY SIXTEENTH ANNUAL REPORT TO OUR FELLOW STAKEHOLDERS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011.



Business Review

The year of 2011 had been an extraordinary challenging for the glove manufacturers. Persistently high and volatile raw material prices, weakening US dollar and slower demand for gloves had posed significant profit margin pressures for most of the glove manufacturers. The average latex price spiked by 46% compared to its previous year and the US dollar has also weakened against the Ringgit Malaysia by about 8% during the period. The situation was made even more dismal with an industry wide excess capacity in gloves due to normalising demand and reduces in stocking by some of the healthcare providers and medical disposables distributors after the Influenza A (H1N1) was put in control.

Despite the headwinds, the global consumption growth is still healthy at an estimated of 10% or more due to growing population, increasing hygiene awareness and the expanded healthcare expenditure worldwide. Against this backdrop, with our robust position and strategic business direction, the Group remains upbeat on the outlook of the overall latex glove industry.

Our Performance in 2011

The Group went through the tough operating environment of persistently high and volatile latex prices, much weaken US dollar against the Ringgit and stiff competition from both local and overseas glove manufacturers and our earnings performance dampened slightly during the period under review.

I am pleased to report that the Group achieved a higher sales at RM1.09 billion, albeit only 4.0% higher than the RM1.05 billion in previous year. This signified the sales of the Group remained strong and stable. Overall profitability dampened by 20.0% to RM112.92 million from RM140.65 million, due mainly to high price of natural latex experienced in 2011. Nevertheless, as compared with its peers in the industry, the overall performance of Kossan Group was more resilient to the business adversities of the glove industry for the past 12 months. Thanks to its strength and strategic business directions which had enabled the Group to ride through the challenges more steadily.

It is also worthy to note that, this is the 16th year of unbroken profitability record for the Group since its listing on the Bursa Malaysia in 1996.

The Group's balance sheet continues to grow from strength to strength. Total bank borrowings reduced by approximately 10% or RM18.0 million, from RM177.754 million in 2010 to the current

year's RM159.962 million. Higher dividend payment for FY2010 (RM35.047 million compared to RM14.388 million for FY2009) had compressed the cash holding and therefore, led to slight increase in the Group's net gearing to 21.4% as compared to 19.4% a year ago. Out of the total bank borrowings of RM159.962 million for the year under review, more than 84% of the this borrowings are short term in nature, made up mainly of trade facilities for our export business. The most fascinating achievement was the consistent growth in shareholders' funds since listing in 1996. Shareholders' funds has surpassed RM496.85 million mark or up by a solid 11.7% solid increment from RM444.615 million a year ago.

As at 31 December 2011, total Assets of the Group expanded to RM812.45 million from RM777.34 million a year ago, increased marginally by 4.5%.

I am very pleased to note that strategic business measures adopted by the Group such as notable R&D efforts, continuous improvements in our production processes, effective cost-savings measures, refined product-mix with higher output on better margin products, successful marketing strategies, reliable customer deliveries and sound risk management have all led to remarkable returns for the company. The good work was also reflective in more stable earnings performance despite of highly turbulent business environment for the past one year.

Significant Development

The acquisition of Cleanera HK Limited, a company incorporated in Hong Kong, for a cash consideration of USD 3,060,000.00 for 51% shareholding announced on 23 March 2011 was completed on 13 June 2011. On 06 December 2011, the Company subscribed an additional 510,000 ordinary A shares and 161,053 ordinary A shares of USD 1.00 each at par (rights and excess respectively) under Cleanera HK Limited rights issue. After the rights issue, Kossan's shareholding in Cleanera HK Limited has increased from 51% to 55%. This strategic acquisition brought in good business synergies as it enabled the Group to expand into clean room gloves and wipes for electronic and electrical industries as well as face masks for medical field. It also provides a good platform for the Group to penetrate into new markets which was previously untouched.

The acquisition is part of Kossan's expansion plan to venture into higher value added products that attached with stable pricing and higher profit margin. This move is in line with our aim to strengthen the Company position in the challenging glove manufacturing industry.

Delivering Value to Shareholders

The Group's ultimate measure of success is its consistent enrichment to its shareholders. A promise and delivery of long-term and sustainable shareholder values remain the Group's main priority. Our ability to consistently deliver high financial performance, as seen through its 16 years of unbroken profitability track record underpins the value of the investment to shareholders in the Kossan Group.

As such, the Board has recommended paying a final tax exempt dividend of 4 sen per ordinary share amounting to approximately RM12,744,782 for FY2011. The proposed final dividend is subject to shareholders' approval at the forthcoming sixteenth Annual General Meeting.

The Group has on 17 November 2011 declared an interim tax-exempt dividend of 3 sen per ordinary share in conjunction with the financial result announcement for third quarter ended 30 September 2011. The net dividend of RM9,558,587 was paid on 20 December 2011.

Total dividend declared for the year will be 7 sen per ordinary shares amounting to RM22,303,369 or a total payout of 24.5% should the final tax exempt dividend of 4 sen approved by shareholders at the forthcoming Annual General Meeting.

The Group has consistently rewarded its shareholders with increased payouts or dividends year after year and even 4 rounds of bonus shares in line with the improved financial performance. Depending on the Group's performance, the Group endeavours to maintain and even increase dividend payouts in the years to come.

Corporate Social Responsibility

The Kossan Group has long acknowledged the importance of a solid corporate culture, hence our emphasis on good corporate social responsibility (CSR). While we continuously strive to deliver sustainable growth to our shareholders, the Group also contributes and provides for the betterment of its employee's welfare, the industry and community.

More details on Kossan's statements on corporate governance can be found as a separate section in this Annual Report.

Awards and Recognition

Malaysian Investor Relations Association ("MIRA") has initiated and conducted Malaysia's first Investor Relations Survey during the first quarter of 2011. This survey is a study on the effectiveness of the investor relations ("IR") activities of a company listed on Bursa Malaysia. The survey, polling process and shortlisted companies are independently managed by Thomson Reuters Extel Survey and was recognised as the most rigorous survey of sentiment over 700 buy-side and sell-side analysts towards companies and the effectiveness and quality of their IR activities.

The Group was bestowed with 2 awards out of a total of 6 awards in the Small Cap category in the Malaysia Investor Relations Awards 2011 namely:

- i. Best Company for Investor Relations and;
- ii. Best Investor Relations Professional

Looking Ahead

The Group ended the 2011 financial year with a set of remarkable performance despite the turbulent times. The year started with a cautious outlook due to no terms to high latex prices, unfavourable public policies including government's move to set a minimum pay for labourers, reducing subsidies on energy which will mean potential increases in gas and tariff prices in the immediate term. The overall production cost is expected to rise accordingly after these implementations and may exacerbate further the already tough operating environment.

Recognising the challenges going forward, we continue to stay focus on our business targets and chart our path of growth. Our move into focusing on producing a more stringent and higher value added products such as nitrile examination, surgical and clean room gloves will elevate the Group into a more resilient position towards all the adverse business factors. We strongly believed that such business direction will ensure the overall stability of the Group.

Appreciation

On behalf of the Board, I would like to express my utmost gratitude to all our staff and the management team for their dedication and relentless efforts in driving the Group to greater heights. Our most sincere appreciation also goes to our stakeholders (our customers, suppliers, business associates, bankers, the regulatory authorities, investment analysis and members of the press and media) who have been supporting the Group strongly all these years. I would also like to thank the shareholders for your continued support.

Y.BHG DATO' HAJI MPKHTAR BIN HAJI SAMAD

Chairman

28 May 2012

Managing Director's Review of Operation

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES



16th Year of unbroken
profitability with **RM112.92million**
in profit before taxation;
2 consecutive years of
revenues exceeded **RM1.0 billion;**

I am pleased to announce that our strong belief in long term sustainable growth and our strategic business direction has once again paid off as testified through our stable financial performance for the past one year. Despite of the difficult operating environment facing all the glove manufacturers - no thanks to consistent high and volatile latex prices, unfavourable exchange rate of US dollar against the Ringgit Malaysia arising from the debt issues and fragile world economy condition, we continued to report positive earnings for the 16th year. Our revenue hit new record at RM1.09 billion for the year under review as compared to RM1.05 billion a year ago, increased marginally by 4.0%. This is the second year the Group reported above RM1.0 billion in Revenue. The Group reported RM112.92 million in profit before taxation in the current financial year as compared to RM140.65 million in 2010, dampened by around 20% due largely to stiff spikes in latex prices over a short period of time which led to less-than-perfect cost pass through to buyers.

Review of Operations

Examination Gloves Division

Examination glove division continued to chalk stable revenue despite of tougher operating environment during the year under review due to consistently high natural latex prices which translated into a much higher average selling price. Revenue increased marginally to RM1,089 million, from RM1,046 million achieved a year ago. As usual, we operated at an average of 85 to 90% utilisation rate of our total production capacity during the financial year. The lower profit contribution from examination glove division, contracted by 23% year-on-year was the key factor of lower profit of the Group.

Our new outfit, Cleanera which specialised in clean room products including clean room gloves, face masks and wipes, contributed a small revenue of RM14.93 million and a profit before tax of RM80,775 in the final quarter of the year. We view this acquisition of Cleanera strategic as the synergistic effects draw from this acquisition enable the Group to penetrate into new market segment i.e. wipes for the electronic and electrical industry and facemask for the medical field. We expect Cleanera to contribute more significantly to the Group's overall revenue and earnings in the year of 2012 onward when our strategic moves to grow Cleanera is gradually gaining its momentum.

Technical Rubber Products ("TRPs") Division

TRPs division recorded a solid increase in revenue by 13% to RM171.60 million from RM151.41 million in 2010. The most fascinating is the more than 61% increase in its profit before taxation from the previous year of RM6.56 million to RM10.56 million. The good run was mainly attributed to higher demand for our TRPs from overseas after the moderate rebound in the world economies and stronger demand for infrastructure rubber products. We are optimistic that the TRPs will be able to maintain its strong momentum of growth riding on higher outsourcing from our customers on gradual rebound on their economy.

It is worthy to note that the group's overall performance is stable in general, as compared with its peers in the industry. This is attributed to the strategic business measures persistently adopted by the Group all these years such as notable R&D efforts, continuous improvement in its production processes, more effective cost-saving measures, refined product-mix with higher output on more resilient margin products, successful marketing approach and penetration strategies; reliable customer delivery and sound risk management system.

Managing Director's Review of Operation

Looking Ahead

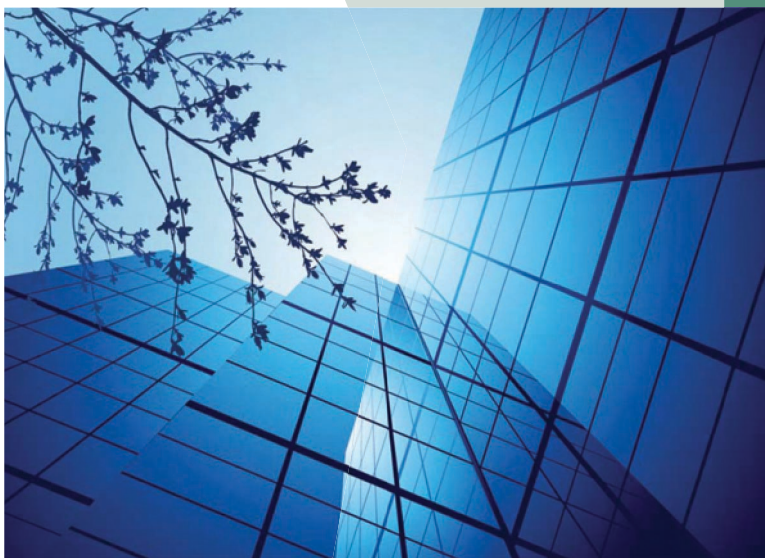
Moving forward, the glove industry, like many other industries in Malaysia will encounter a lot of challenges, competition in selling prices, higher cost of labour, energy, raw materials and stringent quality requirements. However, this is not abnormal for all type of business. As for as the Group is concerned, we are fully aware of these business challenges and always prepare ahead to overcome all these challenges in order to sustain our business growth.

What we always do is to embark on continuous improvement program on costs reduction, improving existing product quality, develop new and unique products; and reach out into new markets.

In order to achieve all these, we continue to place concerted effort and emphasis on:

- i. Research and development to develop new products; and to fine tune and improve existing products and its processes;
- ii. Process automation to improve product quality and reduce dependence on manpower by cutting down the headcounts of manual worker;
- iii. Process optimization to boost overall production efficiency to reduce production cost i.e. energy, utilities cost and etc.;
- iv. Business process computerization to improve human efficiency and eliminate redundant or non-value added process;
- v. Continuous investing in human capital through trainings to improve human efficiency; and
- vi. Revamping and upgrading of existing production facilities.

With the program of upgrading and revamping the existing production facilities, new expansion of 9 new production lines and a new surgical plant which are expected to commence production in June and October 2012 respectively; coupled with the contribution from Clenera, the outfit which specialised in clean room products for E&E industry, we are confident that our earnings will be able to sustain in 2012 and onward.



Managing Director's Review of Operation

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

Acknowledgements

I wish to take this opportunity to express my gratitude and appreciation to our employees for their contribution, dedication and loyalty especially during these challenging times. I also wish to thank all our customers, business partners, Government authorities, shareholders and fellow Board members for their continued strong support.

Thank you.

Dato' Lim Kuang Sia

Group Managing Director/Chief Executive Officer

28 May 2012



DATO' HAJI MOKHTAR BIN HAJI SAMAD

Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 64, was appointed the Non-Executive Chairman of Kossan on 22 February 2002. He is an Independent Director and is the Chairman of the Audit Committee. He is a member of the Nominating Committee and the Remuneration Committee.

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

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

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

DATO' LIM KUANG SIA

Dato' Lim Kuang Sia, ("Dato' KS Lim") a Malaysian aged 60, was appointed the Managing Director/ Chief Executive Officer of Kossan on 22 February 2002. He is a founder Director of Kossan. Dato' KS Lim graduated from Nanyang University in Singapore with a Bachelor of Science (Chemistry) degree. He also has a post-graduate Diploma in Chemical Engineering from University College and a Master in Chemical Engineering from Imperial College, both at the University of London.

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

Dato' KS Lim is a member of the Remuneration Committee.

Dato' KS Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He is also the beneficial owner of 381,888 shares in Kossan.

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

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

LIM KUANG YONG

Mr. Lim Kuang Yong, ("KY Lim") a Malaysian aged 65, was appointed to the Board of Kossan on 22 October 1979. He has more than 20 years business experience in marine hardware. He is in charge of the Examination Gloves Division.

