



STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD

Company No.: 197901003918 (48166-W)



ANNUAL REPORT **2020**

BUSINESS STABILITY WITH LONG TERM SUSTAINABLE GROWTH

ACCREDITED LABORATORY



International Laboratory
Accreditation Cooperation



SAMM NO. 464

KOSSAN LABORATORY
KOSSAN INDUSTRIES SDN BHD



International Laboratory
Accreditation Cooperation



SAMM NO. 372

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

ENVIRONMENTAL MANAGEMENT SYSTEM



ISO 14001

Lloyd's Register Quality Assurance Limited

KOSSAN INDUSTRIES SDN BHD
HIBON CORPORATION SDN BHD

QUALITY MANAGEMENT SYSTEM



IATF 16949

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



IATF 16949 & ISO 9001

TÜV Rheinland Malaysia Sdn Bhd
KOSSAN INDUSTRIES SDN BHD



ISO 9001

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



ISO 9001

Lloyd's Register Quality Assurance Ltd.
HIBON CORPORATION SDN BHD



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



ISO 13485 & EN ISO 13485

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



ISO 9001

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



MS 2200-1

Jabatan Kemajuan Islam Malaysia (JAKIM)
KOSSAN INTERNATIONAL SDN BHD
WEAR SAFE (MALAYSIA) SDN BHD
PERUSAHAAN GETAH ASAS SDN BHD



HAS 23000

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



BRC Global Standard
SGS United Kingdom Ltd.

WEAR SAFE (MALAYSIA) SDN BHD



Hazard Analysis and Critical Control Point (HACCP)
SGS (Malaysia) Sdn Bhd

WEAR SAFE (MALAYSIA) SDN BHD



EN 15129
Certificate of Constancy of Performance
SRAC Cert

DOSHIN RUBBER PRODUCTS (M) SDN BHD

EN 15129
Certificate of Constancy of Performance
TZUS Cert



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

OUR VISION

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

OUR 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.

OUR CORE VALUES

INSPIRED

CARING

INNOVATIVE

HONOURABLE

COMMITTED



41st

ANNUAL GENERAL MEETING OF KOSSAN RUBBER INDUSTRIES BERHAD

Broadcast Venue:

Training Centre Ownership Room,
2nd Floor, Kossan R&D Centre,
PT 7836, Jalan Haji Abdul Manan/ KU8,
Kawasan Perindustrian Meru Selatan,
41050 Klang, Selangor Darul Ehsan

Day and Date:

Friday, 28 May 2021

Time:

10.30 a.m.

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Proxy Form

CORPORATE INFORMATION

BOARD OF DIRECTORS

MOHAMED SHAFEl
BIN ABDUL GAFFOOR

(Chairman / Independent Non-Executive Director)

TAN SRI DATO'
LIM KUANG SIA

(Managing Director and Chief Executive Officer)

LEE CHOO HOCK

(Senior Independent Non-Executive Director)

HOH KIM HUAN

(Independent Non-Executive Director)

LIM LENG BUNG

(Executive Director)

TAN KONG CHANG

(Executive Director)

LIM SIAU TIAN

(Executive Director)

LIM SIAU HING

(Executive Director)

LIM OOI CHOW

(Executive Director)

COMPANY SECRETARIES

Chia Ong Leong

(SSM P.C. No. 201908000832, MIA 4797)

Chia Yew Ngo

(SSM P.C. No. 202008000487, LS 1831)

REGISTERED OFFICE

Wisma Kossan,
Lot 782, Jalan Sungai Putus,
Off Batu 3 ¾ Jalan Kapar,
42100 Klang, Selangor Darul Ehsan.
Tel : 03-3291 2657
Fax : 03-3291 2903
E-mail : kossan@kossan.com.my
Website : www.kossan.com.my

AUDITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03-7890 4700
Fax : 03-7890 4670

Website : www.boardroomlimited.com

STOCK EXCHANGE LISTING

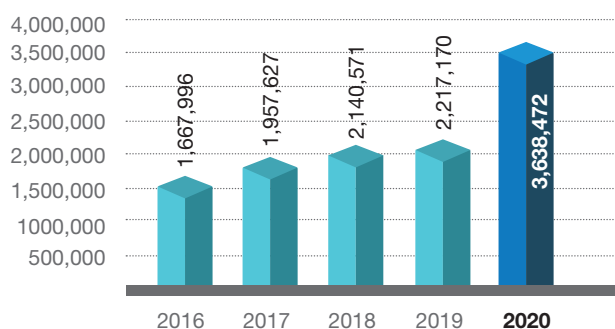
Main Market of Bursa Malaysia
Securities Berhad

FINANCIAL HIGHLIGHTS

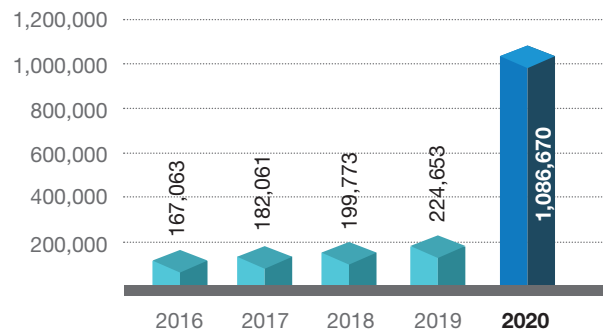
YEAR ENDED	31 DEC 20	31 DEC 19	31 DEC 18	31 DEC 17	31 DEC 16
FINANCIAL RESULTS (RM'000)					
Revenue	3,638,472	2,217,170	2,140,571	1,957,627	1,667,996
Profit before taxation	1,441,410	276,372	249,264	228,313	210,008
Profit attributable to equity holders of the Company	1,086,670	224,653	199,773	182,061	167,063
FINANCIAL POSITION (RM'000)					
Total borrowings	555,037	565,234	508,680	396,746	177,486
Total assets	3,633,975	2,377,245	2,148,227	1,865,064	1,551,904
Total cash and bank balances	1,089,507	162,250	146,315	210,382	109,847
Total net tangible assets	2,378,753	1,419,364	1,308,299	1,148,457	1,038,702
Share capital	323,885	323,885	323,885	323,885	319,734
Equity attributable to equity holders of the Company	2,384,834	1,424,290	1,314,864	1,155,022	1,045,267
FINANCIAL RATIOS					
Basic earnings per share (sen)	42.49	8.78	7.81	7.12	6.53
Net assets per share (RM)	0.93	0.56	0.51	0.45	0.41
Net gearing (%)	Net cash	28.29	27.56	16.14	6.47
Return on equity (%)	45.57	15.77	15.19	15.76	15.98
Return on assets (%)	30.05	9.59	9.52	9.88	11.02
Dividend per share (sen)	14.00	3.00	3.00	2.75	2.75

The comparative basic earnings per share, net assets per share and dividend per share have been adjusted taking into account the bonus issue on the basis of one bonus share for each existing share held in FY2020.

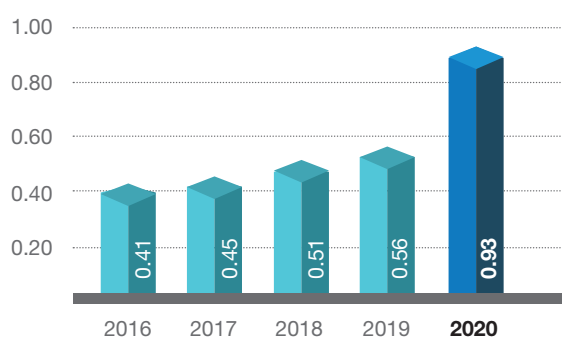
REVENUE (RM'MILLION)



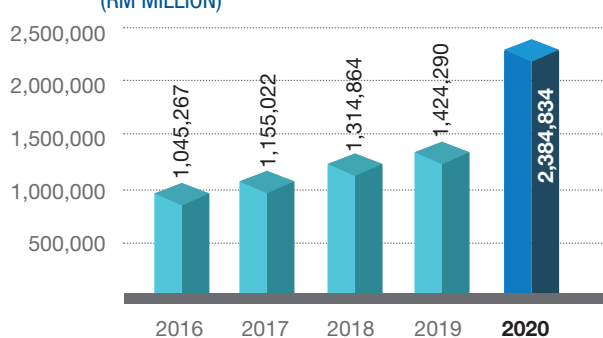
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS (RM MILLION)



NET ASSETS PER SHARE (RM)



EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS (RM'MILLION)



CHAIRMAN'S STATEMENT



Mohamed Shafeii bin Abdul Gaffoor
Chairman

“

I am confident that the Group is well-positioned to meet the challenges in the years to come whilst still being committed to its sustainable long-term growth across its business divisions.

”

Dear Valued Shareholders,

On behalf of the Board, it is my pleasure to present you Kossan Rubber Industries Bhd's ("KOSSAN" or "the Group") 2020 Annual Report, which shows how the Group has significantly advanced in its execution of strategies throughout the financial year under review with the global onset of the COVID-19 pandemic. We are proud of being a successful business with resilience in mind and at the same time addressing the needs of the wider society in our commitment as a responsible corporate citizen.

At a time of global uncertainty due to the COVID-19 pandemic, we believe the important role of KOSSAN as a business in providing solutions through our range of product capabilities, whilst creating opportunities and value-added propositions to the Group and the communities in which we operate in.

By growing and sustaining financially strong and responsible business propositions over the long-term guided closely by a clear purpose with tactical strategies, the Group has made its mark in contributing to the positive and significant impacts of not just our clients and our people, but to the economy and society.

STRATEGIC MANAGEMENT WITH RESILIENCE

We believe the strategies we adopted across the Group, both at the corporate and operational areas, have aligned us onto the right footing in our journey towards building resilience for the tomorrows. In particular, the COVID-19 pandemic has demonstrated the value of our product solutions and capabilities that helped with the prevention and containment of infectious disease outbreaks – namely, our range of personal and industrial protective equipment, medical-grade and sterile gloves.

In the financial year under review, the Group exceeded its performance achievement with an outstanding delivery of revenue growth to RM3.6 billion (2019: RM2.2 billion) and operating profit was RM1.4 billion (2019: RM0.3 billion). We saw meaningful progression in our Cleanroom Division, while the Gloves Division remains our key growth in market expansions. We are also pleased with the solid commercial traction that have long been established in our Technical Rubber Products Division.

The Group has not only retained its existing customers, but also gained new customers and partners, expanded into new markets and continued to establish itself as one of the leading and preferred gloves, cleanroom and technical rubber products manufacturer in its target markets and beyond.

Chairman's Statement (Cont'd)

RESPONSIBLE BUSINESS PROPOSITION

As noted, providing product solutions and capabilities that benefit various industries and society is an important element of the Group's responsible business proposition. The Board is pleased with the progress achieved during the financial year under review where the Group's core businesses were called to the fore in addressing global and local needs of personal protective equipment (PPEs) and gloves with the onset of the COVID-19 pandemic.

A highlight was the increasing recognition within international and local markets of the Group's contribution of PPEs and gloves to various targeted groups, namely the frontliners, medical practitioners and communities – both local and international, that provided significant health and safety benefits in the prevention and containment efforts during the COVID-19 pandemic.

The Group also further strengthened its governance of situations surrounding the pandemic by addressing social compliance matters as well as safety and health of employees and at workplaces in accordance to the various standard operating procedures (SOPs) announced by the Malaysian Government.

TRANSFORMATION JOURNEY IN BUSINESS CONTINUITY

I am excited by, and equally proud of, the tremendous transformation that the Group is undertaking to address urgent issues and business needs to strengthen not only its corporate standing, but in progressing forward towards continuity and sustainability across business processes. Clearly, an important initiative is the Group's digital transformation journey that supports its response to the COVID-19 crisis and the years to come.

I am confident that the Group is well-positioned to meet the challenges in the years to come whilst still being committed to its sustainable long-term growth across its business divisions, which in turn drives shareholder returns and value creation to the nation, industry and the society.

We will continue to oversee performance of the Group's businesses closely, ensuring the execution of its strategy with financial discipline and with integrity through and through.

STAKEHOLDER RELATIONS AND ENGAGEMENT

Regular engagement, dialogues with and feedback from the Group's material internal and external stakeholders are key to the business success and remain as contributory elements of our business model. Understanding stakeholders' views and concerns particularly during the COVID-19 pandemic has helped the Group to be well-informed and further assisted the Board and management in decision-making processes.

Essentially, consistent engagement drives the Group's progress towards the achievement of our business objectives and strategy, not only in keeping with the requirements and obligations as a listed entity but to also be able to identify key stakeholder groups, their material issues or concerns, and how KOSSAN can establish engagement initiatives with the identified stakeholder groups. Increasingly during the COVID-19 crisis, the Group has also tailored several engagement approaches with the identified stakeholder groups to foster effective and relevant communication, whilst maintaining harmonious business and community relationships.

APPRECIATION

Finally, I would like to thank the Board, KOSSAN's management and employees for their cohesive and concerted efforts in journeying along with the Group especially in navigating the times and seasons during the COVID-19 pandemic. Many thanks to their considerable contribution in their respective functional expert areas and on behalf of the Board, we record our sincerest appreciation for each of their dedication, skills and professionalism.

Above all, I would like to thank our loyal shareholders and stakeholders for their ongoing support. KOSSAN has certainly come a long way and has progressively delivered on its strategy with track-record performance since its listing. While it has not been without challenges, I am confident that the Group continues to reflect its commitment towards business sustainability and long-term growth through its performance that will directly contribute to the business outlook and further enhance shareholders' value.

Thank you once again and I look forward to presenting you the Group's progress and performance in the next review.

Mohamed Shafeii Bin Abdul Gaffoor
Chairman

MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS



Dear Valued Shareholders,

“As how we have proven our track-record performance year on year, I am confident of the business potentials and prospects we bring to the collective: the business, the people, the shareholders and stakeholders, the community, the nation and the industry.”

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

BUSINESS OVERVIEW

Kossan Rubber Industries Bhd (“KOSSAN” or “the Group”) has carved its name as one of the prominent gloves and technical rubber products manufacturers in the world with a broad-based global market reach. The Group manufactures and offers a wide range of products that are backed by solid manufacturing capabilities with automation potentials.

As our tagline “**Stretching Limits**” goes, we have seen how the Group progressed from a traditional family business outfit to one that is of a large enterprise presently with product potentials and capabilities that ‘stretches’ for the long-term. The Group has been a preferred original equipment manufacturer (OEM) and business partner, recognised for our product solutions and capabilities in bringing forth innovation with consistency in quality, guided by professional business ethics and backed by our financial track-record.

