

Business Stability with Long Term Sustainable Growth



ANNUAL REPORT 2016

KOSSAN

STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD

(Company No.: 48166-W)

AWARDS



Employer Branding Awards:

- Malaysia Best Employer Brand Awards 2016
- Asia Best Employer Brand Awards 2016

EY Entrepreneur of the Year 2016 Malaysia

- Top 5 Nominee



Sin Chew Business Excellence Awards 2016

- Business Excellence Person of the Year
- Product and Service Excellence Award



The BrandLaureate Awards: The BrandLaureate Most Sustainable Brand Award 2015-2016

- Innovation: Gloves



Frost & Sullivan Asia Pacific Award 2016

- Growth Excellence Leadership in Medical Glove

ACCREDITED LABORATORY



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



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

ENVIRONMENTAL MANAGEMENT SYSTEM



KOSSAN INDUSTRIES SDN BHD
Has been certified by
Lloyd's Register Quality Assurance Limited
Against ISO 14001
(Approval Certificate No.: KLR 6037368)



HIBON CORPORATION SDN BHD
Has been certified by
Lloyd's Register Quality Assurance Limited
Against ISO 14001
(Approval Certificate No.: KLR 6015621)

QUALITY MANAGEMENT SYSTEM



Automotive
TS 16949
SAI GLOBAL

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



Quality
ISO 9001
SAI GLOBAL

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



Quality
ISO 9001
SAI GLOBAL

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



KOSSAN INDUSTRIES SDN BHD
Has been certified by
IKRAM QA Service Sdn Bhd
for BS EN 681-PL1
Certificate No: IKRAM-B273-G0141-N3416



DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by
IKRAM QA Service Sdn Bhd
Against MS 1385
Certificate No: IKRAM-B104-G0107-N2505



HIBON CORPORATION SDN BHD
Has been certified by
Lloyd's Register Quality Assurance Limited
Against ISO 9001
(Approval Certificate No.: KLR 0403696)



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



KOSSAN INTERNATIONAL SDN BHD
ISO 13485:2003 & EN ISO 13485:2012
Certificate No.: MD 613670



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



WEAR SAFE (MALAYSIA) SDN BHD
ISO 13485:2003 & EN ISO 13485:2012
Certificate No.: MD 518352, MD 612272, MD 598966



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



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



KOSSAN INTERNATIONAL SDN BHD
ISO 9001:2008
Certificate No.: FM 613665



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



WEAR SAFE (MALAYSIA) SDN BHD
ISO 9001:2008
Certificate No.: FM 518350, FM 612273, FM 598970



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



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



CORPORATE VISION

To be the most respected global leader in the latex glove manufacturing industry.

CORPORATE MISSION

To be the most respected global leader, we need to be:

- Operational and financial excellence through continuous technological advancement and innovation.
- People-centric with focus on peoples' competencies development, team work, professionalism and welfare.
- A good and responsible corporate citizen with effective policies to protect the earth and promote sustainability.

CORPORATE CORE VALUES

Inspired	Innovative
Caring	Honorable
Committed	

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CORPORATE INFORMATION

○ BOARD OF DIRECTORS

Mohamed Shafeii Bin Abdul Gaffoor
(Chairman) (appointed on 23.01.2017)

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

Lim Leng Bung
Tan Kong Chang

Lim Siau Tian

Lim Siau Hing

Lim Ooi Chow

Lee Choo Hock

Hoh Kim Hyan (appointed on 23.01.2017)

Dato' Haji Mokhtar Bin Haji Samad
(retired on 23.01.2017)

Tong Siew Choo (retired on 23.01.2017)

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

○ PRINCIPAL BANKERS

Ambank (M) Berhad
Bank Muamalat (Malaysia) Berhad
Cooperatieve Centrale Raiffeisen – Boerenleenbank B.A
(Labuan Branch)
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Sumitomo Mitsui Banking Corporation
Malaysia Berhad

○ SHARE REGISTRAR

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

○ STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

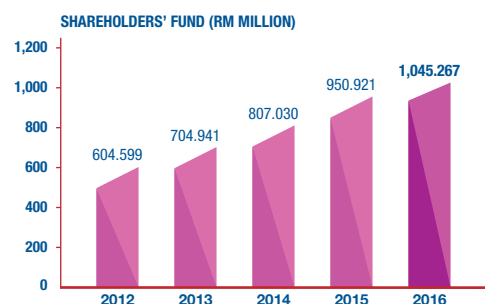
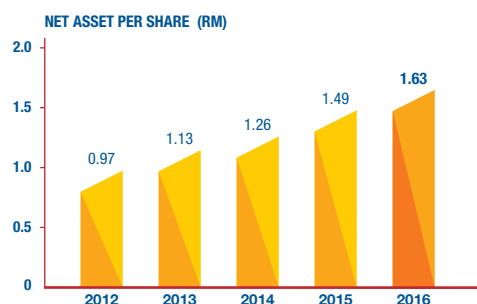
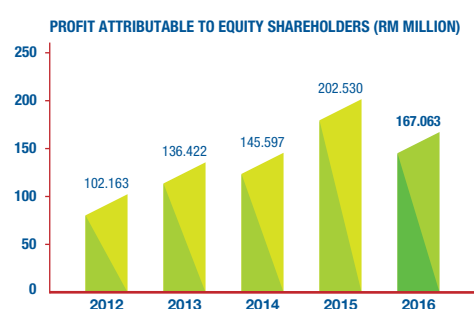
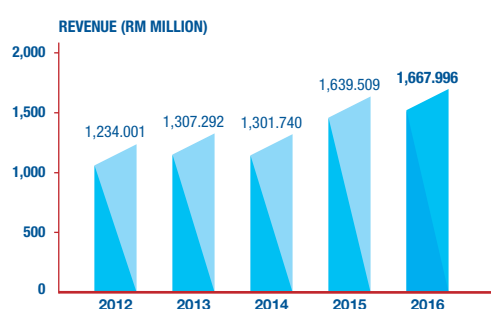
○ INVESTOR RELATIONS

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

FINANCIAL HIGHLIGHTS

Period/Year Ended	31 DEC 16	31 DEC 15	31 DEC 14	31 DEC 13	31 DEC 12
Financial Results (RM'000)					
Revenue	1,667,996	1,639,509	1,301,740	1,307,292	1,234,001
Profit before taxation	210,008	268,567	186,721	180,134	138,451
Profit attributable to equity holders of the Company	167,063	202,530	145,597	136,422	102,163
Financial Position (RM'000)					
Total borrowings	177,486	223,292	206,096	168,971	199,001
Total assets	1,551,904	1,476,295	1,289,665	1,106,018	989,937
Total cash and bank balances	109,847	168,383	63,899	100,601	99,845
Total net tangible assets	1,038,702	945,995	802,104	700,015	599,673
Share capital	319,734	319,734	319,734	319,734	159,867
Equity attributable to equity holders of the Company	1,045,267	950,921	807,030	704,941	604,599
Financial Ratios					
Basic earnings per share (sen)	26.13	31.67	22.77	21.33 *	16.00
Net assets per share (RM)	1.63	1.49	1.26	1.13 *	0.97
Net gearing ratio (%)	6.47	5.77	17.62	9.70	16.40
Return on equity (%)	15.98	21.30	18.04	19.35	16.90
Return on assets (%)	11.02	13.98	11.54	12.66	10.58
Dividend per share (sen)	11.00	12.00	8.00	7.00 *	12.00

* The comparative basic earnings per share, net assets per share and dividend per share have been adjusted taken into account the effect of bonus issues on the basis of one new ordinary shares for every one existing ordinary shares held in FY2013





***"Navigating The
Challenges
Smoothly"***

Dato' Lim Kuang Sia

*Managing Director and
Chief Executive Officer*

MANAGING DIRECTOR'S REVIEW AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

For over the past many years, Kossan has benefitted from the insights and experience of a very dedicated Board. Kossan is fortunate to have such a wealth of knowledge and experience at its disposal. Two long serving members, Dato' Haji Mokhtar Bin Haji Samad who was our Non-Executive Chairman and Madam Tong Siew Choo, an Independent Non-Executive Director, both appointed to the Board in 1997 and 2002 respectively, have retired on 23 January 2017. The Board thank them for their dedication and contribution in the past and wish them all the best in their future undertakings.

Managing Director's Review and Management Discussion & Analysis

We are pleased to welcome on board two new members to the Board – Encik Mohamed Shafeii Bin Abdul Gaffoor and Madam Hoh Kim Hyan. Encik Shafeii has been appointed the Company's new Non-Executive Chairman and Madam Hoh an Independent Non-Executive Director effective 23 January 2017. We look forward to benefitting from their wealth of experience and fresh perspectives.



Mohamed Shafeii Bin Abdul Gaffoor



Hoh Kim Hyan

REVIEW OF OPERATIONS

The financial year ended 31 December 2016 ("FY 2016") was a much tougher operating environment compared to the preceding year. Despite the significant economic headwinds, Kossan Rubber Industries Bhd ("Kossan" or the "Company"), has proven its strength and resilience in navigating the myriad challenges, successfully keeping the Company on a sustainable growth trajectory.

In FY 2016, Kossan continued to meet expectations in delivering a strong underlying financial performance, with revenue improving by 1.74 % to RM1.668 billion. Profit before taxation ("PBT") was recorded at RM210.0 million, extending the Company's unbroken track record of profitability for the 21st year since our listing in 1996.

Operationally, FY 2016 was also a year of achievements. Undoubtedly, the year's highlight was the launch of Kossan's revolutionary Low Derma Technology nitrile gloves on 1 September 2016. This breakthrough technology firmly places Kossan at the forefront of a world-wide solution for Types I and IV hypersensitivity, an immune response that can develop among some rubber glove users. While we look back on FY 2016 with a sense of satisfaction and accomplishment, we realise we have more to do. We have already in place the strategies, people and structures to cope with the toughening market conditions and this has set Kossan up for the next phase of its ongoing development. Through the disciplined execution of our far-ranging business expansion plans, Kossan is well positioned for sustained success.

OPERATING ENVIRONMENT

FY 2016 was another volatile and challenging year not only for Kossan but the glove industry as a whole. The global economy was dominated by the unexpected result of the European Union ("EU") referendum in the United Kingdom ("UK") leading to Brexit and the outcome of the US presidential elections. There were also signs of moderating growth in the major economies and concerns about China as a global engine of growth. The year also saw oil prices decline by 47% in 2015, hitting a low of USD26.39 per barrel in January 2016, a level not seen since 2003. (Source: Economic Report 2016/17, page 3). As a result of all these uncertainties and volatility, the global economy only recorded a growth of 3.1% in 2016, the weakest performance since the global financial crisis of 2008-2009. (Source: International Monetary Fund ("IMF"), World Economic Outlook Update, January 2017).

Managing Director's Review and Management Discussion & Analysis

OPERATING ENVIRONMENT (CONT'D)

As a very open economy, Malaysia could not remain isolated by developments in its external environment. During the year, the Ringgit and other regional currencies weakened against the US Dollar ("USD") as a result of capital outflows. Against the USD, the Ringgit was the second worst performer among the Association of Southeast Asian Nation ("ASEAN") countries. Following a recalibration of the 2016 Budget in January 2016, the Malaysian economy has been projected to grow by 4 % - 4.5 % in 2016. (Source: Economic Report 2016/2017, page 3).

Against this backdrop, the Malaysian glove industry also had to contend with the following challenges and developments:

- Escalating production costs resulting from the hike in minimum wages and natural gas prices. During the year, the price of natural gas increased two times, in January and again in July. With the coming into effect of the Malaysian Government's Minimum Wage Order 2016 ("MWO 2016"), minimum labour wages increased from RM900 to RM1,000 effective 1 July.
- Compared to FY 2015, the year in review saw a continuous rise in the prices of natural rubber and nitrile latex, the main ingredients in glove and other rubber related products manufacturing. The price of natural rubber latex rose from an average of RM3.55 per kg in January 2016 to RM6.16 per kg by year-end, a stiff increase by approximately 73%. (Source: MARGMA Media Statements, 21 April 2016 and 17 January 2017).
- A surge in glove capacity led to heightened competition among industry players, resulting in pricing pressure.
- Additional labour costs were also incurred due to a persistent shortage of foreign labours.
- The industry was also affected by the US FDA's proposed ban on the usage of powdered medical gloves in the US. However, this had minimal impact on Kossan as the volume of powdered gloves exported to the US was minimal.

PERFORMANCE INDICATORS

Notwithstanding the toughening operating conditions, the results we achieved in FY 2016 reflect the disciplined pursuit and execution of strategies that we have put in place over the years. As a result, we were able to make progress on many fronts:

- During the year, Kossan delivered another set of commendable financial results and continuously deliver uninterrupted returns to our shareholders.
- Innovation has become critical to the long-term health of our business, our brand and competitive position in the market. FY 2016 was a milestone year for Kossan with the launch of the accelerator free nitrile glove made using its patented Low Derma Technology. The breakthrough achievement firmly places Kossan at the forefront of a world-wide solution to hypersensitivities glove wearers.
- Integral to our Strategic Marketing Plan, Kossan continued to expand its geographic footprint in emerging markets.
- Kossan Industries Sdn Bhd, our technical rubber products ("TRP") manufacturing subsidiary, was successfully certified to the ISO 14001:2015 Environmental Management System.
- In a difficult environment, we were successful in our efforts to exercise capital discipline, paring down debts while vigilant in the capital expenditure. Significant strides were made at improving productivity and achieving operational cost-efficiency. Our manufacturing processes have been optimised to reduce chemical, utilities and manpower usage. Through increased automation, we were successful in reducing headcounts.
- Our business expansion plans through constructing new plants remain on track to meet the targeted completion dates.

Managing Director's Review and Management Discussion & Analysis

PERFORMANCE INDICATORS (CONT'D)

- Kossan recognises that its long-term success is closely tied to its interactions with stakeholders. As such, we are committed to conducting constructive dialogues with stakeholders to ensure that we understand key issues and are able to clearly communicate our position. Through a materiality matrix, we continue to draw insights and metrics from relevant stakeholders.
- Kossan was recognised in several industry awards throughout FY 2016 from the Employer Branding Institute, Frost & Sullivan and BrandLaureate, among others. This follows an expanding list of prestigious awards and accolades the Company has received over the years.

FINANCIAL PERFORMANCE

Kossan's financial performance in FY 2016 reflects the disciplined pursuit and execution of strategies put in place to ensure sustainable growth and generate increasing value for our shareholders. This has enabled Kossan to sustain for 21 years of unbroken record of profitability since its listing in 1996.

RM'000	FY2016	FY2015	Change	(%)
Revenue	1,667,996	1,639,509	+28,487	+1.74
- Technical Rubber Products	159,997	160,221	-224	-0.14
- Gloves	1,442,410	1,411,055	+31,355	+2.22
- Cleanroom Products	65,582	68,233	-2,651	-3.89
- Others	7	0	+7	n.a.
Operating Profit	215,959	276,556	-60,597	-21.91
- Technical Rubber Products	30,638	12,223	+18,415	+150.66
- Gloves	184,021	260,262	-76,241	-29.29
- Cleanroom Products	2,658	5,152	-2,494	-48.41
- Others	-1,358	-1,081	-277	-25.62
Profit Before Taxation	210,008	268,567	-58,559	-21.80
Profit After Taxation	171,048	206,319	-35,271	-17.10
EBITDA	285,256	343,464	-58,208	-16.95
Earnings per Share (sen)	26.13	31.67	-5.54	-17.49
EBITDA Margin (%)	17.10%	20.95%	-3.85%	-
PBT Margin (%)	12.59%	16.38%	-3.79%	-
PAT Margin (%)	10.25%	12.58%	-2.33%	-

For FY 2016, Kossan generated a total revenue of RM1.668 billion, a slight improvement of 1.74% or RM28.49 million compared with FY 2015. Revenue growth was attributed to slight increase in volume of gloves sold during the year. However, operating under a persistent tough and challenging environment in the glove industry, our PBT declined 21.8% to RM210.00 million.

Managing Director's Review and Management Discussion & Analysis

FINANCIAL PERFORMANCE (CONT'D)

Segmental Contribution	FY2016	FY2015
REVENUE		
Technical Rubber Products	9.59%	9.77%
Gloves	86.48%	86.07%
Cleanroom Products	3.93%	4.16%
OPERATING PROFIT		
Technical Rubber Products	14.19%	4.42%
Gloves	85.21%	94.11%
Cleanroom Products	1.23%	1.86%
Others	-0.63%	-0.39%

In terms of segmental contribution, our Gloves Division remained the biggest contributor to Kossan's revenue and profitability, accounting for approximately 86.5% and 85.2% respectively for FY 2016. The second biggest contributor to revenue and profitability was our TRP Division, which is involved in the manufacturing and distribution of high technical input rubber products. The contribution of our Cleanroom Division to the Group profitability declined marginally to 1.23% from the previously recorded 1.86%.

(RM'000)	FY2016	FY2015	Change	(%)
Cash and Bank Balance	109,847	168,383	-58,536	-34.76
Total Assets	1,551,904	1,476,295	+75,609	+5.12
Total Liabilities	477,708	499,849	-22,141	-4.43
Total Bank Borrowings	177,486	223,292	-45,806	-20.51
Shareholders' Fund	1,045,267	950,921	+94,346	+9.92
Issued and Fully Paid Capital	319,734	319,734	-	-
Return on Assets (%)	11.02	13.98	-2.96	-
Returns on Equity (%)	15.98	21.30	-5.32	-
Net Gearing Ratio (%)	6.47	5.77	+0.7	-
Net Asset per Share (sen)	163	149	+14	-

Overall, Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") fell by 16.95% to RM285.26 million from RM343.46 million in FY 2015. In line with our reduced profitability, earnings per share also declined to 26.13 sen, from 31.67 sen recorded previously.

The Group's cash and bank balance remained healthy at RM109.85 million. During the year, part of the cash was utilised to repay bank loans and consequently, total borrowings were reduced by 20.5% in FY2016, against RM223.29 million recorded previously. Despite the Group embarking on business expansion programme, our gearing remained low and manageable at 6% level. As part of the Management's philosophy of continual reinvestments, part of our cash reserves was also utilised to fund capital expenditure including revamping and upgrading works of the existing plants.

Overall, the Group's balance sheet remained strong with improvements in many key parameters. With total liabilities reduced by 4.43%, net asset per share of the Group increased 14.0 sen to RM1.63 in FY 2016, compared with RM1.49 registered in the last financial year. Significantly, our Shareholders' Fund breached the RM1 billion mark for the first time as at year-end 2016. Shareholders' Fund grew by almost 10.0% to RM1.045 billion from RM950.92 million recorded in the previous year.

Managing Director's Review and Management Discussion & Analysis

DELIVERING SUSTAINABLE RETURNS

It has always been Kossan's philosophy to create value for its shareholders through a sustained dividend policy. In line with our current year earnings performance, the Board has declared a total dividend of 11.0 sen for FY 2016 as compared with 12.0 sen for FY 2015. The payout ratio for FY2016 was 3.9% higher at 41.1% as compared with 37.2% in the previous year.

Dividend Declared	FY2016	FY2015	Change
Total Declared (sen per share)	11.0	12.0	-1.0 sen
Total Payout (RM'000)	70,341	76,736	-6,395
Payout Ratio (%)	41.1	37.2	+3.90

CORPORATE DEVELOPMENTS

During FY 2016, we continued to invest capital in future growth opportunities. Our 70%-owned subsidiary, Doshin Rubber Products (M) Sdn. Bhd. ("Doshin") had on 15 June 2016, entered into a Memorandum of Agreement ("MOA") with Shanghai Tongji University Tong Tech Metro Vibration Control Co. Ltd. ("TVMC") to jointly design and manufacture anti-vibration systems for railways, buildings and bridges for the growing China market.

On 29 June 2016, our wholly-owned Kossan International Sdn. Bhd. ("KISB") incorporated a new subsidiary, KISB Limited Shanghai under the laws of China Shanghai Free Trade Zone. Its principal activities include the import and export of medical and industrial rubber gloves, personal protective equipment and other rubber products.

SEGMENTAL PERFORMANCE

Kossan's business model is anchored in three main lines of business - Gloves, TRPs and Cleanroom. In all, we have a total of 20 plants presently in operation: 15 for the production of gloves, 4 for TRPs and 1 for cleanroom products. All our plants are located in Malaysia, with the exception of the plant manufacturing cleanroom products, which is located in Dongguan, China.