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

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

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

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

LIM KUANG WANG

Mr. Lim Kuang Wang, ("KW Lim") a Malaysian aged 63, was appointed to the Board of Kossan on 27 May 1995. He has more than 20 years business experience in trading and manufacturing. He is involved in the Examination Gloves Division.

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

Mr. KW Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 718,848 shares in his own name.

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

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

LIM KWAN HWA

Mr. Lim Kwan Hwa, ("KH Lim") a Malaysian aged 61, was appointed to the Board of Kossan on 27 May 1995. He is in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of Kossan.

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

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

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

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

LIM LENG BUNG

Mr. Lim Leng Bung, ("LB Lim") a Malaysian aged 49, was appointed to the Board of Kossan on 27 May 1995 as an alternate to Mr Lim Kuang Wang. He heads the technical rubber production portfolio in Kossan.

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

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

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

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

HENG BAK TAN

Mr. Heng Bak Tan, a Malaysian aged 63, was appointed to the Board of Kossan on 29 October 1984. He is a Non Independent Non Executive Director. He has more than 10 years experience in rubber moulding and extrusion.

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

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

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

DATO' TAI CHANG ENG @ TEH CHANG YING

Dato' Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 66, was appointed to the Board of Kossan on 12 August 1996. He is an Independent Non Executive Director. He is the Deputy Chairman, Board of Visitors, of the Klang General Hospital. He is the Chairman of the Nominating Committee and the Remuneration Committee and a member of the Audit Committee.

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

He holds 229,520 shares in Kossan.

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

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

TONG SIEW CHOO

Madam Tong Siew Choo, a Malaysian aged 51, was appointed to the Board of Kossan on 22 February 2002 as an Independent Non Executive Director. She is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. She is the senior partner of an audit firm.

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

She holds 29,952 shares in Kossan.

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

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

Dato' Lim Kuang Sia and Messrs Lim Kuang Yong, Lim Kuang Wang, Lim Kwan Hwa and Lim Leng Bung are siblings and Mr. Heng Bak Tan is their brother in law.

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (“THE CODE”)

BOARD OF DIRECTORS

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

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of corporate governance of the Code for the financial year ended 31 December 2011.

DIRECTORS

Board and Board Balance

The Company is led by an experienced Board, made up of eight (8) directors, comprising four (4) Executive Directors, one (1) Non Independent Non Executive Director and three (3) Independent Non Executive Directors. The Directors' profiles are set out on pages 9 to 11 of the Annual Report.

Duties and Responsibilities of the Board

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

The roles of the Chairman and the Managing Director are separated and clearly defined, so as to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the business operating units, organizational effectiveness and implementation of Board policies and decisions. The presence of three Independent Non-Executive Directors fulfills a pivotal role in corporate accountability. Although all the Directors have equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors are particularly important as they provide unbiased and independent views, advice and judgment which provides sufficient check and balance. All Directors can freely express their views at Board meetings.

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

The Board reviews the adequacy and integrity of the Group's internal control system and management information systems and ensures the systems comply with applicable laws and regulations. The Board also implements appropriate system to identify and manage principal risks.

Board Meetings and Supply of Information to the Board

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

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

The Board met on six (6) occasions during the financial year ended 31 December 2011. The details of attendance of each Director are set out below:

Directors	Position	Attendance
Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman	6/6
Dato' Lim Kuang Sia	Managing Director/ Chief Executive Officer	6/6
Dato' Tai Chang Eng @ Teh Chang Ying	Independent Non-Executive Director	6/6
Lim Kuang Yong	Executive Director	5/6
Lim Kuang Wang	Executive Director	6/6
Lim Kwan Hwa	Executive Director	5/6
Heng Bak Tan	Non-Independent Non-Executive Director	6/6
Tong Siew Choo	Independent Non-Executive Director	6/6

Details Of Board Meetings

Date of Meeting	Time
23.02.2011	4.15 p.m.
22.03.2011	12.00 noon.
21.04.2011	4.00 p.m.
19.05.2011	4.30 p.m.
24.08.2011	4.30 p.m.
17.11.2011	4.30 p.m.

All the above meetings were held at the Board Room, Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 3/4, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

Appointments To The Board

The proposed appointment of a new member to the Board will be deliberated by the full Board based on the recommendation of the Nominating Committee with emphasis on qualification, experience and conduct. As an integral element in the process of appointing new Directors, the Company provides an orientation program for new Board members. The Directors also receive further training from time to time, particularly on relevant new laws and regulations.

Corporate Governance Statement

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

The Directors' remuneration for the financial year ended 31 December 2011 are as follows:

	Salaries And Bonuses RM	EPF And Other Allowances RM	Fees RM	Total RM
Executive Directors	5,670,000	1,155,175	-	6,825,175
Non-Executive Directors	-	-	180,000	180,000
Total	5,670,000	1,155,175	180,000	7,005,175

The number of Directors whose remuneration are analyzed into bands of RM50,000 are as follows:

Range of Remuneration	Executive Director	Non-Executive Director
RM 1 - RM50,000	-	4
RM1,050,001 - RM1,100,000	3	-
RM1,400,001 - RM1,450,000	1	-
RM1,800,001 - RM1,850,000	1	-

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

DIRECTORS' TRAINING AND EDUCATION

All Directors have attended the Mandatory Accreditation Program prescribed by Bursa Malaysia.

All the Directors are committed to continue with training on an annual basis to keep abreast of new regulatory development and listing requirements and to enhance their knowledge in developments relevant to the Group.

During the financial year, Mdm. Tong Siew Choo (Independent Non-Executive Director) had attended the following seminars:

- (a) Members Engagement Session 2011
- (b) Budget 2012
- (c) Update of case law development.

BOARD COMMITTEES

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

Nominating Committee

The Nominating Committee comprises three (3) Independent Non-Executive Directors as follows:

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

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

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

The Company Secretary ensures that all necessary information are obtained from the Directors and that appointments to the Board are properly made in accordance with the regulatory requirements. The Committee met on one (1) occasion in the financial year 2011.

Remuneration Committee

The Remuneration Committee comprises one (1) Non-Independent Executive Director and two (2) Independent Non-Executive Directors, as follows:

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

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

The Committee met on one (1) occasion in the financial year 2011.

Audit Committee

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

The report of the Audit Committee for the year ended 31 December 2011 is set out on pages 23 to 25.

Six (6) meetings were held during the financial year under review.

Corporate Social Responsibility Committee ("CSR Committee")

The Group strongly recognizes its commitments to contribute positively to the community and society. The CSR Committee is tasked with responsibilities of reviewing the Company's management of corporate social responsibility.

The members of the CSR Committee as at 31 December 2011 are as follows:

Dato' Lim Kuang Sia	– Chairman
Tong Siew Choo	– Member

SHAREHOLDERS

Dialogue Between Company And Investors

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

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

Annual General Meeting

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

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

The Group's Statement on Internal Control for the year ended 31 December 2011 as set out on pages 21 to 22 of this Annual Report provides an overview of the state of internal control within the Group and the Company.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of external auditors is subject to the approval of shareholders in general meeting whilst their remuneration is determined by the Board.

The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report.

This Corporate Governance Statement is made in accordance with a resolution of the Board of Directors dated 19 April 2012.

OTHER INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS

(a) Executive Share option Scheme (ESOS)

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

(b) Utilization of proceeds

The Company did not implement any fund raising exercise.

(c) Share Buy-Back

The shareholders of the Company approved the renewal of the Share Buy-Back Scheme at the 31st Annual General Meeting held on 21 June 2011.

During the financial year ended 31 December 2011, the Company purchased a total of 145,000 ordinary shares of RM0.50 each of the issued share capital from the open market at an average price of RM2.96 per share. The total consideration of RM428,804 was financed from internally generated funds.

All the shares purchased during the financial year ended 31 December 2011 have been retained as treasury shares. None of the treasury shares held were resold or cancelled during the financial year. The number of shares retained as treasury shares as at 31 December 2011 was 1,114,400 ordinary shares of RM0.50 each.

Information on the shares purchased by the Company during the financial year ended 31 December 2011 are as follows:

Monthly Breakdown	Shares Purchased And Retained As Treasury Shares	Purchase Price Per Share (RM)		Average Cost Per Share (RM)	Total Consideration (RM)
		Lowest	Highest		
March 2011	145,000	2.92	2.96	2.96	428,804

(d) Options, Warrants or Convertible Securities exercised

The Company did not issue any options, warrants or convertible securities.

(e) American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

The Company did not sponsor any ADR or GDR program.

(f) Conflict of interest

None of the Directors, other than those disclosed in the Directors' Profile, have any family relationships with other Directors and/or major shareholders of the Company or any personal interest in any business arrangements involving the Company.

(g) Material Contracts

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

(h) Sanctions and/or penalties

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

(i) Non-audit fees

Apart from the RM233,500.00 audit fees paid to the external auditors, the Company also paid RM10,000.00 in non audit fees for the year ended 31 December 2011.

(j) Variation in results

There is no material variance between the result for the financial year and the unaudited results previously announced by the Company.

(k) Profit guarantee

The Company did not issue any profit forecast or profit guarantee.

(l) Revaluation policy

The Company did not have a policy on revaluation of landed properties.

CORPORATE SOCIAL RESPONSIBILITY

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

Workplace

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

All our employees are reasonably covered for any unforeseen mishaps through the various levels of insurance including coverage on medical, hospitalization benefits and critical illness besides the usual personal accident insurance. The Group has employed a significant number of foreign and out-stationed workers; as such the Group has constructed hostels within the vicinity of our factories to provide accommodation for this group of employees.

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

Market place

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

Community

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

Statement of Responsibility by Directors

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

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

In preparing these financial statements, the Directors have:

- (a) adopted suitable accounting policies and applied them consistently;
- (b) made judgments and estimates that are reasonable and prudent; and
- (c) ensured that all applicable approved accounting standards have been followed.

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

This Statement of Responsibility by Directors is made in accordance with the resolution of the Board of Directors dated 19 April 2012.

BOARD'S RESPONSIBILITY

The Board in discharging its responsibilities is committed to maintaining a sound internal control system to safeguard shareholders' investments and the Group's assets.

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

ENTERPRISE RISK MANAGEMENT

The Board has always regarded risk management as an integral part of the Group's business operations and therefore has put in place an Enterprise Risk Management ('ERM') framework for identifying, evaluating and managing the key business risks faced by the Group.

The ERM framework contains the following key elements:

- A risk register containing risk profile of the business units within the Group which have been developed and communicated to the Board. The development of such risk profiles involved identification of key risks facing by the Group's core business unit, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans being taken to manage those risks to the desired level;
- A risk management policy and guidelines manual which outline mainly the risk management strategies and policies and risk management structure in term of the lines of reporting and responsibility at the Board, Audit Committee, Risk Management Committee, and Management levels. This document is subject to review and improvement from time to time in order to enhance the risk management process and framework within the Group; and
- A Risk Management Committee, set-up with the responsibility to identify and communicate to the Board with regards to the present and potential critical risks of the Group and formulates action plans with implementation timescales to address key risks and control issues in line with their risk profiles of the Group.

The Board believes that maintaining a sound system of internal controls is premised on a clear understanding and appreciation of the aforementioned key elements of the ERM framework.

SYSTEM OF INTERNAL CONTROLS

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

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

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

- Clearly defined organisation structure defining the delegation of authority and responsibility of the management and reporting mechanism.
- Monthly review of the financial and manufacturing operational performance of business units including productivity, efficiency and effectiveness. This includes evaluation of factors such as business, operational and key management issues impacting on their performance.
- Regular visits to business and manufacturing units by MD, Executive Directors and Senior Management personnel.
- Review of quarterly financial results of the Group by the Audit Committee and the Board.
- Identify and review the risk elements that impact on the financial performances of the Group and establish mechanism to manage risk including and not limiting to volatility of foreign exchange rates, escalating cost of operations and competitive pricing of products.
- Quarterly review on the adequacy and integrity of the Group's internal control systems and to follow-up on action plans by Management on the recommendations proposed by the internal audit firm.

The existing system of internal control has been in place for the year under review.

OTHER ASSURANCE MECHANISM

The Board has assigned the Audit Committee ('AC') with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The Group has outsourced its internal audit function to an internal audit firm to assist the AC in discharging its duties with all aspects of internal controls within the Group. The internal audit firm is independent of the day-to-day operations of the Group and provides support to the AC in discharging its duties to ensure that significant risks are identified and that the adequacy and integrity of the Group's internal control systems is in place.

The internal audit firm reviews the Group's system of internal control on a systematic and cyclic basis and on selected functions, and tables the results of the review at the Audit Committee meetings on a quarterly basis. The Audit Committee reviewed the findings, recommendations and management response and action plans and presented the findings and recommendations to the Board of Directors.

The Board reviews the minutes of the AC's meetings. The Report of the AC is set out on pages 23 to 25 of the Annual Report.

Additionally, as part of the requirements of the ISO 9001, ISO 13485 and ISO/TS 16949 certifications, scheduled audits are being conducted internally as well as by external auditors from accredited certification bodies. Results of these audits are reported to the Quality Management Committee, which is chaired by the MD.

BOARD'S COMMITMENT

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

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

This statement is signed in accordance with a resolution of the Board of Directors dated 19 April 2012.

The Board of Directors have pleasure in submitting the report of the Audit Committee of the Board for the year ended 31 December 2011.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

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

2. Authority

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

3. Responsibility

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

4. Functions

The duties of the Audit Committee shall include the following:

- (i) To consider the appointment of the external auditor, the audit fees and any questions of their resignation or dismissal;
- (ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit;
- (iii) To review the quarterly and year-end financial statements of the Company and the Group, focusing particularly on:
 - any changes in major accounting policies and practices;
 - significant adjustments arising from the audit;
 - significant and unusual events;
 - the going concern assumption;
 - compliance with approved accounting standards and other legal requirements;
- (iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;
- (v) To review the external auditor's audit report, management letter and management's response;
- (vi) To review the assistance given by the employees of the Company and its subsidiaries to the external auditor;
- (vii) To consider the appointment of the internal auditor, their remuneration and any questions of their resignation or dismissal;
- (viii) To review the internal audit functions namely:
 - the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal auditor;
 - the performance of the internal auditor, whose role includes the examination and evaluation of the Company's operations and their compliance with the relevant policies, codes and legislations;
- (ix) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group;
- (x) To consider the major findings of internal investigations and management's response; and
- (xi) To consider other topics as defined by the Board.