Against this backdrop, we are proud to share our performance even as the Group continues in firm footings in its journey towards building resilience for the tomorrows. The financial year under review has been an exceptional one for the Group especially with the global onset of the COVID-19 pandemic. Nonetheless, we are proud to have performed well even in the adversities and circumstances surrounding the pandemic with revenues and profits at record high. The Group’s profit before tax (PBT) grew by 421.5% to a record RM1.44 billion on revenue of RM3.64 billion for the financial year ended 31 December 2020. Shareholders’ funds similarly grew to RM2.38 billion with a Return on Shareholders’ Equity of 45.6% in the financial year under review.

At a time of global uncertainty due to the COVID-19 pandemic, the Group continued to deliver on its business objectives in providing solutions through our range of product capabilities, whilst creating opportunities and value-added propositions to the Group and the communities in which we operate in. While it has not been without challenges, the Group has once again demonstrated its performance that has contributed to enhancing shareholders’ value.

Managing Director's Management Discussion & Analysis (Cont'd)

FINANCIAL PERFORMANCE

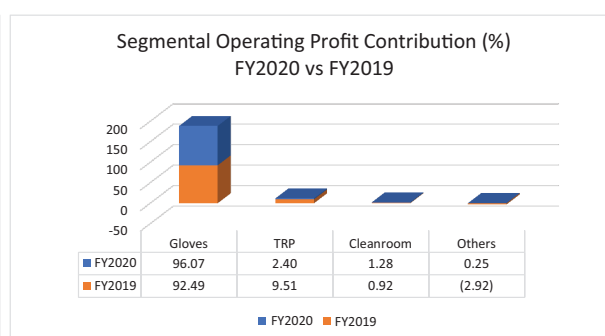
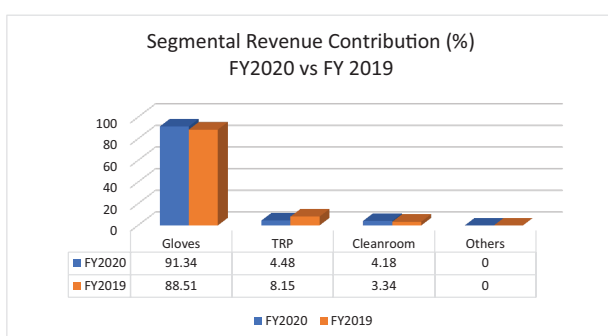
For the financial year under review, revenue increased to RM3.64 billion as compared with RM2.22 billion in 2019, and profit before tax increased to RM1.44 billion as compared with RM0.28 billion in 2019 mainly attributable to the outstanding performance in the Gloves Division. The COVID-19 pandemic has demonstrated the value of our product solutions and capabilities that helped with the prevention and containment of infectious disease outbreaks, leading to increased demands particularly for medical-grade and sterile gloves as well as a range of personal and industrial protective equipment. This phenomenon caused a supply-demand imbalance and an acute shortage of gloves in the market resulting in significant increase in average selling prices (ASPs) and volumes during the financial year under review.

Despite the challenges of the pandemic, the Group has remained focused in providing high-grade medical and surgical gloves to meet increasing demands. Capacity expansions during the financial year under review has shown that the key growth in the Group's performance is derived mainly from the Gloves Division. The Group's total assets increased by 52.86% to RM3.63 billion in 2020 from RM2.38 billion in 2019. The capital investments have not affected the Group's net cash with the sum of cash and bank balances of RM1.09 billion against total bank borrowings of RM0.56 billion as at 31 December 2020. The strong balance sheet is a demonstration of the Group's financial discipline that enabled the execution of our overall strategic management with resilience for the long-term sustainable growth. Returns on equity increased to 45.57% from 15.77% in 2019, underscoring KOSSAN's ability to stretch its returns on equity and directly creating value for the Company and our shareholders.

SEGMENTAL PERFORMANCE

In the financial year under review, the Group exceeded its performance achievement with an outstanding delivery of revenue growth. We saw meaningful progression in our Cleanroom Division, while the Gloves Division remained our key growth in market expansions as identified in our segmental review. As for the Technical Rubber Products (TRP) Division, the Group has maintained its solid commercial traction that has long been established since the Group's inception.

The Group has continued to establish itself as one of the leading and preferred gloves, cleanroom and technical rubber products manufacturer in our target markets and beyond. With a total of twenty-three (23) plants, the Group is on the right footing in our continuous journey towards building resilience for the tomorrows. With the exception of the plant for cleanroom products which is located in Dongguan, China, all other plants are located in Malaysia.



Managing Director's Management Discussion & Analysis (Cont'd)

The Gloves Division is our key contributor to the Group's revenue and profitability. The revenue derived from this division during the financial year under review rose 69.35% to RM3.32 billion from RM1.96 billion in the previous year. Operating profit grew to RM1.39 billion, up by 422.37% from RM266.08 million as recorded in the previous year. As noted, the outstanding performance was attributable to the increase in the ASPs and demand volume for glove products stemming from the global health and medical needs in the prevention and containment of the COVID-19 pandemic. Our range of glove products was mainly exported to the United States, Europe and Asia Pacific.

The TRP Division is involved in the manufacturing and distribution of technical and engineered rubber products, which are used in various industries, namely infrastructure, roads and bridges, automotive, industrial and commercial applications. The major bulk of the division's products are exported to the United States, Europe and ASEAN countries. The TRP Division is the second largest contributor to the Group's revenue and profitability. Although the revenue derived from the division during the financial year under review decreased by 9.72% to RM163.2 million from RM180.7 million in 2019, its operating profit increased by 26.69% to RM34.68 million from RM27.37 million as recorded in the previous year.

The Cleanroom Division is involved in the trading and production of a range of protective wear and cleanroom materials, namely cleanroom gloves, facemasks and industrial-grade wipes that are mainly used in the electrical and electronic industries. The Dongguan plant in China is not involved in gloves manufacturing but undertakes secondary and value-added processes on the gloves produced in Malaysia by our Gloves Division. The revenue derived from this division increased to RM152.06 million during the financial year under review from RM74.04 million in the previous year, while operating profit increased to RM18.57 million from RM2.63 million in the previous year.

REVIEW ON BUSINESS ENVIRONMENT

The COVID-19 pandemic has had an unprecedented global impact on the economies including the markets where the Group operates in or has a reach at. The global economy however, is projected to grow 5.5 percent in 2021 as reported in the World Economic Outlook Update published by the International Monetary Fund (IMF) in January 2021.

On the local front, the Malaysian Rubber Gloves Manufacturers Association (MARGMA), in its Industry Brief 2021 on the Rubber Glove Industry shared in a media announcement in March 2021 expected demands for protective gloves to remain robust, estimating glove supplies of 420 billion gloves in 2021, out of which a large market share of 67% is expected to come from Malaysia with a production estimation of 280 billion gloves and projected revenue of RM38 billion.

While the global COVID-19 pandemic has yet to taper off, the Group continues to receive demands of gloves and our range of personal and industrial protective equipment due to the elevated requirements in the healthcare standards and regulations, coupled with heightened hygiene awareness across industries and society at large resulting from the pandemic and concerns of infectious disease outbreaks.

Production of rubber gloves, natural or nitrile, as well as personal protective equipment (PPEs) has been steadily rising with the existing prominent players of the industry, and have become indispensable essential items of the healthcare industry used primarily in the prevention of contamination and infectious diseases. Increased healthcare standards in emerging economies, growing government investments in medical facilities and healthcare reforms, and increasing awareness of the public in health-related issues continue to drive the demand and industry potential.

As for TRP, the division continues to serve mainly the infrastructure and automotive sectors. The anticipated long-term progress in the resumption of economic activities and infrastructure improvements, both locally and internationally, will continue to be a solid commercial traction for specific needs and requirements for technical and engineered products. The Group remains confident especially with this long-established business segment that has also positioned KOSSAN as a preferred and recognised manufacturer in providing product solutions and capabilities of quality.

Managing Director's Management Discussion & Analysis (Cont'd)

COVID-19 PANDEMIC AND RISK MANAGEMENT

During the financial year under review with the onset of the global COVID-19 pandemic, individuals and business livelihood have been vastly disrupted. The Group was also exposed to principal risks as outlined in the Statement on Risk Management and Internal Control. They were risks surrounding mainly the COVID-19 pandemic and social compliance.

On the corporate front, the Group's priority was to protect and safeguard not only the business and its continuity particularly during the COVID-19 pandemic, but recognised the importance of the safety and health of all our employees as well as our workplaces. The Group made assessments on the impacts the pandemic could bring about and action plans were formulated to ensure disruptions were minimised. These action plans were also in line with the standards of health, safety and hygiene and in accordance to the guidelines and directives issued by the Malaysian government and local authorities.

The Group had on its corporate voluntary exercise conducted a group-wide COVID-19 screening in December 2020 on all employees as part of our prevention and containment measures in safeguarding our business continuity, employees and workplaces. With the ongoing fluid situations of the pandemic, the Group remains vigilant and will continue to monitor, assess and work hand in hand with the relevant ministries and authorities in the ongoing precautionary measures in ensuring the safety and well-being of our employees and the community we operate in.

On the social compliance front, the Group continued to be committed to ethical recruitment, workhours, workplace conditions and workers' accommodation in light of the COVID-19 pandemic. One notable update during the financial year under review was the requirements of the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 [Act 446] which came into force 1 June 2020 with enforcement beginning 1 September 2020. The Group had simultaneously reviewed its existing workers' accommodation and amenities per the updated requirements and will undergo continuous improvement action plans in addressing the changes.

BUSINESS STABILITY WITH SUSTAINABLE LONG-TERM GROWTH

The Group has come a long way to where it is now with track-record performance while sustaining financially strong and responsible business propositions. With a clear purpose supported by tactical strategies, the Group continues to make its mark in contributing positively not just to our clients and our people, but to the economy and society.

The uncertainty and volatile market conditions brought about by the COVID-19 pandemic had somehow impacted many businesses and the economies of the world. Nonetheless, as how we have proven our track-record performance year on year, I am confident of the business potentials and prospects we bring to the collective: the business, the people, the shareholders and stakeholders, the community, the nation and the industry. In the coming years, the Group and its management will focus on strengthening our strategic management across all functional areas with a focus on resilience and ensuring business sustainability with long-term growth even as we navigate through the seasons and waves of economic recovery.

a. Operational Excellence and Business Improvements

KOSSAN's journey in increasing operational excellence and improving business processes is built upon the foundations of technological advancements, innovations and digital transformation. We continuously review strategies in these areas and monitor performance for onwards improvements.

Technological advancement and innovation play integral parts in supporting the Group's strategies in enhancing our product solutions and capabilities as well as ensuring business sustainability. KOSSAN has a strong brand and market presence, including the recognition of being a Group which embraces automation and digitalisation in optimising business processes.

Whilst the Group has made remarkable achievements in our innovative products like *halal*-certified gloves and our patented Low Derma™ Technology gloves (U.S. Food & Drug Administration's "low dermatitis potential" claim in gloves), we expect to continue our research and developments in innovative product solutions and capabilities in tandem with the Group's expansion plans.

Managing Director's Management Discussion & Analysis (Cont'd)

Automation and computerisation are key enablers to our operational sustainability as they streamline the production processes and increase productivity with waste minimisation and reduction in human errors, directly garnering efficiency with less reliance on manual or human labour, particularly of foreign workers. For higher automation means less dependence on the uncertain — chief of which is availability of human labour, the shortage of which has cast a pall over the industry in recent years, particularly as seen during the COVID-19 pandemic. This translates also to a better cost advantage in the long-term especially in the highly competitive business we are in. In this journey of automation, we aim to reduce our headcount per million pieces of gloves in the next 5 years.

With automation, the Group also adds value to contributing to the nation and society through its creation of highly skilled and high income jobs in understanding the complexity of the requirements in handling and utilising automation in the manufacturing processes as well as in deriving data and analysis of the Group's performance.

An important initiative under the operational excellence is the Group's digital transformation journey that supports its response to the COVID-19 crisis and the years to come. The Group will continue to enhance its network and data infrastructure which are able to monitor, track and assess risks and performance especially of end-to-end manufacturing processes. The adoption of transformation remains an ongoing journey which will be a gamechanger not only in KOSSAN but in various industries.

b. Capacity Growth and Expansion

Despite the challenges of the pandemic, the Group remains focused on providing high-grade medical and surgical gloves to meet increasing demand. Capacity expansions in Selangor over the next two years are projected to increase capacity by 5 billion pieces of gloves, while our planned integrated facility in Bidor, Perak is projected to significantly increase capacity in the next ten years. With the capacity growth and expansion, we are optimistic on the increased capabilities in bringing forth value-added propositions to the Group and in meeting global demands.

Our TRP division continues to be driven by its product solutions and capabilities. While we saw a decrease in demand for our TRP products during the financial year under review as a result of shifting client timelines and uncertainties during the pandemic, this segment continues to establish itself particularly in meeting the needs of the infrastructure and automotive sectors. The anticipated resumption of economic activities and infrastructure improvements, both locally and internationally, sets the Group's outlook on this segment.

c. Strategic Management and Transformation Journey

One key element in how the Group will progress forward is having a solid strategic management in place with positioning the right talents who will lead and champion the various functional areas of the Group in a cohesive manner. We strongly believe that strategies that are in alignment across the Group will help us in charting our roadmap towards building resilience for the tomorrows.

The Group's success lies in its strategic management driven from the Board right to our key management team and further translated down to all our employees. Performance delivery is critical in achieving the Group's overall goals and objectives. In this manner, the Group commits to enhancing its inhouse training for existing employees and continues to identify potential talents to be a part of the journey that the Group is on. While functional skills and expertise are important, the Group places importance in interpersonal skills and approaches as each employee carries the Group's name and brand, therefore carrying the reputation of KOSSAN through our conduct and character as KOSSAN ambassadors.

As a corporate citizen, KOSSAN continues to demonstrate how its responsible business propositions can take place through the set of core values embedded in our DNA guided by our Vision and Mission Statements. With this, the Group has never been in a more exciting times like now and moving forward as we embark onto our transformation journey that strengthen our corporate standing as well as in progressing towards business sustainability. In light of the transformation journey, the Group continues to look into the areas of governance, corporate and social responsibility, and sustainability as a whole as outlined by the Environmental, Social and Governance (ESG) criteria and indicators in bringing value-added business propositions to the Group in these areas of interest particularly to shareholders and stakeholders alike.

Managing Director's Management Discussion & Analysis (Cont'd)

d. Shareholders' Returns

KOSSAN is committed to delivering consistent shareholders' value through our track-record performance, year on year. In line with its business proposition of bringing forth its product solutions that benefit the society at large, the Group has also seen the fruits of our strategic management with resilience that has directly contributed positively not just to our clients, economy and society, but to our shareholders.

In respect of our performance achievement during the financial year under review, the Group has paid out a total dividend of 14 sen per share, made up of a first interim dividend of 3 sen per share, second interim dividend of 3 sen per share and a special dividend of 8 sen per share for the financial year ended 31 December 2020. This amounted to a total payout of RM357.58 million representing a payout ratio of 32.92% for the financial year under review.