Glove Division

With the successful commissioning of new plants in November 2015, Kossan now has a total of 15 plants in operation. The continual expansion programme has boosted Kossan's annual production capacity to 22 billion pieces, ranking us as the world's second largest manufacturer of latex gloves with an approximately 10% share of the global market estimated to be around 212 billion pieces.

Despite the surge in capacity experienced during FY 2016 industry wide, we were able to achieve a healthy utilization rate of approximately 80%. We have an ideal product mix of 70:30 nitrile to natural latex gloves to meet the demands of our respective markets. Besides our premium medical grade gloves, we also manufacture special purpose gloves for a wide range of applications. More than 80% of our total production is exported to developed markets in the US, Euro Zone, Japan and Korea.

The Glove Division continued to be Kossan's key earnings driver in FY 2016, contributing some 86.5% and 85.2% respectively to the Group's revenue and profitability. However, our Glove Division reported a lower operating profit at RM184.02 million, a decline by 29.3% as compared with its previous year. The lower earnings performance was mainly attributed to less favorable operating conditions, which included among others, escalated production costs, higher raw material costs and persistent industry-wide pricing pressures.

In the second and third quarter of the financial year, the Glove Division has experienced a higher average cost per unit of output owing to a production interruption. This was mainly due to scheduled upgrading of old production lines and conversion of biomass fuel to natural gas in two of our plants commencing in the second quarter. Production at the two plants has resumed in full in the fourth quarter after the revamp and upgrading works were completed.

Managing Director's Review and Management Discussion & Analysis

SEGMENTAL PERFORMANCE (CONT'D)

Technical Rubber Products ("TRP") Division

The TRP Division is involved in the manufacturing and distribution of high technical input rubber products, which are used in a wide array of industrial applications. The business was started in 1979, and since then, Kossan has grown to become one of the largest manufacturer of TRPs in Malaysia, not only in terms of capacity but the range of products produced. Presently, we have four TRP manufacturing plants with a total compounding capacity exceeding 10,000 metric tons per annum. During FY 2016, we achieved an utilisation rate of around 70-80%. About 60% of our TRP products are exported, mainly to the US, Euro Zone and some ASEAN countries. The TRP Division is also supported by our internal accredited laboratory that is certified to MS ISO/IEC 17025.

The TRP Division continued to be Kossan's second biggest contributor, accounting for 9.59% or RM160.0 million of the Group's revenue in FY 2016. Operating profit was RM30.64 million, an increase of 150.66% from the preceding year.

Cleanroom Division

Cleanroom products include face masks, gloves and wipes that are mainly used in the electrical and electronic industries. The Dongguan plant in China is not involved in glove manufacturing activities but undertakes the cleaning process on gloves produced in Malaysia by our Glove Division. For the year under review, the Cleanroom Division earned revenue of RM65.58 million, contributing 3.93% to Group revenue. Operating profit was recorded at RM2.658 million compared with RM5.152 million previously.

COMPETITIVE STRENGTHS

The consistency of Kossan's ability to deliver results in FY 2016, even under volatile and difficult operating conditions bears ample testimony that the fundamental pillars of the Group are strong. As we stand today, our fundamentals have never been more solid and our competitive strengths will ensure we will continue to successfully navigate through the challenges and unlock the considerable potential the industry still has to offer. Among our strategic goals are to secure our earnings power and competitive position at home and abroad.

Our various strengths are the clear differentiators that set us above and apart in a competitive business. As we forge ahead, the foundations of our continuing success will include the following:

Proven Business Model

Kossan's goal is to deliver sustainable shareholder value by leveraging the capabilities and strengths of the Group. In this respect, our business model continues to serve us well. Anchored in three main lines of businesses, our model provides for consistent and profitable growth not only to reward our shareholders but generate the funds to reinvest in growing our businesses. We see substantial long-term value creation and growth potential from our main lines of businesses.

Balance Sheet Strength

Guided by our philosophy of "Doing Things Within Our Means", it ensures that we do not over stretch our financial and key resources. Thanks to our prudent approach, we have always achieved a strong balance sheet. This has also been borne out by the Compound Annual Growth Rates ("CAGR") of our key financial indicators over the past decade, where we have consistently recorded encouraging growth in shareholders' fund, revenue and profit. Our balance sheet strength gives us latitude to tap the capital markets for funds if the need arises, and to take advantage of organic investment opportunities in the most attractive growth markets.

Managing Director's Review and Management Discussion & Analysis

COMPETITIVE STRENGTHS (CONT'D)

Technological Edge

Kossan's distinctive capabilities of advanced technology has shaped its progress and continues to the present day. Innovation and technology will continue to be the key enablers in meeting some of today's challenges. Our investment in automating our processes has paid off, especially in the face of rising minimum wages and labour shortages. Over the next five years, the Group will be investing over RM100 million in upgrading its plants, with a focus on technology and automation.

Strong R&D Back-up

R&D in the Group has always been one of our top priorities. Our R&D capabilities have always been the backbone of the Group's robust competitiveness, propelling us to our current position of strength within the industry. Kossan's R&D efforts are led by two teams, comprising highly qualified and experienced chemists and engineers, focusing on product innovation and development, quality and process improvement, automation and technological solutions to rising production and raw material costs.

Uncompromising Quality Control

With more than 80% of our glove output destined for the export markets, we have to meet stringent quality requirements. Internally, we have a Quality Assurance Department conducting regular internal audits to reinforce quality control that meet or exceed clients' expectations. All our glove manufacturing facilities have also earned certification to internationally-recognised quality management systems such as those certified by the International Organisation for Standardisation ("ISO"). We are also in compliance with the requirements of the US FDA, Conformite Europeene ("CE") and the Health Canada Medical Device Bureau, among others.

A Trusted Brand

The Kossan brand is one of our most important assets and has been carefully nurtured over the years. We are focused on building a high quality customer experience, reinforced by an excellent track record of product quality, competitive pricing, timely delivery and flexibility to meet our customers' specific requirements. For this reason, Kossan is the preferred supplier to many of the biggest pharmaceutical multinationals in the developed countries. Our ability to consistently come up with innovative products needed by the market has further strengthened our brand, ensuring us of repeat businesses and new customers.

OUTLOOK & PROSPECTS

Operating Environment in 2017

The IMF has projected that economic activity will pick up in the coming year, notably among the emerging market and developing economies ("EMDEs") with the bottoming out of commodity prices. As a result, the global economy is expected to grow by 3.4% in 2017. (Source: International Monetary Fund ("IMF"), World Economic Outlook Update, January 2017) Notwithstanding the improvement in global growth, downside risks remain, including volatility in global financial markets, subdued global trade, currencies pressures as well as escalating geopolitical tensions.

Given the nation's strong economic fundamentals, the Malaysian economy is expected to expand by between 4% and 5% in 2017. (Source: Economic Report 2016/17, page 23). Growth will be driven by domestic demand, particularly private consumption and investment expenditures. Inflation will remain manageable, with the economy continuing to operate under full employment.

Managing Director's Review and Management Discussion & Analysis

OUTLOOK & PROSPECTS (CONT'D)

Opportunities and Challenges

We are fortunate that the glove business is not cyclical by nature. The demand for gloves remains robust as they have become an indispensable part of the medical and healthcare industry. As of now, there is no viable replacement for gloves as an infection control device in the healthcare industry. The glove industry's growth potential therefore remains intact.

According to the Malaysian Rubber Glove Manufacturers Association ("MARGMA"), total global glove consumption is expected to hit the 232.2 billion mark in 2017, and will continue to grow by 8% to 10% annually over the next four to five years. Advanced economies such as the US, European Union ("EU") and Japan collectively account for about 68% of global glove consumption. (Source: ASEAN Briefing, 13 February 2017).

Meanwhile, growing government expenditure on healthcare reform, healthcare needs and increasing awareness of health-related issues and an aging population in emerging economies of Asia, Middle East, Russia and Africa will drive the industry's expansion going forward. Consumption rate per capita for gloves is still low at 11 pieces per person per year, compared to the world average of 50 pieces and 100 pieces in the developed economies of US and EU. ASEAN Briefing, a premier source for technical and business information in the ASEAN region, has forecast that the demand for gloves over the next five years may hit 55 billion pieces, driven by increasing consumption in emerging markets. With a 63% share of the glove market, Malaysia could be the largest beneficiary of this increasing demand.

While the healthcare sector constitutes a large chunk of the demand for disposable gloves, there is also a growing demand from the non-medical sector, mainly for food processing, cleanroom and industrial applications. The household sector also looks set to be the next main driver of glove consumption.

All these developments are exciting opportunities to further unlock the value-creating potential of our businesses for Kossan and its shareholders. Nonetheless, we are well aware that there remain challenges that must be addressed. The challenges as listed earlier will continue to persist in the near-term. They include escalated production costs and rise in raw material prices. We will also need to contend with industry-wide price pressures due to an aggressive capacity expansion. Other challenges include a labour shortage and periodic interruptions to water supply.

Taking Us To The Next Level

The MOA entered into with TVMC paves the way for the two parties concerned to combine their respective expertise to jointly design and manufacture anti-vibration systems for the potentially lucrative Chinese market. Doshin will manufacture the floating flabs, rubber pads and develop the base plate vibration technology based on designs provided by TMVC. Both parties will jointly undertake product development, design and manufacture the products. To us, this is a strategic platform that pave way for us to market our rubber products to the burgeoning rail industry in China and other countries.

At the same time, Kossan is working closely with the Malaysian Government to promote the use of local rubber products for its infrastructure projects, such as the Mass Rail Transit ("MRT") system and other potential infrastructure projects.

Kossan has much to look forward in FY 2017 and beyond. When we look at our business, we see a sea of opportunities outlined by MARGMA and ASEAN Briefing. Notwithstanding the volatilities and uncertainties in our operating environment, we believe our destiny is in our own hands. Based on our available land bank and planned business expansion programme currently underway, our earnings visibility is very clear.

Managing Director's Review and Management Discussion & Analysis

OUTLOOK & PROSPECTS (CONT'D)

Taking Us To The Next Level (Cont'd)

Transforming our business to a higher level is a strategic move in the longer-term interest of the Company and its stakeholders. It is key to stay competitive in a dynamic marketplace and will keep us busy over the next 5 to 6 years. We know we have our work cut out for us, but we remain on track to progressively improve returns and generate value for years to come. The strategic priorities of the Group in moving forward are as follows:

- (a) **Business expansion programme.** Kossan has embarked on an expansion programme to meet an anticipated rise in demand for its glove products and to sustain the long-term sustainability of our business. The plan is to double our existing production capacity from the present 22 billion pieces to 44 billion pieces per annum by the year 2023. These new plants will be equipped with the latest state-of-the-art technology to facilitate increased output, higher degree of automation, more efficient energy consumption and affords a greater degree of control through a higher level of computerisation throughout the manufacturing process. Our expansion plans will increase our revenue stream, beginning from the third quarter of FY 2017. Up to end of FY2016, we have a total land bank of 84 acres for our current and future business expansion. All these strategically located land banks are in industrial status and ready to be developed.

In May 2016, we have commenced construction work to build one new plant located at Jalan Meru, Klang. This plant will be equipped with high speed dipping technology with high degree of automation including packing area and is expected to commenced production in July this year. Once completed, this plant is capable of producing up to 3.0 billion pieces of nitrile glove per annum.

To ensure continuous business expansion, transformation and longer term sustainable growth, the Group will continue to build new plants with high efficiency, productivity and equipped with high degree of automation to overcome the acute labour shortage besides creating a more conducive working environment.

Currently, the Group is in the final planning stage to build 2 new plants located along Jalan Meru and the construction work is expected to start by first half of 2017. These 2 new plants are capable of producing up to 4.5 billion pieces of nitrile glove per annum and the maiden commercial production is targeted to commence in the second and fourth quarters of 2018 respectively.

Another phase of expansion, is our 56 acres land in Bestari Jaya. This site will be developed in 4 phases, with each phase capable of producing 4.5 billion pieces of glove. The development of this site is targeted to commence from 2019 until 2023 and will underpin our Group's earnings for the next 5 to 6 years.

- (b) **R&D.** Consistent and long-term investment in R&D is essential to bring new products such as our Low Derma, the patented accelerator free nitrile gloves to the market. Between 15% and 20% of the Group's production capacity is now dedicated to the production of Low Derma gloves. Riding on this momentum, we anticipate more new products will be developed and launched in the near future.

Meanwhile, the construction of a new R&D Centre is ongoing and has been targeted for completion in the fourth quarter 2017. The Centre will be the nerve centre of the Group's R&D activities, focusing on new innovations and quality improvement aspects of our products. This will also involve research into engineering and robotics implementation that will provide higher automation systems for existing and new manufacturing plants, with the objective of further reducing our dependence on manpower.

- (c) **Technological edge.** We are already one of the more efficient and cost-effective players in the glove industry, but we remain focused on improving cost performance in every part of our business to mitigate the impact of escalating production costs. Throughout the Group, we are progressively moving towards a lean manufacturing process.

In our efforts to reduce production downtime, data has been used for comparison and preventive system put in place to reduce the unscheduled downtime. More efforts will be channeled onto automation including automating the packing activities aiming to reduce manual headcounts as well as to eliminate unnecessary wastage due to human error. As part of our process improvement exercise, business process computerization on the production floor as well as the back office will facilitate greater efficiency and productivity by eliminating redundant or non-value-added processes and workflows.

Managing Director's Review and Management Discussion & Analysis

OUTLOOK & PROSPECTS (CONT'D)

Taking Us To The Next Level (Cont'd)

- (d) **Penetrating new markets.** The geographical expansion of our business continues to be a critical aspect to our growth strategy. As outlined earlier, opportunities abound in the emerging economies where the per capita consumption of gloves is still low. Kossan is well positioned to develop its competitive edge in selected markets.
- (e) **Investing in human capital.** Our people, an important component of Kossan's success, are the key enablers of our strategy moving forward. We remain committed to recruiting, developing and retaining talents and to create a culture of inclusiveness for continuing success. We continue to invest in training to help keep our staff abreast of the latest industry trends and acquire the necessary competency skills to perform effectively.

INDUSTRY RECOGNITION

Throughout the years, we have been equally humbled and excited to be at the receiving end of a variety of awards. In FY 2016, we were honoured to be named by the Employer Branding Institute ("EBI") as one of Malaysia's Best Employer Brand 2016 and Asia's Best Employer Brand 2016. These awards recognized companies within the region that have created value in talent management, development and innovation from the human resource perspective.

Kossan was also the recipient of the coveted Frost & Sullivan Asia Pacific Best Practices Award 2016 (Asia Pacific Medical Glove Growth Excellence Leadership).

The Sin Chew Business Excellence Awards are among the most trusted and prestigious business awards programmes in Malaysia. Kossan was honoured with two awards in 2016 – Product and Service Excellence Award and Business Excellence Person of the Year Award. These awards are the highest accolade bestowed on enterprises and its management that have achieved excellence in all key business management disciplines integral to growth and sustainability.

Kossan also won recognition for the Most Sustainable Brand Award from BrandLaureate for Glove Innovation. The BrandLaureate Awards aims to improve branding practices and standards and represent the very best that the world of branding has to offer.

Industry recognition such as these is a measure of how we stack up against the competition and will inspire us to achieve even more.

ACKNOWLEDGEMENTS

In conclusion, I am thankful and grateful to our support team. They include our customers all over the world, business associates, government authorities, research analysts and members of the media. Needless to say, our shareholders and employees, many of whom have journeyed with Kossan since its early days, deserve special mention. Our transformation journey is by no means completed and we hope that you will continue to journey with us as we take Kossan to its next level and fulfil its Corporate Vision.

Looking to the future, we have a solid foundation to build upon. This has set the Company up for the next chapter of its ongoing transformation journey.

Thank you to all of you.

DATO' LIM KUANG SIA

Managing Director and Chief Executive Officer

DIRECTORS' PROFILE



Front Row (Left to Right):
Mohamed Shafeii Bin Abdul Gaffoor, Dato' Lim Kuang Sia and Hoh Kim Hyan

Back Row (Left to Right):
Lee Choo Hock, Lim Ooi Chow, Lim Leng Bung, Lim Siau Tian, Tan Kong Chang and Lim Siau Hing

Directors' Profile

Dato' Lim Kuang Sia

Dato' Lim Kuang Sia ("Dato' KS Lim"), a Malaysian aged 65, was appointed the Managing Director and Chief Executive Officer of Kossan on 22 February 2002. Dato', a founder Director of Kossan, graduated with a Bachelor of Science (Chemistry) degree from Nanyang University in Singapore, a post-graduate Diploma in Chemical Engineering from University College, University of London and a Master in Chemical Engineering from Imperial College, University of London.

Besides Kossan, Dato' is the founder and a Trustee in Yayasan Kossan, a public company. Dato' also sits on the boards of several private companies and institutions.

Dato' is the President of Klang Chinese Chamber of Commerce and Industry (KCCCI), President of Associated Chinese Chambers of Commerce of Industry of Coastal Selangor, Deputy President of Malaysia Teochew Chamber of Commerce (MTCC), Treasurer of The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), Honorary Life President of the Teochew Association Klang and Coast, Honorary Advisor to the Lim Association Klang and Coast. Dato' is also the Deputy Chairman of Pin Hwa High School, Vice Chairman of Kwang Hua Private High School, a member of the Board of Directors of Hin Hua High School and the Chairman of Pulau Ketam Art Association.

On 11.11.2016, Dato' was bestowed the Sin Chew Business Excellence Awards for being the Business Excellence Person of the Year 2016.

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

Dato' has not been convicted of any offences within the past 5 years.

Lim Leng Bung

Mr. Lim Leng Bung ("LB Lim"), a Malaysian aged 54, was appointed to the Board of Kossan on 20 August 2014 as an Executive Director. He has more than 30 years experience in technical rubber products. He joined Kossan Rubber Industries Bhd in November 1983 as a trainee in the production shop floor and acquired extensive skills and experiences in the production of technical rubber products over the years. He was promoted to Production Planning and Control Manager in 1989. Currently he is in charge of Kossan's technical rubber products division.

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

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

He has not been convicted of any offences within the past 5 years.

Tan Kong Chang

Mr. Tan Kong Chang, a Malaysian aged 50, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. Tan graduated with a Bachelor of Architecture degree from the University of Southwestern Louisiana, USA in 1992. He was a Project Architect with DEG Akitek Sdn. Bhd from 1992 to 1995 and Project Manager with KYM Holdings Berhad from 1996 to 1997. Since 1998 he was with Perusahaan Getah Asas Sdn. Bhd., a wholly owned subsidiary of Kossan, where he gained experiences in administration, human resource, research & development, costing, plant operations and quality control. He was appointed the Chief Operations Officer (Glove Division) in February 2017.

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

Mr. Tan does not have any family relationship with any director and/or major shareholder of Kossan and has not entered into any transaction, whether directly or indirectly, which has a conflict with the Company, other than those disclosed in the financial statements.

Mr. Tan has not been convicted of any offences within the past 5 years.

Lim Siau Tian

Mr. Lim Siau Tian (ST Lim), a Malaysian aged 44, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. ST Lim graduated with a Bachelor of Marketing degree from the University of Central Oklahoma, USA in 1998.

After his graduation, he was involved in the trading of medical disposables in the USA from 1998 to 2003, culminating in his appointment as operation and marketing manager. He joined Kossan's glove division in 2003 and was promoted to marketing general manager in 2008. He was redesignated Senior General Manager, Marketing in February 2017.

Besides Kossan, Mr. ST Lim is a Trustee of Yayasan Kossan, a public company. He sits on the boards of several private companies, including certain subsidiaries of Kossan.

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

He has not been convicted of any offences within the past 5 years.

Lim Siau Hing

Mr. Lim Siau Hing ("SH Lim"), a Malaysian aged 44, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. SH Lim graduated with a Bachelor of Business Administration degree from the University of Central Oklahoma, USA in 1998.

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

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

Mr. SH Lim 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 5 years.

Directors' Profile

Lim Ooi Chow

Mr. Lim Ooi Chow ("OC Lim"), a Malaysian aged 34, was appointed to the Board of Kossan on 26 August 2013 as an Executive Director. Mr. OC Lim graduated with a Bachelor of Computer Science degree from Monash University, Australia in 2005. He obtained his Master of International Business, also from Monash University, in 2006.