5. Meeting and Minutes

- (i) The Audit Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
- (ii) The quorum for any meeting shall be at least two, the majority of whom must be independent Directors.
- (iii) The Secretary of the Committee shall be the Company Secretary.

COMPOSITION AND ATTENDANCE AT MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 December 2011 are as follows:-

Composition of the Committee

Attendance

Dato' Haji Mokhtar Bin Haji Samad
(Chairman/ Independent Non-Executive Director)
Dato' Tai Chang Eng @ Teh Chang Ying
(Member / Independent Non-Executive Director)
Tong Siew Choo
(Member / Independent Non-Executive Director)

6/6

6/6

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

The Group's external auditors attended three (3) of the meetings.

ACTIVITIES

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

- (a) reviewed the annual audited financial statements of the Company/Group, semi annual returns and quarterly results of the Group prior to submission to the Board for approval;
- (b) reviewed the Statement on Internal Control before submission to the Board for approval;
- (c) reviewed and approved the Annual Report of the Audit Committee;
- (d) reviewed the terms of the Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature and be satisfied the review procedures are sufficient to ensure RRPT will be at arm's length and in accordance with the Group's normal commercial terms and not prejudicial to the shareholders or disadvantageous to the Group;
- (e) reviewed with external auditors their audit plan prior to commencement of audit;
- (f) discussed and reviewed the Group's financial year end statements with the external auditors including issues and findings noted in the course of the audit of the Group's financial statements;
- (g) reviewed and discussed with internal auditors their evaluation of the system of internal control of the Group;
- (h) reviewed the credit policy and risk management framework of the Group.
- (i) reviewed and appraised the audit report submitted by the internal auditors. The audit reports covered all business sectors of the Group incorporating audit findings and recommendations on system and control weaknesses noted during the course of the audit;
- (j) reviewed the audit fees and remuneration payable to external and internal auditors; and
- (k) reviewed the viability of acquisition of business.
- (l) appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported.

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

Directors' Report

for the year ended 31 December 2011

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS

	GROUP RM	COMPANY RM
Profit for the year attributable to:		
Owners of the Company	89,684,600	43,045,880
Non-controlling interests	1,396,663	-
	91,081,263	43,045,880

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- i) a final dividend of 8.0 sen per ordinary share, tax exempted, totalling RM25,489,564 in respect of the year ended 31 December 2010 on 19 July 2011; and
- ii) an interim ordinary dividend of 3.0 sen per ordinary share, tax exempted, totalling RM9,558,587 in respect of the year ended 31 December 2011 on 20 December 2011.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2011 is 4.0 sen per ordinary share, tax exempted, totalling RM12,744,782.

DIRECTORS OF THE COMPANY

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

Dato' Lim Kuang Sia
Lim Kuang Yong
Heng Bak Tan
Lim Kuang Wang
Lim Kwan Hwa
Dato' Haji Mokhtar bin Haji Samad
Dato' Tai Chang Eng @ Teh Chang Ying
Tong Siew Choo
Lim Leng Bung (alternate to Lim Kuang Wang)

Directors' Report

for the year ended 31 December 2011

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.50 each				
	At 1.1.2011	Bought	Sold	Bonus issue	At 31.12.2011
Direct interest					
Dato' Lim Kuang Sia	381,888	-	-	-	381,888
Lim Kuang Wang	718,848	-	-	-	718,848
Dato' Tai Chang Eng @					
Teh Chang Ying	229,520	-	-	-	229,520
Tong Siew Choo	29,952	-	-	-	29,952
Deemed interest					
Dato' Lim Kuang Sia					
- ultimate holding company	165,456,240	-	-	-	165,456,240
- spouse	522,248	-	-	-	522,248
Lim Kuang Yong					
- ultimate holding company	165,456,240	-	-	-	165,456,240
Heng Bak Tan					
- spouse	28,896	-	-	-	28,896
Lim Kuang Wang					
- ultimate holding company	165,456,240	-	-	-	165,456,240
Lim Kwan Hwa					
- ultimate holding company	165,456,240	-	-	-	165,456,240
Lim Leng Bung					
- ultimate holding company	165,456,240	-	-	-	165,456,240

By virtue of their interests in the shares of the Company, all Directors except for Dato' Tai Chang Eng @ Teh Chang Ying, Dato' Haji Mokhtar bin Haji Samad and Tong Siew Choo, are deemed interested in the shares of the subsidiaries during the financial year to the extent Kossan Rubber Industries Bhd. has an interest.

None of the other Directors holding office at 31 December 2011 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report

for the year ended 31 December 2011

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate allowance made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts, or the amount of allowance for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report

for the year ended 31 December 2011

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 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

.....
Dato' Lim Kuang Sia

.....
Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 19 April 2012

Statements of Financial Position

at 31 December 2011

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

		GROUP		COMPANY	
	NOTE	2011 RM	2010 RM	2011 RM	2010 RM
ASSETS					
Property, plant and equipment	3	432,957,973	409,514,776	29,522,099	32,712,713
Investments in subsidiaries	4	-	-	22,051,592	8,441,959
Other investments	5	116,000	116,000	116,000	116,000
Deferred tax assets	6	45,876	136,217	-	-
Goodwill	7	4,926,380	864,456	-	-
TOTAL NON-CURRENT ASSETS		438,046,229	410,631,449	51,689,691	41,270,672

Inventories	8	163,779,146	123,656,566	16,753,311	14,804,566
Trade and other receivables, including derivatives	9	156,061,412	148,379,139	123,849,654	89,077,079
Prepayments and other assets		1,557,236	2,136,346	86,013	98,242
Current tax assets		1,379,231	1,030,278	780,208	762,967
Cash and cash equivalents	10	51,623,671	91,509,094	33,084,370	73,124,029
TOTAL CURRENT ASSETS		374,400,696	366,711,423	174,553,556	177,866,883
TOTAL ASSETS		812,446,925	777,342,872	226,243,247	219,137,555

EQUITY					
Share capital		159,866,976	159,866,976	159,866,976	159,866,976
Share premium		10,601	10,601	10,601	10,601
Translation reserve		2,713	(45,935)	-	-
Treasury shares		(3,459,787)	(3,030,984)	(3,459,787)	(3,030,984)
Revaluation reserve		1,122,129	1,183,147	523,887	584,905
Retained earnings		339,310,340	284,612,873	51,618,283	43,559,536
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		496,852,972	442,596,678	208,559,960	200,991,034
NON-CONTROLLING INTERESTS		9,480,126	2,018,302	-	-
TOTAL EQUITY		506,333,098	444,614,980	208,559,960	200,991,034

LIABILITIES					
Loans and borrowings	12	25,996,898	27,658,718	307,968	539,789
Deferred tax liabilities	6	34,194,552	32,301,989	4,172,114	4,459,476
TOTAL NON-CURRENT LIABILITIES		60,191,450	59,960,707	4,480,082	4,999,265

Loans and borrowings	12	133,964,626	150,095,656	2,849,972	3,725,347
Trade and other payables, including derivatives	13	103,460,242	113,129,741	10,353,233	9,421,909
Current tax liabilities		8,497,509	9,541,788	-	-
TOTAL CURRENT LIABILITIES		245,922,377	272,767,185	13,203,205	13,147,256
TOTAL LIABILITIES		306,113,827	332,727,892	17,683,287	18,146,521

TOTAL EQUITY AND LIABILITIES		812,446,925	777,342,872	226,243,247	219,137,555

Statements of Comprehensive Income

for the year 31 December 2011

	NOTE	GROUP		COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	14	1,089,969,244	1,046,886,637	139,414,204	129,169,219
Other income		10,420,083	4,336,672	2,409,002	1,007,959
Changes in inventories of finished goods and work-in- progress		34,006,049	6,684,773	2,278,373	(1,076,431)
Raw materials and consumables used		(754,037,310)	(662,308,444)	(57,425,854)	(44,806,827)
Goods purchased for resale		(3,873,067)	(3,622,336)	(221,294)	(2,000,954)
Staff costs		(109,355,429)	(102,815,950)	(24,266,143)	(22,359,998)
Depreciation of property, plant and equipment	3	(40,280,215)	(34,222,032)	(3,601,655)	(3,843,108)
Other expenses		(106,464,217)	(106,302,739)	(14,477,648)	(13,516,475)
RESULTS FROM OPERATING ACTIVITIES		120,385,138	148,636,581	44,108,985	42,573,385
Finance costs	15	(7,464,738)	(7,985,883)	(82,708)	(307,821)
PROFIT BEFORE TAX	16	112,920,400	140,650,698	44,026,277	42,265,564
Income tax expense	18	(21,839,137)	(26,886,978)	(980,397)	(3,371,745)
PROFIT AFTER TAX		91,081,263	113,763,720	43,045,880	38,893,819
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Transfer (from)/to:					
- Revaluation reserve		(61,018)	(61,018)	(61,018)	(61,018)
- Retained profits		61,018	61,018	61,018	61,018
Foreign currency translation differences for foreign operations		2,713	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		2,713	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		91,083,976	113,763,720	43,045,880	38,893,819
PROFIT ATTRIBUTABLE TO:					
Owners of the Company		89,684,600	113,376,256	43,045,880	38,893,819
Non-controlling interests		1,396,663	387,464	-	-
PROFIT FOR THE YEAR		91,081,263	113,763,720	43,045,880	38,893,819
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		89,687,313	113,376,256	43,045,880	38,893,819
Non-controlling interests		1,396,663	387,464	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		91,083,976	113,763,720	43,045,880	38,893,819
BASIC EARNINGS PER ORDINARY SHARE (SEN)	19	28.15	35.46		

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

		Attributable to owners of the Company								
		Non-distributable			Distributable					
NOTE	NOTE	Share capital RM	Share premium RM	Translation reserve RM	Treasury shares RM	Revaluation reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
GROUP										
At 1 January 2010		79,933,488	10,601	(45,935)	-	1,244,165	265,497,115	346,639,434	1,630,838	348,270,272
Transfer from revaluation reserve to retained earnings		-	-	-	-	(61,018)	61,018	-	-	-
Total other comprehensive income for the year		-	-	-	-	(61,018)	61,018	-	-	-
Profit for the year		-	-	-	-	-	113,376,256	113,376,256	387,464	113,763,720
Total comprehensive income for the year		-	-	-	-	(61,018)	113,437,274	113,376,256	387,464	113,763,720
Issue of bonus shares	11	79,933,488	-	-	-	-	(79,933,488)	-	-	-
Dividends to owners of the Company	20	-	-	-	-	-	(14,388,028)	(14,388,028)	-	(14,388,028)
Share buy-back	11	-	-	-	(3,030,984)	-	-	(3,030,984)	-	(3,030,984)
At 31 December 2010 / 1 January 2011		159,866,976	10,601	(45,935)	(3,030,984)	1,183,147	284,612,873	442,596,678	2,018,302	444,614,980
Reserve realised upon disposal of a subsidiary		-	-	45,935	-	-	-	45,935	-	45,935
Foreign currency translation differences from foreign operations		-	-	2,713	-	-	-	2,713	-	2,713
Transfer from revaluation reserve to retained earnings		-	-	-	-	(61,018)	61,018	-	-	-
Total other comprehensive income for the year		-	-	2,713	-	(61,018)	61,018	2,713	-	2,713
Profit for the year		-	-	-	-	-	89,684,600	89,684,600	1,396,663	91,081,263
Total comprehensive income for the year		-	-	2,713	-	(61,018)	89,745,618	89,687,313	1,396,663	91,083,976
Non-controlling interests arising from acquisition of new a subsidiary		-	-	-	-	-	-	-	4,913,546	4,913,546
Changes in ownership interests in a subsidiary		-	-	-	-	-	-	-	1,151,615	1,151,615
Dividends to owners of the Company	20	-	-	-	-	-	(35,048,151)	(35,048,151)	-	(35,048,151)
Share buy-back	11	-	-	-	(428,803)	-	-	(428,803)	-	(428,803)
At 31 December 2011		159,866,976	10,601	2,713	(3,459,787)	1,122,129	339,310,340	496,852,972	9,480,126	506,333,098
		Note 11.1	Note 11.2	Note 11.3	Note 11.4	Note 11.5				

Statement of Changes in Equity

for the year ended 31 December 2011

NOTE	Attributable to owners of the Company					Total equity RM
	Share capital RM	Share premium RM	Treasury shares RM	Revaluation reserve RM	Retained earnings RM	
COMPANY						
At 1 January 2010	79,933,488	10,601	-	645,923	98,926,215	179,516,227
Transfer from revaluation reserves to retained earnings	-	-	-	(61,018)	61,018	-
Total other comprehensive income for the year	-	-	-	(61,018)	61,018	-
Profit for the year	-	-	-	-	38,893,819	38,893,819
Total comprehensive income for the year	-	-	-	(61,018)	38,954,837	38,893,819
Dividends to owners of the Company	20	-	-	-	(14,388,028)	(14,388,028)
Issue of bonus shares	11	79,933,488	-	-	(79,933,488)	-
Share buy-back	11	-	-	(3,030,984)	-	(3,030,984)
At 31 December 2010 / 1 January 2011	159,866,976	10,601	(3,030,984)	584,905	43,559,536	200,991,034
Transfer from revaluation reserves to retained earnings	-	-	-	(61,018)	61,018	-
Total other comprehensive income for the year	-	-	-	(61,018)	61,018	-
Profit for the year	-	-	-	-	43,045,880	43,045,880
Total comprehensive income for the year	-	-	-	(61,018)	43,106,898	43,045,880
Dividends to owners of the Company	20	-	-	-	(35,048,151)	(35,048,151)
Share buy-back	11	-	-	(428,803)	-	(428,803)
At 31 December 2011	159,866,976	10,601	(3,459,787)	523,887	51,618,283	208,559,960
	Note 11.1	Note 11.2	Note 11.4	Note 11.5	Note 11.6	