Forward-Looking

Cognisant to the above potentials and prospects in our business sustainability and long-term growth strategies, the Group will continue to position itself strategically to meet the challenges in the years to come whilst still being committed to its business objectives that drives shareholder returns and value creation to the nation, industry and the society.

With our strong foundations in place, we believe we will be able to contribute to the shaping of industry trends and performance as we remain focused in delivering our strategies with discipline, fervour and with integrity.

ACKNOWLEDGEMENT

On behalf of the management, we would like to express our appreciation to all our shareholders and stakeholders for their continuous support to the Group and we certainly look forward to enhancing mutual growth and success in the coming years with a positive outlook, aligned with our commitment to ensuring business sustainability with long-term growth. We would also like to commend and thank the Group's management and employees for their dedication and commitment in journeying with us in the challenging environment with the ongoing COVID-19 pandemic.

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

DIRECTORS' PROFILE



TAN SRI DATO' LIM KUANG SIA

**Managing Director and Chief Executive Officer,
Non-Independent Executive Director**
Aged 69, Malaysian, Male

Date Appointed to the Board:

14 June 1979 (Founder)

Board Committee Membership:

- Member of the Remuneration Committee

Qualifications and Working Experience:

Tan Sri Lim, a founder director of Kossan, graduated with a Bachelor of Science (Chemistry) Degree from Nanyang University in Singapore in 1975, a post-graduate Diploma in Chemical Engineering from University College, University of London in 1976 and a Master in Chemical Engineering from Imperial College, University of London in 1977.

Present Appointment(s):

- President of the Klang Chinese Chamber of Commerce and Industry
- President of The Associated Chinese Chambers of Commerce of Industry of Coastal Selangor
- Deputy President of The Associated Chinese Chambers of Commerce and Industry of Malaysia
- Vice President of the National Chamber of Commerce and Industry of Malaysia
- Deputy President of the Malaysia Teochew Chamber of Commerce
- Honorary Life President of the Teochew Association Klang and Coast
- Honorary Advisor to the Lim Association Klang and Coast
- Deputy Chairman of Pin Hwa High School
- Vice Chairman of Kwang Hua Private High School
- Vice Chairman of Hin Hua High School
- Chairman of Pulau Ketam Art Association

Present Directorship(s):

- Founder and Trustee of Yayasan Kossan



MOHAMED SHAFEEI BIN ABDUL GAFFOOR

Chairman, Independent Non-Executive Director
Aged 58, Malaysian, Male

Date Appointed to the Board:

23 January 2017

Board Committee(s) Membership:

- Member of the Audit Committee
- Chairman of the Nominating Committee
- Chairman of the Remuneration Committee

Qualifications and Working Experience:

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

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

Present Appointment(s):

NIL

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

NIL

Directors' Profile (Cont'd)



LEE CHOO HOCK

Senior Independent Non-Executive Director

Aged 68, Malaysian, Male

Date Appointed to the Board:

26 August 2013

Board Committee(s) Membership:

- Chairman of the Audit Committee
- Chairman of the Risk Management Committee
- Member of the Nominating Committee

Qualifications and Working Experience:

Mr. Lee is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Lee qualified as an accountant in 1980 and has experience in accounting and tax. He worked at Malayan Banking Berhad from 1983 until his retirement in 2008. His experience with Malayan Banking includes internal audit, information technology, branch supervision, retail banking, products development and market research, as well as treasury operations. He was the Head of Finance in Malayan Banking Berhad from 1997 until his retirement in 2008.

Present Appointment(s):

- Chairman of the Audit Committee of HSBC Bank Malaysia Berhad
- Member of the Nomination Committee of HSBC Bank Malaysia Berhad
- Member of the Audit, Risk and Nomination Committee of HSBC Amanah Malaysia Berhad

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

- Independent Non-Executive Director of HSBC Bank Malaysia Berhad
- Non-Independent Non-Executive Director of HSBC Amanah Malaysia Berhad
- Trustee of Yayasan Kossan



HOH KIM HYAN

Independent Non-Executive Director

Aged 63, Malaysian, Female

Date Appointed to the Board:

23 January 2017

Board Committee(s) Membership:

- Member of the Audit Committee
- Member of the Risk Management Committee
- Member of the Nominating Committee
- Member of the Remuneration Committee

Qualifications and Working Experience:

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

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

From June 2000 to March 2002, she was the senior technical consultant at the Malaysian Accounting Standards Board where she assisted in the formulation of accounting standards for application in Malaysia. Between July 2004 and June 2008, she taught at University 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. Madam Hoh was with The Malaysian Institute of Certified Public Accountants as its Senior Technical Manager from August 2012 to December 2019. Her main scope of work was to provide technical support to two of the Institute's Committees – the Accounting & Audit Technical Committee and the Financial Statements Review Committee.

Present Appointment(s):

NIL

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

NIL

Directors' Profile (Cont'd)



LIM LENG BUNG

Non-Independent Executive Director

Aged 58, Malaysian, Male

Date Appointed to the Board:

20 August 2014

Board Committee(s) Membership:

NIL

Qualifications and Working Experience:

Mr. Lim Leng Bung has more than 35 years of experience in technical rubber products. He joined Kossan Rubber Industries Bhd in 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 be the Production Planning and Control Manager in 1989.

Present Appointment(s):

NIL

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

NIL



TAN KONG CHANG

Non-Independent Executive Director

Aged 54, Malaysian, Male

Date Appointed to the Board:

26 August 2013

Board Committee(s) Membership:

NIL

Qualifications and Working Experience:

Mr. Tan graduated with a Bachelor of Architecture Degree from the University of Southwestern Louisiana, USA, 1992. Mr. Tan 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 and development, costing, plant operations and quality control.

Present Appointment(s):

NIL

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

NIL

Directors' Profile (Cont'd)



LIM SIAU TIAN

Non-Independent Executive Director

Aged 48, Malaysian, Male

Date Appointed to the Board:

26 August 2013

Board Committee(s) Membership:

NIL

Qualifications and Working Experience:

Mr. Lim Siau Tian 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 the Operation and Marketing Manager. He joined Kossan's Glove Division in 2003 and was promoted to Marketing General Manager in 2008. Following this, he held several roles and contributed his expertise in the rubber glove industry during his term as Trustee in Malaysia Rubber Export Promotion Council (MREPC) and as elected committee member in Malaysian Rubber Glove Manufacturers Association (MARGMA). He is currently the Senior General Manager of Marketing of the Glove Division.

Present Appointment(s):

NIL

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

- Trustee and President of Yayasan Kossan



LIM SIAU HING

Non-Independent Executive Director

Aged 48, Malaysian, Male

Date Appointed to the Board:

26 August 2013

Board Committee(s) Membership:

NIL

Qualifications and Working Experience:

Mr. Lim Siau Hing graduated with a Bachelor of Business Administration Degree from the University of Central Oklahoma, USA in 1998. Since his graduation, he has been with Kossan overseeing quality control, process engineering, marketing (local and export) and operations. Currently he oversees the Technical Rubber Products Division which includes Kossan Industries Sdn. Bhd., Doshin Rubber Products (M) Sdn. Bhd., Quality Profile Sdn. Bhd. and Hibon Corporation Sdn. Bhd..

Present Appointment(s):

NIL

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

NIL

Directors' Profile (Cont'd)



LIM OOI CHOW

Non-Independent Executive Director

Aged 38, Malaysian, Male

Date Appointed to the Board:

26 August 2013

Board Committee(s) Membership:

Member of the Risk Management Committee

Qualifications and Working Experience:

Mr. Lim Ooi Chow 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. After his graduation, he gained working experience as a Computer Engineer in Australia. In 2007 he joined Kossan where he was involved in cost accounting, project management, information technology, production management and engineering processes.

Present Appointment(s):

NIL

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

NIL

Notes:

The details of Directors' attendance at Board Meetings are set out in the Corporate Governance Overview Statement on page 35 of this Annual Report.

None of the Directors of the Company has family relationships with any Director and/or substantial shareholder with the exception of: -

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

Saved as disclosed, none of the Directors have any conflict of interest with the Company nor have any conviction for any offence within the past 5 years other than traffic offences, if any, or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT

TAN SRI DATO' LIM KUANG SIA

Managing Director and Group Chief Executive Officer

Please refer to Directors' Profile page 15.

TAN KONG CHANG

Executive Director and Chief Operations Officer (Glove Division)

Please refer to Directors' Profile page 17.

LIM SIAU TIAN

Executive Director, Marketing

Please refer to Directors' Profile page 18.

LIM SIAU HING

Executive Director, Technical Rubber Products

Please refer to Directors' Profile page 18.

DR. OR TAN TENG

Chief Operations Officer (TRP Division – Infrastructure)

Age	72
Nationality	Malaysian
Gender	Male

Qualifications and Working Experience:

Dr. Or holds a PhD in Seismic Engineering from University of Southampton (UK), Master of Science Degree in Mechanical and Design Engineering and Degree in Rubber Technology. He is a Fellow of the Plastic and Rubber Institute of Malaysia, Fellow of the Institute of Materials (UK) and Fellow and President of the Malaysian Earthquake Engineering and Technology Society ("MEETS").

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

PUAN SRI DATIN CHOW CHENG MOEY

Chief Financial Controller

Age	68
Nationality	Malaysian
Gender	Female

Qualifications and Working Experience:

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

Puan Sri Datin Chow is the spouse of Tan Sri Dato' Lim Kuang Sia and the mother of Mr. Lim Ooi Chow.

TEOH HOCK HEAN

Senior General Manager, Compliance and Governance

Age	63
Nationality	Malaysian
Gender	Male

Qualifications and Working Experience:

Mr. Teoh holds a Master of Business Administration. He joined Kossan in 1989 and has held various positions in the Group prior to his appointment in his present position in February 2017.

LEE HON CHEE

Senior Group Accountant

Age	59
Nationality	Malaysian
Gender	Male

Qualifications and Working Experience:

Mr. Lee is a Chartered Accountant with membership on the Malaysian Institute of Accountants and holds a Bachelor of Business Accounting. He joined Kossan in 1994 and has served in various capacities in the Group prior to his appointment in his present position in 2009.

Key Senior Management (Cont'd)

HANS PETER ROHR

Senior Group Project Manager

Age	68
Nationality	Swiss
Gender	Male

Qualifications and Working Experience:

Mr. Hans Peter holds a Diploma in Precision Mechanics. He joined Kossan in 1997 and has served in various capacities in the Group. He was appointed to his present position in February 2017.

TAN ENG TECK

General Manager, Business Development (TRP Division)

Age	61
Nationality	Malaysian
Gender	Male

Qualifications and Working Experience:

Mr. Tan 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.

CHAN YEE CHONG

General Manager, Group Legal Affairs

Age	41
Nationality	Malaysian
Gender	Male

Qualifications and Working Experience:

Mr. Chan holds a LLB (Hons) Malaya Degree and is a member of the Malaysian Bar. He joined Kossan in 2014 and was appointed to his present position in February 2018.

TUNG YONG FONG

General Manager, Group Information Technology

Age	45
Nationality	Malaysian
Gender	Male

Qualifications and Working Experience:

Mr. Tung holds a Bachelor of Computer and Information Science Degree. He joined Kossan in 2015 as Head, Group Information Technology and was appointed to his present position in August 2019.

HENG BONG KIN

General Manager, ERP Lead (Manufacturing Division)

Age	54
Nationality	Malaysian
Gender	Male

Qualifications and Working Experience:

Mr. Heng holds a Bachelor of Engineering (Electrical / Electronic) (Hons). He joined Kossan in 2015 as General Manager, Operations and was appointed to his present position in October 2019.

JOYCE YOONG NYUK FONG

General Manager, Corporate Strategy and Sustainability

Age	43
Nationality	Malaysian
Gender	Female

Qualifications and Working Experience:

Ms. Joyce Yoong is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Bachelor of Science in Accounting and Finance. She joined Kossan in September 2020 and was appointed to her present position in January 2021.

LISA WONG HOI PING

Head, Corporate Human Resources

Age	47
Nationality	Malaysian
Gender	Female

Qualifications and Working Experience:

Ms. Lisa Wong holds a Bachelor of Human Resource Management, Bachelor of Science (Hons) in Biochemistry and Certificate in Human Resource Management. She joined Kossan in January 2019.

Note:

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.

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

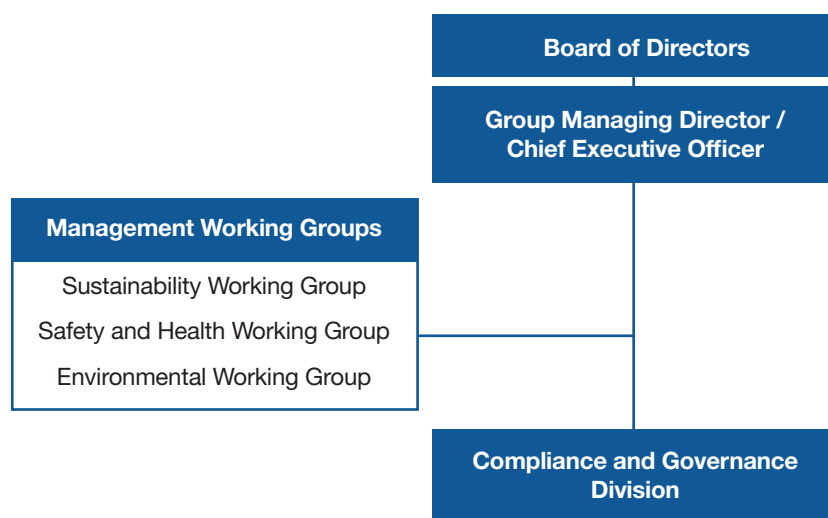
Sustainability is central to Kossan Rubber Industries Bhd's ("KOSSAN" or "the Group") business and is driven by our focus on Business Stability with Long Term Sustainable Growth. We have anchored our business on economic, environmental and social themes. These are encapsulated in three Strategic Pillars upon which our business has been built:



Our core business units are Gloves and Technical Rubber Products ("TRP"), both of which are located primarily in Malaysia. The scope of this Statement covers both these business units. There is no change to the scope of our Sustainability Statement from the previous financial year.

GOVERNANCE STRUCTURE

The responsibility to embed sustainability in KOSSAN's business strategy and operations rests with the Board of Directors. The Board had established a Sustainability Working Group at management level to oversee the incorporation of sustainability in the Group's business. Subsequently, a Safety and Health Working Group and an Environmental Working Group was established to provide more focus on key areas. Each working group is chaired by an Executive Director and comprises key members of management and relevant operational team members from both the Gloves and TRP business units. The Compliance and Governance Division acts as secretariat and supports the working groups in carrying out their functions.