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

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

Mr. OC Lim 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 5 years.

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

Lee Choo Hock

Mr. Lee Choo Hock, a Malaysian aged 64, was appointed to the Board of Kossan on 26 August 2013 as an Independent Non-Executive Director. He is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Institute of Chartered Accountants in England and Wales.

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

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

Besides Kossan, Mr. Lee is an independent non-executive director of HSBC Bank (Malaysia) Berhad, HSBC Amanah Berhad and a Trustee of Yayasan Kossan, all public companies. Mr. Lee also chair the Audit Committee of HSBC Bank the Risk Committee of HSBC Amanah. Mr. Lee is also a member of the Nomination Committee of HSBC Bank and a member of the Audit and Nomination Committee of HSBC Amanah.

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

Mr. Lee has not been convicted of any offences within the past 5 years.

Hoh Kim Hyan

Madam Hoh Kim Hyan, a Malaysian aged 59, was appointed to the Board of Kossan on 23 January 2017 as an Independent Non-Executive Director. She is a Chartered Accountant with membership in the Institute of Chartered Accountants in England and Wales.

She was also appointed a member of the Audit, Nominating and Remuneration Committees.

Madam Hoh graduated with a Bachelor of Commerce from the University of Melbourne, Australia in 1978 and was admitted as a member of The Institute of Chartered Accountants in England and Wales in 1983.

She has experience in accounting, auditing, internal audit, administration, education and training. She was with KPMG (1984-2000) and (2008-2010) and was the Head of Audit Department (1989-2000). Her last position in KPMG was technical director. At her second stint at KPMG Malaysia she was a Director in the Professional Practice Department. Between March 2000 to March 2002, she was with the Malaysian Accounting Standards Board as its senior technical consultant where she assisted in the formulation of accounting standards for application in Malaysia.

Between July 2004 and June 2008, she taught at the University of Tunku Abdul Rahman and the University of Malaya.

She was the Operations Director at the Institute of Internal Auditors Malaysia between April 2011 to August 2012 and assisted in the organisation of the 2011 International Conference.

Since August 2012, Madam Hoh is with The Malaysian Institute of Certified Public Accountants as its senior technical manager. Her work is to provide technical support to two of the Institute's committees – the Accounting & Audit Technical Committee and the Financial Statements Review Committee. Other than Kossan, Madam Hoh has no other directorship in any other public company.

Madam Hoh does not have any family relationship with any director and/or major shareholder of Kossan or has any business arrangement involving Kossan.

Madam Hoh has not been convicted of any offences within the past 5 years.

Mohamed Shafeii Bin Abdul Gaffoor

En. Mohamed Shafeii Bin Abdul Gaffoor (En. Shafeii), a Malaysian aged 54, was appointed to the Board of Kossan on 23 January 2017 as an Independent Non-Executive Director. He graduated with a Bachelor of Arts (Hons) degree from the University of Waterloo, Canada in 1986 and a Master of Business Administration (oil & gas management) from the University of Dundee, United Kingdom in 1994.

En. Shafeii was also appointed the Chairman of the Board, Chairman and member of the Audit, Nominating and Remuneration Committees.

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

En. Shafeii left Desa Pachi Consultancy Sdn. Bhd. in 2012 to start his own consulting business, 2S Consulting. (wholly owned by Suri Lifestyle Sdn. Bhd.)

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

En. Shafeii does not have any family relationship with any director any/or major shareholder of Kossan or has any business arrangement involving Kossan.

En Shafeii has not been convicted of any offences within the past 5 years.

KEY SENIOR MANAGEMENT

Dato' Lim Kuang Sia

Group Chief Executive Officer

Please refer to Directors' Profile page 16.

Tan Kong Chang

Chief Operations Officer (Glove Division)

Please refer to Directors' Profile page 17.

Or Tan Teng

Chief Operations Officer (TRP Division – Infrastructure)

Mr. Or, aged 68 (Malaysian) holds a Master of Science Degree in Mechanical and Design Engineering, UK. He is a Fellow of the Plastic and Rubber Institute of Malaysia and Fellow of the Institute of Materials, UK. Mr. Or is also an Industrial Consultant of the Engineering (Faculty) for University Technology Mara ("UITM") (Seismic Engineering), University Tunku Abdul Rahman ("UTAR") (Vibration and Rail Engineering) and First City University, Kuala Lumpur. He was the founding director of Doshin Rubber Products (M) Sdn Bhd, incorporated in 1984 and an appointed director of Quality Profile Sdn Bhd in 2001, both subsidiaries of Kossan. He was designated in his present position in February 2017.

He does not hold any directorship in public companies or listed issuers

Lim Siau Tian

Senior General Manager, Marketing

Please refer to Directors' Profile page 17.

Chow Cheng Moey

Chief Financial Controller

Datin Chow, aged 64 (Malaysian), holds a Bachelor of Science (Engineering) Degree. Joined Kossan in 1980 and has served in various capacities in the Group prior to her appointment in her present position in February 2017. She does not hold any directorship in public companies or listed issuers.

Datin Chow is the spouse of Dato' Lim Kuang Sia.

Teoh Hock Hean

Senior General Manager, Compliance and Governance

Mr. Teoh, aged 59 (Malaysian), holds a Master in Business Administration Degree. Joined Kossan in 1989 and has held various positions in the Group prior to his appointment in his present position in February 2017. He does not hold any directorship in public companies or listed issuers.

Lee Hon Chee

Senior Group Accountant

Mr. Lee, aged 55 (Malaysian), holds a Bachelor of Business Accounting Degree and is a Chartered Accountant with membership in the Malaysian Institute of Accountants. He joined Kossan in 1994 and has served in various capacities in the Group prior to his appointment in his present position in 2009. He does not hold any directorship in public companies or listed issuers.

Hans Peter Rohr

Senior Group Project Manager

Mr. Hans Peter, aged 64 (Swiss national) holds a Diploma in Precision Mechanic. Joined Kossan in 1997 and has served in various capacities in the Group. He was appointed in his present position in February 2017. He does not hold any directorship in public companies or listed issuers.

Yip Tuck Wah

General Manager, Group Investor Relations and Corporate Communication

Mr. Yip, aged 45 (Malaysian), holds a Bachelor in Business Administration Degree and a Master in Finance. Joined Kossan in 2005 and was appointed to his present position in 2015. He does not hold any directorship in public companies or listed issuers.

Key Senior Management

Tan Eng Teck

General Manager, Business Development (TRP Division)

Mr. Tan, aged 57 (Malaysian), holds an Honours Degree in Polymer Science. He joined Kossan in 1994 and has held various positions in Kossan prior to his appointment in his present position in 2003. He does not hold any directorship in public companies or listed issuers.

Pang Mok Shyan

Group Human Resources Manager

Mr. Pang, aged 48 (Malaysian), holds a Bachelor of Business Administration (Hons) Degree. Joined Kossan in 2013 in his present position. He does not hold any directorship in public companies or listed issuers.

Chan Yee Chong

Head, Group Legal Affairs

Mr. Chan, aged 37 (Malaysian), holds a LLB (Hons) Malaya Degree and is a member of the Malaysian Bar. Joined Kossan in 2014 and was appointed as Head of Group Legal Affairs in February 2017. He does not hold any directorship in public companies or listed issuers.

Tung Yong Fong

Head, Group Information Technology

Mr. Tung, aged 41 (Malaysian), holds a Bachelor of Computer and Information Science Degree. Joined Kossan in 2015 in his present position. He does not hold any directorship in public companies or listed issuers.

Save as disclosed, the above Key Senior Management members have no family relationship with any Director and/or major shareholder of Kossan, have no conflict of interests with Kossan, have not being convicted of any offences within the past five years and have no public sanction or penalty imposed by any relevant regulatory bodies during the financial year 2016.

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

SUSTAINABILITY STATEMENT

I. OUR APPROACH ON SUSTAINABILITY

Sustainability has always been a part and parcel of Kossan's culture as we strive to achieve continual financial performance and uninterrupted growth.

Recognising the ever-increasing relevance of sustainability in our business value, our maiden statement on sustainability aims to illustrate our strategic approach to address sustainability challenges and opportunities in contributing towards the betterment of the business, environment and society.

Through the Group's stakeholder engagements, we have identified and grouped three key themes of sustainability practices in which the Group is positioned to add value i.e. sustainable business growth, environmental stewardship, and social responsibility.

To further elaborate Kossan's sustainability endeavour and commitment, this Sustainability Statement is structured into four sections. The first section gives an overview of and highlights the scope of this Statement. The second section sets out the Group's governance structure in managing the material sustainability matters while the third section records the processes that we have undertaken to identify and prioritise the material matters. The fourth section reports on the Group's practices and performance in managing the material sustainability matters.

Scope

Unless otherwise stated, the Sustainability Statement for Year 2016 covers two of Kossan's business divisions i.e. Gloves and Technical Rubber Products ("TRP") in Malaysia which collectively contributed 96 per cent of the total sales revenue for the financial year ended 31 December 2016.

II. SUSTAINABILITY GOVERNANCE

The responsibility to promote and embed sustainability in Kossan's business strategy lies with the Board of Directors. This is also in line with Recommendation 1.4 of the Malaysian Code on Corporate Governance 2012. To this end, a Sustainability Working Group ("SWG") was set up by the Board in October 2016 to oversee the incorporation of sustainability in the Group's businesses, as well as to prepare the Group for its inaugural sustainability disclosure.

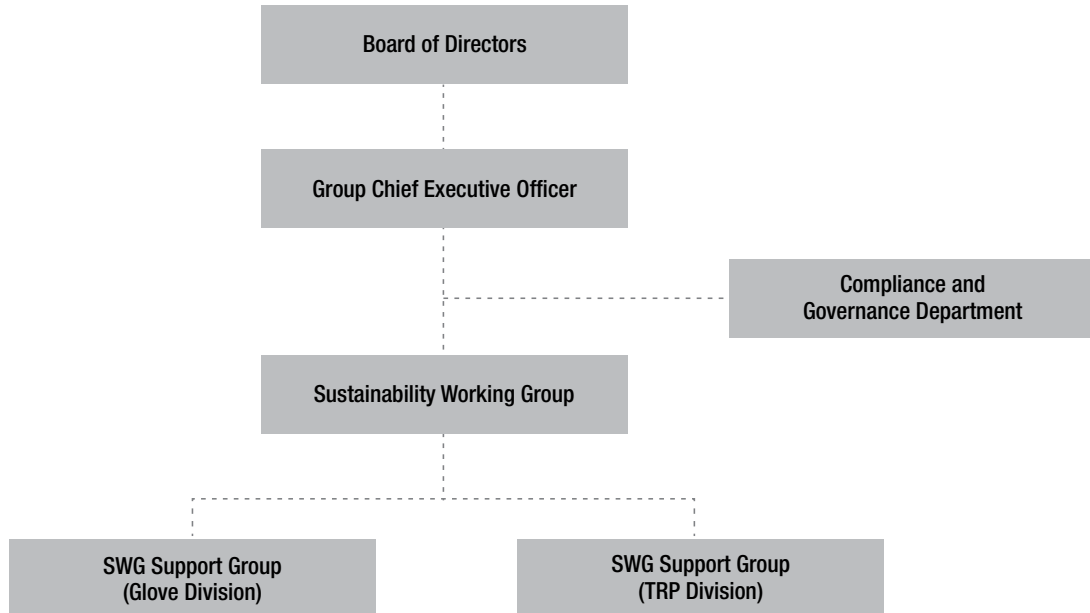
The primary objective of the SWG is to facilitate the preparation of the Sustainability Statement for inclusion in the Annual Report, as required by the Bursa Malaysia's new Listing Requirements. Chaired by the Group Chief Executive Officer, the SWG also comprises Executive Directors and General Managers of the respective functional units and also SWG support groups from the strategic business units of the Glove and TRP divisions.

Among others, the responsibility of the SWG includes overseeing the following:

- Stakeholder engagement process (e.g. identification of key stakeholders and engagement with stakeholders);
- Materiality assessment (e.g. identification of sustainability risks relevant to the Group's business, risk/opportunity assessment on sustainability risks, and identification of material sustainability risks);
- Oversee the management of material sustainability matters identified; and
- Preparation of sustainability disclosures.

II. SUSTAINABILITY GOVERNANCE (CONT'D)

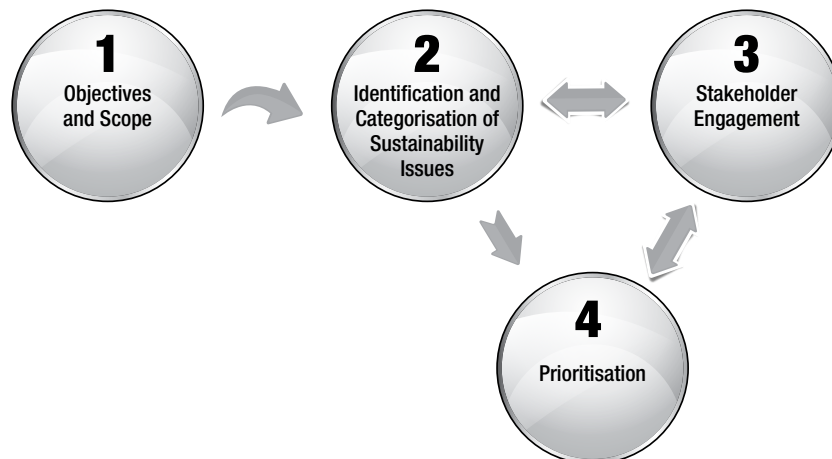
Kossan's sustainability governance structure is as follows:



Kossan will also be looking into establishing a longer-term governance structure that will enable the incorporation of responsibilities over sustainability in the day-to-day operations of the Group. This will also consider the existing risk management processes that the Group has adopted, to harness group synergies and efficiencies out of the current governance processes that are already in place.

III. MATERIALITY PROCESS

To identify what is deemed material to the Group's business, Kossan has adopted a materiality assessment process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits. Our materiality assessment process is as follows:



Sustainability Statement

III. MATERIALITY PROCESS (CONT'D)

The process employs a prioritisation approach, taking into consideration important sustainability issues from both the perspectives of Kossan as well as its key stakeholders. Kossan has therefore undertaken to engage with stakeholders to determine the important sustainability matters and to solicit their views and inputs. At the same time, Kossan's management has also conducted an assessment on the importance of sustainability matters to the Group. This process is in line with material sustainability matters as defined in Bursa Malaysia's Listing Requirements, as those which:

- Reflect the business' significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders

KEY SUSTAINABILITY ISSUES

Before engaging with stakeholders to conduct an assessment, Kossan has identified a list of sustainability matters relating to economic, environmental and social, that are deemed relevant to the Group's business. In identifying these issues, Kossan has considered, amongst others, the following:

- the nature of Kossan's business;
- international and local laws and regulations;
- Kossan's understanding of its stakeholders' needs;
- global and industrial trends;
- international sustainability reporting standards, e.g. GRI Standards; and
- peer reviews.

STAKEHOLDER ENGAGEMENT

Kossan recognises the importance of its key stakeholders' views on sustainability matters, especially in the process of identifying what is deemed to be material to the Group. Therefore, Kossan has undertaken to engage with some of Kossan's key stakeholders to solicit their views. Kossan has also assessed its stakeholders, in terms of influence and dependence, to understand the dynamics among Kossan and its stakeholders.

The following table summarises some of Kossan's key stakeholders and how Kossan has engaged with them:

Key stakeholder group	Engagement methods
Employees	Workshop discussions
Suppliers/ business partners	Survey forms
Authorities/ government/ regulators	Survey forms
Customers	Survey forms
Local community	Interviews

Sustainability Statement

III. MATERIALITY PROCESS (CONT'D)

MATERIALITY ASSESSMENT

Based on the relevant sustainability issues identified, Kossan's management conducted a risk assessment to understand the exposure and extent of the impact of these issues (should risks materialise, or the costs of not pursuing opportunities). Subsequently, Kossan's assessment and the feedback/ responses from stakeholders were consolidated and the most material sustainability matters are identified as follows:

Most Material Sustainability Matters	
1	Environmental compliance
2	Human rights and equal opportunities
3	Technological innovation, automation and Intellectual Property ("IP") development
4	Ethical business and transparency
5	Occupational health and safety management
6	Business expansion
7	Human capital development and labour practices
8	Development of local communities
9	Stakeholder engagement

The most material sustainability matters will be categorised and discussed in the following manner.

Key EES* Themes	Sustainability Issues	Page
Sustainable Business Growth	Technological innovation, automation and IP development	26
	Ethical business and transparency	26
	Business expansion	26
Environmental Stewardship	Environmental compliance	27
Social Responsibility	Human rights and equal opportunities	28
	Occupational health and safety management	28
	Human capital development and labour practices	29
	Local communities development	30
	Stakeholder engagement	31

* Economic, Environmental and Social

IV. MANAGING SUSTAINABILITY MATTERS

SUSTAINABLE BUSINESS GROWTH

Sustainability is integral to the way we conduct our business activities. Our business strategy is to drive long-term corporate growth and profitability by mandating the inclusion of economic, environmental and social issues in our business model. As the world's second largest glove maker, Kossan has contributed towards consolidating Malaysia's position as the world's leading producer of medical gloves. The rubber glove sector has also been the largest export revenue generator for the Malaysian rubber product industry, accounting for 68% of the nation's total exports of rubber products in 2016.

Sustainability Statement

IV. MANAGING SUSTAINABILITY MATTERS (CONT'D)

SUSTAINABLE BUSINESS GROWTH (CONT'D)

Technological Innovation, Automation and IP Development

From its early days, Kossan has been a firm believer in R&D as the way forward in a dynamic and competitive business. As the industry matures, Kossan, like other industry players, is moving into third generation automation and robotics to remain cost competitive and efficient. In line with its Sustainability Policy, Kossan continues to invest heavily in R&D and technology to meet global quality and productivity expectations. We are constantly looking to develop products of tomorrow, supplying global markets with improved gloves for surgical, medical examination, household and industrial use.

A significant milestone was achieved on 1 September 2016, when Kossan officially launched its patented Low Derma Technology. The Intellectual Property ("IP") of our Low Derma Technology has been registered in the US, Japan and China, amongst the largest consumers of nitrile gloves in the world. It joins a growing list of patents already held by Kossan to protect its products in the marketplace, reinforce its brand presence and maintain its market position. The technology has resulted in a revolutionary, new generation nitrile glove which made its debut under Kossan's house brand 7th Sense.

Kossan is set to open its first R&D centre in fourth quarter 2017. The new research centre will open a new chapter and enhance Kossan's research and development activities and potentials.

Ethical Business and Transparency

Ethics, integrity and transparency have increasingly become mainstream business issues in today's business environment. In June 2014, the Company issued the Kossan Code of Ethics and Conduct as a guide to all employees and directors in conducting business ethically and sustainably. Additionally, a Whistle-Blowing Policy and the relevant mechanisms have been established, providing an avenue for employees and the public to lodge complaints of corrupt practices or wrong-doings in confidence. As part of a continuing effort to educate on corruption and code of ethics, talks and trainings have been organised for new recruits as well as for existing employees.

In managing our supply chain, we work collaboratively with our vendors and suppliers to conduct our businesses ethically in line with our corporate core values of Integrity, Respect and Professionalism.

Kossan believes in a level playing field in dealings with third-party contractors, ensuring that the principle of fair competition is upheld at all times. Even as we grow, we ensure that our growth is inclusive through various initiatives, such as our Vendor Development Programme. Annual satisfaction surveys are carried out to ascertain areas for mutual improvements.

Business Expansion

To keep pace with the projected demand and sustain our business growth, Kossan has plans to double its existing production capacity from the present 22 billion pieces to 44 billion pieces by the year 2023.

Currently, there are three expansion projects in the pipeline. The first will see the construction of a nitrile glove plant on a 10-acre piece of land at Meru, Klang with a capacity of 3.0 billion pieces per annum which is expected to be completed and commence production in July 2017. The construction works for the other two projects, with combined capacity of 4.5 billion pieces per annum to be built in 2 different plot of lands in Meru are expected to kick-start in stages from second quarter 2017 onward and is expected to be completed in the first and third quarter of 2018.