Statements of Cash Flows

for the year ended 31 December 2011

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Cash flows from operating activities					
Profit before tax		112,920,400	140,650,698	44,026,277	42,265,564
Adjustments for:					
Depreciation of property, plant and equipment	3	40,280,215	34,222,032	3,601,655	3,843,108
Dividend income	14	-	-	(40,000,120)	(40,270,118)
Finance costs	15	7,464,738	7,985,883	82,708	307,821
(Gain)/ Loss on disposal of property, plant and equipment	16	(70,835)	189,078	(10,874)	(22,720)
Finance income		(1,587,671)	(1,120,036)	(1,034,217)	(424,683)
Property, plant and equipment written off	16	634,719	1,529,989	-	-
Net of unrealised derivatives	16	655,551	(3,586,392)	-	-
Net of unrealised foreign exchange differences	16	(1,268,081)	(1,433,756)	-	-
Negative goodwill	16	52,365	-	-	-
Operating profit before changes in working capital		159,081,401	178,437,496	6,665,429	5,698,972
Changes in working capital:					
Inventories		(36,708,561)	(13,739,102)	(1,948,745)	393,836
Trade and other receivables, prepayments and other financial assets		(994,168)	(14,821,791)	(35,860,972)	56,289,416
Trade and other payables		(13,147,645)	15,646,934	2,031,950	933,920
Cash generated from/(used in) operations		108,231,027	165,523,537	(29,112,338)	63,316,144
Dividends paid	20	(35,048,151)	(14,388,028)	(35,048,151)	(14,388,028)
Interest received		1,587,671	1,120,036	1,034,217	424,683
Interest paid		(7,464,738)	(7,985,883)	(82,708)	(307,821)
Income tax paid		(21,395,321)	(6,420,662)	(1,285,000)	(809,711)
Net cash from/(used in) operating activities		45,910,488	137,849,000	(64,493,980)	48,235,267

Statements of Cash Flows

for the year ended 31 December 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		87,130	230,050	14,430	40,000
Purchase of property, plant and equipment	(ii)	(39,784,522)	(85,152,104)	(414,597)	(984,888)
Proceeds from insurance claim		-	45,545,779	-	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired	24	(8,815,622)	-	(9,176,002)	-
Proceeds from rights issue in a subsidiary		1,151,615	-	-	-
Increase in investments in subsidiaries		-	-	(4,433,631)	(199,996)
Dividend received		-	-	40,000,120	37,702,611
Net cash (used in)/from investing activities		(47,361,399)	(39,376,275)	25,990,320	36,557,727
Cash flows from financing activities					
Increase in deposits pledged		(264,699)	-	-	-
Repayment of finance lease liabilities		(18,932,519)	(20,747,387)	(247,534)	(492,856)
Drawdown of borrowings		-	13,546,011	-	-
Repayment of borrowings		(11,846,166)	(24,983,698)	(708,000)	(6,701,000)
Repurchase of treasury share		(428,803)	(3,030,984)	(428,803)	(3,030,984)
Net cash used in financing activities		(31,472,187)	(35,216,058)	(1,384,337)	(10,224,840)
Net (decrease)/increase in cash and cash equivalents		(32,923,098)	63,256,667	(39,887,997)	74,568,154
Cash and cash equivalents at 1 January		80,659,080	17,402,413	71,269,784	(3,298,370)
Cash and cash equivalents at 31 December	(i)	47,735,982	80,659,080	31,381,787	71,269,784

Statements of Cash Flows

for the year ended 31 December 2011

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

i) *Cash and cash equivalents*

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

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	10	32,307,671	5,817,793	24,084,370	1,124,029
Short term deposits	10	19,316,000	85,691,301	9,000,000	72,000,000
Bank overdrafts	12	(2,931,689)	(10,158,713)	(1,702,583)	(1,854,245)
		48,691,982	81,350,381	31,381,787	71,269,784
Less: Deposits pledged	10	(956,000)	(691,301)	-	-
		47,735,982	80,659,080	31,381,787	71,269,784

ii) *Acquisition of property, plant and equipment*

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM59,593,225 (2010: RM86,430,504) and RM414,597 (2010: RM1,933,888) respectively of which RM19,808,703 (2010: RM1,278,400) and Nil (2010: RM949,000) respectively were acquired by means of finance leases.

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

Principal place of business/ Registered office

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the year ended 31 December 2011 do not include other entities.

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

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

The financial statements were authorised for issuance by the Board of Directors on 19 April 2012.

1. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards (FRS), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
– *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures* – *Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes* – *Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements* – *Presentation of Items of Other Comprehensive Income*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

(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, unless otherwise stated.

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

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 the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

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

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for 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.

The Group changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures 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.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions on or after 1 January 2011 (continued)

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

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

(iii) Accounting for acquisitions of non-controlling interests

The Group treats 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

The Group applied FRS 127, Consolidated and Separate Financial Statements (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company.

Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group has been recovered.

(vi) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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 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 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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(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 2006 which are reported using the exchange rates at the dates of the acquisitions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (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 profit or loss on disposal.

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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 FCTR within equity.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(iii) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the 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 or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. 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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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 reassessed and adjusted if appropriate, at the end of each reporting period.

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

Goodwill

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

2. Significant accounting policies (continued)

(g) Inventories

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

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

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

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

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

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

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

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

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

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses are recognised in the 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 units and then to reduce the carrying amount of the other assets in the unit (groups of 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 year in which the reversals are recognised.

2. Significant accounting policies (continued)

(j) Equity instruments

All equity instruments are stated at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

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

(ii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

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

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

(iii) Dividend to owners of the Company

Dividends on ordinary shares are recognised as liabilities when declared, before the end of the reporting period. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period. Upon the dividend becoming payable, it will be accounted for as a liability.

(k) Employee benefits

(i) Short term employee benefits

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

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

(ii) State plans

The Group's contributions to the statutory pension funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (continued)

(l) Revenue and other income

(i) Goods sold

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised in the profit or loss on the date that the Group's or the Company's right to receive payment is established.

(m) Borrowing costs

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

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

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

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

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

2. Significant accounting policies (continued)

(n) Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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 liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentives can be utilised.

(o) Earnings per share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the 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.

Notes to the Financial Statements

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

3. Property, Plant and Equipment

GROUP	Freehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Factory renovation RM	Factory furniture and equipment RM	Electrical installation RM	Office furniture, equipment and renovation RM	Plant and machinery under construction RM	Building under construction RM	Total RM
Cost/Valuation											
At 1 January 2010	50,730,521	95,007,004	351,101,512	7,925,623	4,056,768	4,939,541	2,655,451	7,391,704	2,881,966	373,118	527,063,208
Additions	920,857	955,622	19,433,108	1,534,201	1,049,377	363,538	781,396	528,116	40,951,095	19,913,194	86,430,504
Disposals	-	-	(12,364,166)	(219,923)	-	-	-	(2,600)	-	-	(12,586,689)
Write-off	-	-	(9,413,861)	-	-	-	-	(1,350)	-	-	(9,415,211)
At 31 December 2010/ 1 January 2011	51,651,378	95,962,626	348,756,593	9,239,901	5,106,145	5,303,079	3,436,847	7,915,870	43,833,061	20,286,312	591,491,812
Acquisition through business combination	-	1,064,069	6,869,502	-	-	-	-	184,823	-	-	8,118,394
Additions	9,379,365	1,847,260	12,466,877	911,287	1,068,433	605,906	98,878	808,490	24,373,385	8,033,344	59,593,225
Disposals	-	-	(13,700)	(379,659)	-	-	-	(7,621)	-	-	(400,980)
Write-off	-	-	(671,885)	(41,055)	-	-	-	-	-	-	(712,940)
Transfer	-	21,516,800	48,634,942	160,000	1,525,169	1,546,577	-	504,537	(53,601,713)	(20,286,312)	-
Effect of movements in exchange rates	-	(19,951)	181,565	-	-	-	-	7,465	-	-	169,079
At 31 December 2011	61,030,743	120,370,804	416,223,894	9,890,474	7,699,747	7,455,562	3,535,725	9,413,564	14,604,733	8,033,344	658,258,590
Representing items:											
At cost	55,148,947	108,762,600	416,223,894	9,890,474	7,699,747	7,455,562	3,535,725	9,413,564	14,604,733	8,033,344	640,768,590
At valuation	5,881,796	11,608,204	-	-	-	-	-	-	-	-	17,490,000
At 31 December 2011	61,030,743	120,370,804	416,223,894	9,890,474	7,699,747	7,455,562	3,535,725	9,413,564	14,604,733	8,033,344	658,258,590
Accumulated depreciation											
At 1 January 2010	-	9,966,921	143,579,218	6,390,603	1,841,693	1,860,220	1,379,811	2,789,321	-	-	167,807,787
Charge for the year	-	2,023,663	29,656,005	814,505	430,037	382,824	225,332	689,666	-	-	34,222,032
Disposals	-	-	(11,978,001)	(189,343)	-	-	-	(217)	-	-	(12,167,561)
Write off	-	-	(7,884,038)	-	-	-	-	(1,184)	-	-	(7,885,222)
At 31 December 2010/ 1 January 2011	-	11,990,584	153,373,184	7,015,765	2,271,730	2,243,044	1,605,143	3,477,586	-	-	181,977,036
Acquisition through business combination	-	679,123	2,664,074	-	-	-	-	122,376	-	-	3,465,573
Charge for the year	-	2,478,469	34,606,502	894,522	646,014	705,908	256,067	692,733	-	-	40,280,215
Disposals	-	-	(972)	(379,648)	-	-	-	(4,065)	-	-	(384,685)
Write off	-	-	(37,167)	(41,054)	-	-	-	-	-	-	(78,221)
Effect of movements in exchange rates	-	(12,816)	48,846	-	-	-	-	4,669	-	-	40,699
At 31 December 2011	-	15,135,360	190,654,467	7,489,585	2,917,744	2,948,952	1,861,210	4,293,299	-	-	225,300,617
Carrying amounts											
At 1 January 2010	50,730,521	85,040,083	207,522,294	1,535,020	2,215,075	3,079,321	1,275,640	4,602,383	2,881,966	373,118	359,255,421
At 31 December 2010/ 1 January 2011	51,651,378	83,972,042	195,383,409	2,224,136	2,834,415	3,060,035	1,831,704	4,438,284	43,833,061	20,286,312	409,514,776
At 31 December 2011	61,030,743	105,235,444	225,569,427	2,400,889	4,782,003	4,506,610	1,674,515	5,120,265	14,604,733	8,033,344	432,957,973

3. Property, Plant and Equipment

COMPANY	Freehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Factory renovation RM	Office furniture and equipment RM	Total RM
Cost/Valuation							
At 1 January 2010	5,688,582	17,036,482	47,343,091	2,491,340	133,158	2,074,351	74,767,004
Additions	-	-	757,042	1,132,254	-	44,592	1,933,888
Disposals	-	-	(10,000)	(148,923)	-	-	(158,923)
At 31 December 2010/ 1 January 2011	5,688,582	17,036,482	48,090,133	3,474,671	133,158	2,118,943	76,541,969
Additions	-	-	236,592	97,938	-	80,067	414,597
Disposals	-	-	-	(68,846)	-	(7,621)	(76,467)
At 31 December 2011	5,688,582	17,036,482	48,326,725	3,503,763	133,158	2,191,389	76,880,099
Representing items:							
At cost	849,786	7,438,278	48,326,725	3,503,763	133,158	2,191,389	62,443,099
At valuation	4,838,796	9,598,204	-	-	-	-	14,437,000
At 31 December 2011	5,688,582	17,036,482	48,326,725	3,503,763	133,158	2,191,389	76,880,099
Accumulated depreciation							
At 1 January 2010	-	3,774,027	33,642,557	2,217,213	133,158	360,836	40,127,791
Charge for the year	-	341,055	2,966,868	324,954	-	210,231	3,843,108
Disposals	-	-	(10,000)	(131,643)	-	-	(141,643)
At 31 December 2010/ 1 January 2011	-	4,115,082	36,599,425	2,410,524	133,158	571,067	43,829,256
Charge for the year	-	341,054	2,736,544	306,793	-	217,264	3,601,655
Disposals	-	-	-	(68,846)	-	(4,065)	(72,911)
At 31 December 2011	-	4,456,136	39,335,969	2,648,471	133,158	784,266	47,358,000
Carrying amounts							
At 1 January 2010	5,688,582	13,262,455	13,700,534	274,127	-	1,713,515	34,639,213
At 31 December 2010/ 1 January 2011	5,688,582	12,921,400	11,490,708	1,064,147	-	1,547,876	32,712,713
At 31 December 2011	5,688,582	12,580,346	8,990,756	855,292	-	1,407,123	29,522,099

3. Property, plant and equipment (continued)

3.1 Leased plant and machinery

At 31 December 2011, the net carrying amount of leased plant and machinery was as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Plant and machinery	49,806,942	65,848,730	-	123,589
Motor vehicles	1,248,562	1,212,581	650,063	859,371
	51,055,504	67,061,311	650,063	982,960

3.2 Security

The carrying amount of the following property, plant and equipment have been pledged to the banks for credit facilities granted to the Group and the Company (see Note 12):

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Freehold land and building	81,546,531	82,803,009	8,222,858	8,290,469

3.3 Property, plant and equipment under the revaluation model

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

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Freehold land and building	7,923,503	8,024,343	6,184,395	6,220,483

4. Investments in subsidiaries

	Company	
	2011 RM	2010 RM
Unquoted shares, at cost	22,051,592	8,441,959

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	100	100
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Ideal Quality Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	100	100
Top Calibre Sdn. Bhd.	Malaysia	Investment holding	100	100
Kossan Sdn. Bhd.	Malaysia	Dormant	100	100
Premium Medical Product Sdn. Bhd.	Malaysia	Investment holding	100	-
Cleanera (M) Sdn. Bhd.	Malaysia	Trading of latex examination gloves and cleanroom products	100	-
Cleanera HK Limited#	Hong Kong	Investment holding and the , manufacturing of cleanroom gloves	55	-

4. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Subsidiary of Ideal Quality Sdn. Bhd				
Normadin Pacific Holdings Corp. # *	Malaysia	Trading of latex examination gloves	-	51
Subsidiary of Cleanera HK Limited				
Dongguang Cleanera Cleanroom Products Company Limited#	The People's Republic of China	Manufacturing and dealing in cleanroom products	55	-
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Envi-Care Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Envi-Care Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	100

Not audited by member firms of KPMG International.

* The sub-subsidiary was liquidated on 7 January 2011 and the costs relating to the liquidation had been taken up in the previous financial year.