Sustainability Statement (Cont'd)

The management working groups were set up with the following responsibilities:

Sustainability Working Group

Responsible to oversee stakeholder engagement and the materiality assessment process, the management of material sustainability matters and the preparation of sustainability disclosures.

Safety and Health Working Group

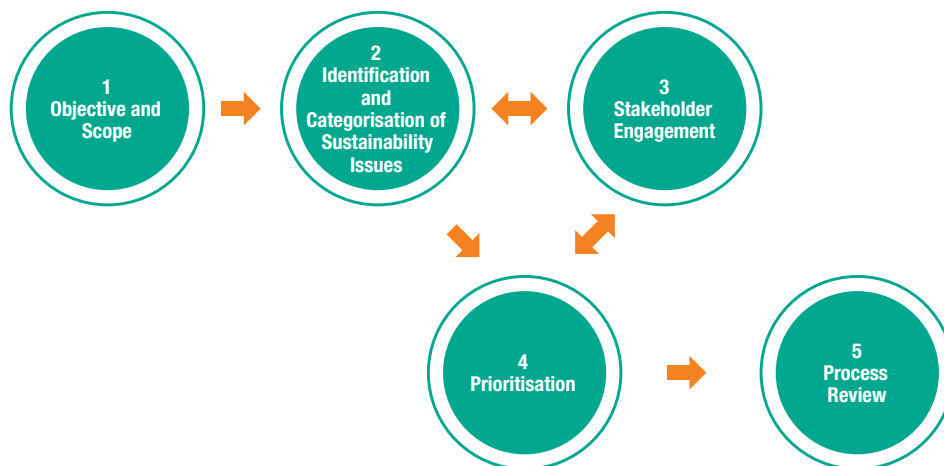
Drives the consideration of safety and health risks and opportunities at plants, including issue resolution and implementation of best practices.

Environmental Working Group

Drives the consideration of environmental risks and opportunities at plants, including issue resolution and implementation of best practices.

MATERIALITY ASSESSMENT PROCESS

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



STAKEHOLDER ENGAGEMENT

Stakeholders are critical to our business and have been engaged in various ways. The table below summarises how key stakeholder groups have been engaged.

Key Stakeholder Groups	Engagement Methods
Employees	Survey forms, briefings, employee portal
Customers	Client communications, survey forms
Shareholders and investors	Annual general meetings, other briefings
Government agencies and local authorities	Questionnaires, dialogues
Suppliers	Supplier audits, survey forms
Local communities and society	Dialogues, community initiatives

Sustainability Statement (Cont'd)

MATERIAL SUSTAINABILITY MATTERS

Following the materiality assessment process and stakeholder engagements, eight sustainability themes were prioritised. These have been clustered under KOSSAN's three Strategic Pillars.

Strategic Pillars	Sustainability Themes
#1 Sustainable Business Growth	Ethical business and transparency
	Business resilience
#2 Environmental Stewardship	Environmental compliance
	Toxic and hazardous material management
#3 Social Responsibility	Human rights and equal opportunities
	Occupational safety and health
	People development
	Community outreach

STRATEGIC PILLAR #1: SUSTAINABLE BUSINESS GROWTH

Ethical Business and Transparency

At KOSSAN, we conduct ourselves with integrity in our dealings with stakeholders.

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

KOSSAN adopts a zero-tolerance approach to violations of the KOSSAN Code of Ethics and Conduct, Anti-Bribery and Anti-Corruption Policy, and Whistleblowing Policy (collectively referred to as "ethical policies and standards"). We continue to increase efforts to ensure employees receive communication on the ethical policies and standards through orientation, our in-house online learning platform, workshops and our employee portal. Additionally, our ethical policies and standards can be accessed on our KOSSAN website. We make this stand transparent to all stakeholders and have worked collaboratively with our business partners in upholding ethical business practices.

Business Resilience

KOSSAN's core purpose is to be a key manufacturer and supplier of gloves and technical rubber products, continually emphasizing on operational excellence and capacity expansion.

Operational excellence

KOSSAN's journey in increasing operational excellence is built upon three key foundations – (i) technological advancements and innovations; (ii) digitalization of data; and (iii) targeted process reviews. We continuously review strategies in these areas and monitor performance for improvements.

Capacity expansion

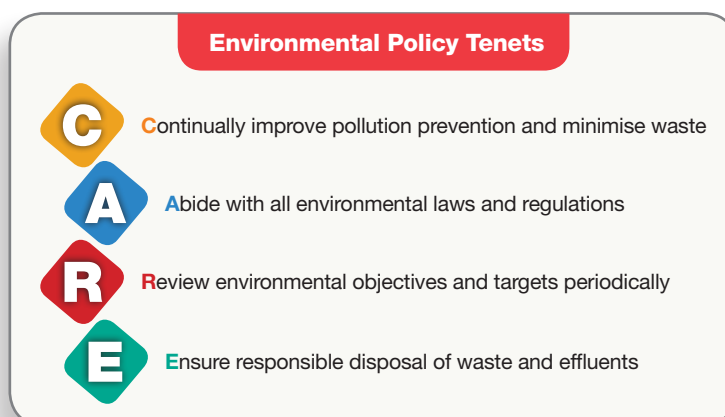
Despite the challenges of the COVID-19 pandemic, KOSSAN remains focused on providing high grade medical and surgical gloves to meet increasing demand. Expansions in Selangor in the near term are projected to increase capacity by 5 billion pieces of gloves, while our new facility in Bidor, Perak is projected to significantly increase capacity in the next ten years.

Our TRP business unit continues to expand capacity through innovations and expansion of product capabilities. While we saw a decrease in demand for our TRP products as a result of shifting client timelines and uncertainties during the pandemic, we remained steadfast in promoting research and development to continually improve our product quality and performance.

Sustainability Statement (Cont'd)

STRATEGIC PILLAR #2: ENVIRONMENTAL STEWARDSHIP

One of KOSSAN's focus areas over the years has been to reduce the impact of its manufacturing activities to the environment. This stems from our commitment to conduct business in a responsible manner, with a view of a sustainable green tomorrow for future generations. This commitment is encapsulated and driven through our **Environmental Policy** of C.A.R.E.



Environmental Compliance

At KOSSAN we conduct business in line with the environmental laws and regulations of Malaysia. In this regard, the following measures have been put in place:

- Technically competent persons manage and monitor environmental compliance at plants.
- Competent persons and relevant departments are regularly trained to ensure that they are equipped and updated with technical knowledge and keep abreast with environmental matters and best practices.
- The Environmental Working Group provides a platform for plants to highlight environmental risks and opportunities, brainstorm and resolve environmental issues.

Additionally, we actively manage our environmental footprint through consumption initiatives that include reduction in energy and water usage. The consumption metrics of each plant is consistently tracked and targets are driven by top management.

In our pursuit of environmental best practices, we had also embarked on two multi-year initiatives:

- ISO 14001:2015 certification – To date, two of KOSSAN's plants are ISO 14001:2015 certified.
- Renewable energy – To date, two of KOSSAN's plants have completed the installation of photo-voltaic solar panels.

Toxic and Hazardous Material Management

At KOSSAN we continuously strive to improve our management of effluents and scheduled waste generated from the plants in a responsible manner. In 2020, our initiatives included:

- Tightening of scheduled waste management processes across all plants, including targeted scheduled waste reduction initiatives.
- Improving the performance and monitoring of our waste water treatment plants, while maintaining a Standard B rating target for effluent discharge.
- Review of hazardous materials management to improve safe storage and minimise toxic discharge.

Sustainability Statement (Cont'd)

STRATEGIC PILLAR #3: SOCIAL RESPONSIBILITY

Human Rights and Equal Opportunities

KOSSAN is committed to protect the rights of our people and to create a fair, safe and healthy working environment. We adhere to Malaysian labour laws and regulations, and our human rights policies are consistent with international benchmarks. Some of the key practices in KOSSAN are listed below:

- **Minimum wage**

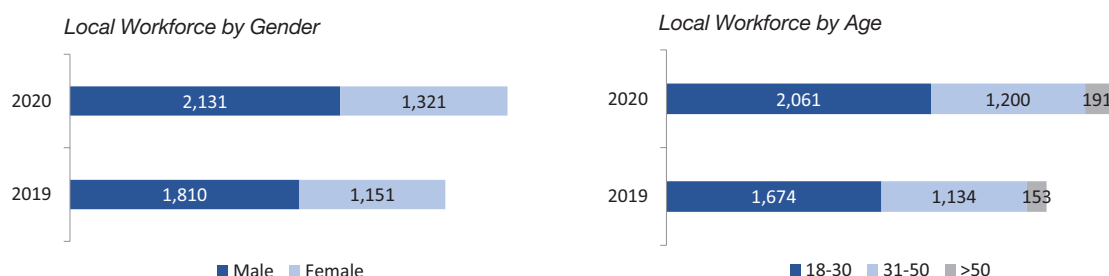
KOSSAN complies with the national statutory minimum wage rate.

- **Employment age**

The minimum age for employment at KOSSAN is 18. KOSSAN prohibits the employment of child labour. The Children and Young Persons (Employment) (Amendment) Act 2010 defines a “child” as any person who has not completed his 15th year of age and a “young person” as any person who has not completed his 18th year of age.

- **Workforce diversity and non-discrimination**

KOSSAN practices equal employment opportunity and fair terms of employment mutually agreed between the company and employee, as well as career advancement to qualified individuals. KOSSAN prohibits any form of discrimination based on background, race, religion, gender, age and nationality. Our workforce diversity is shown below:



- **A voice for employees**

KOSSAN upholds the right of our people to be heard. We have in place a Grievance Policy and clear mechanisms to provide a safe and confidential way for employees to report misconduct, non-compliance, issues with employment conditions or job responsibilities, and other matters related to the work environment. Each grievance raised is treated confidentially and in an unbiased manner, with the aim of facilitating an amicable solution in order to maintain working relationships in the company. Our whistleblowing channel is also available to the employees.

- **Practical care for foreign workers**

KOSSAN respects the right of employees to an honourable livelihood and standards of living. To ensure that this is practiced across the board, a task force was given the responsibility to look into foreign worker concerns and to make continuous improvements where needed. Over the years, we have actively sought the betterment of work and living conditions of our foreign workers.

Foreign worker recruitment agencies are reviewed against our KOSSAN Recruitment Agency Code of Conduct. We do not condone unethical or exploitative recruitment practices and practice a Zero-Cost Recruitment Policy. KOSSAN is mindful that zero-cost recruitment is a continuous process that requires collaboration with stakeholders. To this end, KOSSAN maintains a Supplier (B) membership in Sedex and conducts social compliance audits at our glove plants to ensure that Sedex Members Ethical Trade Audit requirements are met.

On 1 October 2020, KOSSAN announced a remediation programme estimated at RM50 million to address foreign workers who may have unknowingly paid a sum of money to agents in their recruitment process. This is done in line with KOSSAN's Zero-Cost Recruitment Policy.

Sustainability Statement (Cont'd)

• **Practical care for foreign workers (Cont'd)**

During the financial year, KOSSAN provided pandemic guidance and care for our foreign workers. This included health and hygiene education on masks and sanitisers, physical distancing, and movement restrictions. As practical care, factory workers were provided masks and sanitisers, while meals were provided for a period of time during movement restrictions. We also reviewed space arrangements at workers' accommodation and set aside quarantine accommodation. Additionally, all our foreign workers were screened for COVID-19 under our groupwide voluntary screening programme in December 2020. This was also in adherence to the government's directive to have all foreign workers in the identified red zones then to be screened.

Occupational Safety and Health

Employee safety and health has always been a key focus in KOSSAN. During the financial year, additional measures were put in place to ensure employee safety during the pandemic. These included:

Employee and visitor entry logs for ease of traceability	Temperature screening at entry	Daily sanitisation and disinfection of workplaces and workers' accommodation	Physical distancing measures
In-house sickbays at each site	COVID-19 awareness and prevention guides in relevant languages	COVID-19 screening for all employees	Quarantine areas at workplaces and workers' accommodation

Additionally, we continue to improve the safety and health of our employees through the following initiatives:

• **Review of 5S in practice**

A safety audit that focused on the review of workplace organisation at plants in accordance to 5S principles was performed during the year, resulting in improvements made to the safety of the working environment. Plant employees were also given a refresher course on 5S.

• **In-house clinic**

KOSSAN's in-house clinic was launched in September 2020 in partnership with Qualitas Medical Group to serve both local and foreign employees seeking outpatient treatment.

• **Safety training**

Our commitment to safety training continued throughout the pandemic and focused on essential topics of emergency response, first aid training as well as chemical handling and spillage.

People Development

At KOSSAN we seek to provide a learning environment that helps our employees realise their potential. We have a dedicated in-house learning and development team who designs and rolls out structured and targeted development programmes for our employees. The development plan is reviewed annually by the team, with top management providing active feedback on modules and content. Our suite of development programmes encompasses modules in technical skills, on-the-job training soft skills, management skills and leadership.

The modules are rolled out through on-the-job trainings at plants, our in-house online learning platform and in "classroom" settings. Due to the pandemic, our classrooms were migrated to online collaborative platforms. In 2020, total training hours increased by 55% to 65,887 hours from 42,471 hours in 2019.

Additionally, KOSSAN supports the nation's Technical and Vocational Education and Training ("TVET") initiative through its conscious efforts to recruit TVET graduates for skilled work at our plants. TVET trainees go through a structured and technically targeted training programme in the first four months of their employment.

Sustainability Statement (Cont'd)

Our TVET training programme comprises:

- **Mentorship** – Each TVET trainee is assigned a mentor to on-board the trainee into KOSSAN and support the trainee with on-the-job mentorship.
- **Technical training** – The training is tailored and targeted to the area of work assigned.
- **Assessment** – The training outcome is assessed through classroom sessions, on-the-job observations by mentors, and a final project to apply their learnings to solve real workplace issues.



Electrical training (pre-pandemic)

Community Outreach

KOSSAN's primary business was called to the fore during the pandemic. As one of the leading glove manufacturers in Malaysia, KOSSAN extended support to both global and local communities through our initiatives during the financial year.

Glove donation during pandemic

At the onset of the pandemic in China, 5 million gloves were sent to various provinces in that country. This was done in partnership with an industry association (the Malaysian Rubber Glove Manufacturers Association) and various community associations.

On the local front, KOSSAN donated gloves and other essential personal protective equipment to frontliners and local authorities, namely the National Disaster Management Agency, the Royal Malaysia Police, Malaysian Armed Forces, Malaysian Civil Defence Force, local councils in the vicinity of KOSSAN's business locations, hospitals and medical care centres.