IV. MANAGING SUSTAINABILITY MATTERS (CONT'D)

SUSTAINABLE BUSINESS GROWTH (CONT'D)

Business Expansion (Cont'd)

The commissioning of the three new plants in 2017/2018 will boost Kossan's glove manufacturing capacity by 7.5 billion pieces per annum and bring the total capacity to 29.5 billion pieces of gloves per annum by end of 2018. These new plants will increase our revenue stream, underpinning Kossan's earnings from FY 2017 onwards.

Another bigger scale expansion project will be the development of the 56-acre site at Bestari Jaya, Selangor, to be implemented over four years in four phases with combined capacity of approximately 18 billion pieces of glove until the year 2023. Each phase will see the construction of one plant, with the first scheduled for construction by the end of 2018.

ENVIRONMENTAL STEWARDSHIP

In a world increasingly concerned about environmental preservation, Kossan has long taken environmental stewardship in its stride as an integral part of its strategy towards sustainability. Kossan is committed to play its role as a responsible corporate citizen.

Environmental Compliance

From the time of our establishment since 1979, Kossan has always committed to comply with the legal and regulatory requirements of the Malaysian Department of Environment ("DOE") and other regulators and authorities. To this end, environmental protection measures and considerations have long been embedded in our manufacturing processes and day-to-day operations. Emphasizing the importance of environmental preservation, we have realigned our Mission Statement to reflect our aspiration to be "a good and responsible corporate citizen with effective policies to protect the earth and promote sustainability".

(a) Environment Management System ("EMS")

Over the years, Kossan has relentlessly adopted the environmental best practices in its manufacturing processes. We have adopted the EMS as the framework to help achieve our environmental goals through consistent control of our operations. Two of our manufacturing plants for technical rubber products have already earned certification to ISO 14001:2015, the core set of internationally recognised standards for designing and implementing an effective EMS. Our target is to achieve certification for all our plants over the next five years in order to further enhance our responsibility towards our environment.

(b) Treatment of Waste Gas

A particular concern is the discharge of hazardous chlorine gases as by-products of the manufacturing process. All our plants are installed with scrubber system that filters and removes toxic chlorine before discharging the emissions into the atmosphere.

(c) Management of Manufacturing Waste

Waste production is inevitable as part of our business's manufacturing process. However, solid wastes are segregated into their respective categories – metal, rubber, paper, plastic, wood and other recyclable materials – before they are sent to regulator-approved companies for proper disposal or recycling. As a business, we see waste as an additional cost to production. All heads of our manufacturing plants are therefore reminded from time to time to minimise waste and this has formed an important part of their key performance indicators.

Sustainability Statement

IV. MANAGING SUSTAINABILITY MATTERS (CONT'D)

SOCIAL RESPONSIBILITY

Kossan has always believed that the way to build a great and enduring company is to strike a balance between profitability and fulfilling its social responsibilities. In today's inter-connected world, no business can operate as an entity unto itself. Companies are also measured in terms of their standing in the eyes of the community. Throughout the year 2016, Kossan continued to make progress to operate responsibly and with care to meet the changing expectations of society.

Human Rights and Equal Opportunities

As an equal opportunity employer, our workplace terms and conditions of employment are opposed to any form of discrimination, upholding the fundamental human rights protected by legislation.

(a) Minimum Wages and Non-discrimination

Since the implementation of the Minimum Wage Policy on 1 July 2016, Kossan has fully complied with the Government directive. The non-discrimination policy is embedded in our Kossan's Employee Code of Conducts and is accessible by all the employees.

(b) Child Labour Practice

The Children and Young Persons (Employment) Act 1966 defines a "child" as any person below 15 years old, while a "young person" as anyone under 18 years of age. All our employees meet the minimum age requirement stipulated under this Act.

(c) Promoting Workplace Diversity

In our efforts to create an inclusive environment, we embrace workplace diversity in terms of age, gender and ethnicity. A diverse workplace also goes a long way towards improving employee satisfaction and retention. Our policy on non-discrimination also provides support of our belief in workplace diversity.

Occupational Health and Safety Management

The safety and health of our employees at the workplace has always been a paramount consideration. Kossan seeks continuous improvement in occupational safety and health of our employees and those who may be affected by the work activities and is committed to comply with the relevant laws and regulations prescribed by the Department of Occupational Safety and Health ("DOSH").

To ensure compliance and a safe working environment, Kossan has a dedicated Safety Department reporting directly to the Executive Director. Kossan believes in a proactive approach in managing health and safety-related issues.

Our Safety Department continually reviews the system that is in place, and if necessary, new measures are introduced to improve safe and hygienic working conditions and/or minimise workplace accidents. Kossan has also established a Work Safety Committee that has been tasked to improve safety and hygiene conditions on the production floor and premises.

IV. MANAGING SUSTAINABILITY MATTERS (CONT'D)

SOCIAL RESPONSIBILITY (CONT'D)

Human Capital Development and Labour Practices

Employees are a vital component of a company's business. Their performance, commitment and loyalty to the job are critical not only in achieving the company's goals and objectives but most important for its long-term survival and sustainability. In this respect, Kossan is embarking to enhance its human resources department and capabilities to develop a strong human capital foundation by strengthening the leadership and adopting effective HR practices as well as attracting and retaining the right talent.

To accomplish this undertaking, Kossan envisages to invest resources to ensure that employees have the knowledge, skills, and competencies they need to work effectively in a rapidly changing and complex environment. Human capital development, therefore, becomes a part of an overall effort and strategy to achieve cost-effectiveness and performance.

Kossan is pleased to be recognised for doing the right things in the key area of human resource management. This was borne out when we were named by the Employer Branding Institute ("EBI") as one of the recipients of Malaysia's Best Employer Brand 2016 and Asia's Best Employer Brand 2016. The EBI brings together senior human resource practitioners to share and celebrate the best practices in Employer Branding in several Asian countries.



- Training and Development

We are constantly nurturing the skills and knowledge of our employees. As part of their induction programme, all new recruits go through the Kossan Employee Engagement Programme ("KEEP"). This is a platform used by the Group Chief Executive Officer ("CEO") to share the Company's Vision and Mission and impart his personal knowledge and words of wisdom. As part of the induction process, the programme includes a session on "Jom! The Kossan Way".

To ensure the effectiveness of the training effort, Training Needs Analyses ("TNA") are conducted annually to ensure the relevance of the programmes to suit individual requirements.

Reprising the success in 2015, one of the highlights of the training calendar 2016 was a revisit to Franklin Covey's signature programme, "The 7 Habits of Highly Effective People". The programme was conducted over several sessions for staffs at the supervisory, executive and managerial levels and the key points were cascaded down through sharing sessions.

Sustainability Statement

IV. MANAGING SUSTAINABILITY MATTERS (CONT'D)

SOCIAL RESPONSIBILITY (CONT'D)

Local Communities Development

We believe fulfilling our dues to society should not solely involve the Company, but also from individuals as well. Kossan has always encouraged its management and staffs to be involved in welfare work and charity and we are pleased that the spirit of giving is very much alive within the Group.

(a) Yayasan Kossan

Yayasan Kossan was established in December 2015 as our platform to play a more meaningful role in our community outreach programmes to create an environment of inclusion and acceptance. Traditionally our key focus has been in the areas of education, welfare and charity, and cultural development, including the arts and performance. Currently Yayasan Kossan is adopting a more holistic approach in identifying long-term projects that are most relevant, needed and impactful.



Kossan supports the various charity organisations, schools and worthy causes via donation and sponsorships. During the year, besides providing financial aids and donations to individuals, schools and charitable organisations, Kossan has also sponsored the organising of the Asian Art Exhibition and the purchase of physiotherapy equipment for the Handicapped and Disabled Children Association of Klang.

(b) Project Smile

Under our signature “Project Smile”, many of our staffs have volunteered their time and efforts to participate in many community projects, such as beautifying a rural school or visiting an Orang Asli community in the heart of the rainforest. For many of the participants who delivered clothing, food, drinking water and toys to the rural community, volunteerism has been a truly rewarding experience.



(c) Internship and Scholarships Programmes

Kossan's internship programme was established back in 2000 to enable students at diploma and post-graduate levels in both technical and non-technical disciplines to receive on-the-job training. Upon completion of the programme, exceptional and deserving candidates were offered job opportunities within the Group. For the year 2016, a total of 34 students have benefited from our internship programme.

Over the past two years, Kossan has also offered 30 scholarships and education subsidies to eligible students in need of financial assistance to enable them to continue with their studies. Industry visitations to our manufacturing plants were also organized for students from tertiary institutions as a platform for them to learn and better understand the manufacturing process of gloves.

IV. MANAGING SUSTAINABILITY MATTERS (CONT'D)

Stakeholder Engagement

Engaging with our stakeholders is not only a basis for sustainability but also good governance. Stakeholder engagement based on trust, integrity, two-way commitment and communication are critical for organisational success.

Engagement with Invest Selangor, Malaysian Investment Development Authority, Fire and Police departments, local authorities and agencies, and manufacturers association was done through the Industrial Park Management Committee (“IPMC”) meetings chaired by the Yang Di Pertua, Majlis Perbandaran Klang to better understand and resolve any issues facing the members who operate within the same municipality including safety and security, cleanliness; and other operational related matters.

In addition, shareholders and other investors also get the opportunity to meet the Managing Director at the company’s annual general meetings and also through dialogues at investment conferences held locally and overseas. Interviews and briefings are also being organised regularly to keep the media and investor analysts abreast of developments at Kossan.

In this digital age, our corporate website, www.kossan.com.my provides reliable information on our business activities as well as financial information, including our annual report. Updated regularly, this is part of our commitment to provide current and accurate information to all our stakeholders as well as the public at large. The latest announcements on developments affecting Kossan can also be accessed through Bursa Malaysia’s website.

CONCLUSION

In our journey towards integrating sustainability in our business, Kossan will establish formal procedures in internalising sustainability considerations in our organisation. We will strive to further seek enhancement opportunities in pursuing business, environmental and social sustainability.

STATEMENT ON CORPORATE GOVERNANCE

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

The Board is pleased to provide the following statement, which outlined how the Group had applied the principles and recommendations of the Code that were in place throughout the financial year ended 31 December 2016.

(A) PRINCIPLE 1: ESTABLISH CLEAR ROLE AND RESPONSIBILITIES

Board composition and balance

The Board currently has nine (9) members, comprising six (6) executive directors and three (3) independent non-executive directors. This composition meets the requirements of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) which stipulate that at least two (2) directors or one third of the Board, whichever is higher, must be independent.

The Directors, with their different backgrounds, specialisations, qualifications and experiences, bring with them a wide range of knowledge and expertise, particularly in the fields of accountancy, banking, business, marketing, chemical engineering and administration for the effective management of the Group’s diversified businesses. Their qualifications and experiences are set out in the Directors’ Profile on pages 16 to 19 of the Annual Report.

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

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

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

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

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

Mr. Lee Choo Hock has been identified as the Senior Independent Non-Executive Director of the Board to which concern relating to the affairs of the Group may be conveyed.

Roles and Responsibilities of the Board

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

Statement of Corporate Governance

(A) PRINCIPLE 1: ESTABLISH CLEAR ROLE AND RESPONSIBILITIES (CONT'D)

Roles and Responsibilities of the Board (Cont'd)

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

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

Directors' Code of Conduct/Ethics

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

Corporate's strategy to promote sustainability

The Board in formulating its Sustainability Statement has taken cognisance of the impact of the Group's businesses on the environment, the community and stakeholders.

Supply of Information

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

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

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

Board Meeting

The Board meets at least five (5) times a year at quarterly intervals with additional meetings convene as necessary. During the financial year ended 31 December 2016, six (6) Board Meetings were held and the attendance of the Directors at the Board Meetings were as follows:

Details of Board Meetings

Date of meeting	Time
23.02.2016	4.00 pm
23.03.2016	11.30 am
24.05.2016	3.45 pm
23.08.2016	4.00 pm
22.11.2016	4.00 pm
06.12.2016	4.00 pm

All the meetings were held at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3¾, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

Statement of Corporate Governance

(A) PRINCIPLE 1: ESTABLISH CLEAR ROLE AND RESPONSIBILITIES (CONT'D)

Details of Board Meetings (Cont'd)

Director	No. of meeting attended
Dato' Haji Mokhtar Bin Haji Samad	6/6
Dato' Lim Kuang Sia	6/6
Lim Leng Bung	6/6
Tan Kong Chang	6/6
Lim Siau Tian	6/6
Lim Siau Hing	6/6
Lim Ooi Chow	6/6
Tong Siew Choo	6/6
Lee Choo Hock	6/6

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

(B) PRINCIPLE 2: STRENGTHEN COMPOSITION

1. Nominating Committee

The Nominating Committee of the Company as at 31 December 2016 comprises exclusively of Independent Non-Executive Directors as follows:

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

The Nominating Committee meets as and when required and at least once a year. The Committee met once in the financial year ended 31 December 2016.

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

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

For the financial year ended 31 December 2016, the Board was satisfied that the Board and the Board Committees had discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition, in term of size, mix of executive, non-executive and independent directors, and mix of skills and experience, were adequate.

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

Statement of Corporate Governance

(B) PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

1. Nominating Committee (Cont'd)

Re-elections of Directors

The Committee also conduct an assessment of the Directors who are subject to retirement at the forthcoming annual general meeting ("AGM") in accordance with the Articles of Association of the Company and the relevant provision of the Companies Act, 2016.

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

2. Remuneration Committee

The Remuneration Committee of the Company comprises a majority of independent non-executive Directors. Its composition as at 31 December 2016 is as follows:

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

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

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

Details of the Directors' Remuneration

The aggregate Directors' remuneration paid or payable to the Directors in office during the financial year by the Company and the Group categorised into appropriate components for the financial year ended 31 December 2016 are as follows:

Company	Fees	Benefit in kind	Salaries & other emoluments	Total
Executive	–	15,500	5,729,525	5,745,025
Non-Executive	255,000	–	–	255,000
Total	255,000	15,500	5,729,525	6,000,025

Group	Fees	Benefit in kind	Salaries & other emoluments	Total
Executive	–	144,900	10,779,330	10,924,230
Non-Executive	255,000	–	–	255,000
Total	255,000	144,900	10,779,330	11,179,230

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(B) PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

2. Remuneration Committee (Cont'd)

Details of the Directors' Remuneration (Cont'd)

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

Range of Remuneration	Company		Group	
	Number of Director		Number of Director	
	Executive	Non Executive	Executive	Non Executive
RM50,001 - RM100,000	0	3	0	3
RM200,001 – RM250,000	1	0	0	0
RM600,001 - RM650,000	0	0	1	0
RM800,001 - RM850,000	0	0	1	0
RM1,150,001 - RM1,200,000	0	0	2	0
RM1,500,001 - RM1,550,000	0	0	1	0
RM5,450,001 - RM5,500,000	1	0	1	0
	2	3	6	3

(C) PRINCIPLE 3: REINFORCE INDEPENDENCE

Assessment of Independent Directors

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

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

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

Tenure of Independent Directors

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

The Nominating Committee takes cognizance of

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

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(D) PRINCIPLE 4: FOSTER COMMITMENTS

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

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

Directors' Training

All the Directors including the two (2) new independent non-executive directors appointed in 2017, had attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad.

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

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

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

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(D) PRINCIPLE 4: FOSTER COMMITMENTS (CONT'D)

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

Director		Program/Courses/ Forums/Training		Date
1.	Dato' Lim Kuang Sia	(i)	SERC Global Economic Conference 2016	30.05.2016
		(ii)	OCBC Global Treasury Economic & Business Forum 2016	14.07.2016
		(iii)	Rabobank Financial Outlook 2017	05.09.2016
		(iv)	8th International Rubber Glove Conference and Exhibition (2016)	6-8.09.2016
2.	Tan Kong Chang		Corporate Governance Breakfast Series	
		(i)	Thought Leadership Session for Directors-Improving Board Risk Oversight Effectiveness	26.02.2016
		(ii)	The Strategy, the Leadership, the Stakeholders and the Board	06.05.2016
3.	Lee Choo Hock	(i)	HSBC/HSBCAMANA - Economic & FX Outlook 2016 - Financial Crime Risk - Board Offsite	19.01.2016 29.04.2016 31.05.2016
		(ii)	FIDE - Effective Board Evaluation - Fin Tech: Business Opportunity or Disruptor	25.07.2016 04.08.2016
		(iii)	WORLD BANK and BNM - Global Symposium on Innovative Financial Inclusion	21-22.09.2016
		(iv)	ICLIF - Leadership Energy Summit Asia (LESA) 2016	8-9.11.2016
4.	Lim Siau Hing	(i)	Comprehending Financial Statements For Directors and Senior Management	11.10.2016
		(ii)	Senior Management Development Program-Certified Toyota Production System (TPS) Manager Professional, Nagoya Japan	7-10.11.2016
5.	Lim Ooi Chow		Corporate Governance Breakfast Series	
		(i)	The Strategy, the Leadership, the Stakeholders and the Board	06.05.2016
		(ii)	The Malaysian Rubber Board-National Rubber Economic Conference (NREC)	27-28.09.2016
6.	Lim Siau Tian	(i)	SERC Global Economic Conference 2016	30.05.2016
		(ii)	8th International Rubber Glove Conference and Exhibition (2016)	6-8.09.2016
		(iii)	Halal Industry Awareness Program	15.09.2016

Statement of Corporate Governance

(E) PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

(i) Financial Reporting

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

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

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

The Companies Act, 2016 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of that financial year and of the result and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:-

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

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

(iii) Relationship with the auditors

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

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

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

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

The Audit Committee also reviewed the provision of non-audit services rendered to the Group by the external auditors and noted that the total amount of fees paid for non-audit services rendered by the Group external auditors for the financial year ended 31 December 2016 was RM208,000.

Statement of Corporate Governance

(F) PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

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

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

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

A Statement on Risk Management and Internal Control of the Group which provides an overview of the state of internal controls within the Group is set out on pages 44 to 47 of the Annual Report.

(G) PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

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

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

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

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

The Company will implement poll voting on all resolutions tabled at general meetings.

Statement of Corporate Governance

(H) PRINCIPLE 8: STRENGTHEN RELATIONSHIPS BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Dialogue between the Company and shareholders

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

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

COMPLIANCE WITH THE CODE

The Board is satisfied that the Company has, in all material aspects, complied with the principles and recommendations of the Code that were in place during the financial year ended 31 December 2016.

This Statement is made in accordance with the resolution of the Board of Directors dated 13 April 2017.

Mohamed Shafeii Bin Abdul Gaffoor
Chairman

Dato' Lim Kuang Sia
Managing Director and Chief Executive Officer

OTHER INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS

During the financial year under review

(a) Executive Share Option Scheme (ESOS)

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

(b) Utilization Of Proceeds

The Company did not implement any fund raising exercise.

(c) Share Buy-Back

The shareholders of the Company approved the renewal of the Share Buy-Back Scheme at the 36th Annual General Meeting held on 19 May 2016.

During the financial year ended 31 December 2016, the Company did not buy back any shares. The Company also did not hold any Treasury Shares.

Statement of Corporate Governance

OTHER INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS (CONT'D)

During the financial year under review (Cont'd)

(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 have any personal interest in any business arrangements involving the Company.

(g) Material Contracts

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

(h) Sanctions And / Or Penalties

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

(i) Audit Fees And Non-audit Fees

During the financial year ended 31 December 2016, the amount of audit fees and non-audit fees paid or payable to the external auditors of the Company and the Group are as follows:

	Group (RM)	Company (RM)
Audit fees	332,200	78,600
Non-audit fees	208,000	202,000

The non-audit fees were paid for consultancy services rendered on risk management and sustainability reporting.

(j) Variation In Results

There was no material variance between the results 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.

STATEMENT OF RESPONSIBILITY BY DIRECTORS

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

In preparing these financial statements, the Directors have:

- (a) adopted appropriate accounting policies and applied them consistently;
- (b) made judgments and estimates that are reasonable and prudent; and
- (c) prepared the financial statements on a going concern basis;

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

This Statement of Responsibility by Directors is made in accordance with the resolution of the Board of Directors dated 13 April 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors (“Board”) of a listed issuer is required to make disclosures concerning risk management and internal control in their Annual Report.

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

BOARD’S RESPONSIBILITY

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

The Group’s risk management and internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Notwithstanding and due to the limitations, that are inherent in any system of risk management and internal control system, these can only provide reasonable and not absolute assurance against material misstatement, losses or fraud.