5. Other investments

Non-current	Group and Company	
	2011 RM	2010 RM
Investment in club membership		
- Available-for-sale financial assets at amortised cost	116,000	116,000

6. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM
Group						
Property, plant and equipment	-	-	(38,761,592)	(33,953,000)	(38,761,592)	(33,953,000)
Revaluation on properties	-	-	(662,898)	(683,237)	(662,898)	(683,237)
Unabsorbed capital allowance	-	113,639	-	-	-	113,639
Unutilised reinvestment allowance	5,170,202	3,387,559	-	-	5,170,202	3,387,559
Tax loss carry-forwards	2,887	181,968	-	-	2,887	181,968
Derivatives	163,888	-	-	(896,598)	163,888	(896,598)
Other item	-	-	(61,163)	(316,103)	(61,163)	(316,103)
Tax assets/(liabilities)	5,336,977	3,683,166	(39,485,653)	(35,848,938)	(34,148,676)	(32,165,772)
Set off	(5,291,101)	(3,546,949)	5,291,101	3,546,949	-	-
Net tax assets/(liabilities)	45,876	136,217	(34,194,552)	(32,301,989)	(34,148,676)	(32,165,772)
Company						
Property, plant and equipment	-	-	(3,542,301)	(3,851,661)	(3,542,301)	(3,851,661)
Revaluation on properties	-	-	(629,813)	(650,152)	(629,813)	(650,152)
Others	-	42,337	-	-	-	42,337
Tax assets/(liabilities)	-	42,337	(4,172,114)	(4,501,813)	(4,172,114)	(4,459,476)
Set off	-	(42,337)	-	42,337	-	-
Net tax liabilities	-	-	(4,172,114)	(4,459,476)	(4,172,114)	(4,459,476)

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

Unrecognised deferred tax assets

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

	Group	
	2011 RM	2010 RM
Tax loss carry-forwards	71,779	23,815
	71,779	23,815
Tax at 25%	17,945	5,954

The tax losses carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in the end of the reporting period of certain subsidiaries as the Group is uncertain of the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Financial Statements

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

6. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Group	Property, plant and equipment RM	Revaluation on properties RM	Unabsorbed capital allowance RM	Unutilised reinvestment allowance RM	Tax loss carry- forwards RM	Derivatives RM	Other item RM	Total RM
At 1 January 2010	(28,544,626)	(703,577)	171,901	8,504,592	-	3,576,480	(277,422)	(17,272,652)
Recognised in profit or loss (Note 18)	(5,408,374)	20,340	(58,262)	(5,117,033)	181,968	(4,473,078)	(38,681)	(14,893,120)
At 31 December 2010/ 1 January 2011	(33,953,000)	(683,237)	113,639	3,387,559	181,968	(896,598)	(316,103)	(32,165,772)
Acquired in business combinations	(46,105)	-	-	-	-	-	-	(46,105)
Recognised in profit or loss (Note 18)	(4,762,487)	20,339	(113,639)	1,782,643	(179,081)	1,060,486	254,940	(1,936,799)
At 31 December 2011	(38,761,592)	(662,898)	-	5,170,202	2,887	163,888	(61,163)	(34,148,676)

Company	Property, plant and equipment RM	Revaluation on properties RM	Others RM	Total RM
At 1 January 2010	(3,897,583)	(670,492)	-	(4,568,075)
Recognised in profit or loss (Note 18)	45,922	20,340	42,337	108,599
At 31 December 2010 / 1 January 2011	(3,851,661)	(650,152)	42,337	(4,459,476)
Recognised in profit or loss (Note 18)	309,360	20,339	(42,337)	287,362
At 31 December 2011	(3,542,301)	(629,813)	-	(4,172,114)

7. Goodwill

Group Cost	Note	Goodwill RM
At 1 January 2010/31 December 2010/1 January 2011		864,456
Acquisitions through business combinations	24	4,061,924
At 31 December 2011		<u>4,926,380</u>

7.1 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The amount of goodwill represents the unamortised balance of goodwill arising from consolidation with Kossan Rubber Industries Bhd. The recoverable amount of the investment in this subsidiary was based on its value in use which was higher than its carrying amount. No impairment loss was recognised for this subsidiary in the previous year.

Value in use was determined by discounting the future cash flows generated from the investment in the subsidiary at 10.3% for 5 years and was based on the following key assumptions:

- Cash flows projected based on actual operating results.
- The subsidiary will continue its operation indefinitely.
- The size of operation will remain with at least or not lower than the current results.

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

8. Inventories

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Raw material	43,145,038	37,028,507	9,393,540	9,723,168
Work-in-progress	3,723,800	3,950,804	3,060,286	2,963,829
Finished goods	116,910,308	82,677,255	4,299,485	2,117,569
	<u>163,779,146</u>	<u>123,656,566</u>	<u>16,753,311</u>	<u>14,804,566</u>

9. Trade and other receivables, including derivatives

	Note	Group 2011 RM	2010 RM	Company 2011 RM	2010 RM
Trade					
Trade receivables		146,684,246	139,533,589	14,858,763	13,672,264
Amount due from subsidiaries	9.1	-	-	10,143,810	15,384,679
Amount due from related parties	9.1	206,938	270,154	201,227	158,528
		146,891,184	139,803,743	25,203,800	29,215,471
Non-trade					
Amount due from subsidiaries	9.1	-	-	97,394,537	59,058,214
Amount due from related parties	9.1	897,178	860,477	-	-
Other receivables		4,995,361	2,441,975	71,973	10,271
Refundable deposits		3,182,089	1,686,552	1,179,344	793,123
Financial asset at fair value through profit or loss					
- Forward foreign currency contracts		95,600	3,586,392	-	-
		9,170,228	8,575,396	98,645,854	59,861,608
		156,061,412	148,379,139	123,849,654	89,077,079

9.1 Amount due from subsidiaries and related parties

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

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

10. Cash and cash equivalents

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	32,307,671	5,817,793	24,084,370	1,124,029
Short term deposits with licensed banks	19,316,000	85,691,301	9,000,000	72,000,000
	51,623,671	91,509,094	33,084,370	73,124,029

Included in deposits with licensed banks of the Group are amounts of RM956,000 (2010: RM691,301) pledged to the banks for banking facilities granted to the Group.

11. Share capital and reserves

11.1 Share capital

	Group and Company			
	Amount 2011 RM	Number of shares 2011	Amount 2010 RM	Number of shares 2010
Authorised:				
Ordinary shares of RM0.50 each				
At 1 January	1,000,000,000	2,000,000,000	150,000,000	300,000,000
Created during the year	-	-	850,000,000	1,700,000,000
At 31 December	1,000,000,000	2,000,000,000	1,000,000,000	2,000,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 January	159,866,976	319,733,952	79,933,488	159,866,976
Issue of bonus shares	-	-	79,933,488	159,866,976
At 31 December	159,866,976	319,733,952	159,866,976	319,733,952

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

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

11. Share capital and reserves (continued)

11.2 Share premium

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

11.3 Translation reserve

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

11.4 Treasury shares

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 21 June 2011(2010: 22 June 2010), approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. During the year, the Company repurchased 145,000 (2010: 969,400) of its issued share capital from the open market as summarised below:

	Average repurchase price RM	Highest repurchase price RM	Lowest repurchase price RM	Number of treasury shares repurchase	Total consideration paid RM
Opening				969,400	3,030,984
March 2011	2.96	2.96	2.92	145,000	428,803
				<u>1,114,400</u>	<u>3,459,787</u>

The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

As at 31 December 2011, the Group held 1,114,400 (2010: 969,400) of the Company's shares.

11.5 Revaluation reserve

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

11.6 Retained earning

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

12. Loans and borrowings

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-current				
Term loans (secured)	18,194,778	24,534,007	-	-
Finance lease liabilities	7,802,120	3,124,711	307,968	539,789
	25,996,898	27,658,718	307,968	539,789
Current				
Term loans (secured)	6,135,354	7,595,914	-	-
Revolving credit (unsecured)	25,100,991	25,563,680	-	-
Bank overdraft (unsecured)	2,931,689	10,158,713	1,702,583	1,854,245
Trade finance (unsecured)	90,772,721	94,356,409	911,000	1,619,000
Finance lease liabilities	9,023,871	12,420,940	236,389	252,102
	133,964,626	150,095,656	2,849,972	3,725,347
	159,961,524	177,754,374	3,157,940	4,265,136

12.1 Security

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

12.2 Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
2011						
Term loans						
- secured	2012 - 2018	24,330,132	6,135,354	4,714,251	9,620,180	3,860,347
Bank overdraft						
- unsecured	2012	2,931,689	2,931,689	-	-	-
Revolving credit						
- unsecured	2012	25,100,991	25,100,991	-	-	-
Trade finance						
- unsecured	2012	90,772,721	90,772,721	-	-	-
		143,135,533	124,940,755	4,714,251	9,620,180	3,860,347

12. Loans and borrowings (continued)

12.2 Terms and debt repayment schedule (continued)

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
2010						
Term loans						
- secured	2011 - 2018	32,129,921	7,595,914	6,135,314	11,159,765	7,238,928
Bank overdraft						
- unsecured	2011	10,158,713	10,158,713	-	-	-
Revolving credit						
- unsecured	2011	25,563,680	25,563,680	-	-	-
Trade finance						
- unsecured	2011	94,356,409	94,356,409	-	-	-
		162,208,723	137,674,716	6,135,314	11,159,765	7,238,928
Company						
2011						
Bank overdraft						
- unsecured	2012	1,702,583	1,702,583	-	-	-
Trade finance						
- unsecured	2012	911,000	911,000	-	-	-
		2,613,583	2,613,583	-	-	-
2010						
Bank overdraft						
- unsecured	2011	1,854,245	1,854,245	-	-	-
Trade finance						
- unsecured	2011	1,619,000	1,619,000	-	-	-
		3,473,245	3,473,245	-	-	-

12.3 Significant loans and borrowings covenants

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

- the Group shall submit its financial statements and/or audited financial statements within 6 months of the financial year end.
- the Group immediately notify the bank of any changes in its paid-up capital, in its substantial shareholdings and the nature and scope of the Group's business.

12. Loans and borrowings (continued)

12.3 Significant loans and borrowings covenants (continued)

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

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

12.4 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2011 RM	Interest 2011 RM	Principal 2011 RM	Minimum lease payments 2010 RM	Interest 2010 RM	Principal 2010 RM
Group						
Less than one year	9,698,404	(674,533)	9,023,871	12,878,387	(457,447)	12,420,940
Between one and five years	8,042,269	(240,149)	7,802,120	3,241,867	(117,156)	3,124,711
	17,740,673	(914,682)	16,825,991	16,120,254	(574,603)	15,545,651
Company						
Less than one year	258,868	(22,479)	236,389	287,638	(35,536)	252,102
Between one and five years	324,103	(16,135)	307,968	578,109	(38,320)	539,789
	582,971	(38,614)	544,357	865,747	(73,856)	791,891

13. Trade and other payables, including derivatives

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade payable		69,383,972	66,218,250	5,000,205	4,031,797
Amount due to related parties	13.1	132,146	6,318	130,456	6,318
		69,516,118	66,224,568	5,130,661	4,038,115
Non-trade					
Amount due to ultimate holding company	13.2	13,588	8,543	-	-
Amount due to a subsidiary	13.3	-	-	419,920	419,960
Amount due to related parties	13.1	3,261,723	7,851,933	-	-
Other payables		16,510,561	16,097,853	662,775	1,205,367
Accrued expenses		13,407,101	22,946,844	4,139,877	3,758,467
Financial liabilities at fair value through profit or loss:					
- Forward foreign currency contracts		751,151	-	-	-
		33,944,124	46,905,173	5,222,572	5,383,794
		103,460,242	113,129,741	10,353,233	9,421,909

13.1 Amounts due to related parties

The trade amount due to related parties is subject to normal trade terms.

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

13.2 Amount due to ultimate holding company

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

13.3 Amount due to a subsidiary

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

Notes to the Financial Statements

14. Revenue

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sales of goods	1,089,969,244	1,046,886,637	99,414,084	88,899,101
Dividend income	-	-	40,000,120	40,270,118
	1,089,969,244	1,046,886,637	139,414,204	129,169,219

15. Finance costs

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expense on:				
- Bank overdraft	75,625	62,982	17,293	17,352
- Finance lease	1,360,857	1,397,032	35,242	51,909
- Term loans	2,313,955	2,760,973	-	-
- Trade finance	3,248,740	3,024,013	30,173	238,560
- Revolving credit	446,982	740,883	-	-
- Others	18,579	-	-	-
	7,464,738	7,985,883	82,708	307,821

16. Profit before tax

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit before tax is arrived at after charging:				
Impairment loss on trade receivables	1,376,137	5,260,886	8,219	-
Auditors' remuneration				
- statutory audit	233,500	216,300	78,800	76,700
- other services	10,000	10,500	10,000	11,000
Hire of equipment	-	22,863	-	-
Loss on disposal of property, plant and equipment	-	189,078	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	4,590,799	3,787,425	1,492,657	1,298,264
- Wages, salaries and others	104,764,630	99,022,987	22,773,486	21,061,734

16. Profit before tax (continued)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit before tax is arrived at after charging: (continued)				
Property, plant and equipment written off	634,719	1,529,989	-	-
Property, plant and equipment written off due to fire	-	2,487,824	-	-
Realised loss on foreign exchange	-	2,702,709	-	169,347
Unrealised loss on derivatives	751,151	-	-	-
Negative goodwill	52,365	-	-	-
Rental of premises	1,313,300	1,983,826	818,940	899,501
and after crediting:				
Realised gain on foreign exchange	10,104,470	-	670,814	-
Unrealised gain on:-				
- derivatives	95,600	3,586,392	-	-
- trade receivables and loans and borrowings	1,268,081	1,433,756	-	-
Gain on disposal of property, plant and equipment	70,835	-	10,874	22,720
Interest on short term deposits received	1,587,671	1,120,036	1,034,217	424,683
Rental income	126,000	120,000	210,000	204,000

17. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors				
- Fees	180,000	120,000	180,000	120,000
- Remuneration	8,329,864	7,355,191	3,254,325	2,850,915
	8,509,864	7,475,191	3,434,325	2,970,915
Other key management personnel:				
- Remuneration	2,807,013	2,543,517	1,657,885	1,484,901

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

18. Income tax expense

Recognised in the profit or loss

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax expense				
Current year	18,993,062	14,426,057	1,457,787	3,560,318
Under/(Over) provision in prior year	875,945	(2,432,199)	(190,028)	(79,974)
Overseas – current provision	33,331	-	-	-
	19,902,338	11,993,858	1,267,759	3,480,344
Deferred tax expense				
Origination and reversal of temporary differences	3,026,033	17,678,013	(261,838)	(231,815)
Over provision in prior year	(1,088,423)	(2,784,893)	(25,524)	123,216
Effect of change in tax rate	(811)	-	-	-
	1,936,799	14,893,120	(287,362)	(108,599)
Total tax expense	21,839,137	26,886,978	980,397	3,371,745

Reconciliation of effective tax expense

Profit before tax	112,920,400	140,650,698	44,026,277	42,265,564
Tax at Malaysian tax rate of 25%	28,230,100	35,162,675	11,006,569	10,566,391
Non-deductible expenses	2,184,248	1,603,394	224,899	290,370
Effect of tax rates in foreign jurisdiction	(11,295)	-	-	-
Tax incentives	(8,462,464)	(4,224,859)	(35,489)	-
Income not subject to tax	-	-	(10,000,030)	(7,500,023)
Deferred tax not recognized	11,991	38,248	-	-
Utilisation of previously unrecognised temporary difference	-	(447,000)	-	-
Others	99,035	(28,388)	-	(28,235)
	22,051,615	32,104,070	1,195,949	3,328,503
Under/(Over) provided in prior years				
- income tax expense	875,945	(2,432,199)	(190,028)	(79,974)
- deferred tax expense	(1,088,423)	(2,784,893)	(25,524)	123,216
	21,839,137	26,886,978	980,397	3,371,745

19. Earnings per ordinary share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

Group	2011 RM'000	2010 RM'000
Profit for the year attributable to owners of the Company	89,685	113,376

Weighted average number of ordinary shares

	2011 '000	Group 2010 '000
Issued ordinary shares at 1 January	319,734	159,867
Effect of bonus issue	-	159,867
Effect of treasury shares	(1,090)	(13)
Weighted average number of ordinary shares at 31 December	318,644	319,721

	2011 Sen	Group 2010 Sen
Basic earnings per share	28.15	35.46

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

20. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (tax exempt)	Total amount RM	Date of payment
2011			
Final 2010 ordinary	8.00	25,489,564	19.07.2011
Interim 2011ordinary	3.00	9,558,587	20.12.2011
		35,048,151	
2010			
Final 2009 ordinary	9.00	14,388,028	17.7.2010

21. Operating segments

The Group has three (3) 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
- 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 and interest as included in the internal management reports that are reviewed by the Group MD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

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

21. Operating segments (continued)

Segment liabilities

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

Segment capital expenditure

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

Geographical segments

The glove segment is managed on a worldwide basis, but operates manufacturing facilities and sales offices in Malaysia and Outside of Malaysia.