Arrival of first shipment of gloves in China



Donation of gloves to a Malaysian hospital



Donation of gloves to the Royal Malaysia Police

Sustainability Statement (Cont'd)

Yayasan Kossan

KOSSAN established Yayasan KOSSAN (“YK” or “Foundation”) in December 2015 to fund and support activities for education and social welfare, covering a broad range of areas including medical and health, environment, arts and culture. The priority of our Foundation is to provide direct aid to the underprivileged in the community.

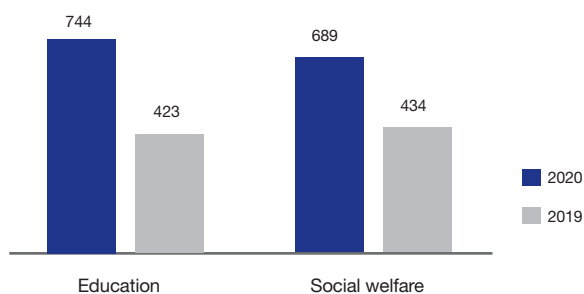
During the pandemic, the financial aid disbursed through our Foundation increased by 67% to RM1.43 million, while the number of beneficiaries increased by 265% to 22,449 people.

In line with the objectives of our Foundation, our support for education remained steadfast throughout the pandemic as education is the right of every child and a crucial building block for national growth. Our support for education included the following:

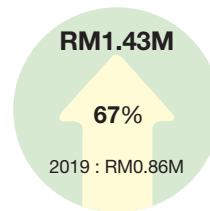
- Financial aid and provision of educational equipment to schools.
- Financial aid for children from the lower income group.
- Scholarships of between RM15,000 to RM20,000 per annum to eligible university students under our Foundation’s structured scholarship programme.
- Internship opportunities in KOSSAN.

In terms of social welfare work, our Foundation responded to the heightened needs of welfare homes for children, the elderly and persons with disabilities, as well as communities in the lower income group by expanding our scope of aid to more communities through financial aid and food aid packages.

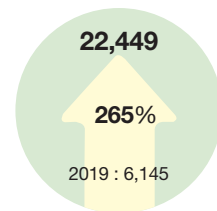
Financial aid provided through Yayasan Kossan (RM’000)



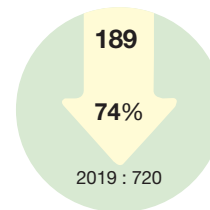
Other than financial aid, our Foundation continued our yearly partnership with local authorities for the containment of dengue (drain clearing) and blood donation drives.



Financial Aid Provided



Number of Beneficiaries



Number of Volunteers



Provision of financial aid to a welfare home in the community



Collaboration with local authorities to clear clogged drainage in a nearby community

Sustainability Statement (Cont'd)



Food distribution to lower income communities in the vicinity

Project SMILE

Project SMILE is a collaborative initiative with KOSSAN's In-Touch customers. The aim of Project SMILE is to develop future leaders through participation in community and conservation projects. In 2020, the theme arising from the pandemic was "We Care, We Help, We Can Win This!" Initiatives included:

- Provision of food aid packages to lower income communities.
- Distribution of hand sanitisers and liquid hand soap to schools, kindergartens and hospitals.
- Provision of gloves and financial aid to PAWS Animal Welfare Society and the National Zoo to support the caring of animals.
- Provision of daily essentials and purchase of calendars to support a Shelter Home for Children.



Donation of gloves to PAWS



Provision of food aid to lower income communities through the local welfare department

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Kossan Rubber Industries Bhd (“Kossan” or “the Company”) is committed and will continue to endeavour to comply with the principles and practices set out in the Malaysian Code on Corporate Governance 2017 (“MCCG”). The Board will regularly review and maintain all identifiable means to ensure the Company’s corporate governance standards meet the high standards including accountability and transparency of the MCCG. This practice will assure continuous and sustainable growth of the Group for the interest of shareholders and other stakeholders.

The Board is pleased to present this statement, prepared in compliance with Bursa Malaysia Securities Main Market Listing Requirement (“MMLR”) which outlined how the Company and its subsidiaries (“Group”) had applied the principles and best practices of the MCCG, that were in place throughout the financial year ended 31 December 2020. The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report (“CG Report”) which is available on Kossan’s website: www.kossan.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I – BOARD RESPONSIBILITIES

1. Board Leadership

1.1 Roles and Responsibilities of the Board

All Directors should objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. Every Director is required to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group.

The key responsibilities of the Board, as stated in the Board Charter, include among others:

- (a) Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior;
- (b) Review, challenge and decide on management’s proposals for the Group, and monitor its implementation by management;
- (c) Review and approve strategic initiatives of the Group supporting long-term value creation including strategies on economic, environmental and social considerations underpinning sustainability;
- (d) Supervise and assess management performance to ensure the business is being properly managed;
- (e) Understand the principal risks of the company’s businesses and recognise that business decisions involve the taking of appropriate risks;
- (f) Set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (g) Ensure that senior management has the necessary skills, expertise and experience, and that measures are in place to provide for the orderly succession and replacement of senior management;
- (h) Ensure that the company has in place procedures to enable effective communication with stakeholders; and
- (i) Review the adequacy and integrity of the Group’s financial and non-financial reporting.

Corporate Governance Overview Statement (Cont'd)

1.2 Chairman

The Chairman, Mohamed Shafeii Bin Abdul Gaffoor, an independent non-executive director, is primarily responsible for matters pertaining to the Board and the overall conduct of the Company. The Chairman is committed to good corporate governance practice and has been leading the Board towards high performing culture.

1.3 Chairman and Chief Executive Officer

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

1.4 Qualified and competent Company Secretary

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

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

The roles and responsibilities of the Company Secretary include, but are not limited to the following:

- (a) Manage all Board and Committee meeting logistics, attend and record minutes of all Board and Committee meetings and facilitate Board communications;
- (b) Advise the Board on its roles and responsibilities;
- (c) Facilitate the orientation of new Directors and assist in Director training and development;
- (d) Advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- (e) Manage processes pertaining to the annual shareholders' meeting;
- (f) Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectation; and
- (g) Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

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

1.5 Supply of Information

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

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

Corporate Governance Overview Statement (Cont'd)

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter clearly establish the functions, governance structure authority and terms of reference of the Board, Board Committees and Management. It provides a reference to the Board and Management on the functions of the Board.

The Board Charter adopted in 2014 was last reviewed in 2020 to ensure consistency with the Board's objectives and prevailing legislations and practices.

3. Business Conduct and Corporate Culture

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

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

The KCEC's key areas include: compliance with national laws and regulations, conflict of interest, anti-corruption policy, employment policy and guidelines (discrimination and harassment, compliance with employment laws and regulations, non-compete policy, work place violence, illegal drugs and alcohols policy, intellectual property, occupational health, safety and environment, dress code and public communications), business record accuracy and integrity, financial reporting, maintenance of records, relationships with auditors and use of company resources.

The KCEC is extensive but not exhaustive and the Group expects its employees to exercise good judgement in their decision making in order to adhere to the highest ethical standards. The KCEC is reviewed periodically. The KCEC is published on Kossan's website: www.kossan.com.my.

3.2 Whistleblowing

The Board established a Whistleblowing Policy and Procedures that provides an avenue for its employees and the general public to raise concern about malpractice or improper conduct and explains how the Company responds to it.

All reports will be channeled to the Whistleblowing Committee ("WBC") comprising exclusively of Independent Non-Executive Directors as follow:

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

Our Whistleblowing Policy provides assurance that employees and third parties' identities will be kept confidential and that whistleblowers will not risk retaliation, harassment or victimization provided that they act in good faith in their reporting.

II - BOARD COMPOSITION

4. Board's objectivity

4.1 Composition of the Board

The Board currently has nine (9) members, comprising six (6) executive directors and three (3) independent non-executive directors.

The Directors, with their diverse backgrounds, specialisations, qualifications and experiences, bring with them a wide range of knowledge and expertise, for the effective management of the Group's diversified businesses. Their qualifications and experiences are set out in the Directors' Profile on pages 15 to 19 of the 2020 Annual Report.

Corporate Governance Overview Statement (Cont'd)

4.2 Independent Directors

The Board recognises the importance and contributions of its Independent Non-Executive Directors (“INED”). They provide objectivity, impartiality and independent judgement to the Board and ensure adequate check and balance in Board’s decisions. Their presence provides unbiased and independent views, advice and opinion to safeguard the interest of minority shareholders.

4.3 Policy on Tenure of Independent Non-Executive Directors

The Board limits the tenure of independent non-executive directors to nine (9) years. None of the INEDs’ tenure exceeded nine (9) years. Any extension of an INED’s tenure to twelve (12) years requires the approval of shareholders in general meeting while an extension beyond the twelfth (12th) year requires a two-tier voting by shareholders at general meeting.

4.4 Board and Senior Management

The appointment of the Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. For further information, please refer to Directors’ Profile and Key Senior Management in the 2020 Annual Report.

4.5 Gender Diversity

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

4.6 Appointment of New Directors

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

4.7 Nominating Committee

The Nominating Committee (“NC”) comprises exclusively of Independent Non-Executive Directors as follows:

Mohamed Shafeii Bin Abdul Gaffoor	- Chairman
Lee Choo Hock	- Member
Hoh Kim Hyan	- Member

The NC meets as and when required but at least once a year. The NC met once in the financial year ended 31 December 2020. The terms of reference of the NC are set out in Kossan’s website: www.kossan.com.my.

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

Corporate Governance Overview Statement (Cont'd)

The NC also evaluates on an annual basis the effectiveness of the Board as a whole, the Board Committees and the individual contributions and independence of each Independent Director. All assessments and evaluations carried out are properly documented. Activities carried out in 2020 include:

- reviewed the performance of Board, Board Committees and individual directors;
- discussed succession planning; and
- recommended re-election of retiring directors.

5. Overall Board Effectiveness

5.1 Annual evaluation

For the financial year ended 31 December 2020, 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 meets at least five (5) times a year at quarterly intervals with additional meetings convened as necessary. Due to the COVID-19 pandemic, only four (4) Board Meetings were held during the financial year ended 31 December 2020 and the attendance of the Directors at the Board Meetings were as follows:

Director	No. of meeting attended
Mohamed Shafeii Bin Abdul Gaffoor	4/4
Tan Sri Dato' Lim Kuang Sia	3/4
Lim Leng Bung	4/4
Tan Kong Chang	4/4
Lim Siau Tian	4/4
Lim Siau Hing	4/4
Lim Ooi Chow	4/4
Lee Choo Hock	4/4
Hoh Kim Hyan	4/4

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

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

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

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

Corporate Governance Overview Statement (Cont'd)

III - REMUNERATION

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The objective of the Group's remuneration policy is to attract and retain the Directors and Senior Management required to lead and manage the Group effectively. For executive directors and senior management, their remuneration packages are linked to corporate and individual performance. For non-executive directors, the level of remuneration reflects their experience and level of responsibilities.

6.2 Remuneration Committee

The Remuneration Committee ("RC") of the Company comprises a majority of independent non-executive Directors. The RC has written terms of reference which deals with its authority and duties. This can be viewed at the Company's website: www.kossan.com.my. The composition of the RC as at 31 December 2020 was as follows:

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

The RC meets as and where required but at least once a year. The RC met once in the financial year ended 31 December 2020. The terms of reference of the RC are set out in Kossan's website: www.kossan.com.my.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE ("AC")

7. Effective and Independent Audit Committee

7.1 Composition of the AC

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

7.2 Chairman of the Audit Committee and Chairman of the Board

The Chairman of the AC is not the Chairman of the Board.

Mr. Lee Choo Hock, the Senior Independent Non-Executive Director is the Chairman of the AC while En. Mohamed Shafeii Bin Abdul Gaffoor, also an Independent Non-Executive Director is the Chairman of the Board.

7.3 Financial literacy of AC Members

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

7.4 Appointment of AC Member being a Former Key Audit Partner

The Company's policy on recruiting any former key audit partner as a member of AC requires the said key audit partner to exercise a cooling period of at least two (2) years before his appointment to the AC.

Corporate Governance Overview Statement (Cont'd)

7.5 Independence of External Auditor

The AC undertakes the annual assessment of the competency and independence of the external auditors and recommends their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

The reappointment of the external auditors will be by the shareholders at the AGM.

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

The AC also reviewed the provision of non-audit services rendered to the Group by the external auditors and 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 2020 was RM9,200.

Further information on the AC can be found in the Report of the Audit Committee on pages 48 to 50 of the 2020 Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

8. Risk Management and Internal Control

8.1 Establishing an Effective Risk Management and Internal Control Framework

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

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

8.2 Features of Risk Management and Internal Control Framework

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

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

8.3 Risk Management Committee

The Board has established a Risk Management Committee ("RMC") comprising of a majority of independent directors, to oversee the Group's risk management framework and policies. The composition of RMC is as below:

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

Details of the Group's risk management and internal control are contained in the Statement on Risk Management and Internal Control as set out in the 2020 Annual Report.

Corporate Governance Overview Statement (Cont'd)

9. Effective Governance, Risk Management and Internal Control Framework

9.1 Internal Audit Function

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

The IA assignments were carried out in accordance with the 2020 audit plan approved by the AC.

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

9.2 Internal Audit Objectivity and Independence

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

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

Further details of the Group's IA function are contained in the Statement on Risk Management and Internal Control as set out in the 2020 Annual Report.

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

I – COMMUNICATION WITH STAKEHOLDERS

10. Communication between Company and Stakeholders

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

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

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

Corporate Governance Overview Statement (Cont'd)

II – CONDUCT OF GENERAL MEETINGS

11. Shareholders Participation at General Meetings

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

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

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

In year 2020, the Company had leveraged on technology by conducting the Company's 40th AGM and the EGM on the bonus issue on a virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities due to the COVID-19 pandemic. Shareholders registered for remote participation via Boardroom Smart Investor Portal to join the live streaming of the proceedings of the AGM and the EGM and posed questions to the Chair (Remote Participation), and casted their votes online (Remote Voting). The administrative details for the AGM with detailed registration and voting procedures were distributed to shareholders and published on the Company's website. The Company had appointed Boardroom Share Registrars Sdn Bhd as poll administrators to conduct the polling process on all resolutions tabled at the AGM and the EGM, and Malaysian Issuing House Sdn Bhd as the scrutineers to verify the poll results. The result for each resolution was shown at the end of voting of each resolution before moving on to the next resolution.

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 endeavours to provide as much information as possible to its shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

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

COMPLIANCE STATEMENT

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

This Statement was approved by the Board on 13 April 2021.