The Board is assisted by the Audit Committee (“AC”) in implementing the Board’s policies and procedures on the system of risk management and internal control. The AC’s role, amongst others include: -

- Review and monitor the effectiveness of risk management and internal control system;
- Review the process for identifying, evaluating, monitoring and reporting of risks and internal controls;
- Review and evaluate the risk management framework and its implementation in line with the Group’s business objectives and risk appetite;
- Review the changes and emerging risks identified and that appropriate actions taken to mitigate and control these risks;
- Provide assurance to the Board that the risk management and internal control system is operating adequately and effectively from the periodic review with internal audit function.

RISK MANAGEMENT

The Board is committed to embedding risk management into its culture, processes and structures to create and maintain an environment that enables the Group to meet performance objectives driven by technological advancement, people value and continual improvement to deliver business stability with long term sustainable growth.

The Board has established a risk management framework and various governance policies to provide a control environment that includes:-

- A Risk Management Policy Statement of the Board’s commitment to embedding risk management in its governance and processes;
- A risk management governance and organization structure clearly defining the delegation of authority and responsibility of the management and reporting mechanism;
- A Risk Register containing risk profiles of the business operations within the Group which have been developed and communicated to the Board. The development of such risk profiles involved identification of key risks faced by the Group’s core business units, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans being taken to manage those risks to the desired level.

Statement on Risk Management and Internal Control

RISK MANAGEMENT (CONT'D)

The Board has established a risk management framework and various governance policies to provide a control environment that includes:- (Cont'd)

- A Board Charter defining the roles and responsibilities of the Board, individuals director and sub-committees of the Board;
- A Code of Ethics and Conduct that outlines the general ethical standards applicable to all employees and directors of the Group. The code of ethics and conduct helps ensure that the Group's business processes and operations are in compliance with the best ethical practices;
- A Risk Management Committee ("RMC") comprising representatives from the Board and the management, is tasked with the overall responsibility for establishing a strategic approach to risk management within the Group. The RMC reviews the effectiveness of the Group's risk management in relation to the core strategic objectives of the Group, identifies and communicates to the Board and Management with regards to the changing and emerging risks and to formulate action plans to address key risks and control issues in accordance with their risk appetite and tolerance. In line with the Group's existing organization model, the line management remains primarily responsible for the management of risk.

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

INTERNAL CONTROL

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

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

- At quarterly board meetings, the Board members review the performance and profitability of the Group, discuss and deliberate on the business development, management, corporate issues and regulatory matters affecting the Group.
- Various Board Committees with formal terms of reference governing their functions and duties delegated by the Board have been established to assist the Board in overseeing internal controls and Board effectiveness.
- The Group Managing Director ("GMD") plays a pivotal role in communicating the Board's expectations of the system of risk management and internal control to management. This is achieved through his active participation in the operations of the business as well as attendance at various management and operational level committee meetings where operational and financial risks are discussed and dealt with. The GMD will update the Board of any significant matters that require the latter's immediate attention.
- A clear defined organization structure defining the delegation of authority and responsibility of the management and reporting mechanism.
- Monthly review of the financial and manufacturing operational performance of business units including key performance indicators, productivity, efficiency and effectiveness. This includes evaluation of factors impacting performance such as business, operational and key management.
- Identify and review the risks element that impact on the financial performances of the Group and establish mechanism to manage risks including and not limiting to volatility of foreign exchange rates, escalating cost of operations and competitive pricing of products.

Statement on Risk Management and Internal Control

INTERNAL CONTROL (CONT'D)

The key features and roles of the Board and management on the system of internal controls are described as follows:- (Cont'd)

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

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

ASSURANCE MECHANISM

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

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

For the year ended 31 December 2016, the Internal Audit department reviewed the adequacy and effectiveness of the internal control processes and necessary actions have been and are being taken to remedy any significant failings or weaknesses for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

During the year, the Internal Audit department performed financial review of consolidated accounts, operational audits on inventory management, human resources, safety and health of the glove manufacturing entities.

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

The Board has received assurances from the GMD who is also the Group Chief Executive Officer and the Senior Group Accountant that for the year ended 31 December 2016, the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group. Taking into consideration the information and assurances given, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control.

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

Statement on Risk Management and Internal Control

BOARD'S COMMITMENT

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

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement has been approved by the Board on 13 April, 2017.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors have pleasure in submitting the report of the Audit Committee of the Board for the year ended 31 December 2016.

1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1.1. Composition

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

1.2. Authority

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

1.3 Responsibility

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

1.4. Functions

The duties of the Audit Committee shall include the following:

- (i) To consider the appointment of the external auditors and the audit fees and any questions of their resignation or dismissal;
- (ii) To discuss with the external auditors, 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 auditors;
- (vii) To consider the appointment of the internal auditors, their remuneration and any questions of their resignation or dismissal;

Report of the Audit Committee

1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

1.4. Functions (Cont'd)

- (viii) To review the internal audit functions, namely:
- the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal auditor;
 - the performance of the internal auditors, whose role includes the examination and evaluation of the Company's operations and their compliance with the relevant policies, codes and legislations;
- (ix) To review the risk management functions, namely:
- the overall risk management processes;
 - the adequacy of the scope, functions, competency and resources for the risk management function, and that it has the necessary authority to carry out its work;
 - the risk management processes are integrated into all core business processes;
 - the risk reporting mechanism.
- (x) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group;
- (xi) To consider the major findings of internal investigations and management's response; and
- (xii) To consider other topics as defined by the Board.

1.5 Meeting and Minutes

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

Report of the Audit Committee

2. COMPOSITION AND ATTENDANCE AT MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 December 2016 are as follows:-

Composition of the Committee	Attendance
Dato' Haji Mokhtar Bin Haji Samad (Chairman/ Independent Non-Executive Director)	7/7
Tong Siew Choo (Member / Independent Non-Executive Director)	7/7
Lee Choo Hock (Member / Independent Non-Executive Director)	7/7

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

The Group's external auditors attended three (3) of the meetings. The internal auditors attended five of the meetings (5/7).

3. ACTIVITIES

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

- (a) reviewed the quarterly and annual financial statements of the Company/Group, prior to submission to the Board for consideration and approval;
- (b) reviewed and recommended to the Board the appointment of the external auditors and the audit fee;
- (c) reviewed and discussed with the external auditors the nature and scope of the audit and plan prior to the commencement of audit and ensure the audit is comprehensive;
- (d) 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 and Management's response thereto;
- (e) reviewed the provision of non audit services provided by the external auditors and the total fees paid.
- (f) reviewed and discussed with internal auditors their evaluation of the system of risk management and internal control of the Group;
- (g) reviewed the internal control and risk management framework of the Group.
- (h) 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;
- (i) reviewed the viability and reasonableness of the acquisition of assets by the Group.
- (j) reviewed the risk profile of the Group and the business divisions and action plans by management to mitigate risks;
- (k) reviewed the Statement on Risk Management and Internal Control before submission to the Board for approval;

Report of the Audit Committee

3. ACTIVITIES (CONT'D)

The following activities were carried out by the Audit Committee during the year under review: (Cont'd)

- (l) reviewed and approved the annual Report of the Audit Committee;
- (m) 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;
- (n) conducted private meeting with the external auditors without the presence of executive board members or management.

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

4. COST OF INTERNAL AUDIT

The total cost incurred for the internal audit function of the Company and the Group for the financial year 2016 was RM259,781.

5. REPORT TO THE EXCHANGE

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

Dato' Haji Mokhtar Bin Haji Samad
Chairman, Audit Committee

DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services to subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year except for the Company ceased its operation of manufacturing and sales of rubber products.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	167,063	302,908
Non-controlling interests	3,985	–
	171,048	302,908

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- (i) In respect of the financial year ended 31 December 2015 as reported in the Directors' Report of that year:
- an interim ordinary dividend of 5.5 sen per ordinary share totalling RM35,170,735 declared on 19 November 2015 and paid on 12 January 2016; and
 - a final ordinary dividend of 6.5 sen per ordinary share totalling RM41,565,420 declared on 23 March 2016 and paid on 5 July 2016.
- (ii) In respect of the financial year ended 31 December 2016:
- an interim ordinary dividend of 5.0 sen per ordinary share totalling RM31,973,395 declared on 22 November 2016 and paid on 10 January 2017.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2016 is 6.0 sen per ordinary share totalling RM38,368,074.

Directors' Report

for the year ended 31 December 2016

DIRECTORS OF THE COMPANY

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

Dato' Lim Kuang Sia	
Lee Choo Hock	
Lim Ooi Chow	
Lim Siau Tian	
Lim Siau Hing	
Tan Kong Chang	
Lim Leng Bung	
Mohamed Shafeii Bin Abdul Gaffoor	(Appointed on 23 January 2017)
Hoh Kim Hyan	(Appointed on 23 January 2017)
Dato' Haji Mokhtar bin Haji Samad	(Resigned on 23 January 2017)
Tong Siew Choo	(Resigned on 23 January 2017)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Direct interests				
Dato' Lim Kuang Sia	763,776	–	–	763,776
Tong Siew Choo	59,904	–	–	59,904
Deemed interests				
Dato' Lim Kuang Sia				
- holding company	326,512,480	–	–	326,512,480
- spouse	1,044,496	–	–	1,044,496
Lim Leng Bung				
- holding company	326,512,480	–	–	326,512,480
Lim Siau Tian*	326,512,480	–	–	326,512,480
Lim Siau Hing*	326,512,480	–	–	326,512,480
Lim Ooi Chow*				
- holding company	326,512,480	–	–	326,512,480
- parents	1,808,272	–	–	1,808,272

* Shares held through person connected to the Director or shareholder

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

None of the other Directors holding office at 31 December 2016 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 2016

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 31 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

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 2016 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is as disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), 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
Director

.....
Lim Leng Bung
Director

Klang, Selangor Darul Ehsan

13 April 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	2015 RM'000
Assets					
Property, plant and equipment	3	862,530	771,450	48,874	29,428
Investment properties	4	5,223	5,223	22,013	–
Goodwill on consolidation	5	4,926	4,926	–	–
Intangible asset	6	1,639	–	1,639	–
Investment in subsidiaries	7	–	–	64,298	24,374
Investment in joint venture	8	1,381	–	1,400	–
Other investment	9	91	91	91	91
Deferred tax assets	10	61	36	–	–
Total non-current assets		875,851	781,726	138,315	53,893
Assets classified as held for sale	11	–	–	–	27,419
Inventories	12	210,671	205,588	–	–
Trade and other receivables	13	332,534	311,172	413,370	173,668
Prepayments		9,228	7,365	64	1,495
Current tax assets		13,773	2,061	1,371	–
Cash and cash equivalents	14	109,847	168,383	44,795	123,648
Total current assets		676,053	694,569	459,600	326,230
Total assets		1,551,904	1,476,295	597,915	380,123
Equity					
Share capital	15.1	319,734	319,734	319,734	319,734
Share premium	15.2	4,151	4,151	4,151	4,151
Translation reserve	15.3	8,238	7,417	–	–
Retained earnings		713,144	619,619	230,175	805
Total equity attributable to owners of the Company		1,045,267	950,921	554,060	324,690
Non-controlling interests		28,929	25,525	–	–
Total equity		1,074,196	976,446	554,060	324,690

Statements of Financial Position

as at 31 December 2016

	Note	Group 2016 RM'000	2015 RM'000	Company 2016 RM'000	2015 RM'000
Liabilities					
Loans and borrowings	16	58,991	103,479	486	116
Deferred tax liabilities	10	82,318	72,379	3,318	4,811
Total non-current liabilities		141,309	175,858	3,804	4,927
Loans and borrowings	16	118,495	119,813	442	306
Current tax liabilities		2,320	17,633	–	94
Trade and other payables	17	200,774	186,009	39,609	50,052
Derivative financial liabilities	18	14,810	536	–	54
Total current liabilities		336,399	323,991	40,051	50,506
Total liabilities		477,708	499,849	43,855	55,433
Total equity and liabilities		1,551,904	1,476,295	597,915	380,123

The notes on pages 65 to 128 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	2015 RM'000
Continuing operations					
Revenue	19	1,667,996	1,639,509	315,531	42,875
Other income		7,938	3,962	864	618
Changes in inventories of finished goods and work-in-progress		14,665	855	–	–
Raw materials and consumables used		(946,056)	(858,456)	–	–
Goods purchased for resale		(1,175)	(2,343)	–	–
Staff costs		(236,972)	(213,772)	(11,062)	(18,213)
Depreciation of property, plant and equipment		(69,316)	(66,908)	(1,250)	(1,320)
Other operating expenses		(221,121)	(226,291)	(4,135)	(2,462)
Results from operating activities		215,959	276,556	299,948	21,498
Finance costs	20	(10,035)	(10,155)	(45)	(24)
Finance income	24	4,103	2,166	3,012	1,168
Share of losses of equity-accounted joint venture, net of tax	8	(19)	–	–	–
Profit before tax		210,008	268,567	302,915	22,642
Tax expense	22	(38,960)	(62,248)	(7)	–
Profit from continuing operations		171,048	206,319	302,908	22,642
Discontinued operation					
Profit from discontinued operation, net of tax	23	–	–	–	16,492
Profit for the year	24	171,048	206,319	302,908	39,134

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Note	Group 2016 RM'000	2015 RM'000	Company 2016 RM'000	2015 RM'000
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		955	6,615	–	–
Other comprehensive income for the year, net of tax		955	6,615	–	–
Total comprehensive income for the year		172,003	212,934	302,908	39,134
Profit attributable to:					
Owners of the Company		167,063	202,530	302,908	39,134
Non-controlling interests		3,985	3,789	–	–
Profit for the year		171,048	206,319	302,908	39,134
Total comprehensive income attributable to:					
Owners of the Company		167,884	207,838	302,908	39,134
Non-controlling interests		4,119	5,096	–	–
Total comprehensive income for the year		172,003	212,934	302,908	39,134
Basic earnings per ordinary share (sen)	25	26.13	31.67		

The notes on pages 65 to 128 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

		Attributable to owners of the Company						
		Non-distributable		Distributable				
Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015		319,734	4,151	2,109	481,036	807,030	20,983	828,013
Foreign currency translation differences from foreign operations		–	–	5,308	–	5,308	1,307	6,615
Total other comprehensive income for the year		–	–	5,308	–	5,308	1,307	6,615
Profit for the year		–	–	–	202,530	202,530	3,789	206,319
Total comprehensive income for the year		–	–	5,308	202,530	207,838	5,096	212,934
Dividends to owners of the Company	26	–	–	–	(63,947)	(63,947)	–	(63,947)
Dividends paid to non-controlling interests		–	–	–	–	–	(554)	(554)
At 31 December 2015		319,734	4,151	7,417	619,619	950,921	25,525	976,446
		Note 15.1	Note 15.2	Note 15.3				
At 1 January 2016		319,734	4,151	7,417	619,619	950,921	25,525	976,446
Foreign currency translation differences from foreign operations		–	–	821	–	821	134	955
Total other comprehensive income for the year		–	–	821	–	821	134	955
Profit for the year		–	–	–	167,063	167,063	3,985	171,048
Total comprehensive income for the year		–	–	821	167,063	167,884	4,119	172,003
Dividends to owners of the Company	26	–	–	–	(73,538)	(73,538)	–	(73,538)
Dividends paid to non-controlling interests		–	–	–	–	–	(715)	(715)
At 31 December 2016		319,734	4,151	8,238	713,144	1,045,267	28,929	1,074,196
		Note 15.1	Note 15.2	Note 15.3				

The notes on pages 65 to 128 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Note	← Non-distributable → Share capital RM'000	Share premium RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2015		319,734	4,151	25,618	349,503
Profit and total comprehensive income for the year		–	–	39,134	39,134
Dividends to owners of the Company	26	–	–	(63,947)	(63,947)
At 31 December 2015/1 January 2016		319,734	4,151	805	324,690
Profit and total comprehensive income for the year		–	–	302,908	302,908
Dividends to owners of the Company	26	–	–	(73,538)	(73,538)
At 31 December 2016		319,734	4,151	230,175	554,060
		Note 15.1	Note 15.2		

The notes on pages 65 to 128 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group 2016 RM'000	2015 RM'000	Company 2016 RM'000	2015 RM'000
Cash flows from operating activities					
Profit before tax from:					
- continuing operations		210,008	268,567	302,915	22,642
- discontinued operation	23	–	–	–	19,697
		210,008	268,567	302,915	42,339
<i>Adjustments for:</i>					
Depreciation of investment property	4	–	–	392	–
Depreciation of property, plant and equipment	3	69,316	66,908	1,250	3,470
Dividend income	19	–	–	(301,203)	(34,755)
Finance costs	20	10,035	10,155	45	71
Finance income	24	(4,103)	(2,166)	(3,012)	(1,168)
Loss/(Gain) on disposal of property, plant and equipment	24	53	(22)	(122)	(53)
Net unrealised fair value changes on derivatives	24	14,810	536	–	54
Net unrealised foreign exchange differences	24	(19,320)	(5,628)	–	(291)
Property, plant and equipment written off	24	103	31	–	–
Share of losses of equity-accounted joint venture, net of tax		19	–	–	–
Operating profit before changes in working capital		280,921	338,381	265	9,667
Change in inventories		(5,083)	(12,056)	–	(409)
Change in trade and other receivables and prepayments		(4,441)	(39,775)	61,675	82,643
Change in trade and other payables		17,962	(19,508)	(7,245)	(2,159)
Cash generated from operations		289,359	267,042	54,695	89,742
Dividends received		–	–	1,203	34,755
Interest received		4,103	2,166	3,012	1,168
Interest paid		(4,106)	(4,241)	(45)	(71)
Tax paid		(57,073)	(37,948)	(1,687)	(2,028)
Tax refund		1,002	720	–	–
Net cash from operating activities		233,287	227,739	57,178	123,566

Statements of Cash Flows

for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities					
Acquisition of intangible asset		(1,639)	–	(1,639)	–
Acquisition of property, plant and equipment	(ii)	(159,795)	(97,623)	(42,101)	(1,954)
Increase in investments in subsidiaries		–	–	(13,783)	(2,500)
Investment in joint venture		(1,400)	–	(1,400)	–
Proceeds from disposal of other investments		–	8,168	–	8,168
Proceeds from disposal of property, plant and equipment		431	1,283	122	98
Change in pledged deposit		–	148	–	–
Net cash (used in)/from investing activities		(162,403)	(88,024)	(58,801)	3,812
Cash flows from financing activities					
Dividends paid to owners of the Company		(76,736)	(28,776)	(76,736)	(28,776)
Dividends paid to non-controlling interests		(715)	(554)	–	–
Interest paid		(5,929)	(5,914)	–	–
Drawdown of term loans		–	60,000	–	–
Repayment of finance lease liabilities		(26,006)	(23,162)	(439)	(448)
Repayment of other borrowings		(4,922)	(23,162)	(55)	(684)
Repayment of term loans		(16,478)	(12,434)	–	–
Net cash used in financing activities		(130,786)	(34,002)	(77,230)	(29,908)

Statements of Cash Flows

for the year ended 31 December 2016

	Note	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Net (decrease)/increase in cash and cash equivalents		(59,902)	105,713	(78,853)	97,470
Effect of exchange rate fluctuations on cash held		1,366	1,986	–	–
Cash and cash equivalents at 1 January		168,275	60,576	123,648	26,178
Cash and cash equivalents at 31 December	(i)	109,739	168,275	44,795	123,648

(i) Cash and cash equivalents

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

	Note	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Cash and bank balances	14	73,014	108,275	23,795	73,648
Short term deposits	14	36,833	60,108	21,000	50,000
		109,847	168,383	44,795	123,648
Less: Deposits pledged	14	(108)	(108)	–	–
		109,739	168,275	44,795	123,648

(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 RM161,395,000 (2015: RM116,643,000) and RM43,101,000 (2015: RM1,954,000) respectively of which RM1,600,000 (2015: RM19,020,000) and RM1,000,000 (2015: nil) respectively were acquired by finance lease agreements.

The notes on pages 65 to 128 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business/Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

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

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

These financial statements were authorised for issue by the Board of Directors on 13 April 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

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

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)**
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions**
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts**
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2018, except for amendments marked with “*” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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

MFRS 9, Financial Instruments

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

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

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRS 15, Revenue from Contracts with Customers

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

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

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

The Group is currently assessing the financial impact that may arise from the adoption of the 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 and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

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

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

Notes to 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 Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

(iii) Acquisitions of non-controlling interests

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iv) Loss of control

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

(v) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

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

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

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

When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) *Loans and receivables*

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(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(l)(i)).