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

Group

	Revenue RM	Non-current assets RM
Geographical information		
2011		
Malaysia	1,075,512,034	428,464,236
Outside of Malaysia	14,457,210	4,493,737
	1,089,969,244	432,957,973
2010		
Malaysia	1,046,886,637	409,514,776
Outside of Malaysia	-	-
	1,046,886,637	409,514,776

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the year ended 31 December 2011.

21. Operating segments (continued)

<i>Business segments</i>	Technical rubber products		Gloves		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	RM	RM	RM	RM	RM	RM	RM	RM
Total external revenue	130,739,436	110,108,836	946,183,576	936,524,562	13,046,232	253,239	1,089,969,244	1,046,886,637
Segment results	10,560,623	6,557,798	109,857,236	143,173,228	(32,721)	(1,094,445)	120,385,138	148,636,581
Finance costs							(7,464,738)	(7,985,883)
Tax expense							(21,839,137)	(26,886,978)
Profit for the year							91,081,263	113,763,720
Segment assets	43,202,380	47,529,451	385,261,856	361,985,325	4,493,737	-	432,957,973	409,514,776
Total assets							432,957,973	409,514,776
Segment liabilities	18,704,062	17,425,882	208,556,905	270,960,559	36,160,799	2,497,674	263,421,766	290,884,115
Total liabilities							263,421,766	290,884,115
Capital expenditure	2,546,799	4,101,631	56,720,131	82,328,873	326,295	-	59,593,225	86,430,504
Depreciation	6,502,392	6,543,049	33,164,064	27,678,983	613,759	-	40,280,215	34,222,032
Non-cash expenses other than depreciation	(37,627)	86,392	1,291,084	5,363,572	-	-	1,253,457	5,449,964

22. Financial instruments

22.1 Categories of financial instruments

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

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL):
 - Held for trading (HFT);
- (c) Available-for-sale financial assets (AFS); and
- (d) Other financial liabilities measured at amortised cost (OL)

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

Group	Carrying amount RM	L&R/ (OL) RM	FVTPL -HFT RM	AFS RM
2011				
Financial assets				
Other investments	116,000	-	-	116,000
Trade and other receivables, including derivatives	156,061,412	155,965,812	95,600	-
Cash and cash equivalents	51,623,671	51,623,671	-	-
	207,801,083	207,589,483	95,600	116,000
Financial liabilities				
Loans and borrowings	(143,135,533)	(143,135,533)	-	-
Trade and other payables, including derivatives	(103,460,242)	(102,709,091)	(751,151)	-
	(246,595,775)	(245,844,624)	(751,151)	-
2010				
Financial assets				
Other investments	116,000	-	-	116,000
Trade and other receivables, including derivatives	148,379,139	144,792,747	3,586,392	-
Cash and cash equivalents	91,509,094	91,509,094	-	-
	240,004,233	236,301,841	3,586,392	116,000
Financial liabilities				
Loans and borrowings	(162,208,723)	(162,208,723)	-	-
Trade and other payables, including derivatives	(113,129,741)	(113,129,741)	-	-
	(275,338,464)	(275,338,464)	-	-

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

Company	Carrying amount RM	L&R/ (OL) RM	FVTPL -HFT RM	AFS RM
2011				
Financial assets				
Other investments	116,000	-	-	116,000
Trade and other receivables, including derivatives	123,849,654	123,849,654	-	-
Cash and cash equivalents	33,084,370	33,084,370	-	-
	157,050,024	156,934,024	-	116,000
Financial liabilities				
Loans and borrowings	(2,613,583)	(2,613,583)	-	-
Trade and other payables, including derivatives	(10,353,233)	(10,353,233)	-	-
	(12,966,816)	(12,966,816)	-	-
2010				
Financial assets				
Other investments	116,000	-	-	116,000
Trade and other receivables, including derivatives	89,077,079	89,077,079	-	-
Cash and cash equivalents	73,124,029	73,124,029	-	-
	162,317,108	162,201,108	-	116,000
Financial liabilities				
Loans and borrowings	(3,473,245)	(3,473,245)	-	-
Trade and other payables, including derivatives	(9,421,909)	(9,421,909)	-	-
	(12,895,154)	(12,895,154)	-	-

22. Financial instruments (continued)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Net gains/(losses) on:				
Financial assets and liabilities of fair value through profit or loss:				
- Forward foreign currency contracts	(655,551)	3,586,393	-	-
Loans and receivables	12,960,222	(148,917)	1,705,031	255,336
Financial liabilities measured at amortised cost	(7,464,738)	(7,985,883)	(82,708)	(307,821)
	4,839,933	(4,548,407)	1,622,323	(52,485)

22.3 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

22. Financial instruments (continued)

22.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables, especially for established subsidiaries, are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the collectability of the receivables.

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM	Individual impairment RM	Net RM
Group			
2011			
Not past due	127,500,990	-	127,500,990
Past due 0 – 30 days	8,938,476	-	8,938,476
Past due 31 – 120 days	6,540,294	-	6,540,294
Past due more than 120 days	5,091,928	(1,387,442) *	3,704,486 #
	148,071,688	(1,387,442)	146,684,246
2010			
Not past due	136,880,708	(1,098,757)	135,781,951
Past due 0 – 30 days	1,657,290	(500,651)	1,156,639
Past due 31 – 120 days	5,015,303	(3,599,590)	1,415,713
Past due more than 120 days	2,304,470	(1,125,184)	1,179,286 #
	145,857,771	(6,324,182)	139,533,589

22. Financial instruments (continued)

22.4 Credit risk (continued)

Company	Gross RM	Individual impairment RM	Net RM
2011			
Not past due	6,223,302	-	6,223,302
Past due 0 – 30 days	4,151,161	-	4,151,161
Past due 31 - 120 days	3,755,499	-	3,755,499
Past due more than 120 days	737,020	(8,219)	728,801
	14,866,982	(8,219)	14,858,763
2010			
Not past due	11,961,344	-	11,961,344
Past due 0 – 30 days	899,652	-	899,652
Past due 31 - 120 days	698,916	-	698,916
Past due more than 120 days	138,242	(25,890)	112,352
	13,698,154	(25,890)	13,672,264

* Allowance for impairment loss, totaling RM1.3million, is made in respect of corporate customer whose debts are doubtful due to its financial difficulties and defaults in payments.

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

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 January 2011	6,324,182	1,227,900	25,890	190,494
Impairment loss recognised	1,376,137	5,260,886	8,219	-
Impairment loss written off	(6,312,877)	(164,604)	(25,890)	(164,604)
At 31 December 2011	1,387,442	6,324,182	8,219	25,890

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

22. Financial instruments (continued)

22.4 Credit risk (continued)

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 RM159,961,524 (2010: RM157,943,587) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

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

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

Intercompany balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

22.5 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.

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis

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

Group	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 – 5 years RM	More than 5 years RM
2011							
<i>Non-derivative financial liabilities</i>							
Secured term loan	24,330,132	7.30 – 9.02	29,165,263	7,708,727	5,899,903	11,555,269	4,001,364
Bank overdraft (unsecured)	2,931,689	7.30 – 7.38	2,931,689	2,931,689	-	-	-
Revolving credit (unsecured)	25,100,991	1.02 – 2.58	25,100,991	25,100,991	-	-	-
Trade finance (unsecured)	90,772,721	3.14 – 3.58	90,772,721	90,772,721	-	-	-
Finance lease liabilities	16,825,991	2.25 – 3.50	17,740,673	9,698,404	7,689,403	352,866	-
Trade and other payables	102,709,091	-	102,709,091	102,709,091	-	-	-
	262,670,615		268,420,428	238,921,623	13,589,306	11,908,135	4,001,364
<i>Derivative financial liabilities</i>							
Foreign currency contracts (gross settled):							
Inflow	-	-	(214,479,837)	(214,479,837)	-	-	-
Outflow	655,551	-	215,135,388	215,135,388	-	-	-
	263,326,166		269,075,979	239,577,174	13,589,306	11,908,135	4,001,364

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 – 5 years RM	More than 5 years RM
2010							
<i>Non-derivative financial liabilities</i>							
Secured term loan	32,129,921	7.29 – 7.44	38,842,038	9,650,145	7,665,844	13,820,285	7,705,764
Bank overdraft (unsecured)	10,158,713	7.30 – 7.38	10,158,713	10,158,713	-	-	-
Revolving credit (unsecured)	25,563,680	4.80 - 5.10	25,563,680	25,563,680	-	-	-
Trade finance (unsecured)	94,356,409	3.14 – 3.27	94,356,409	94,356,409	-	-	-
Finance lease liabilities	15,545,651	2.50 – 3.50	16,120,254	12,878,387	2,697,953	543,914	-
Trade and other payables	113,129,741	-	113,129,741	113,129,741	-	-	-
	<u>290,884,115</u>		<u>298,170,835</u>	<u>265,737,075</u>	<u>10,363,797</u>	<u>14,364,199</u>	<u>7,705,764</u>
<i>Derivative financial liabilities</i>							
Foreign currency contracts (gross settled):							
Inflow	(3,586,392)	-	(269,314,776)	(269,314,776)	-	-	-
Outflow	-	-	265,728,384	265,728,384	-	-	-
	<u>287,297,723</u>		<u>294,584,443</u>	<u>262,150,683</u>	<u>10,363,797</u>	<u>14,364,199</u>	<u>7,705,764</u>

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Company	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2011							
<i>Non-derivative financial liabilities</i>							
Bank overdraft (unsecured)	1,702,583	7.30 – 7.38	1,702,583	1,702,583	-	-	-
Trade finance (unsecured)	911,000	3.47 – 3.50	911,000	911,000	-	-	-
Finance lease liabilities	544,357	3.30 – 3.50	582,971	258,868	166,911	157,192	-
Trade and other payables	10,353,233	-	10,353,233	10,353,233	-	-	-
	13,511,173		13,549,787	13,225,684	166,911	157,192	-
2010							
<i>Non-derivative financial liabilities</i>							
Bank overdraft (unsecured)	1,854,245	7.30 – 7.38	1,854,245	1,854,245	-	-	-
Trade finance (unsecured)	1,619,000	3.14 – 3.27	1,619,000	1,619,000	-	-	-
Finance lease liabilities	791,891	3.30 – 3.50	865,747	287,638	263,705	314,404	-
Trade and other payables	9,421,909	-	9,421,909	9,421,909	-	-	-
	13,687,045		13,760,901	13,182,792	263,705	314,404	-

22.6 Market risk

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

22. Financial instruments (continued)

22.6.1 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 currencies giving rise to this risk are primarily U.S. Dollar (USD).

Risk management objectives, policies and processes for managing the risk

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

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

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

Forward foreign currency contracts used to hedge receivables

Hedged item	Currency	Amount to be received	Average contract rate	Equivalent RM
2011				
Trade receivables	USD	68,383,785	3.1364	214,479,837
2010				
Trade receivables	USD	86,220,413	3.1236	269,314,776

22. Financial instruments (continued)

22.6.1 Currency risk (continued)

Foreign currency option contracts

2010

There are no foreign currency option contracts outstanding at end of the reporting period.

Exposure to foreign currency risk

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

	Group		Company	
	Denominated in USD		Denominated in USD	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade and other receivables, including derivatives	123,589,587	127,030,896	5,267,312	5,542,454
Trade and other payables, including derivatives	(17,868,507)	(12,609,892)	(173,080)	-
Loans and borrowings	(24,725,971)	(24,563,480)	-	-
Exposure in the statements of financial position	80,995,109	89,857,524	5,094,232	5,542,454

Currency risk sensitivity analysis

A 5% strengthening of Ringgit Malaysia against USD at the end of the reporting period would have increased/ (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Equity		Profit or loss	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Group				
USD	-	-	11,273	13,145
Company				
USD	-	-	198	208

22. Financial instruments (continued)

22.6.1 Currency risk (continued)

A 5% weakening of Ringgit Malaysia against USD at the end of the reporting period would have equal but opposite effect on equity and post-tax profit or loss respectively.

The exposure to currency risk of Group entities which do not have a Euro functional currency is not material and hence, sensitivity analysis is not presented.

22.6.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. It is not the Group's policy to hedge cash flow and interest rate risk.