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 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

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

BOARD’S RESPONSIBILITY

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

The Board continuously reviews the risk management framework, processes, responsibilities and assesses for reasonable assurance that the risks faced by the Group are being managed effectively and efficiently within the Group’s defined risk appetite and tolerance. However, the Group’s risk management and internal control system is designed to manage, rather than eliminate the risk of failure to achieve business objectives. Notwithstanding and due to the limitations inherent in any system of risk management and internal control, the system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

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

- Reviewing and monitoring the effectiveness of the Group’s system of risk management and internal control;
- Evaluating the process for identifying, evaluating, monitoring and reporting of risks and internal control;
- Evaluating and monitoring the risk management framework in line with the Group’s business objectives and risk appetite;
- Identifying changes to risk and taking appropriate actions to mitigate and control risks;
- Providing assurance to the Board that the risk management and internal control system is operating adequately and effectively;
- Reviews the Internal Audit Report of its findings, recommendations, management response and action plans and present to the Board of its recommendation on a quarterly basis.

RISK MANAGEMENT

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

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

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

A **Risk Management Policy Statement** describing Kossan's commitment to embedding risk management 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 and to manage its risk exposures and pursues opportunities in line with its risk appetite;

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



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

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

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

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

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

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

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

- **COVID-19 Pandemic**

In the wake of the COVID-19 pandemic, the Group's primary concerns are on the well-being and safety of its employees on top of its business continuity concerns. The Group continues to closely monitor the public health situations since it was first detected in Malaysia in early 2020. A dedicated task force was immediately formed to monitor, devise and deploy all the required health and safety procedures and protocols in accordance to the Malaysian Government directives given through its National Security Council ("NSC") and Ministry of Health ("MOH").

When the nation was placed under a Movement Control Order ("MCO") beginning 18 March 2020 in light of the widespread of the COVID-19 pandemic, the task force made further assessment of the impacts the MCO could bring to the Group as a whole in both the management and operational areas and additional action plans were formulated to minimize disruptions to the Group's operations including its supply chains and logistics movement to the consumers' end.

The Group had also in its corporate voluntary exercise, conducted a group-wide COVID-19 screening programme in December 2020 on all its employees, both local and foreign. This was also in adherence to the government's directive to have all foreign workers in the identified red zone then to be screened. The exercise had the Group detected a number of cases which were managed in accordance to the MOH protocols on quarantine and isolation of identified close contacts. The affected plant premises was also temporarily closed for two (2) weeks in December 2020 to allow for thorough disinfection and sanitization processes to take place in the prevention measures of the COVID-19 pandemic.

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

- **Social Compliance**

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

The Group has established a Social Risk task force since 2019 which look into related issues pertaining to social compliance. Regular social compliance audits in line with internationally-recognised standards with strict compliance to the country's regulation pertaining to the areas relating to ethical recruitment, workhours, workplace conditions and workers' accommodation are being conducted. The findings arises from these audits allow the Group to immediately address the issues and to provide remedial actions.

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

In the Group's bourse filing on 1 October 2020, a remediation plan estimated at RM50 million was announced in line with its 'Zero Cost Recruitment Policy' which was formulated in 2019, to address foreign workers who may have committed a sum of money towards recruitment to their agents unknowingly. The due diligence process and execution exercise are undertaken by an independent third party and is ongoing.

On the local regulation front, the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 [Act 446] ("Amended Act") which came into force on 1 June 2020 with enforcement beginning 1 September 2020, saw an expansion of coverage to include all other employees in Peninsular Malaysia and Federal Territory of Labuan. The coverage also came about at the onset of the COVID-19 pandemic and public health situations in the country which outlines changes and additional statutory requirements in the provision of workers' accommodation. To fulfil the requirements under this Amended Act, the Group had embarked on a group-wide exercise to review the Group's existing workers' accommodation and amenities in accordance to the changes and additional requirements and necessary actions were taken to comply with this Act.

The Group in its continuous improvement efforts will undergo periodic improvement plans on all its workers' housing and amenities on top of regular reviews and audits to meet its corporate obligations and social responsibilities.

- **Cybersecurity Risk**

The current business environment is globally interconnected, thus increasing the Group's exposure to cybersecurity risks. To manage this risk, controls have been put in place to manage and protect the Group's computer network infrastructure. Network security devices and tools as well of provision of IT security awareness to the employees are in place to protect and secure the accessibility to the Group's IT environment. As cybersecurity threats are evolving every day, the Group will continue to monitor, assess and enhance the controls and security of its existing computer network infrastructure.

INTERNAL CONTROL

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

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

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

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

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

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

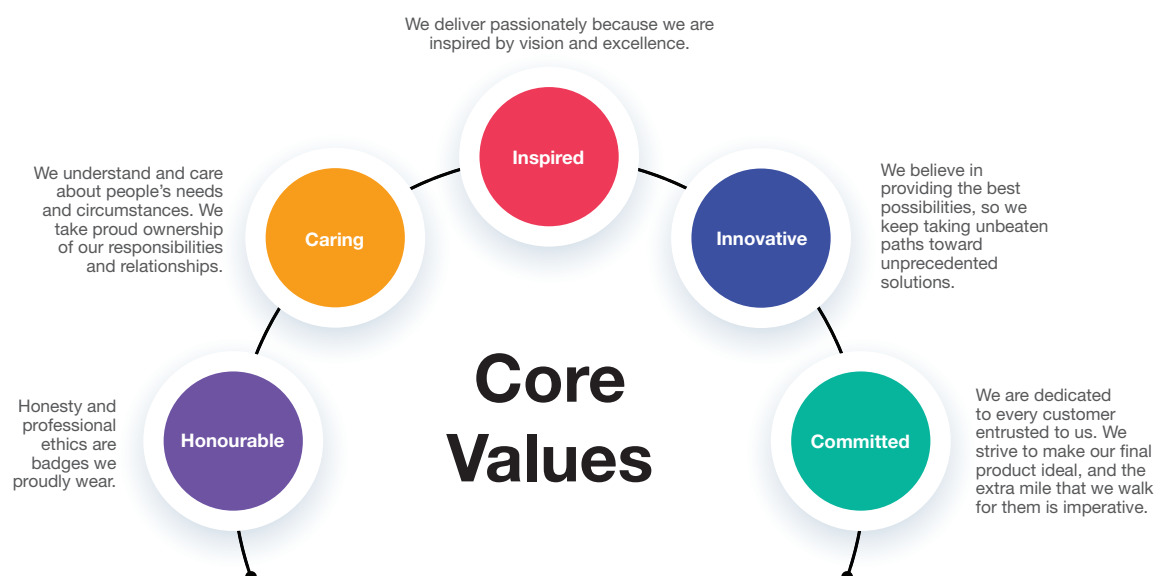
The **Internal Audit Department** ("IA") performs internal audits on the effectiveness of internal control mechanism on various operating units and also checks on the compliance with laws and regulatory requirements, including policies and procedures. Significant findings of non-compliance are highlighted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

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

The **Sustainability Working Group Committee** ("SWG") is setup as part of the management in reinforcing its existing governance ecosystem. The SWG advises on sustainability strategies and its alignment with business strategy, risk environment and regulatory requirements including providing strategic direction and facilitate stakeholder engagement processes.

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

- Board meetings are held at least once in a quarter with a formal agenda on matters for discussion. During the meeting, the Board reviews the financial performance of the Group, discuss and deliberate on the business development, management, corporate issues and regulatory matters affecting the Group.
- Board Committees with clearly defined terms of reference and authority hold regular meetings and assist the Board in overseeing internal controls and Board effectiveness. This includes reviewing the adequacy and integrity of the Group's internal control system and to follow-up on action plans by Management on the recommendations proposed by the internal audit department.
- The Group Managing Director ("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 management of the business as well as chairing at various management and committee meetings. The GMD will update the Board of any significant matters that require the latter's immediate attention.
- Monthly management meetings are held to review the financial and manufacturing operational performance of business units including key performance indicators, productivity, efficiency and effectiveness. This includes evaluation of factors impacting performance such as business, operational and key management.
- There is an established mechanism to identify and review the risks element that impact on the financial performances of the Group to manage risks including and not limiting to volatility of foreign exchange rates, escalating cost of operations and competitive pricing of products.
- A Whistleblowing Policy serves as an avenue for all employees and the general public to raise concerns about malpractice or improper conduct within the Group whilst ensuring the integrity of the process and information and also protecting the rights of informants.
- The Group adopted an Anti-Corruption Policy which describes Kossan's commitment to ensure zero-tolerance against any forms of bribery and corruption. The Group is committed to maintain and preserve the highest standard of integrity, transparency and accountability in our business operations.
- The management sets the tone for an effective control environment and culture within the Group through the Group's mission, vision and core values. The Group developed its key pillars for all Kossan employees to embrace on, based on the below five (5) core value tenets:



Through Kossan's core values, the Group seeks to inculcate a culture of honesty and integrity, inspiration and innovation as well as caring and commitment.

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

ASSURANCE MECHANISM

The Group has in place an in-house Internal Audit ("IA") department established by the Board to provide independent assurance on the adequacy and effectiveness of the risk management and internal control system. The IA reports directly to the AC and is guided by the Internal Audit Charter. The IA performs audits based on an annual internal audit plan approved by the AC. The areas of audit covered by the IA during the financial year under review included:

- regulatory compliance focusing on environment, safety and health;
- labour laws compliance;
- financial audits;
- taxation audit and
- operational audits on inventory management and control.

The IA presented its audit report, including findings, recommendations and management's response to the AC on a quarterly basis. Follow up reviews are conducted and the status of the implementation of action plans are monitored and reported to the AC.

For the year ended 31 December 2020, the IA reviewed the adequacy and effectiveness of the internal control processes and necessary actions have been and are being taken to remedy any significant failings or weaknesses for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

The Board, through the AC, has reviewed the effectiveness of the Group's system of risk management and internal control. There were no significant risk management and internal control aspects that would have resulted in any material losses or contingencies that would require disclosure in the 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 2020, the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group. Taking into consideration the information and assurances given, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control.

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

BOARD'S COMMITMENT

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

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (“AAPG”) 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 31 December 2020, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

AAPG 3 does not require the external auditors to consider whether the 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 2021.

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 2020.

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 non-executive director and not the Chairman of the Board.

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 Audit 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 and Duties

The functions and duties of the Audit Committee shall include previewing and reporting to the Board the following:

1.4.1 External Audit

- (i) appointment and re-appointment or resignation of the external auditors;
- (ii) scope of the audit; and
- (iii) evaluation of suitability, objectivity and independence of the external auditors.

1.4.2 Internal Audit

- (i) adequacy of the scope of work, competency and resources and its authority to carry out the functions;
- (ii) approve the internal audit plan and assess the process and results of the audit; and
- (iii) ensure internal audit work is effective and independent of management.

1.4.3 Risk Management

- (i) ensure adequacy and effectiveness of the functions; and
- (ii) review the reports of the functions.

1.4.4 Financial Reporting

- (i) review financial reporting and any changes in accounting policies;
- (ii) review financial reporting issues and significant judgement by the management; and
- (iii) review significant and unusual transactions and ensure these are effectively addressed.

Report of the Audit Committee (Cont'd)

1.4.5 Related Party Transactions

Review related party transactions and ensure no conflict of interest and matters of management integrity.

1.4.6 Corporate Governance

- (i) review the Kossan Code of Ethics and Conduct;
- (ii) review the Anti-Bribery and Corruption Policy; and
- (iii) review the Whistleblowing Policy.

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 Audit Committee shall be the Company Secretary.

2. COMPOSITION AND ATTENDANCE AT MEETINGS

The Audit Committee comprises the following members and the details of attendance of each member at the committee meetings held during the year ended 31 December 2020 were as follows:-

Composition of the Audit Committee	Attendance
Lee Choo Hock (Chairman / Senior Independent Non-Executive Director)	5/5
Mohamed Shafeii Bin Abdul Gaffoor (Member / Independent Non-Executive Director)	5/5
Hoh Kim Hyan (Member / Independent Non-Executive Director)	5/5

The Senior 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 while the in-house internal auditors attended four (4) of the meetings.

3. ACTIVITIES

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

- (a) reviewed the 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 re-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 ensured the audit was 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 responses thereto;

Report of the Audit Committee (Cont'd)

- (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 substantial 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 and recommended related party transactions ("RPT") presented by Management to the Board for approval, to ensure the RPT were undertaken in the best interest of the Group, fair, reasonable and on normal commercial terms as well as not detrimental to the interest of the minority shareholders;
- (l) 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 were sufficient to ensure RRPT be at arm's length and in accordance with the Group's normal commercial terms and not prejudicial to the minority shareholders or disadvantageous to the Group;
- (m) reviewed the Statement on Risk Management and Internal Control before submission to the Board for approval;
- (n) reviewed and approved the Report of the Audit Committee;
- (o) conducted private meeting with the external auditors and internal 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 ended 31 December 2020 were RM447,828 and RM761,279 respectively.

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.

Lee Choo Hock
Chairman
Audit Committee

DIRECTORS' REPORT

for the year ended 31 December 2020

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 2020.

PRINCIPAL ACTIVITIES

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	1,086,670	378,662
Non-controlling interests	5,433	–
	<hr/> 1,092,103	<hr/> 378,662

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 2019 as reported in the Directors' Report of that year:
 - an interim ordinary dividend of 3 sen per ordinary share totalling RM38,368,074 declared on 23 December 2019 and paid on 20 January 2020; and
 - a second interim ordinary dividend of 3 sen per ordinary share totalling RM38,368,074 declared on 21 May 2020 and paid on 19 June 2020.

Directors' Report (Cont'd)

DIVIDENDS (CONT'D)

ii) In respect of the financial year ended 31 December 2020:

- an interim ordinary dividend of 3 sen per ordinary share totalling RM76,736,148 declared on 9 November 2020 and paid on 9 December 2020.
- a second interim ordinary dividend and special dividend of 3 sen per ordinary share totalling RM76,593,588 and 8 sen per ordinary share totalling RM204,249,569 respectively declared on 16 February 2021 and paid on 17 March 2021.

DIRECTORS

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

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

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

Lim Kuang Yong
Lim Kuang Wang
Lim Kwan Hwa
Dr. Or Tan Teng
Lee Seek Ping
Lim Siew Bing
Teoh Hock Hean
Lee Hon Chee
Matthew Ang Hwee Tong
Wu Zhong

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:

	At 1.1.2020	Bought	Number of ordinary shares		At 31.12.2020
			Sold	Bonus Issue*	
Kossan Rubber Industries Bhd.					
Direct interests					
Tan Sri Dato' Lim Kuang Sia	1,527,552	981,900	–	2,509,452	5,018,904
Lim Kuang Wang	2,875,392	–	(2,875,392)	–	–

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	At 1.1.2020	Bought	Number of ordinary shares Sold	Bonus Issue*	At 31.12.2020
Deemed interests					
Tan Sri Dato' Lim Kuang Sia					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
- spouse	2,088,992	–	(500,000)	1,588,992	3,177,984
Lim Leng Bung					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
Lim Kuang Yong [^]					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
Lim Kuang Wang [^]					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
Lim Kwan Hwa [^]					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
Lim Ooi Chow**					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
- parents	3,616,544	981,900	(500,000)	4,098,444	8,196,888
Lim Siau Tian**					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
Lim Siau Hing**					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
- parents	2,875,392	–	(2,875,392)	–	–
Lim Siew Bing** [^]					
- holding company	654,944,960	959,700	(55,032,600)	599,912,360	1,200,784,420
Doshin Rubber Products (M) Sdn. Bhd.					
Direct interests					
Dr. Or Tan Teng	150,000	–	(50,000)	–	100,000
Cleanera HK Limited					
Direct interests					
Matthew Ang Hwee Tong	78,866	–	–	–	78,866
Wu Zhong	25,000	–	–	–	25,000
Indirect interests					
Matthew Ang Hwee Tong	616,134	–	–	–	616,134

* Bonus issue of 1,278,935,808 new ordinary shares on the basis of one (1) bonus share for each existing ordinary share held.