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

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

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(ii) Operating lease

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

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

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

(f) Goodwill on consolidation

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

(g) Intangible assets

(i) Intangible assets

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the patent is 10 years.

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investment property

Investment property carried at cost

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

(i) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(j) Assets classified as held for sale

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

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

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

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment

(i) Financial assets

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

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

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Impairment (Cont'd)

(ii) Other assets

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(n) Employee benefits

(i) Short-term employee benefits

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

Short-term

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

(ii) State plans

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

(o) Provisions

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

(p) Revenue and other income

(i) Goods sold

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue and other income (Cont'd)

(ii) Interest income

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

(iii) Services rendered

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

(iv) Dividend income

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

(q) Borrowing costs

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

(r) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Discontinued operation

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

(t) Earnings per ordinary share

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

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

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

(u) Operating segments

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

(v) Fair value measurement

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

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

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

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

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

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land*	Buildings	Plant and machinery	Motor vehicles	Factory renovation	Factory furniture	Electrical installation	Office furniture, equipment and renovation	Plant and machinery under construction	Building under construction	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 1 January 2015		171,494	201,044	635,264	18,800	8,195	15,031	4,619	13,202	2,913	5,009	1,075,571
Additions		49,454	2,687	32,387	1,856	667	1,816	20	1,832	23,687	2,237	116,643
Disposals		-	-	(982)	(2,297)	-	(30)	-	(136)	-	-	(3,445)
Write-off		-	-	(1,677)	(93)	-	-	-	(167)	-	-	(1,937)
Transfer to investment property:												
- Transfer of carrying amount	4	(5,223)	-	-	-	-	-	-	-	-	-	(5,223)
Reclassification		-	4,429	(712)	-	520	(516)	(103)	518	260	(4,396)	-
Effect of movements in exchange rates		2,948	274	1,611	7	-	-	-	44	-	-	4,884
At 31 December 2015/1 January 2016		218,673	208,434	665,891	18,273	9,382	16,301	4,536	15,293	26,860	2,850	1,186,493
Additions		58,293	1,821	43,824	2,597	137	957	33	1,991	35,803	15,939	161,395
Disposals		-	-	(129)	(1,543)	-	-	-	(38)	-	-	(1,710)
Write-off		-	-	(19,935)	-	(134)	-	-	(30)	-	-	(20,099)
Reclassification		-	489	15,245	-	(115)	-	-	-	(15,245)	(374)	-
Effect of movements in exchange rates		(324)	66	13	(2)	-	-	-	(30)	-	-	(277)
At 31 December 2016		276,642	210,810	704,909	19,325	9,270	17,258	4,569	17,186	47,418	18,415	1,325,802

* Included in the freehold land is an amount of USD3,680,000, equivalent to RM15.5 million as at 31 December 2016 (31 December 2015: USD3,680,000, equivalent to RM15.8 million) representing the freehold land and building of an overseas subsidiary of which the carrying amount of the building is not segregated from the freehold land as the required details are not available.

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

Group	Freehold land	Buildings	Plant and machinery	Motor vehicles	Factory renovation	Factory furniture and equipment	Electrical installation	Office furniture, equipment and renovation	Plant and machinery under construction	Building under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation											
At 1 January 2015	-	16,775	304,866	9,503	4,074	5,759	3,217	6,761	-	-	350,955
Charge for the year	-	4,731	55,661	2,850	715	1,418	233	1,300	-	-	66,908
Disposals	-	-	(868)	(1,193)	-	(12)	-	(111)	-	-	(2,184)
Write-off	-	-	(1,647)	(93)	-	(7)	-	(159)	-	-	(1,906)
Reclassification	-	51	(48)	(1)	813	(122)	(813)	120	-	-	-
Effect of movements in exchange rates	-	238	998	1	-	-	-	33	-	-	1,270
At 31 December 2015/1 January 2016	-	21,795	358,962	11,067	5,602	7,036	2,637	7,944	-	-	415,043
Charge for the year	-	4,784	57,444	2,994	714	1,681	333	1,366	-	-	69,316
Disposals	-	-	(107)	(1,099)	-	-	-	(20)	-	-	(1,226)
Reclassification	-	2	-	-	(2)	-	-	-	-	-	-
Write-off	-	-	(19,832)	-	(134)	-	-	(30)	-	-	(19,996)
Effect of movements in exchange rates	-	66	68	1	-	-	-	-	-	-	135
At 31 December 2016	-	26,647	396,535	12,963	6,180	8,717	2,970	9,260	-	-	463,272
Carrying amounts											
At 1 January 2015	171,494	184,269	330,398	9,297	4,121	9,272	1,402	6,441	2,913	5,009	724,616
At 31 December 2015/1 January 2016	218,673	186,639	306,929	7,206	3,780	9,265	1,899	7,349	26,860	2,850	771,450
At 31 December 2016	276,642	184,163	308,374	6,362	3,090	8,541	1,599	7,926	47,418	18,415	862,530

Notes to the Financial Statements

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

Company	Note	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Office furniture and equipment RM'000	Total RM'000
Cost								
At 1 January 2015		10,100	18,059	55,298	5,082	133	3,441	92,113
Additions		-	-	1,376	305	-	273	1,954
Disposals		-	-	(387)	(136)	-	-	(523)
Transfer to assets classified as held for sale:								
- Offset of accumulated depreciation		-	-	(46,765)	-	(133)	-	(46,898)
- Transfer of carrying amount	11	-	-	(9,522)	-	-	-	(9,522)
At 31 December 2015/1 January 2016		10,100	18,059	-	5,251	-	3,714	37,124
Additions		41,382	-	-	1,386	-	333	43,101
Disposals		-	-	-	(765)	-	(1)	(766)
Transfer to investment properties:								
- Offset of accumulated depreciation		-	(1,955)	-	-	-	-	(1,955)
- Transfer of carrying amount	4	(10,100)	(12,305)	-	-	-	-	(22,405)
At 31 December 2016		41,382	3,799	-	5,872	-	4,046	55,099

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

Company	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Office furniture and equipment RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2015	-	1,883	45,071	2,946	133	1,569	51,602
Charge for the year	-	473	2,036	612	-	349	3,470
Disposals	-	-	(342)	(136)	-	-	(478)
Offset of accumulated depreciation on property transferred to asset classified as held for sale	-	-	(46,765)	-	(133)	-	(46,898)
At 31 December 2015/1 January 2016	-	2,356	-	3,422	-	1,918	7,696
Charge for the year	-	81	-	803	-	366	1,250
Disposals	-	-	-	(765)	-	(1)	(766)
Offset of accumulated depreciation on property transferred to investment properties	-	(1,955)	-	-	-	-	(1,955)
At 31 December 2016	-	482	-	3,460	-	2,283	6,225
Carrying amounts							
At 1 January 2015	10,100	16,176	10,227	2,136	-	1,872	40,511
At 31 December 2015/1 January 2016	10,100	15,703	-	1,829	-	1,796	29,428
At 31 December 2016	41,382	3,317	-	2,412	-	1,763	48,874

Notes to the Financial Statements

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

3.1 Assets under finance lease arrangement

At 31 December 2016, the net carrying amount of assets under finance lease arrangement was as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Plant and machinery	69,163	96,917	–	–
Motor vehicles	3,733	3,125	1,735	812
	72,896	100,042	1,735	812

4. INVESTMENT PROPERTIES

	Note	Freehold land RM'000	Buildings RM'000	Total RM'000
Group				
Cost/Carrying amounts				
At 1 January 2015		–	–	–
Transfer from property, plant and equipment	3	5,223	–	5,223
At 31 December 2015/1 January 2016/ 31 December 2016		5,223	–	5,223
Company				
Cost				
At 1 January 2016		–	–	–
Transfer from property, plant and equipment	3	10,100	12,305	22,405
At 31 December 2016		10,100	12,305	22,405
Accumulated depreciation				
At 1 January 2016		–	–	–
Charge for the year		–	392	392
At 31 December 2016		–	392	392
Carrying amount				
At 1 January 2016		–	–	–
At 31 December 2016		10,100	11,913	22,013

Notes to the Financial Statements

4. INVESTMENT PROPERTIES (CONT'D)

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

	2016 RM'000	Company 2015 RM'000
Rental income	612	–
Direct operating expenses:		
- income generating investment properties	(517)	–

Fair value information

Fair value of investment properties is categorised as follows:

	Group Level 3 RM'000	Company Level 3 RM'000
2016		
Freehold land	5,397	15,063
Buildings	–	19,669
2015		
Freehold land	5,571	–

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

Investment properties not carried at fair value

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

5. GOODWILL ON CONSOLIDATION

	2016 RM'000	Group 2015 RM'000
At cost	4,926	4,926

5.1 Impairment testing for cash-generating units containing goodwill

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

Notes to the Financial Statements

5. GOODWILL ON CONSOLIDATION (CONT'D)

5.1 Impairment testing for cash-generating units containing goodwill (Cont'd)

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

	2016 RM'000	Group 2015 RM'000
Technical rubber products	864	864
Cleanroom products	4,062	4,062
Total	4,926	4,926

Key assumptions used in recoverable amount

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

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

- The revenue growth in the 5-year cash flow projection is estimated at a compounded annual growth rate of 4% supported by historical trend (2015: 6%).
- The terminal value was estimated using the perpetuity growth model, with a growth rate to perpetuity of 2% (2015: 2%).
- A pre-tax discount rate of 13.5% (2015: 11%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.
- There will be no other significant changes in the government policies and regulations which will directly affect the investees' businesses. The inflation for the operating expenses is in line with the estimated gross domestic product growth rate for the country based on the past trends.

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

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

6. INTANGIBLE ASSET

	Group and Company 2016 RM'000	2015 RM'000
Intellectual property rights, at cost	1,639	–

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

Notes to the Financial Statements

7. INVESTMENTS IN SUBSIDIARIES

	2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	64,298	24,374

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2016 %	2015 %
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	90.4	90.4
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Ideal Quality Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	100	100
Kossan International Sdn. Bhd.	Malaysia	Trading of latex examination gloves	100	100
Kossan Sdn. Bhd.	Malaysia	Investment holding	100	100
Premium Medical Products Sdn. Bhd.	Malaysia	Investment holding	100	100
Cleanera (Malaysia) Sdn. Bhd.	Malaysia	Trading of latex examination gloves and cleanroom products	100	100
Cleanera HK Limited+	Hong Kong	Investment holding and the trading of cleanroom products	55	55
KPH Logistics, Inc.#	United States of America	Distribution	100	100
KPH (San Francisco), LLC.#	United States of America	Property holding	100	100
KISB Asia Pacific Sdn. Bhd. (formerly known as Assurguard Sdn. Bhd.)	Malaysia	Dormant	100	100

Notes to the Financial Statements

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2016 %	2015 %
Kossan Labuan Bhd.#	Labuan, Malaysia	Investment holding	100	100
Kossan Industries Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	100	100
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Subsidiary of Cleanera HK Limited				
Dongguan Cleanera Cleanroom Products Company Limited+	The People's Republic of China	Manufacturing and dealing in cleanroom products	55	55
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Kossan Gloves Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Kossan Gloves Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	100
Subsidiary of Kossan Labuan Bhd.				
PT. Kossan Setia Jaya#	Republic of Indonesia	Property holding	100	100
Subsidiary of Kossan International Sdn. Bhd.				
KISB HK Limited*	Hong Kong	Dormant	100	100
Subsidiary of KISB HK Limited				
KISB Limited Shanghai*	The People's Republic of China	Dormant	100	–

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

+ Not audited by member firms of KPMG International.

* The financial statements of the subsidiaries are consolidated based on management accounts.

Material non-controlling interests in subsidiaries

There are no non-controlling interests that are material to the Group for the year ended 31 December 2016.

Notes to the Financial Statements

8. INVESTMENT IN JOINT VENTURE

	Group RM'000	2016 Company RM'000
At cost		
Unquoted shares	1,400	1,400
Shares of post-acquisition reserves	(19)	–
	1,381	1,400

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

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

The following table summarises the financial information of Aseptapak.

	Group 2016 RM'000
Percentage of ownership interest and voting interest	50%
Summarised financial information	
As at 31 December	
Non-current assets	1,669
Current assets	1,190
Current liabilities	(97)
	2,762
Year ended 31 December	
Loss and total comprehensive expenses for the year	(39)
Group's share of results for the year ended 31 December	
Group's share of losses during the year	(19)

9. OTHER INVESTMENT

	Group and Company 2016 RM'000	2015 RM'000
Investment in club membership		
- Available-for-sale financial assets at amortised cost	91	91

Notes to the Financial Statements

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	–	–	(75,700)	(65,360)	(75,700)	(65,360)
Revaluation on properties#	–	–	(5,614)	(5,914)	(5,614)	(5,914)
Tax loss carry-forwards	195	3	–	–	195	3
Derivatives	1,499	134	–	–	1,499	134
Others	–	–	(2,637)	(1,206)	(2,637)	(1,206)
Tax assets/(liabilities)	1,694	137	(83,951)	(72,480)	(82,257)	(72,343)
Set off of tax	(1,633)	(101)	1,633	101	–	–
Net tax assets/(liabilities)	61	36	(82,318)	(72,379)	(82,257)	(72,343)
Company						
Property, plant and equipment	–	–	(2,681)	(4,266)	(2,681)	(4,266)
Revaluation on properties#	–	–	(637)	(687)	(637)	(687)
Derivatives	–	13	–	–	–	13
Others	–	129	–	–	–	129
	–	142	(3,318)	(4,953)	(3,318)	(4,811)

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

Unrecognised deferred tax assets

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

	Group	
	2016	2015
	RM'000	RM'000
Tax loss carry-forwards	39	39
Tax at 24% (2015: 25%)	9	10

The tax loss carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item 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.

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

Movement in temporary differences during the year

	Note	Property, plant and equipment RM'000	Revaluation on properties RM'000	Unutilised reinvestment allowance RM'000	Tax loss carry- forwards RM'000	Derivatives RM'000	Others RM'000	Total RM'000
Group								
At 1 January 2015		(63,375)	(6,162)	7,645	80	(852)	219	(62,445)
Recognised in profit or loss	22	(1,985)	248	(7,645)	(77)	986	(1,425)	(9,898)
At 31 December 2015/ 1 January 2016		(65,360)	(5,914)	-	3	134	(1,206)	(72,343)
Recognised in profit or loss	22	(10,340)	300	-	192	1,365	(1,431)	(9,914)
At 31 December 2016		(75,700)	(5,614)	-	195	1,499	(2,637)	(82,257)
Company								
At 1 January 2015		(3,579)	(710)	-	-	(80)	(182)	(4,551)
Recognised in profit or loss	22	(687)	23	-	-	93	311	(260)
At 31 December 2015/ 1 January 2016		(4,266)	(687)	-	-	13	129	(4,811)
Recognised in profit or loss	22	307	50	-	-	(13)	(129)	215
Arising from common control transfer	23	1,278	-	-	-	-	-	1,278
At 31 December 2016		(2,681)	(637)	-	-	-	-	(3,318)

Notes to the Financial Statements

11. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

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

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

12. INVENTORIES

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost:					
Raw materials		56,249	59,571	–	8,307
Work-in-progress		5,309	5,252	–	4,170
Finished goods		149,113	140,765	–	5,420
		210,671	205,588	–	17,897
Less: Transfer to assets classified as held for sale	11	–	–	–	(17,897)
		210,671	205,588	–	–

Notes to the Financial Statements

13. TRADE AND OTHER RECEIVABLES

	Note	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Trade					
Trade receivables		304,980	286,054	53	20,671
Less: Allowance for impairment loss		(11)	(231)	–	(220)
		304,969	285,823	53	20,451
Amount due from subsidiaries	13.1	–	–	–	1,236
Amount due from related parties	13.1	–	2,979	–	–
		304,969	288,802	53	21,687
Non-trade					
Amount due from subsidiaries	13.2	–	–	413,001	149,767
Amount due from joint venture	13.2	91	–	–	–
Other receivables		24,498	19,409	42	1,667
Refundable deposits		2,976	2,961	274	547
		27,565	22,370	413,317	151,981
		332,534	311,172	413,370	173,668

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

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

14. CASH AND CASH EQUIVALENTS

	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Cash and bank balances	73,014	108,275	23,795	73,648
Short term deposits placed with licensed banks	36,833	60,108	21,000	50,000
	109,847	168,383	44,795	123,648

Included in deposits placed with licensed banks of the Group are amounts of RM108,000 (2015: RM108,000) pledged to the banks for banking facilities granted to the Group.

Notes to the Financial Statements

15. CAPITAL AND RESERVES

15.1 Share capital

	Number of shares 2016 '000	Group and Company Amount 2016 RM'000	Number of shares 2015 '000	Amount 2015 RM'000
Authorised:				
Ordinary shares of RM0.50 each	2,000,000	1,000,000	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	639,468	319,734	639,468	319,734

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

15.2 Share premium

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

15.3 Translation reserve

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

16. LOANS AND BORROWINGS

	Note	2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	2015 RM'000
Non-current					
Term loans - unsecured	16.1	55,951	88,214	–	–
Finance lease liabilities	16.2	3,040	15,265	486	116
		58,991	103,479	486	116
Current					
Term loans - unsecured	16.1	26,566	10,781	–	–
Revolving credit - unsecured		28,000	41,000	–	–
Trade finance - unsecured		51,637	43,559	–	55
Finance lease liabilities	16.2	12,292	24,473	442	251
		118,495	119,813	442	306
		177,486	223,292	928	422

Notes to the Financial Statements

16. LOANS AND BORROWINGS (CONT'D)

16.1 Term loans - unsecured

Unsecured term loans consisting of:

- (a) MYR denominated term loan of RM5.40 million (2015: RM8.29 million) representing 5-year term loan obtained in 2013 with monthly repayment installments, and bears interest rates of 4.75% (2015: 4.75%) per annum,
- (b) MYR denominated term loan of RM24.60 million (2015: RM30.70 million) representing 5-year term loan obtained in 2014 with quarterly repayment installments, and bears interest rates of 4.43% (2015: 4.43%) per annum,
- (c) MYR denominated term loan of RM52.50 million (2015: RM60 million) representing a 5-year term loan obtained in 2015 with quarterly repayment installments, and bears interest rates of 4.30% - 4.55% (2015: 4.50%) per annum.