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Fixed rate instruments					
Deposits with licensed banks		19,316,000	85,691,301	9,000,000	72,000,000
Finance lease liabilities	12	(16,825,991)	(15,545,651)	(544,357)	(791,891)
Revolving credits					
- unsecured	12	(25,100,991)	(25,563,680)	-	-
Trade finance		(90,772,721)	(94,356,409)	(911,000)	(1,619,000)
Fixed rate instruments		(113,383,703)	(49,774,439)	7,544,643	69,589,109

22. Financial instruments (continued)

22.6.2 Interest rate risk (continued)

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Floating rate instruments					
Term loans					
- secured	12	(24,330,132)	(32,129,921)	-	-
Bank overdraft					
- unsecured	12	(2,931,689)	(10,158,713)	(1,702,583)	(1,854,245)
Floating rate instruments		(27,261,821)	(42,288,634)	(1,702,583)	(1,854,245)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 (2010: 50) basis points (bp) in interest rates at the end of the reporting period would have increased/ (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or Loss	
	50 bp increase RM	50 bp decrease RM
Group 2011		
Floating rate instruments	(102,232)	102,232
2010		
Floating rate instruments	(158,582)	158,582
Company 2011		
Floating rate instruments	(6,385)	6,385
2010		
Floating rate instruments	(6,953)	6,953

22. Financial instruments (continued)

22.7 Fair value of financial instruments

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

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

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

Group	2011		2010	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets				
Forward foreign currency contracts	95,600	95,600	3,586,392	3,586,392
Financial liability				
Finance lease liabilities	16,825,991	16,995,911	15,545,651	15,544,126
Forward foreign currency contracts	751,151	751,151	-	-

Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted market price is not available, then fair value 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).

22.8 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

The following financial instruments carried at fair value using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), (Level 2).

Group	Total RM
Foreign currency forward contracts	(655,551)
Company	
Foreign currency forward contracts	-

23. Capital and other commitments

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Property, plant and equipment				
Within one year:				
Contracted but not provided for	-	9,000,000	-	-

24. Acquisitions of subsidiaries

During the year, the Group had completed the following acquisitions:

24.1 Acquisition of subsidiary – Cleanera HK Limited

The Group acquired 1,530,000 shares in Cleanera HK Limited (“CHKL”) for USD3,060,000 satisfied in cash. CHKL is involved in the manufacturing and sales of clean-room gloves. The acquisition of Cleanera HK Limited has expanded the Group’s operation into CHKL principal market in Japan, China and South East Asian countries. In the six months to 31 December 2011 the subsidiary contributed revenue of RM14,933,478 and profit of RM80,775.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	RM
Fair value of consideration transferred	
Cash and cash equivalents	9,176,002
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	4,652,821
Inventories	3,414,019
Trade and other receivables	4,145,314
Cash and cash equivalents	360,380
Deferred tax liabilities	(46,105)
Trade and other payables	(2,094,649)
Borrowings	(404,156)
	10,027,624
Net cash arising from acquisition of subsidiary	RM
Purchase consideration settled in cash and cash equivalents	9,176,002
Cash and cash equivalents acquired	(360,380)
	8,815,622

24. Acquisitions of subsidiaries (continued)

24.1 Acquisition of subsidiary – Cleanera HK Limited (continued)

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	RM
Total consideration transferred	9,176,002
Fair value of identifiable net assets	10,027,624
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	(4,913,546)
	5,114,078
Goodwill	4,061,924

The goodwill is attributable mainly to the existing technicality of Cleanera HK Limited access to clean-room gloves processes, and the synergies expected to be achieved from integrating the company into the Group's existing glove manufacturing business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Subsequent to the acquisition of Cleanera HK Limited, the Group increased its shareholding during the year from 51% to 55% via a rights issue subscription amounting to RM2,133,633.

24.2 Acquisition of subsidiary – Premium Medical Products Sdn Bhd

The Group acquired 2 shares in Premium Medical Products Sdn Bhd ("PMP") for RM2 satisfied in cash. The company was wholly-owned by Dato' Lim Kuang Sia and Mr. Lim Kuang Yong, both directors of the Group but their declared interests in the transaction are not material in terms of value. The Group intends to expand their production lines once the licenses are granted.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	RM
Fair value of consideration transferred	
Cash and cash equivalents	2
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2
Other payables and accruals	(32,514)
Negative goodwill	(32,512)

24. Acquisitions of subsidiaries (continued)

24.3 Acquisition of subsidiary – Cleanera Malaysia Sdn Bhd

The Group acquired 2 shares in Cleanera Malaysia Sdn Bhd (“CM”) for RM2 satisfied in cash. The Group intends to expand their production lines once the licenses are granted.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	RM
Fair value of consideration transferred	
Cash and cash equivalents	2
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2
Other payables and accruals	(19,855)
Negative goodwill	(19,853)

24.4 Acquisition-related costs

The Group did not incur any acquisition-related costs of related to external legal fees and due diligence costs. The legal fees and due diligence costs are borne by the vendor, Inout Enterprise Pte Ltd and Soode Optik Pte Ltd as per the sales & purchase agreement.

If the acquisition had occurred on 1 January 2011, management estimates that consolidated revenue would have been RM1,097,197,849 and consolidated profit for the financial year would have been RM91,148,950. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2011.

25. Liquidation of a subsidiary

On 7 January 2011, the Company liquidated 51% of its equity interest in Normadin Pacific Holdings Corp (“NPHC”), a latex examination gloves trading company. Normadin Pacific Holdings Corp ceased to be a subsidiary of the Group at the date of reporting.

The liquidation of the abovementioned subsidiary had the following effect on the financial position of the Group:

	2011 RM
Other receivables	1
Cash and cash equivalents	1
	2
Loss on disposal	(2)
Net cash impact	-

26. Related parties

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

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

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 17), are as follows:

	Transactions amount for the year ended 31 December	
Group	2011 RM	2010 RM
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
<i>Kossan Chemical Industries (M) Sdn. Bhd.</i>		
Rental expense	(1,231,860)	(1,077,600)
<i>Pleasure Latex Products Sdn. Bhd.</i>		
Sales*	2,992	220
Rental income*	102,000	96,000
<i>Kossan Paint (M) Sdn. Bhd.</i>		
Sales*	429,776	373,770
Purchase of consumables, raw materials and property, plant and equipment	(2,052,322)	(2,655,348)
<i>Pan Asian Corporation Sdn. Bhd.</i>		
Rental expense	(576,240)	(535,080)
Transactions with corporation in which Directors have financial interest		
<i>HT Ceramics (M) Sdn. Bhd.</i>		
Purchase of property, plant and equipment	(1,350,728)	(9,319,086)
<i>Kossan F.R.P. Industries (M) Sdn. Bhd.</i>		
Purchase of consumables	(175,515)	(761,551)
Purchase of property, plant and equipment	-	(1,236,971)
Company		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
<i>Kossan Chemical Industries (M) Sdn. Bhd.</i>		
Rental expense	(650,220)	(574,560)

26. Related parties (continued)

Company	Transactions amount for the year ended 31 December	
	2011 RM	2010 RM
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (continued)		
<i>Pleasure Latex Products Sdn. Bhd.</i>		
Sales*	2,992	220
Rental income*	102,000	96,000
<i>Kossan Paint (M) Sdn. Bhd.</i>		
Sales*	429,776	373,770
Purchase of consumables	(30,910)	(604,509)
<i>Pan Asian Corporation Sdn. Bhd.</i>		
Rental expense	(320,880)	(297,960)
Transaction with corporation in which Directors have financial interest		
<i>HT Ceramics (M) Sdn. Bhd.</i>		
Sales*	1,837	4,813
<i>Kossan F.R.P. Industries (M) Sdn. Bhd.</i>		
Sales*	5,100	1,300

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

Balances with ultimate holding company and related parties at the end of reporting period are disclosed in Note 9 and Note 13 to the financial statements.

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

27. Capital management

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

The debt-to-equity ratios at 31 December 2011 and at 31 December 2010 were as follows:

	2011 RM	Group 2010 RM
Total borrowings (Note 12)	159,961,524	177,754,374
Less: Cash and cash equivalents (Note 10)	(51,623,671)	(91,509,094)
Net debt	108,337,853	86,245,280
Total equity	506,333,098	444,614,980
Debt-to-equity ratios	0.21	0.19

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM 40 million. The Company has complied with this requirement.

28. Supplementary information on the breakdown of realised and unrealised profits and losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained earnings of the Company and its subsidiaries:				
- realised	380,086,286	315,498,091	55,790,397	48,019,012
- unrealised	(33,536,146)	(27,145,624)	(4,172,114)	(4,459,476)
	346,550,140	288,352,467	51,618,283	43,559,536
Less: Consolidation adjustments	(7,239,800)	(3,739,594)	-	-
Total group retained profits as per consolidated accounts	339,310,340	284,612,873	51,618,283	43,559,536

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

Statement by Directors

pursuant to Section 169(15) of the
Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 93 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2011 and of their financial performances and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 28 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 19 April 2012

Statutory Declaration

pursuant to Section 169(16) of the
Companies Act, 1965

I, **Lee Hon Chee**, the officer primarily responsible for the financial management of Kossan Rubber Industries Bhd., do solemnly and sincerely declare that the financial statements set out on pages 30 to 94 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang, Selangor Darul Ehsan on 19 April 2012.

Lee Hon Chee

Before me:

Independent auditors' report

to the members of Kossan Rubber Industries Bhd.

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

Report on the Financial Statements

We have audited the financial statements of Kossan Rubber Industries Bhd, which comprise the statements of financial positions as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flow of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 93.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2011 and of their financial performances and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) The subsidiary in respect of those consolidated using management accounts is identified in Note 4 to the financial statements and we have considered their management financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Lee Yee Keng

Approval Number: 2880/04/13(J)
Chartered Accountants

Petaling Jaya,

Date: 19 April 2012

List of Properties

As at 31 December 2011

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

Location	Description	Date of Acquisition/ Valuation	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2011 RM
No 14 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/95*	18yrs	990 sq.ft	Freehold	Staff quarters	71,644
No 16 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/95*	18yrs	990 sq.ft	Freehold	Staff quarters	71,644
Lot 754 Jalan Hj Sirat 42100 Klang	Factory	3/24/95*	17yrs	246,550 sq.ft	Freehold	Factory	9,426,703
Lot 782 Jalan Hj Sirat 42100 Klang	Factory and office 5 storey office	3/24/95*	Factory-24 yrs Office- 17yrs 4yrs	47,480 sq.ft	Freehold	Factory and office For office use	2,403,975 3,312,346
Lot 16632 Batu 5 1/4 Jalan Meru 41050 Klang	Single storey detached factory	3/24/95*	22yrs	65,175 sq.ft	Freehold	Factory and office	2,415,038
Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/31/95	13yrs	106,177 sq.ft	Freehold	Factory	2,766,382
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor	Factory	1/31/95	9yrs	213,916 sq.ft	Freehold	Factory	4,301,778
Lot 1365 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/3/95	13yrs 4yrs	217,800 sq.ft	Freehold	Factory and office For factory	5,677,664 3,539,380
HS (M) 15410 & 15405 PT 21715 & 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 storey light industrial building	4/3/03	18yrs	174 sq.ft	Freehold	Store	216,233
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Staff quarters	2/27/03	8yrs	5,527 s.mtr	Freehold	Staff quarters	865,492
Lot 6134 and 6135 Batu 16 Jalan Klang Formerly as Lot 1366 Batu 17 Jln Kapar Mukim Jeram	Factory	8/28/03	1yr	152,460 sq.ft	Freehold	Vacant	10,037,811

List of Properties

As at 31 December 2011

Location	Description	Date of Acquisition/ Valuation	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2011 RM
Jeram Geran 40417, Lot 4761 Mukim Jeram Kuala Selangor	Factory	5/19/04	7yrs	1 acres 1 rood 14.67 poles	Freehold	Factory	4,259,761
Lot 6129, 5 1/4 Miles Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	1/28/05	5yrs	434,145 sq.ft	Freehold	Factory and office	26,588,217
HS (D) 116842 PT 54925 Mukim Kapar Daerah Klang	Vacant land	5/30/05	nil	10.77 acres	Freehold	Vacant	5,024,033
HS (D) 116841 PT 54924 Mukim Kapar Daerah Klang	Factory	5/30/05	Land Plant A-1yr Plant B-under construction	11.25 acres	Freehold	Factory and office Factory	4,926,510 16,563,740 4,366,836
Lot PT 13726 Jln Hj Abdul Manan Jln Meru 41050 Klang	Factory	9/26/05	4yrs	5.392 acres	Freehold	Factory and office	14,770,973
GM 1724 & 1725 Lot 5068 & 5069 Batu 5 1/4 Jalan Meru 41050 Klang	Vacant land	11/9/10	under construction	6 acres	Freehold	Factory and office	14,001,016
Lot 6130, 5 1/4 Miles Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	3/21/08	3yrs	10 acres	Freehold	Factory	37,522,581
Lot 1367 Batu 17 Jalan Kapar Mukim Jeram	Vacant land	7/21/09	nil	1.9875 acres	Freehold	Vancant	846,008
Block 2 Zone C, Guang Hui Industrial Park Dongguan City Guangdong China	Cost of Factory Constructed on rented property	6/30/11	7 yrs	na	Rental	Factory	323,766
							174,299,532

Statistics on Shareholdings

as at 30 April 2012

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

Authorised Share Capital : RM 1,000,000,000
Issued and Fully paid Up : RM 159,866,976
Class of Shares : Ordinary shares of RM0.50 each
Voting Rights : One vote per ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	109	2.52	7,221	0.01
100 - 1,000	845	19.56	682,165	0.21
1,001 - 10,000	2,432	56.28	10,647,144	3.34
10,001 - 100,000	800	18.51	22,933,362	7.20
100,001 to less than 5% of issued shares	132	3.06	78,289,720	24.57
-5% and above of issued shares	3	0.07	206,059,940	64.67
Total	4,321	100.00	318,619,552	100.00

Note : Based on adjusted issued shares capital of 318,619,552 ordinary shares of RM0.50 each after deducting 1,114,400 treasury shares retained by the Company as per Record of Depositors.