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

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

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

None of the other Directors holding office at 31 December 2020 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 32 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

There is no indemnity given to or insurance effected for Director, officer or auditors of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

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

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

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

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, except for remediation fees as disclosed in Note 24, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 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 33 to the financial statements.

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR END

The subsequent event after the financial year end is as disclosed in Note 34 to the financial statements.

AUDITORS

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

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

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

Tan Sri Dato' Lim Kuang Sia
Director

Lim Leng Bung
Director

Klang, Selangor Darul Ehsan

Date: 13 April 2021

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Property, plant and equipment	3	1,273,685	1,206,888	67,452	54,829
Right-of-use assets	4	49,175	108,761	311	601
Investment properties	5	67,591	101,921	19,690	20,837
Goodwill on consolidation	6	4,926	4,926	–	–
Intangible assets	7	1,155	–	–	–
Investments in subsidiaries	8	–	–	166,741	74,142
Investment in joint venture	9	1,352	1,355	1,400	1,400
Other investments	10	413	398	91	91
Deferred tax assets	11	194	13,399	–	–
Trade and other receivables	12	–	–	102,279	84,833
Total non-current assets		1,398,491	1,437,648	357,964	236,733
Inventories	13	439,949	321,525	–	–
Contract assets	14	120	–	–	–
Trade and other receivables	12	616,970	415,252	680	92,497
Prepayments		60,312	16,118	140	319
Current tax assets		10,766	22,103	2,752	1,224
Derivative financial assets	19	17,860	2,349	–	–
Cash and cash equivalents	15	1,089,507	162,250	242,564	56,512
Total current assets		2,235,484	939,597	246,136	150,552
Total assets		3,633,975	2,377,245	604,100	387,285
Equity					
Share capital	16.1	323,885	323,885	323,885	323,885
Translation reserve	16.2	7,543	5,148	–	–
Capital reserve	16.3	(17)	(397)	–	–
Treasury shares	16.4	(13,797)	–	(13,797)	–
Retained earnings		2,067,220	1,095,654	278,907	15,349
Equity attributable to owners of the Company		2,384,834	1,424,290	588,995	339,234
Non-controlling interests		28,405	26,721	–	–
Total equity		2,413,239	1,451,011	588,995	339,234

Statements of Financial Position
as at 31 December 2020
(Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Liabilities					
Loans and borrowings	17	107,176	163,291	204	–
Lease liabilities		11,206	9,294	72	191
Deferred tax liabilities	11	117,109	93,033	1,855	2,987
Total non-current liabilities		235,491	265,618	2,131	3,178
Loans and borrowings	17	447,861	401,943	96	–
Lease liabilities		4,435	3,582	119	127
Current tax liabilities		43,763	1,913	–	–
Contract liabilities	14	187,987	–	–	–
Derivative financial liabilities	19	2,747	–	–	–
Trade and other payables	18	298,452	253,178	12,759	44,746
Total current liabilities		985,245	660,616	12,974	44,873
Total liabilities		1,220,736	926,234	15,105	48,051
Total equity and liabilities		3,633,975	2,377,245	604,100	387,285

The notes on pages 67 to 137 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	20	3,638,472	2,217,170	416,081	16,247
Other income		78,826	7,356	872	871
Changes in inventories of finished goods and work-in-progress		85,667	58,881	–	–
Raw materials and consumables used		(1,582,690)	(1,378,644)	–	–
Goods purchased for resale		16,135	(8,361)	–	–
Staff costs		(421,249)	(303,382)	(35,797)	(14,950)
Depreciation of property, plant and equipment		(109,144)	(90,491)	(890)	(548)
Net gain on impairment of financial instruments		171	–	–	–
Other operating expenses		(259,473)	(214,839)	(5,601)	(6,286)
Results from operating activities		1,446,715	287,690	374,665	(4,666)
Finance costs	21	(14,963)	(15,567)	(12)	(13)
Finance income		9,661	4,252	2,869	3,624
Share of losses of equity-accounted joint venture, net of tax	9	(3)	(3)	–	–
Profit/(Loss) before tax		1,441,410	276,372	377,522	(1,055)
Tax (expense)/credit	23	(349,307)	(48,511)	1,140	46
Profit/(Loss) for the year	24	1,092,103	227,861	378,662	(1,009)

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020
(Cont'd)

	Note	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 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		2,825	(309)	–	–
Other comprehensive income/ (expense) for the year, net of tax		2,825	(309)	–	–
Total comprehensive income/ (expense) for the year		1,094,928	227,552	378,662	(1,009)
Profit/(Loss) attributable to:					
Owners of the Company		1,086,670	224,653	378,662	(1,009)
Non-controlling interests		5,433	3,208	–	–
Profit/(Loss) for the year		1,092,103	227,861	378,662	(1,009)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		1,089,065	224,851	378,662	(1,009)
Non-controlling interests		5,863	2,701	–	–
Total comprehensive income/ (expense) for the year		1,094,928	227,552	378,662	(1,009)
Basic earnings per ordinary share (sen)	25	42.49	8.78		
Diluted earnings per ordinary share (sen)	25	42.49	8.78		

The notes on pages 67 to 137 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

		Attributable to owners of the Company							
		Non-distributable			Distributable				
Group	Note	Share capital	Treasury shares	Translation reserve	Capital reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019, as previously reported	Adjustment on initial application of MFRS 16	323,885	-	4,950	(240)	986,269	1,314,864	27,510	1,342,374
		-	-	-	-	(164)	(164)	(10)	(174)
At 1 January 2019		323,885	-	4,950	(240)	986,105	1,314,700	27,500	1,342,200
Foreign currency translation differences for foreign operations		-	-	198	-	-	198	(507)	(309)
		-	-	198	-	-	198	(507)	(309)
		-	-	-	-	224,653	224,653	3,208	227,861
Total other comprehensive income for the year									
Total comprehensive income for the year		-	-	198	-	224,653	224,851	2,701	227,552
	Dividends to owners of the Company	-	-	-	-	(115,104)	(115,104)	-	(115,104)
	Dividends paid to non-controlling interests	-	-	-	-	-	-	(137)	(137)
	Acquisition of non-controlling interests	-	-	-	(157)	-	(157)	(3,343)	(3,500)
At 31 December 2019		323,885	-	5,148	(397)	1,095,654	1,424,290	26,721	1,451,011

Note 16.1

Note 16.2 Note 16.3

Consolidated statement of changes in equity
for the year ended 31 December 2020
(Cont'd)

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

Note 16.1 Note 16.4 Note 16.2 Note 16.3

The notes on pages 67 to 137 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	Non-distributable Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2019		323,885	–	131,462	455,347
Loss and total comprehensive expense for the year		–	–	(1,009)	(1,009)
Dividends to owners of the Company	26	–	–	(115,104)	(115,104)
At 31 December 2019/1 January 2020		323,885	–	15,349	339,234
Own shares acquired		–	(13,797)	–	(13,797)
Profit and total comprehensive expense for the year		–	–	378,662	378,662
Dividends to owners of the Company	26	–	–	(115,104)	(115,104)
At 31 December 2020		323,885	(13,797)	278,907	588,995
		Note 16.1	Note 16.4		

The notes on pages 67 to 137 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		1,441,410	276,372	377,522	(1,055)
<i>Adjustments for:</i>					
Depreciation of investment property	5	–	–	1,147	392
Depreciation of property, plant and equipment	3	109,144	90,491	890	548
Depreciation of right-of-use assets	4	4,451	5,245	93	379
Dividend income	20	–	–	(384,581)	(695)
Finance costs	21	14,963	15,567	12	13
Finance income		(9,661)	(4,252)	(2,869)	(3,624)
Reversal of impairment loss on trade receivables		171	–	–	–
Impairment loss on intangible assets	24	–	1,639	–	1,639
Net gain on disposal of property, plant and equipment and investment property		(51,724)	(639)	(9)	(121)
Net loss on disposal of right-of-use assets		103	64	–	–
Net unrealised fair value changes on derivatives	24	(15,113)	(2,349)	–	–
Net unrealised foreign exchange differences	24	4,650	4,355	–	–
Property, plant and equipment written off	24	1,519	361	1	–
Share of losses of equity-accounted joint venture, net of tax		3	3	–	–
Operating profit/(loss) before changes in working capital		1,499,916	386,857	(7,794)	(2,524)
Change in inventories		(118,424)	(72,518)	–	–
Change in trade and other receivables and prepayments		(248,387)	18,731	(14,548)	66,157
Change in trade and other payables		83,642	8,212	6,380	(39)
Change in contract assets		(120)	–	–	–
Change in contract liabilities		187,987	–	–	–
Cash generated from/(used in) operations		1,404,614	341,282	(15,962)	63,594

Statements of cash flows
for the year ended 31 December 2020
(Cont'd)

	Note	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Cash generated from/(used in) operations (Cont'd)		1,404,614	341,282	(15,962)	63,594
Dividends received		–	–	384,581	695
Interest received		9,661	4,252	2,869	3,624
Interest paid		(9,504)	(7,959)	(12)	(13)
Tax paid		(266,598)	(69,312)	(1,520)	(1,743)
Tax refund		7,759	6,281	–	1,727
Net cash from operating activities		1,145,932	274,544	369,956	67,884
Cash flows from investing activities					
Acquisition of property, plant and equipment		(173,904)	(207,730)	(13,322)	(7,108)
Acquisition of right-of-use assets		(719)	(10,322)	–	(83)
Acquisition of other investments		(15)	–	–	–
Acquisition of intangible assets		(1,155)	–	–	–
Acquisition of non-controlling interests	8.2	(3,500)	(3,500)	–	–
Increase in investment in subsidiary		–	–	(3,500)	(3,500)
Proceeds from disposal of right-of-use assets		–	438	–	–
Proceeds from disposal of property, plant and equipment and investment property		148,876	1,179	14	126
Net cash used in investing activities		(30,417)	(219,935)	(16,808)	(10,565)
Cash flows from financing activities					
Dividends paid to owners of the Company		(153,472)	(76,736)	(153,472)	(76,736)
Dividends paid to non-controlling interests		(299)	(137)	–	–
Interest paid		(9,879)	(16,129)	–	–
Drawdown of term loans		119,552	3,500	–	–
Payment of lease liabilities		(3,769)	(4,192)	(127)	(340)
Repurchase of treasury share		(13,797)	–	(13,797)	–
Net proceeds from other borrowings		58,771	128,810	300	–
Repayment of term loans		(188,520)	(73,542)	–	–
Net cash used in financing activities		(191,413)	(38,426)	(167,096)	(77,076)

Statements of cash flows
for the year ended 31 December 2020
(Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net increase/(decrease) in cash and cash equivalents		924,102	16,183	186,052	(19,757)
Effect of exchange rate fluctuations on cash held		3,155	(248)	–	–
Cash and cash equivalents at 1 January		162,250	146,315	56,512	76,269
Cash and cash equivalents at 31 December	(i)	1,089,507	162,250	242,564	56,512

Cash outflows for leases as a lessee

Included in net cash from operating activities:

Payment relating to short-term leases	24	354	147	–	–
Payment relating to leases of low-value assets	24	69	90	7	–
Interest paid in relation to lease liabilities	21	656	657	12	12

Included in net cash from financing activities:

Payment of lease liabilities		3,769	4,192	127	340
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Total cash outflows for leases		4,848	5,086	146	352
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(i) Cash and cash equivalents

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

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	15	585,007	99,450	185,564	41,512
Short term deposits	15	504,500	62,800	57,000	15,000
		1,089,507	162,250	242,564	56,512

Statements of cash flows
for the year ended 31 December 2020
(Cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities									
Group	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31 December 2019/ 1 January 2020 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31 December 2020 RM'000
Term loans - unsecured	310,533	(70,042)	-	-	240,491	(68,968)	-	-	171,523
Revolving credit - unsecured	79,450	149,930	-	(363)	229,017	(41,017)	-	-	188,000
Trade finance - unsecured	116,846	(21,120)	-	-	95,726	99,488	-	-	195,214
Hire purchase financing - unsecured	-	-	-	-	-	-	300	-	300
Lease liabilities	15,747	(4,192)	1,321	-	12,876	(3,769)	6,534	-	15,641
Total liabilities from financing activities	522,576	54,576	1,321	(363)	578,110	(14,266)	6,834	-	570,678
Company									
Hire purchase financing - unsecured	-	-	-	-	-	-	300	-	300
Lease liabilities	308	(340)	350	-	318	(127)	-	-	191
Total liabilities from financing activities	308	(340)	350	-	318	(127)	300	-	491

The notes on pages 67 to 137 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business/Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 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 2020 do not include other entities.

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

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

These financial statements were authorised for issue by the Board of Directors on 13 April 2021.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

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

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

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

Notes to the Financial Statements (Cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

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

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021, except for amendment to MFRS 4 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendment to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

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

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

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

The early adoption of the abovementioned amendment has no significant impact to the retained earnings at 1 January 2020.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Notes to the Financial Statements (Cont'd)

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

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

2. SIGNIFICANT ACCOUNTING POLICIES

The Group has early adopted the amendment to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use* issued in June 2020. The amendment prohibits the deduction from the cost of an item of Property, Plant and Equipment the proceeds from selling items produced before its intended use. The Group has applied the amendment retrospectively. The amendment has no significant impact on retained earnings as at 1 January 2020.

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.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Business combinations (Cont'd)

For 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.

(iv) Loss of control

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

(v) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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.