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000
Group						
Less than one year	12,726	(434)	12,292	25,879	(1,406)	24,473
Between one and five years	3,092	(52)	3,040	15,668	(403)	15,265
	15,818	(486)	15,332	41,547	(1,809)	39,738
Company						
Less than one year	477	(35)	442	260	(9)	251
Between one and five years	504	(18)	486	117	(1)	116
	981	(53)	928	377	(10)	367

Notes to the Financial Statements

17. TRADE AND OTHER PAYABLES

	Note	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Trade					
Trade payables		96,030	91,081	89	4,534
Amount due to a subsidiary	17.1	–	–	–	1,939
Amount due to related parties	17.1	–	772	–	–
		96,030	91,853	89	6,473
Non-trade					
Amount due to holding company	17.2	62	3	–	–
Amount due to subsidiaries	17.2	–	–	–	2
Amount due to related parties	17.2	2,026	4,037	–	–
Other payables		35,950	28,151	779	692
Dividend payables		31,973	35,171	31,973	35,171
Accrued expenses		34,733	26,794	6,768	7,714
		104,744	94,156	39,520	43,579
		200,774	186,009	39,609	50,052

17.1 The trade amounts due to a subsidiary and related parties were subject to normal trade terms.

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

Notes to the Financial Statements

18. DERIVATIVE FINANCIAL LIABILITIES

	Nominal value RM'000	2016 Assets RM'000	Liabilities RM'000	Nominal value RM'000	2015 Assets RM'000	Liabilities RM'000
Group						
Derivatives held for trading at fair value through profit or loss						
- Forward foreign exchange contracts	216,876	–	(14,810)	370,563	–	(536)
Company						
Derivatives held for trading at fair value through profit or loss						
- Forward foreign exchange contracts	–	–	–	13,305	–	(54)

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

19. REVENUE

	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Continuing operations				
Sales of goods	1,667,996	1,639,509	–	–
Dividend income	–	–	301,203	34,755
Management fees	–	–	14,328	8,120
	1,667,996	1,639,509	315,531	42,875
Discontinued operation				
Sales of goods	–	–	–	119,338
	1,667,996	1,639,509	315,531	162,213

Notes to the Financial Statements

20. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations				
Interest expense on:				
- Bank overdraft	37	41	5	–
- Finance lease	1,449	2,373	37	24
- Term loans	4,480	3,541	–	–
- Trade finance	2,193	2,327	3	–
- Revolving credit	1,876	1,873	–	–
	10,035	10,155	45	24
Discontinued operation				
Interest expense on:				
- Bank overdraft	–	–	–	3
- Trade finance	–	–	–	44
	10,035	10,155	45	71

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors:				
- Fees	255	255	255	255
- Remunerations	17,861	25,441	5,745	11,117
	18,116	25,696	6,000	11,372
Other key management personnel:				
- Remunerations	6,711	6,426	3,041	2,986

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

Notes to the Financial Statements

22. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax expense on continuing operations	38,960	62,248	7	–
Income tax expense on discontinued operation	–	–	–	3,205
Total income tax expense	38,960	62,248	7	3,205
Current tax expense				
Malaysian - current year	28,761	51,262	266	2,183
Overseas - current year	464	483	–	–
(Over)/Under provision in prior year	(179)	605	(44)	762
	29,046	52,350	222	2,945
Deferred tax expense				
Origination and reversal of temporary differences	13,926	8,102	(219)	(426)
(Over)/Under provision in prior year	(4,012)	1,796	4	686
	9,914	9,898	(215)	260
Total tax expense	38,960	62,248	7	3,205

Notes to the Financial Statements

22. TAX EXPENSE (CONT'D)

Reconciliation of tax expense

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax				
- continuing operations	210,008	268,567	302,915	22,642
- discontinued operation	–	–	–	19,697
	210,008	268,567	302,915	42,339
Add:				
Share of losses of equity-accounted joint venture, net of tax	19	–	–	–
	210,027	268,567	302,915	42,339
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	50,407	67,142	72,700	10,585
Effect of tax rates in foreign jurisdiction	(194)	(172)	–	–
Non-deductible expenses	3,001	3,671	260	247
Tax incentives	(9,850)	(10,480)	–	(94)
Income not subject to tax	–	–	(72,893)	(8,690)
Others	(213)	(314)	(20)	(291)
	43,151	59,847	47	1,757
(Over)/Under provision in prior year				
- income tax expense	(179)	605	(44)	762
- deferred tax expense	(4,012)	1,796	4	686
	38,960	62,248	7	3,205

Notes to the Financial Statements

23. DISCONTINUED OPERATION

Company

During the year, the Company transferred its manufacturing operation to a wholly owned subsidiary for a purchase consideration of RM26.1 million, where it was satisfied by subscription of share issued by the subsidiary. The assets and liabilities were presented as assets held for sale as at 31 December 2015 and the statement of profit or loss and other comprehensive income has been presented to show the discontinued operation separately from continuing operations.

Profit attributable to the discontinued operation was as follows:

	Note	2016 RM'000	2015 RM'000
Results of discontinued operation			
Revenue	19	–	119,338
Changes in inventories of finished goods and work-in-progress		–	52
Raw materials and consumables used		–	(47,977)
Goods purchased for resale		–	(16,686)
Staff costs		–	(18,534)
Depreciation of property, plant and equipment		–	(2,150)
Other operating expenses		–	(14,299)
Results from operating activities		–	19,744
Finance costs	20	–	(47)
Profit before tax		–	19,697
Tax expense	22	–	(3,205)
Profit for the year		–	16,492

Notes to the Financial Statements

23. DISCONTINUED OPERATION (CONT'D)

The profit from discontinued operation in 2015 of RM16.4 million was attributable entirely to the owners of the Company.

	2016 RM'000	2015 RM'000
Cash flows from discontinued operation		
Net cash from operating activities	–	16,172
Net cash from investing activities	–	–
Net cash from financing activities	–	–
Effect on cash flows	–	16,172

Effect of transfer on the financial position of the Company:

	Note	2016 RM'000
Property, plant and equipment	3	9,522
Inventories	12	17,897
Deferred tax liabilities	10	(1,278)
Net assets and liabilities transferred		26,141
Settlement by: Subscription of shares		(26,141)
Net cash inflow		–

Notes to the Financial Statements

24. PROFIT FOR THE YEAR

	Note	Group 2016 RM'000	2015 RM'000	Company 2016 RM'000	2015 RM'000
Profit for the year is arrived at after charging:					
Impairment loss on trade receivables	28.4	–	220	–	220
Auditors' remunerations					
- Audit fees					
- KPMG		332	321	79	95
- Other auditors		52	25	–	–
- Non-audit fees		208	10	202	10
Depreciation of property, plant and equipment	3	69,316	66,908	1,250	3,470
Depreciation of investment property	4	–	–	392	–
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		10,746	9,140	1,364	2,276
- Wages, salaries and others		226,226	204,632	9,698	34,471
Property, plant and equipment written off		103	31	–	–
Loss on disposal of property, plant and equipment		187	–	–	–
Unrealised fair value changes on derivatives		14,810	536	–	54
Rental of premises		3,099	2,584	–	761
Rental of equipment		1	37	–	–
and after crediting:					
Realised gain on foreign exchange		14,921	35,758	88	3,238
Unrealised foreign exchange gain on receivables		19,320	5,628	–	291
Gain on disposal of property, plant and equipment		134	22	122	53
Interest on short term deposits		4,103	2,166	3,012	1,168
Rental income		156	235	612	211

Notes to the Financial Statements

25. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2016 RM'000	Group 2015 RM'000
Profit for the year attributable to owners of the Company	167,063	202,530

Weighted average number of ordinary shares

	2016 '000	Group 2015 '000
Issued ordinary shares at 1 January/31 December	639,468	639,468

	2016 Sen	Group 2015 Sen
Basic earnings per share	26.13	31.67

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

26. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2016			
Final 2015 ordinary	6.50	41,565	5 July 2016
Interim 2016 ordinary	5.00	31,973	10 January 2017
		73,538	
2015			
Final 2014 ordinary	4.50	28,776	22 July 2015
Interim 2015 ordinary	5.50	35,171	12 January 2016
		63,947	

Notes to the Financial Statements

27. OPERATING SEGMENTS

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

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

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

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

Segment assets

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

Segment liabilities

The total 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.

Notes to the Financial Statements

27. OPERATING SEGMENTS (CONT'D)

Geographical segments

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

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

	2016 RM'000	2015 RM'000
Group Revenue		
Sales office located in Malaysia		
- for local market	81,408	42,068
- for export market	1,542,528	1,546,839
Sales office located outside of Malaysia	44,060	50,602
	1,667,996	1,639,509
Non-current assets		
Located in Malaysia	843,344	745,980
Located outside of Malaysia	19,186	25,470
	862,530	771,450

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the years ended 31 December 2016 and 31 December 2015.

Notes to the Financial Statements

27. OPERATING SEGMENTS (CONT'D)

	Technical rubber products		Gloves		Cleanroom products		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Business segments										
Total external revenue	159,997	160,221	1,442,410	1,411,055	65,582	68,233	7	-	1,667,996	1,639,509
Segment results	30,638	12,223	184,021	260,262	2,658	5,152	(1,358)	(1,081)	215,959	276,556
Share of losses of joint venture								(19)		-
Finance costs								(10,035)		(10,155)
Finance income								4,103		2,166
Tax expense								(38,960)		(62,248)
Profit for the year								171,048		206,319
Segment assets	150,859	285,974	1,204,312	1,114,031	47,723	38,201	149,010	38,089	1,551,904	1,476,295
Segment liabilities	23,403	67,895	398,330	422,304	7,904	7,270	48,071	2,380	477,708	499,849
<i>Included in the measure of segment assets are:</i>										
Capital expenditure	8,988	12,937	109,096	94,277	185	226	43,126	9,203	161,395	116,643
<i>Included in the measure of segment results are:</i>										
Depreciation	6,268	7,551	60,180	58,078	843	870	2,025	409	69,316	66,908

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

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

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

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
Group				
2016				
Financial assets				
Other investment	91	–	–	91
Trade and other receivables	332,534	332,534	–	–
Cash and cash equivalents	109,847	109,847	–	–
	442,472	442,381	–	91
Financial liabilities				
Loans and borrowings	(177,486)	(177,486)	–	–
Trade and other payables	(200,774)	(200,774)	–	–
Derivative financial liabilities	(14,810)	–	(14,810)	–
	(393,070)	(378,260)	(14,810)	–
2015				
Financial assets				
Other investment	91	–	–	91
Trade and other receivables	311,172	311,172	–	–
Cash and cash equivalents	168,383	168,383	–	–
	479,646	479,555	–	91
Financial liabilities				
Loans and borrowings	(223,292)	(223,292)	–	–
Trade and other payables	(186,009)	(186,009)	–	–
Derivative financial liabilities	(536)	–	(536)	–
	(409,837)	(409,301)	(536)	–

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
Company				
2016				
Financial assets				
Other investment	91	–	–	91
Trade and other receivables	413,370	413,370	–	–
Cash and cash equivalents	44,795	44,795	–	–
	458,256	458,165	–	91
Financial liabilities				
Loans and borrowings	(928)	(928)	–	–
Trade and other payables	(39,609)	(39,609)	–	–
	(40,537)	(40,537)	–	–
2015				
Financial assets				
Other investment	91	–	–	91
Trade and other receivables	173,668	173,668	–	–
Cash and cash equivalents	123,648	123,648	–	–
	297,407	297,316	–	91
Financial liabilities				
Loans and borrowings	(422)	(422)	–	–
Trade and other payables	(50,052)	(50,052)	–	–
Derivative financial liabilities	(54)	–	(54)	–
	(50,528)	(50,474)	(54)	–

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Financial assets and liabilities of fair value through profit or loss:				
- Forward foreign currency contracts	(14,810)	(536)	–	(54)
Loans and receivables	38,344	43,332	3,100	4,477
Financial liabilities measured at amortised cost	(10,035)	(10,155)	(45)	(71)
	13,499	32,641	3,055	4,352

28.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

Credit risk is the risk of a financial loss 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.

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Receivables (Cont'd)

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2016			
Not past due	234,161	–	234,161
Past due 0-30 days	40,374	–	40,374
Past due 31-120 days	20,841	–	20,841
Past due more than 120 days	9,604	(11)	9,593
	304,980	(11)	304,969
2015			
Not past due	235,214	–	235,214
Past due 0-30 days	29,648	–	29,648
Past due 31-120 days	17,629	–	17,629
Past due more than 120 days	3,563	(231)	3,332
	286,054	(231)	285,823

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Receivables (Cont'd)

Impairment losses (Cont'd)

	Gross RM'000	Individual impairment RM'000	Net RM'000
Company			
2016			
Not past due	–	–	–
Past due 0-30 days	–	–	–
Past due 31-120 days	–	–	–
Past due more than 120 days	53	–	53
	53	–	53
2015			
Not past due	4,315	–	4,315
Past due 0-30 days	8,482	–	8,482
Past due 31-120 days	7,480	–	7,480
Past due more than 120 days	394	(220)	174
	20,671	(220)	20,451

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	231	376	220	–
Impairment loss recognised	–	220	–	220
Impairment loss written off	(220)	(365)	(220)	–
At 31 December	11	231	–	220

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

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

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 RM218,025,000 (2015: RM225,438,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

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

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

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

28.5 Liquidity risk

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

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

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

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2016							
<i>Non-derivative financial liabilities</i>							
Term loans - unsecured	82,517	4.30 - 4.75	88,190	29,633	28,427	30,130	-
Revolving credit - unsecured	28,000	4.15 - 4.75	28,000	28,000	-	-	-
Trade finance - unsecured	51,637	3.70 - 4.49	51,637	51,637	-	-	-
Finance lease liabilities	15,332	2.44 - 5.68	15,818	12,726	2,876	216	-
Trade and other payables	200,774	-	200,774	200,774	-	-	-
	378,260		384,419	322,770	31,303	30,346	-
<i>Derivative financial liabilities</i>							
Forward foreign currency contracts (gross settled):							
Inflow	-	-	(216,876)	(216,876)	-	-	-
Outflow	14,810	-	231,686	231,686	-	-	-
	393,070		399,229	337,580	31,303	30,346	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group 2015							
<i>Non-derivative financial liabilities</i>							
Term loans - unsecured	98,995	4.43 - 4.75	108,686	19,175	28,894	60,617	-
Revolving credit - unsecured	41,000	4.75	41,000	41,000	-	-	-
Trade finance - unsecured	43,559	3.90 - 4.05	43,559	43,559	-	-	-
Finance lease liabilities	39,738	1.88 - 4.90	41,547	25,879	15,668	-	-
Trade and other payables	186,009	-	186,009	186,009	-	-	-
	409,301		420,801	315,622	44,562	60,617	-
<i>Derivative financial liabilities</i>							
Foreign currency contracts (gross settled):							
Inflow	-	-	(370,563)	(370,563)	-	-	-
Outflow	536	-	371,099	371,099	-	-	-
	409,837		421,337	316,158	44,562	60,617	-

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
2016							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	928	3.60 – 5.18	981	477	360	144	–
Trade and other payables	39,609	–	39,609	39,609	–	–	–
Financial guarantee	–	–	218,025	218,025	–	–	–
	40,537		258,615	258,111	360	144	–
2015							
<i>Non-derivative financial liabilities</i>							
Trade finance - unsecured	55	4.05	55	55	–	–	–
Finance lease liabilities	367	1.88 – 2.29	377	260	117	–	–
Trade and other payables	50,052	–	50,052	50,052	–	–	–
Financial guarantee	–	–	225,438	225,438	–	–	–
	50,474		275,922	275,805	117	–	–
<i>Derivative financial liabilities</i>							
Forward foreign currency contracts (gross settled):							
Inflow	–	–	(13,305)	(13,305)	–	–	–
Outflow	54	–	13,359	13,359	–	–	–
	50,528		275,976	275,859	117	–	–

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk

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

28.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

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

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

Forward foreign exchange contracts used to hedge receivables

Hedged item	Amount to be received USD'000	Group Average contract rate	Equivalent RM'000	Amount to be received USD'000	Company Average contract rate	Equivalent RM'000
2016						
Trade receivables	51,591	4.2038	216,876	–	–	–
2015						
Trade receivables	86,100	4.3039	370,563	3,100	4.2919	13,305

Exposure to foreign currency risk

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

	Group Denominated in USD		Company Denominated in USD	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	259,374	261,663	–	15,105
Trade payables	(18,030)	(18,620)	–	(31)
Derivatives held for trading at fair value through profit or loss	(14,810)	(536)	–	(54)
Net exposure	226,534	242,507	–	15,020

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 5% (2015: 5%) strengthening of Ringgit Malaysia against USD at the end of the reporting period would have decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Equity		Profit or loss	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group				
USD	–	–	(8,608)	(9,094)
Company				
USD	–	–	–	(563)

A 5% (2015: 5%) weakening of Ringgit Malaysia against USD at the end of the reporting period would have had equal but opposite effect on equity and post-tax profit or loss respectively, on the basis that all other variables remained constant.

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

28.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.2 Interest rate risk (Cont'd)

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	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	14	36,833	60,108	21,000	50,000
Term loans					
- unsecured		(30,017)	(38,995)	-	-
Finance lease liabilities	16.2	(15,332)	(39,738)	(928)	(367)
Revolving credits					
- unsecured	16	(28,000)	(41,000)	-	-
Trade finance					
- unsecured	16	(51,637)	(43,559)	-	(55)
		(88,153)	(103,184)	20,072	49,578
Floating rate instruments					
Term loans - unsecured				(52,500)	(60,000)

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.2 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 (2015: 50) basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000
Group		
2016		
Floating rate instruments	(200)	200
2015		
Floating rate instruments	(225)	225

28.7 Fair value information

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

It was not practicable to estimate the fair value of the Group's and of the Company's investment in club membership due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016								
Group								
Financial liabilities								
Finance lease liabilities	-	-	-	-	-	-	(15,013)	(15,013)
Forward foreign currency contracts	-	(14,810)	-	(14,810)	-	-	-	(14,810)
Term loans – unsecured	-	-	-	-	-	(76,537)	(76,537)	(82,517)
	-	(14,810)	-	(14,810)	-	-	(91,550)	(106,360)
								(112,659)
Company								
Financial liability								
Finance lease liabilities	-	-	-	-	-	-	(904)	(904)
								(928)
2015								
Group								
Financial liabilities								
Finance lease liabilities	-	-	-	-	-	-	(38,776)	(38,776)
Forward foreign currency contracts	-	(536)	-	(536)	-	-	-	(536)
Term loans – unsecured	-	-	-	-	-	(96,008)	(96,008)	(98,995)
	-	(536)	-	(536)	-	-	(134,784)	(135,320)
								(139,269)
Company								
Financial liabilities								
Finance lease liabilities	-	-	-	-	-	-	(356)	(356)
Forward foreign currency contracts	-	(54)	-	(54)	-	-	-	(54)
	-	(54)	-	(54)	-	-	(356)	(410)
								(421)

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (Cont'd)

Level 2 fair value

Derivatives

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

Quoted investments

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

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2015: no transfer in either directions).

Level 3 fair value

Non-derivative financial liabilities

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

Financial instruments not carried at fair value

Type

Term loans and finance lease liabilities

Description of valuation technique and inputs used

Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

Notes to the Financial Statements

29. CAPITAL MANAGEMENT

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

The debt-to-equity ratios at 31 December 2016 and at 31 December 2015 were as follows:

		Group	
	Note	2016 RM'000	2015 RM'000
Total borrowings	16	177,486	223,292
Less: Cash and cash equivalents	14	(109,847)	(168,383)
Net debt		67,639	54,909
Total equity		1,045,267	950,921
Debt-to-equity ratio		0.06	0.06

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

30. CAPITAL AND OTHER COMMITMENTS

	2016 RM'000	2015 RM'000
Group		
Property, plant and equipment		
Within one year:		
Contracted but not provided for	4,234	4,234

Notes to the Financial Statements

31. RELATED PARTIES

Identity of related parties

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

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

The Group has related party relationship with its holding company, subsidiaries and related parties.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 21), are shown below. The balances related to the below transactions are shown in Notes 13 and 17.

	2016 RM'000	2015 RM'000
Group		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
<i>Kossan Holdings (M) Sdn. Bhd.</i>		
Rental expense	(430)	(172)
<i>Kossan Chemical Industries (M) Sdn. Bhd.</i>		
Rental expense	(1,664)	(1,565)
<i>Pleasure Latex Products Sdn. Bhd.</i>		
Sales*	–	3
Rental income*	–	54
<i>Kossan Paint (M) Sdn. Bhd.</i>		
Sales*	132	174
Purchase of consumables and property, plant and equipment	(1,076)	(1,766)
<i>Pan Asian Corporation Sdn. Bhd.</i>		
Rental expense	(679)	(679)
<i>Chemtube (M) Sdn. Bhd.</i>		
Technical services fee	90	–
Purchase of consumables and property, plant and equipment	(1,013)	–

Notes to the Financial Statements

31. RELATED PARTIES (CONT'D)

	2016 RM'000	2015 RM'000
Group		
Transactions with corporations in which Directors have financial interest		
<i>HT Ceramics (M) Sdn. Bhd.</i>		
Sales*	12	4
Purchase of consumables and property, plant and equipment	(3,894)	(12,109)
<i>Kossan F.R.P. Industries (M) Sdn. Bhd.</i>		
Sales*	2	14
Purchase of consumables and property, plant and equipment	(368)	(518)
<i>Gummitech Industries Sdn. Bhd.</i>		
Rental income	108	27
Company		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
<i>Kossan Chemical Industries (M) Sdn. Bhd.</i>		
Rental expense	(597)	(597)
<i>Gummitech Industries Sdn. Bhd.</i>		
Rental income	108	63
<i>Kossan Paint (M) Sdn. Bhd.</i>		
Sales*	–	174
Purchase of consumables and property, plant and equipment	–	(19)
Transactions with corporations in which Directors have financial interest		
<i>HT Ceramics (M) Sdn. Bhd.</i>		
Sales*	–	4
<i>Kossan F.R.P. Industries (M) Sdn. Bhd.</i>		
Sales*	–	14

Notes to the Financial Statements

31. RELATED PARTIES (CONT'D)

	2016 RM'000	2015 RM'000
Company		
Transactions with subsidiaries		
<i>Kossan Latex Industries (M) Sdn. Bhd.</i>		
Management fee income	4,344	3,385
<i>Perusahaan Getah Asas Sdn. Bhd.</i>		
Management fee income	4,494	2,300
Rental income	24	–
<i>Wear Safe (Malaysia) Sdn. Bhd.</i>		
Management fee income	3,732	1,705
<i>Ideal Quality Sdn. Bhd.</i>		
Management fee income	750	610
<i>Kossan Industries Sdn. Bhd.</i>		
Management fee income	810	–
Rental income	480	–
<i>Hibon Corporation Sdn. Bhd.</i>		
Management fee income	198	120

* 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.