Directors' Shareholdings

No.	Name of Directors	Direct Interest	No of Shares %	Indirect Interest	%
1	Dato' Haji Mokhtar Bin Hj. Samad	-	-	-	-
2	Lim Kuang Sia - Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Lim Kuang Sia (PB)	381,888	0.12	165,978,488	52.09
3	Lim Kuang Yong	-	-	165,456,240	51.93
4	Lim Kuang Wang	718,848	0.23	165,456,240	51.93
5	Lim Kwan Hwa	-	-	165,466,240	51.93
6	Heng Bak Tan	-	-	28,896	0.01
7	Dato' Tai Chang Eng @ Teh Chang Ying	229,520	0.07	-	-
8	Tong Siew Choo	29,952	0.01	-	-
9	Lim Leng Bung	-	-	165,456,240	51.93

Substantial Shareholders

No.	Name of Substantial Shareholders	No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd	165,456,240	51.93
	- Kossan Holdings (M) Sdn Bhd	113,993,568	
	- Kossan Holdings (M) Sdn Bhd	17,077,472	
	- Kossan Holdings (M) Sdn Bhd	4,433,200	
	- Malaysia Nominees (Tempatan) Sdn Bhd	15,552,000	
	Pledged Securities Account for Kossan Holdings (M) Sdn Bhd (05-00042-000)		
	- EB Nominees (Tempatan) Sdn Bhd	14,400,000	
	Pledged Securities Account for Kossan Holdings (M) Sdn Bhd (PKG)		
2	Kumpulan Wang Persaraan (Diperbadankan)	24,127,300	7.57
3	Employees Provident Fund Board	16,476,400	5.17
	- Citigroup Nominees (Tempatan) Sdn Bhd	13,135,800	
	- Citigroup Nominees (Tempatan) Sdn Bhd (Pheim)	3,340,600	

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	113,993,568	35.78
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	24,127,300	7.57
3	KOSSAN HOLDINGS (M) SDN BHD	17,077,472	5.36
4	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	15,552,000	4.88
5	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND KG33 FOR INVESCO ASIA PACIFIC GROWTH FUND	15,057,500	4.73
6	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (PKG)	14,400,000	4.52
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	13,135,800	4.12
8	KOSSAN HOLDINGS (M) SDN BHD	4,433,200	1.39
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	3,340,600	1.05
10	AMANAH RAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	3,161,200	0.99
11	YEO WHA	3,072,000	0.96
12	RUBY TECHNIQUE SDN BHD	3,013,800	0.95

Statistics on Shareholdings

as at 30 April 2012

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL PAR)	3,009,100	0.94
14	LIM HUI GUAN	2,283,000	0.72
15	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR RUBY TECHNIQUE SDN BHD	2,175,000	0.68
16	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD CIMB ISLAMIC SMALL CAP FUND	1,782,000	0.56
17	RUBY TECHNIQUE SDN BHD	1,736,900	0.55
18	AMANAHRAYA TRUSTEES BERHAD PB GROWTH FUND	1,613,000	0.51
19	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	1,400,000	0.44
20	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	1,228,600	0.39
21	YEE CHEK MUN	1,090,000	0.34
22	CHIA BAK LANG	1,030,000	0.32
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	1,025,100	0.32
24	RUBY TECHNIQUE SDN BHD	986,200	0.31
25	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASHFAK AHMAD BIN ALARAKHA	962,000	0.30
26	HLG NOMINEE (TEMPATAN) SDN BHD PB TRUSTEE SERVICES BERHAD FOR HONG LEONG GROWTH FUND	950,000	0.30
27	PERTUBUHAN KESELAMATAN SOSIAL	934,100	0.29
28	CH'NG CHAN SENG	916,400	0.29
29	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. LLC (CLIENT)	864,200	0.27
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	853,300	0.27
Total		255,203,340	80.10

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Second (32nd) Annual General Meeting of the Company will be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C 9/C, 40100 Shah Alam on Thursday, 21 June 2012 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive the audited financial statements for the year ended 31 December 2011 and the Reports of the Directors' and the Auditors thereon.
2. To approve payment of a final tax exempt dividend of 4 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2011. **(Ordinary Resolution 1)**
3. To approve the payment of directors' fees of RM 180,000 for the financial year ended 31 December 2011. (2010 : RM120,000) **(Ordinary Resolution 2)**
4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association, and being eligible, have offered themselves for re-election:
 - (i) Dato' Haji Mokhtar Bin Haji Samad **(Ordinary Resolution 3)**
 - (ii) Mr. Lim Kuang Wang **(Ordinary Resolution 4)**
 - (iii) Mr. Heng Bak Tan **(Ordinary Resolution 5)**
5. To re-appoint KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**
6. SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary and Special Resolutions:

(A) Authority for Directors to allot and issue shares in general pursuant to Section 132D of the Companies Act. 1965-General allotment. **(Ordinary Resolution 7)**

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

Notice of Annual General Meeting

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

6. SPECIAL BUSINESS (Cont'd)

- (B) Proposed renewal of and further RRPT Mandate for recurrent related party transactions of a revenue or trading nature ("Proposed RRPT Mandate").

"That, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and its subsidiaries shall be mandated to enter into the categories of recurrent related party transactions of a revenue or trading nature specified in Section 2.5 of the Circular to Shareholders dated 28 May 2012 with the following related parties:-

- | | | |
|-----|--|---------------------------------|
| (1) | Kossan Holdings (M) Sdn. Bhd. and its subsidiaries | (Ordinary Resolution 8) |
| (2) | Kossan FRP Industries (M) Sdn. Bhd. | (Ordinary Resolution 9) |
| (3) | HT Ceramics (M) Sdn. Bhd. | (Ordinary Resolution 10) |

Subject further to the following:

- i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;
- ii) the Proposed RRPT Mandate will take effect from the date of the passing of the Ordinary Resolutions proposed at the Annual General Meeting ("AGM") and shall apply in respect of the recurrent related party transactions to be entered into from the date of the forthcoming AGM until the conclusion of the next AGM of the Company. The proposed RRPT Mandate is subject to annual renewal. Any authority conferred by the Mandate shall only continue to be in force until:-
 - (a) the conclusion of the next AGM of the Company, following the AGM of the Company at which such resolution was passed, at which time the said authority would lapse unless renewed by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions; or
 - (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is earlier;

6. SPECIAL BUSINESS (Cont'd)

- iii) disclosure is made in the annual report of the breakdown of aggregate value of transactions conducted pursuant to the RRPT Mandate during the financial year and in the annual report for the subsequent financial year during which the RRPT Mandate is in force based on the type of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company, provided that such transactions are made on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and are on arm's length basis;
- iv) And that the Directors and/or any of them be and are hereby authorised to complete and do such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by these Ordinary Resolutions."

(C) Proposed Renewal of Authority For Share Buy-back

(Ordinary Resolution 11)

- (a) "That, subject to the provisions under the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities and any other relevant authorities, and other relevant approvals (if any), the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares of RM0.50 each of the Company ("Shares") 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 aggregate number of Shares purchased pursuant to this resolution shall not exceed ten per cent (10%) of the total issued and paid up share capital of the Company;
- (b) That the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-back shall not exceed the aggregate retained profits and/or share premium account of the Company;
- (c) That authority be and is hereby given to the Directors of the Company to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any Shares so purchased by the Company in the following manner:
 - (i) the Shares so purchased could be cancelled; or
 - (ii) the Shares so purchased could be retained as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
 - (iii) combination of (i) and (ii) above

Notice of Annual General Meeting

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

6. SPECIAL BUSINESS (Cont'd)

(C) Proposed Renewal of Authority For Share Buy-back (Cont'd)

- (d) That the authority conferred by this resolution shall only continue to be effective until:
- (i) the conclusion of the next AGM of the Company, following the AGM of the Company at which such resolution was passed, at which time the said authority would lapse unless renewed by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is earlier;

- (e) And that the Directors of the Company be and are hereby authorised to take such steps as to give full effect to the Proposed Share Buy-back with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company.”

(D) Adoption of New Articles of Association

(Special Resolution 1)

That the Articles of Association of the Company in the form contained in Appendix I be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association.

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the final tax exempt dividend of 4 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2011, if approved by members at the Annual General Meeting to be held on Thursday, 21 June 2012, will be paid on 18 July 2012. The entitlement date for the dividend will be 28 June 2012.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the depositor's securities account before 4.00 p.m. on 28 June 2012 in respect of ordinary transfer; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG
CHIA YEW NGO

Company Secretaries
Klang, 28 May 2012

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang, Selangor not less than forty-eight hours (48) before the time for holding the meeting.
3. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
4. Explanatory notes on special business

- (a) Ordinary Resolution 7

This is a renewal of the mandate obtained from members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised. The Ordinary Resolution 7 proposed, if passed, will give the directors the authority to issue shares up to an aggregate amount of not exceeding ten per cent (10%) of the issued and paid up share capital of the Company for the time being for such purposes as the directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of next Annual General Meeting of the Company.

The renewal of this mandate will provide flexibility to the Company for any possible fund-raising activities including but not limited to any placing of shares for purpose of funding future investment projects, working capital and/or acquisitions.

Notice of Annual General Meeting

KOSSAN RUBBER INDUSTRIES BHD.
(Company No. 48166-W)
AND ITS SUBSIDIARIES

NOTES (Cont'd)

4. Explanatory notes on special business (Cont'd)

(b) Ordinary Resolutions 8, 9 and 10 (Proposed Shareholders' Mandate for RRPT)

These proposed resolutions, if passed, will allow the Group to enter into Recurrent Transactions pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities. Further information on this Mandate is set out in the Circular to Shareholders dated 28 May 2012, which is despatched together with the Company's 2011 Annual Report.

(c) Ordinary Resolution 11 (Proposed Renewal of Authority for Share Buy-back)

The proposed resolution, if passed, will empower the Directors to purchase the Company's Shares of up to a maximum of ten per cent (10%) of the issued and paid up share capital of the Company by utilising funds allocated out of retained profits and share premium accounts of the Company. Further information on the Proposed Renewal of Authority for Share Buy-back is set out in the Statement to Shareholders dated 28 May 2012, which is despatched together with the Company's 2011 Annual Report.

(d) Special Resolution 1 (Proposed Adoption of New Articles of Association). The proposed special resolution is to bring the Articles of Association in line with the recent amendments to the Main Market Listing Requirements and incorporate all the amendments made over the years into an orderly presentation.



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

Proxy Form

I/We _____

of _____

being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint

of _____ or

failing him, _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Thirty Second (32nd) Annual General Meeting of the Company to be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam on Thursday, 21 June 2012 at 10.30 a.m. and at any adjournment thereof.

ORDINARY BUSINESS	FOR	AGAINST
Receive Audited Financial Statements and Reports		
Approve Final Dividend	- Ordinary Resolution 1	
Approve Directors' Fees	- Ordinary Resolution 2	
Re-elect Directors under Article 108 (i) Dato' Haji Mokhtar Bin Haji Samad (ii) Lim Kuang Wang (iii) Heng Bak Tan	- Ordinary Resolution 3 - Ordinary Resolution 4 - Ordinary Resolution 5	
Re-appoint Messrs KPMG as the Company's Auditors for the ensuing year.	- Ordinary Resolution 6	
SPECIAL BUSINESS		
Authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act. 1965-General allotment	- Ordinary Resolution 7	
Approve renewal of Mandate for RRPT with:- (i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (ii) Kossan FRP Industries (M) Sdn. Bhd. (iii) HT Ceramics (M) Sdn. Bhd.	- Ordinary Resolution 8 - Ordinary Resolution 9 - Ordinary Resolution 10	
Approve Renewal of Mandate for Share Buy-back	- Ordinary Resolution 11	
Adoption of new Articles of Association	- Special Resolution 1	

As witness my hand this _____ day of _____ 2012

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

NAME OF PROXY	NO. OF SHARES ALLOCATED
TOTAL	

Signature(s) of Shareholders(s)

Notes

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

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¼, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.

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

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STAMP

The Secretary
KOSSAN RUBBER INDUSTRIES BHD (48166-W)

Wisma Kossan
Lot 782, Jalan Sg. Putus
Off batu 3¾, Jalan Kapar
42100 Klang, Selangor Darul Ehsan
Malaysia

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KOSSAN RUBBER INDUSTRIES BHD.

Wisma Kossan, Lot 782
Jalan Sungai Putus, Off Batu 3 3/4
Jalan Kapar, 42100 Klang
Peti Surat 188, 41720 Klang
Selangor Darul Ehsan, Malaysia

Tel Number : +603 3291 2657
Fax Number : +603 3291 2903
Email : kossan@kossan.com.my

www.kossan.com.my



KOSSAN RUBBER INDUSTRIES BHD. (48166-W)
(Incorporated in Malaysia)

Errata

ANNUAL REPORT 2011

To all shareholders of Kossan Rubber Industries Bhd

We refer to the Notice of the 32nd Annual General Meeting (“AGM”) dated 28 May 2012 and wish to advise that the following were inadvertently omitted:

1. Members eligible to attend the 32nd AGM

Please be advised that with respect to deposited securities, only members whose names appear in the Record of Depositors on 14 June 2012 (General Meeting Record of Depositors) shall be eligible to attend the AGM or appoint proxy(ies) to attend and/or vote on his behalf.

2. PROPOSED AMENDMENTS OF ARTICLES AND ADOPTION OF NEW ARTICLES OF ASSOCIATION THEREAFTER

In compliance with the recent enhancements issued by Bursa Malaysia Securities Berhad amending certain provisions of the Main Market Listing Requirements (“MMLR”), the Company proposes to align Kossan Rubber Industries Bhd’s Articles with the amendments of the MMLR (differences are underlined) in the following manner:

Explanatory notes on amendments to the Articles of Associations of the Company (Special Resolution 1)

a) Power to reduce capital

To amend Article 17 to allow the reduction of share capital arising out of cancellation of shares under the Company’s Share Buy Back Scheme.

The amended Article 17 shall read as follows:-

Article 17 Other than the cancellation of shares under the Company’s Share Buy Back Scheme, the Company may by Special Resolution and subject to confirmation by the Court, reduce its share capital or any capital redemption reserve fund or share premium account in any manner.

b) Qualification and rights of proxy to speak at a general meeting

To amend Article 83 to allow a proxy appointed to attend and vote at a general meeting of the Company to have the same rights as the members to speak at the meeting.

The amended Article 83 shall read as follows:-

Article 83 Every member shall be entitled to be present and to vote at any General Meeting either personally or by proxy and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. A proxy appointed to attend and vote at a meeting shall have the same rights as the members to speak at the meeting.

c) Appointment of multiple proxies

To amend Article 86A on multiple proxies for exempt authorised nominee. With this inclusion, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus account it hold.

The amended Article 86A shall read as follows:-

Article 86A Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account.

The revised Articles of Association, take into account the above amendments and incorporate all previously approved amendments. The revised Articles of Association, if adopted, will simplify easy reference.

By Order of the Board,

Chia Ong Leong
Chia Yew Ngo
Company Secretaries
Klang, 6 June 2012