32. SIGNIFICANT EVENT

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

Notes to the Financial Statements

33. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	780,481	668,823	226,315	(1,894)
- unrealised	(39,990)	(28,865)	3,860	2,699
	740,491	639,958	230,175	805
Total share of retained earnings of joint venture				
- realised	(19)	–	–	–
	740,472	639,958	230,175	805
Less: Consolidation adjustments	(27,328)	(20,339)	–	–
Total retained earnings	713,144	619,619	230,175	805

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 the 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 56 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 on page 129 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

.....
Dato' Lim Kuang Sia

.....
Lim Leng Bung

Klang, Selangor Darul Ehsan

13 April 2017

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 56 to 129 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Hon Chee, I/C No.: 611107-10-6239 at Klang in the State of Selangor Darul Ehsan on 13 April 2017.

.....
Lee Hon Chee

Before me:
Yip Ban Leng
No. B435

Commissioner for Oaths,
Klang, Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

to the members of Kossan Rubber Industries Bhd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kossan Rubber Industries Bhd., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables (refer to Note 13 of the financial statements)

The key audit matter

As at 31 December 2016, the Group has significant trade receivables with a total carrying value of RM305 million. Certain customers having experienced higher days sales outstanding than the Group's average days sales outstanding, which increasing the inherent exposure to credit risk. This result in a risk over the recoverability of the Group's trade receivables.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained and tested the accuracy of the receivables ageing as at year end;
- We assessed the post year end cash received for invoices outstanding for more than the Group's average days sales; and
- We evaluated the past 12 month's collection trend from receivables with debts outstanding more than the Group's average days sales.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Independent Auditors' Report

to the members of Kossan Rubber Industries Bhd.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report

to the members of Kossan Rubber Industries Bhd.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent Auditors' Report

to the members of Kossan Rubber Industries Bhd.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF0758)
Chartered Accountants

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

13 April 2017

Petaling Jaya, Malaysia

LIST OF PROPERTIES

As at 31 December 2016

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2016 RM '000
HSD 27360 PT12772 No 14 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/3/1995 *	23 yrs	990 sq.ft	Freehold	Staff quarters	60
HSD 27361 PT12773 No 16 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/3/1995 *	23 yrs	990 sq.ft	Freehold	Staff quarters	60
Lot 754 Jalan Hj Sirat 42100 Klang	Industrial land Factory	1/1/2011 *	– 22 yrs	246,550 sq.ft	Freehold	– Factory	7,691 8,138
Lot 782 Jalan Sg Putus 42100 Klang	Industrial land Factory and office 5 storey office	1/1/2011 *	– Factory-29 yrs Office-22 yrs 9 yrs	47,480 sq.ft	Freehold	– Factory and Office Office	1,109 1,097 3,317
HSM 21404 Lot 16632 Jalan Meru 41050 Klang	Industrial land Factory/office	24/3/1995 *	– 27 yrs	6,055 sq.mtr	Freehold	– Factory/office	1,043 1,159
GM 551 Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Industrial land Factory	1/1/2011 *	– 18 yrs	94,895 sq.ft	Freehold	– Factory	1,300 2,368
HSM 3930 PT 5708 (a) (formerly Lot 2796)	Industrial land Factory	1/1/2011 *	– 14 yrs	213,916 sq.ft	Freehold	– Factory	3,945 4,151
(b) (formerly Lot 1365) Jln Sungai Sembilang 45800 Jeram	Industrial land Factory/Office Factory	1/1/2011 *	– 18 yrs 9 yrs	217,800 sq.ft	Freehold	– Factory/Office Factory	1,114 6,234 4,246
HSM 15410 PT 21715 & HSM 15405 PT 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 storey light industrial building	3/4/2003	23 yrs	174 sq.mtr	Freehold	Hostel	190
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Industrial land Staff quarters	27/2/2003	– 13 yrs	5,527 sq.mtr	Freehold	– Staff quarters	355 137
HSM 4378 PT 7355 (formerly Lot 6134 and 6135) Batu 16 Jalan Kapar, Jeram	Industrial land Factory	1/1/2011 *	– 6 yrs	20,357 sq.mtr	Freehold	– Factory	2,457 7,066
Geran 244725 Lot 12262 (formerly Geran 40417 Lot 4761) Mukim Jeram, Kuala Selangor	Industrial land Factory	19/5/2004	– 12 yrs	2.969 hectares	Freehold	– Factory	1,148 2,697

List of Properties

As at 31 December 2016

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2016 RM '000
Geran 125449 PT 49816 (Formerly Lot 6129) 5 1/4 Mile, Jln Hj Abdul Manan, Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 10 yrs	37,411 sq. mtr	Freehold	– Factory/ Office	10,229 20,444
Geran 173931 Lot 63617 (formerly HSD 116842 PT 54925) Mukim Kapar Daerah Klang	Industrial land Factory Extension of buildings	1/1/2011 *	– 3 yrs 2 yrs	4,355 hectares	Freehold	– Factory Factory	6,570 28,327 1,062
Geran 173929 Lot 63616 (formerly HSD 116841 PT 54924) Mukim Kapar Daerah Klang	Industrial land Factory/Office	1/1/2011 *	– Plant A - 6 yrs Plant B - 5 yr	4,544 hectares	Freehold	– Factory/ office	6,800 16,378 6,380
Geran 128405 Lot 24077 (formerly Lot PT 13726) Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 9 yrs	21,805 sq. mtr	Freehold	– Factory/ Office	5,900 18,862
HSM 43179 PT 71276 (formerly GM 1724 & 1725 Lot 5068 & 5069) Jalan Meru 41050 Klang	Industrial land Factory	9/11/2010	– 4 yrs	21,105 sq. mtr	Freehold	– Factory/ Office	10,405 17,641
Geran 45715 Lot 6130 Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 8 yrs	4,0519 hectares	Freehold	– Factory	15,603 31,287
HSM 4233 PT 7201 (formerly Lot 1367) Jalan Kapar Mukim Jeram	Vacant agriculture land	21/7/2009	n/a	0.8043 hectares	Freehold	Vacant	836
GRN 52936 Lot 6104; GRN 52937 Lot 6106; GRN 52939 Lot 6108 Mukim Kapar	Vacant agriculture land	10/6/2013	n/a	12.766 acres	Freehold	Vacant	21,506
Block 2 Zone C, Guang Hui Industrial Park Dongguan City Guangdong China	Factory/office constructed on rented property	30/6/2011	12 yrs	n/a	Rental	Factory/ office	80

List of Properties

As at 31 December 2016

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2016 RM '000
5100 E. 2nd Street Benecia CA 94510 United States of America	Industrial land and warehouse	31/5/2012	17 yrs	4.15 acres	Freehold	Warehouse and office	15,487
HSD 116993 Lot 55083 No 3 Jalan Korporat Mukim Kapar	Factory & hostel constructed on rented property	1/1/2014	3 yrs	12,000 sq.ft	Rental	Factory and hostel	1,502
Geran 45732 Lot 6075, Mukim Kapar Daerah Klang.	Vacant land	2/12/2013	n/a	10 acres 3.7492 hectares	Freehold	Vacant	20,191
	Building		n/a			Under Construction	17,766
HSD 283117 PT 7414 Mukim Bestari Jaya Daerah Kuala Selangor	Vacant land	18/3/2014	n/a	56 acres 226,620 sq mtr	Freehold	Vacant Under Construction	38,875 268
Geran 52935 Lot 6103 Mukim Kapar Daerah Klang.	Industrial land	12/12/2014	n/a	5.3292 hectares	Freehold	Vacant	40,349
Geran Mukim 3334 Lot 779, Mukim Kapar Daerah Klang.	Vacant land	22/6/2015	n/a	3.406 acres 148,376 sq.ft	Freehold	Vacant	9,105
HS(D) 264386, PT26537, Mukim Bukit Raja, Daerah Petaling Negeri Selangor.	Commercial land	5/2/2016	n/a	2.5 acres	Freehold	–	41,382
4-10 Jalan Rantau Panjang KU/4, Rantau Panjang, 42100 Klang, Selangor D.E.	Apartment	7/10/2015	16yrs	830 sq.mtr	Freehold	Hostel - FW	113
Geran HS (D) 7768 PT 7836 Mukim Kapar, Lot 7836, Jalan Haji Abdul Manan, Off Jalan Meru	Industrial land	9/5/2016	1 yr	9,822.5257 sq.mtr	Freehold	R & D centre	14,409
	Building					Under Construction	381
							479,220
Investment Properties							
J1, Utama Modern Industri Blok AH No.2, Sukatani, Serang Indonesia	Industrial land	22/3/2013	n/a	22,000 sq. mtr	Freehold	Vacant	5,223
							484,443

STATISTICS ON SHAREHOLDINGS

as at 15 March 2017

Issued and Fully Paid Up Share Capital	:	RM319,733,952
Number of shares in issue	:	639,467,904
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	90	2.11	1,577	0.00
100 - 1,000	1,047	24.57	735,908	0.11
1,001 - 10,000	1,969	46.20	8,286,411	1.30
10,001 - 100,000	914	21.44	28,497,326	4.46
100,001 to less than 5% of issued shares	239	5.61	245,761,002	38.43
5% and above of issued shares	3	0.07	356,185,680	55.70
Total	4,262	100.00	639,467,904	100.00

Directors' Shareholdings

No.	Name of Directors	No. of Shares		No. of Shares	
		Direct Interest	%	Indirect Interest	%
1	Mohamed Shafeii Bin Abdul Gaffoor	–	–	–	–
2	Dato' Lim Kuang Sia - Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Lim Kuang Sia (PB)	763,776	0.12	327,556,976	51.22
3	Lim Kuang Yong	–	–	326,512,480	51.06
4	Tan Kong Chang	–	–	–	–
5	Lim Siau Tian	–	–	–	–
6	Lim Siau Hing	–	–	–	–
7	Lim Ooi Chow	–	–	–	–
8	Hoh Kim Hyan	–	–	–	–
9	Lee Choo Hock	–	–	–	–

Statistics on Shareholdings

as at 15 March 2017

Substantial Shareholders

No.	Name of Substantial Shareholders	No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd	326,512,480	51.06
	- Malaysia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kossan Holdings (M) Sdn Bhd	40,000,000	
	- Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account-AmBank (M) Berhad for Kossan Holdings (M) Sdn Bhd	16,000,000	
	- Kossan Holdings (M) Sdn Bhd	270,512,480	
2	Employees Provident Fund Board	71,082,900	11.12
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Pheim)	580,000	
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Arim)	650,000	
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	8,037,800	
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	15,416,000	
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	45,673,200	
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHBIslamic)	725,900	

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	270,512,480	42.30
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	45,673,200	7.14
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	40,000,000	6.26
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR KOSSAN HOLDINGS (M) SDN BHD	16,000,000	2.50
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	15,416,000	2.41
6	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	10,259,300	1.60
7	TIAN SENN RESOURCES SDN BHD	10,005,000	1.56
8	AMANAHRAYA TRUSTEES BERHAD PUBLIC ITTIKAL SEQUEL FUND	8,493,200	1.33
9	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	8,278,700	1.29
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	8,037,800	1.26

Statistics on Shareholdings

as at 15 March 2017

30 Largest Shareholders (Cont'd)

No.	Name of Shareholders	No. of Shares	%
11	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	6,626,200	1.04
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	5,780,100	0.90
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	5,476,200	0.86
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	5,040,000	0.79
15	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	4,719,400	0.74
16	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	4,686,500	0.73
17	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	4,576,200	0.72
18	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	4,173,000	0.65
19	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	3,954,900	0.62
20	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	3,893,400	0.61
21	RUBY TECHNIQUE SDN BHD	3,417,700	0.53
22	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,405,300	0.53
23	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,193,200	0.50
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	3,078,500	0.48
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASHFAK AHMAD BIN ALARAKHA	2,768,000	0.43
26	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	2,735,600	0.43
27	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	2,539,200	0.40
28	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	2,377,600	0.37
29	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR HI-KABL-FONDS	2,200,000	0.34
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	2,165,000	0.34

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Seventh (37th) Annual General Meeting (“AGM”) of the Company will be held at Function Room 8, Mezzanine Floor, Setia City Convention Centre, 1 Jalan Setia Dagang AG U13 /AG Setia Alam, Seksyen U13, 40170 Shah Alam on Tuesday, 23 May 2017 at 10.30 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon.
2. To approve the payment of a final tax exempt dividend of 6.0 sen per ordinary share for the financial year ended 31 December 2016. **(Ordinary Resolution 1)**
3. To approve the payment of Directors’ fees of RM255,000.00 for the financial year ended 31 December 2016. (2015: RM255,000.00) **(Ordinary Resolution 2)**
4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association and being eligible have offered themselves for re-election:
 - (i) Lee Choo Hock **(Ordinary Resolution 3)**
 - (ii) Lim Leng Bung **(Ordinary Resolution 4)**
5. To re-elect the following directors retiring pursuant to Article 113 of the Articles of Association and, being eligible, have offered themselves for re-election:
 - (i) Hoh Kim Hyan **(Ordinary Resolution 5)**
 - (ii) Mohamed Shafeii Bin Abdul Gaffoor **(Ordinary Resolution 6)**
6. To re-appoint KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

SPECIAL BUSINESS

7. **Proposed Authority To Allot Shares Pursuant To section 75 Of The Companies Act, 2016** **(Ordinary Resolution 8)**

“THAT pursuant to section 75 of the Companies Act, 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company as at the date of this Annual General Meeting (“AGM”) and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.”

Notice of Annual General Meeting

8. Proposed Renewal Of And New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature (Ordinary Resolution 9)

"That pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of and new shareholders' mandate for the Company and/or its subsidiaries ("Kossan Group") to enter into recurrent related party transactions of a revenue or trading nature with the Related Party ("Proposed Renewal Of And New Shareholders' Mandate"), which are necessary for the day-to-day operations of Kossan Group provided such transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, particulars of which are set out in Section 2.5 of the Circular to Shareholders of the Company dated 21 April 2017.

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

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to section 340(1) of the Companies Act, 2016 ("Act") (but shall not extend to such extensions as may be allowed pursuant to section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier

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

Notice of Annual General Meeting

9. **Proposed Renewal Of And New Shareholders' Mandate On Share Buy-Back ("Proposed Share Buy-Back")** (Ordinary Resolution 10)

"That subject to the Companies Act, 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association and other applicable laws, rules, regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to utilise an amount not exceeding the retained profits of the Company to purchase such number of ordinary shares in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares, if any, as defined under section 127 of the Act ("Treasury Shares") then still held by the Company not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased or retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or to sell same in a manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the applicable laws, rules, regulations and guidelines of Bursa Securities and any other regulatory authorities for the time being in force".

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the final tax exempt dividend of 6.0 sen per ordinary share each in respect of the financial year ended 31 December 2016, if approved by members at the Annual General Meeting to be held on Tuesday, 23 May 2017, will be paid on 5 July 2017. The entitlement date for the dividend will be 6 June 2017.

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 6 June 2017 in respect of ordinary transfer; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG
CHIA YEW NGO
Company Secretaries
Klang, Selangor Darul Ehsan

21 April 2017

Notice of Annual General Meeting

NOTES

1. Receiving of the Audited Financial Statements

Item 1 of the Agenda is intended for discussion only as the provision of section 340(1) of the Companies Act, 2016 does not require a formal approval of the shareholders of the Audited Financial Statements. As such this item is not put forward for voting.

2. Proxy Form

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- (ii) Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (iii) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one(1) proxy in respect of each securities account.
- (iv) Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised.
- (vi) Only members whose names appear in the Record of Depositors as at 16 May 2017 will be entitled to attend, speak and vote at the meeting or appoint a proxy to attend, speak and vote in his stead.
- (vii) To be valid, the original instrument appointing a proxy must be deposited at the office of the share registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time of the meeting and any adjournment thereof.

Notice of Annual General Meeting

3. Explanatory Notes on Special Business

(i) Proposed authority to allot shares pursuant to section 75 of the Companies Act, 2016

The proposed Ordinary Resolution 8, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

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

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

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

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

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

As such the Board is seeking an approval for the renewal of and new shareholders' mandate pursuant to Part E, Paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad for the related party transactions described in Section 2.5 of the Circular to shareholders dated 21 April 2017 to allow the Kossan Group to enter into such recurrent related party transactions, make at arm's length basis and on normal commercial terms, not more favourable to the related parties than those generally available to the public and which will not be to the detriment of the minority shareholders of the Company. Further details on the Proposal can be obtained from the Circular to shareholders of the Company dated 21 April 2017.

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

Notice of Annual General Meeting

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

The proposed Ordinary Resolution 10, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of ten per cent (10%) of the issued and paid up share capital of the Company by utilizing funds allocated out of retained profits 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 21 April 2017, which is despatched together with the Company's 2016 Annual Report.

Personal data privacy

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

No. of Shares held
CDS Account No.

PROXY FORM

I/We _____
of _____
(FULL NAME IN CAPITALS)
(ADDRESS)

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

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

And /or

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

or failing him/her THE CHAIRMAN OF THE MEETING as my/our first proxy, to vote for me/us and on my/our behalf, at the Thirty Seventh (37th) Annual General Meeting of the Company, to be held at Function Room 8, Mezzanine Floor, Setia City Convention Centre, 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam on Thursday, 23 May 2017 at 10.30 a.m. and at any adjournment thereof, in the manner indicates below:

Agenda		First		Second	
		Proxy A		Proxy B	
		For	Against	For	Against
AS ORDINARY BUSINESS:					
Ordinary Resolution 1	To approve final tax exempt dividend				
Ordinary Resolution 2	To approve Directors' fees of RM255,000.00 for the financial year ending 31 December 2016.				
Ordinary Resolution 3	To re-elect Lee Choo Hock retiring pursuant to Article 108 of the Company's Articles of Association.				
Ordinary Resolution 4	To re-elect Lim Leng Bung retiring pursuant to Article 108 of the Company's Articles of Association.				
Ordinary Resolution 5	To re-elect Hoh Kim Hyan pursuant to Article 113 of the Company's Articles of Association.				
Ordinary Resolution 6	To re-elect Mohamed Shafeii Bin Abdul Gaffoor pursuant to Article 113 of the Company's Articles of Association.				
Ordinary Resolution 7	To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorize the Directors to fix their remuneration.				
AS SPECIAL BUSINESS					
Ordinary Resolution 8	Proposed authority to allot shares pursuant to section 75 of the Companies Act 2016.				
Ordinary Resolution 9	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposal") :				
Ordinary Resolution 10	Proposed renewal of mandate for share buy-back.				

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

Dated this _____ day of _____ 2017.

Signature of Member(s)/Common Seal



Fold this flap for sealing

Notes

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- (ii) Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (iii) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account.
- (iv) Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised.
- (vi) Only members whose names appear in the Record of Depositors as at 16 May 2017 will be entitled to attend and vote at the meeting or appoint a proxy to attend and vote in his stead.
- (vii) To be valid, the original instrument appointing a proxy must be deposited at the office of the share registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time of the meeting and any adjournment thereof.

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AFFIX
STAMP

The Share Registrar,
KOSSAN RUBBER INDUSTRIES BHD.
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

1st fold here

Wisma Kossan, Lot 782 Jalan Sungai Putus
Off Batu 3½, Jalan Kapar, 42100 Klang
Selangor Darul Ehsan, Malaysia.

☎ 603 3291 2657 📠 603 3291 2903 ✉ kossan@kossan.com.my
www.kossan.com.my