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

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

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

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(a) *Amortised cost*

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

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

(b) *Fair value through profit or loss*

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

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

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

Financial liabilities

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

(a) *Fair value through profit or loss*

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial liabilities (Cont'd)

(a) *Fair value through profit or loss (Cont'd)*

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

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel;
- (c) or if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

(b) *Amortised cost*

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

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

(iii) Financial guarantee contracts

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

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

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

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

Notes to the Financial Statements (Cont'd)

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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

Proceeds before Intended Use

The Group recognises in profit or loss the following:

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

(ii) Subsequent costs

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

Notes to the Financial Statements (Cont'd)

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

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

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

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

(e) Leases

(i) Definition of a lease

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

(ii) Recognition and initial measurement

(a) As a lessee

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

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

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

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

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

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

(b) As a lessor

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

(iii) Subsequent measurement

(a) As a lessee

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

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

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

(b) As a lessor

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

(f) Goodwill on consolidation

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

(g) Intangible assets

(i) Intangible assets

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

(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.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets (Cont'd)

(iii) Amortisation (Cont'd)

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

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

(h) Investment properties

Investment properties carried at cost

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

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

Reclassification to/from investment property

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

(i) Inventories

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

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

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

(j) Contract assets/Contract liabilities

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

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

(k) Cash and cash equivalents

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Impairment

(i) Financial assets

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets

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

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

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

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

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

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

(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.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Equity instruments (Cont'd)

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(n) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(o) Provisions

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

(p) Revenue and other income

(i) Revenue

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Revenue (Cont'd)

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

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

(ii) Rental income

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

(iii) Interest income

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

(iv) Services rendered

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

(v) Dividend income

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

(q) Borrowing costs

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Income tax

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

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

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

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

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

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

(s) Earnings per ordinary share

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Operating segments

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

(u) Contingent liabilities

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

(v) Fair value measurements

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group Cost	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	Software under development	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	370,335	273,047	942,645	15,887	9,605	21,734	4,569	20,823	62,365	64,071	-	1,785,081
Additions	9,975	8,269	46,718	1,127	731	3,203	25	4,393	83,066	45,587	4,636	207,730
Borrowing cost capitalised at 4.39% per annum	-	-	-	-	-	-	-	-	6,425	-	-	6,425
Disposals	-	(166)	(1,101)	(4,129)	-	(666)	-	(98)	-	-	-	(6,160)
Write-off	-	-	(17,423)	(106)	(838)	(58)	(267)	(211)	-	-	-	(18,903)
Reclassification**	607	58,143	81,610	1,386	477	-	-	5,613	(79,522)	(66,928)	-	1,386
Transfer to investment property	(96,698)	-	-	-	-	-	-	-	-	-	-	(96,698)
Effect of movements in exchange rates	-	-	(252)	(9)	-	-	-	(10)	-	-	-	(271)
At 31 December 2019/ 1 January 2020	284,219	339,293	1,052,197	14,156	9,975	24,213	4,327	30,510	72,334	42,730	4,636	1,878,590

Notes to the Financial Statements (Cont'd)

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

Group Cost	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	Software under development	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2019/ 1 January 2020 (Cont'd)	284,219	339,293	1,052,197	14,156	9,975	24,213	4,327	30,510	72,334	42,730	4,636	1,878,590
Additions	36,677	16,308	38,773	1,821	568	3,903	1,689	4,577	40,092	27,326	2,170	173,904
Borrowing cost capitalised at 4.95% per annum	-	-	-	-	-	-	-	-	3,174	-	-	3,174
Disposals	-	(340)	(4,181)	(519)	-	(162)	-	(1,427)	-	-	-	(6,629)
Write-off	-	(2,966)	(201)	(46)	-	(24)	(29)	(981)	-	-	-	(4,247)
Reclassification**	-	37,444	86,004	1,444	-	-	-	743	(83,811)	(40,380)	-	1,444
Effect of movements in exchange rates	-	-	614	25	-	-	-	34	-	-	-	673
At 31 December 2020	320,896	389,739	1,173,206	16,881	10,543	27,930	5,987	33,456	31,789	29,676	6,806	2,046,909

* Included in the freehold land is an amount of USD3,117,987, equivalent to RM12.5 million as at 31 December 2020 (31 December 2019: USD3,726,000 equivalent to RM15.3 million) representing the freehold land and building of an overseas subsidiary of which the carrying amount of the building is not segregated from the freehold land as the required details are not available.

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

Notes to the Financial Statements
(Cont'd)

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

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Factory furniture and equipment RM'000	Electrical installation RM'000	Office furniture, equipment and renovation RM'000	Plant and machinery under construction RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Accumulated depreciation												
At 1 January 2019	-	37,510	519,453	14,351	7,393	11,926	3,553	10,385	-	-	-	604,571
Charge for the year	-	7,060	77,272	1,355	588	1,894	197	2,125	-	-	-	90,491
Disposals	-	-	(1,036)	(4,022)	-	(477)	-	(83)	-	-	-	(5,620)
Write-off	-	(135)	(17,198)	(106)	(591)	(40)	(267)	(205)	-	-	-	(18,542)
Reclassification**	-	(200)	-	1,012	(181)	-	-	381	-	-	-	1,012
Effect of movements in exchange rates	-	-	(197)	(5)	-	-	-	(8)	-	-	-	(210)
At 31 December 2019/1 January 2020	-	44,235	578,292	12,585	7,209	13,303	3,483	12,595	-	-	-	671,702
Charge for the year	-	9,912	88,911	1,795	508	4,070	1,126	2,822	-	-	-	109,144
Disposals	-	(299)	(3,865)	(514)	-	(112)	-	(1,385)	-	-	-	(6,175)
Write-off	-	(1,602)	(194)	(46)	-	(24)	(10)	(852)	-	-	-	(2,728)
Reclassification**	-	(44)	31	281	-	(129)	-	142	-	-	-	281
Effect of movements in exchange rates	-	476	486	13	-	-	-	25	-	-	-	1,000
At 31 December 2020	-	52,678	663,661	14,114	7,717	17,108	4,599	13,347	-	-	-	773,224
Carrying amounts												
At 1 January 2019	370,335	235,537	423,192	1,536	2,212	9,808	1,016	10,438	62,365	64,071	-	1,180,510
At 31 December 2019/1 January 2020	284,219	295,058	473,905	1,571	2,766	10,910	844	17,915	72,334	42,730	4,636	1,206,888
At 31 December 2020	320,896	337,061	509,545	2,767	2,826	10,822	1,422	20,075	31,789	29,676	6,806	1,273,685

Pursuant to early adoption of amendment to MFRS 116, *Property, Plant and Equipment* – *Proceeds before Intended Use*, the net proceeds and testing costs arising from the testing of its plant and equipment in the course of its construction before its intended use during the year amounted to RM13,559,367 and RM7,915,161 respectively. These have been included in the Revenue and Raw materials and consumables used in the Statement of Profit or Loss.

Notes to the Financial Statements (Cont'd)

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

Company Cost	Note	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office furniture, equipment and renovation RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
At 1 January 2019		42,638	3,799	3,522	4,048	593	—	54,600
Additions		—	—	373	493	1,606	4,636	7,108
Disposals		—	—	(789)	(55)	—	—	(844)
Reclassification		—	—	1,386	—	—	—	1,386
At 31 December 2019/1 January 2020		42,638	3,799	4,492	4,486	2,199	4,636	62,250
Additions		—	—	787	736	9,629	2,170	13,322
Disposals		—	—	(120)	(12)	—	—	(132)
Write-off		—	—	—	(1,226)	—	—	(1,226)
Reclassification	4	—	—	329	—	—	—	329
At 31 December 2020		42,638	3,799	5,488	3,984	11,828	6,806	74,543

Notes to the Financial Statements (Cont'd)

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

Company	Note	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office furniture, equipment and renovation RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2019		-	644	3,380	2,676	-	-	6,700
Charge for the year		-	81	192	275	-	-	548
Disposals		-	-	(789)	(50)	-	-	(839)
Reclassification		-	-	1,012	-	-	-	1,012
At 31 December 2019/1 January 2020		-	725	3,795	2,901	-	-	7,421
Charge for the year		-	138	432	320	-	-	890
Disposals		-	-	(120)	(7)	-	-	(127)
Write-off		-	-	-	(1,225)	-	-	(1,225)
Reclassification	4	-	-	132	-	-	-	132
At 31 December 2020		-	863	4,239	1,989	-	-	7,091
Carrying amounts								
At 1 January 2019		42,638	3,155	142	1,372	593	-	47,900
At 31 December 2019/1 January 2020		42,638	3,074	697	1,585	2,199	4,636	54,829
At 31 December 2020		42,638	2,936	1,249	1,995	11,828	6,806	67,452

Notes to the Financial Statements (Cont'd)

4. RIGHT-OF-USE ASSETS

	Note	Land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
At 1 January 2019		88,324	9,050	3,769	101,143
Additions		10,030	211	1,402	11,643
Borrowing costs capitalized at 4.3% per annum	4.3	2,096	–	–	2,096
Reclassification		–	–	(374)	(374)
Derecognition		–	–	(502)	(502)
Depreciation		(1,389)	(2,845)	(1,011)	(5,245)
At 31 December 2019/ 1 January 2020		99,061	6,416	3,284	108,761
Additions		719	9,540	–	10,259
Borrowing costs capitalized at 3.46% per annum	4.3	1,246	–	–	1,246
Net loss on disposal of right-of-use assets		(3)	(100)	–	(103)
Reclassification	5	(62,406)*	(2,968)	(1,163)	(66,537)
Depreciation		(1,299)	(2,973)	(179)	(4,451)
At 31 December 2020		37,318	9,915	1,942	49,175
Company					
At 1 January 2019		–	–	921	921
Additions		–	–	433	433
Reclassification		–	–	(374)	(374)
Depreciation		–	–	(379)	(379)
At 31 December 2019/ 1 January 2020		–	–	601	601
Additions		–	–	–	–
Reclassification		–	–	(197)	(197)
Depreciation		–	–	(93)	(93)
At 31 December 2020		–	–	311	311

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

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

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

Notes to the Financial Statements (Cont'd)

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

4.1 Extension options

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

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

Group	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000	Historical rate of extension options %
Land	5,608	–	100
Buildings	11,180	–	100
	16,788	–	100

4.2 Significant judgements and assumptions in relation to lease

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

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

4.3 Borrowing costs

Included in the additions in right-of-use land is an amount of RM1,245,870 as at 31 December 2020 (31 December 2019: RM2,095,743) representing the capitalisation of borrowing costs (see Note 21).

Notes to the Financial Statements (Cont'd)

5. INVESTMENT PROPERTIES

	Note	Land RM'000	Buildings RM'000	Total RM'000
Group				
Cost				
At 1 January 2019		5,223	–	5,223
Transfer from property, plant and equipment	3	96,698	–	96,698
At 31 December 2019/1 January 2020		101,921	–	101,921
Disposal		(96,698)	–	(96,698)
Reclassification	4	64,075	–	64,075
At 31 December 2020		69,298	–	69,298
Accumulated depreciation				
At 1 January 2019		–	–	–
Charge for the year		–	–	–
At 31 December 2019/1 January 2020		–	–	–
Reclassification	4	1,707	–	1,707
At 31 December 2020		1,707	–	1,707
Carrying amounts				
At 1 January 2019		5,223	–	5,223
At 31 December 2019/1 January 2020		101,921	–	101,921
At 31 December 2020		67,591	–	67,591
Company				
Cost				
At 1 January 2019/31 December 2019/ 1 January 2020/31 December 2020		10,100	12,305	22,405
Accumulated depreciation				
At 1 January 2019		–	1,176	1,176
Charge for the year		–	392	392
At 31 December 2019/1 January 2020		–	1,568	1,568
Charge for the year		–	1,147	1,147
At 31 December 2020		–	2,715	2,715
Carrying amounts				
At 1 January 2019		10,100	11,129	21,229
At 31 December 2019/1 January 2020		10,100	10,737	20,837
At 31 December 2020		10,100	9,590	19,690

Notes to the Financial Statements (Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

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

	Company 2020 RM'000	2019 RM'000
Lease income	914	703
Direct operating expenses: - income generating investment properties	(813)	(625)

5.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

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

	2019 RM'000
Less than one year	557
Total undiscounted lease payments	557

5.2 Fair value information

Fair value of investment properties are categorised as follows:

	Group Level 3 RM'000	Company Level 3 RM'000
2020		
Land and buildings	68,497	55,576
2019		
Land and buildings	159,588	39,404

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.

Notes to the Financial Statements (Cont'd)

6. GOODWILL ON CONSOLIDATION

	Group	
	2020 RM'000	2019 RM'000
At cost	4,926	4,926

6.1 Impairment testing for cash-generating units containing goodwill

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

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

	Group	
	2020 RM'000	2019 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 nil% (2019: 2%) supported by historical trend.
- The terminal value was estimated using the perpetuity growth model, with a growth rate to perpetuity of 0% (2019: 2%).
- A pre-tax discount rate of 13.5% (2019: 13.5%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.
- There will be no other significant changes in the government policies and regulations which will directly affect the investees' businesses. The inflation for the operating expenses is in line with the estimated gross domestic product growth rate for the country based on the past trends.

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

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

Notes to the Financial Statements (Cont'd)

7. INTANGIBLE ASSETS

	Note	Patents RM'000	Intellectual property rights RM'000	Total RM'000
Group				
Cost				
At 1 January 2019/31 December 2019/ 1 January 2020		–	1,639	1,639
Additions		1,155	–	1,155
At 31 December 2020		1,155	1,639	2,794
Impairment loss				
At 1 January 2019		–	–	–
Impairment loss	7.1	–	1,639	1,639
At 31 December 2019/1 January 2020/ 31 December 2020		–	1,639	1,639
Carrying amounts				
At 1 January 2019		–	1,639	1,639
At 31 December 2019/1 January 2020		–	–	–
At 31 December 2020		1,155	–	1,155
Company				
Cost				
At 1 January 2019/31 December 2019/ 1 January 2020/31 December 2020		–	1,639	1,639
Impairment loss				
At 1 January 2019		–	–	–
Impairment loss	7.1	–	1,639	1,639
At 31 December 2019/1 January 2020/ 31 December 2020		–	1,639	1,639
Carrying amounts				
At 1 January 2019		–	1,639	1,639
At 31 December 2019/1 January 2020/ 31 December 2020		–	–	–

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

7.1 Impairment loss

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

Notes to the Financial Statements (Cont'd)

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Cost of investment	166,741	74,142

Details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest	
			2020 %	2019 %
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	80	75
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

Notes to the Financial Statements
(Cont'd)**8. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest	
			2020 %	2019 %
Cleanera HK Limited+	Hong Kong	Investment holding and the trading of cleanroom products	82	82
KPH Logistics, Inc.#	United States of America	Distribution	100	100
KPH (San Francisco), LLC.#	United States of America	Property holding	100	100
KISB Asia Pacific Sdn. Bhd.	Malaysia	Investment holding	100	100
Kossan Labuan Bhd.#	Labuan, Malaysia	Investment holding	100	100
Kossan Industries Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	100	100
Kossan Security Services Sdn. Bhd.	Malaysia	Manage auxiliary police service for Kossan group	100	100
Kossan Trading Sdn. Bhd. (formerly known as Kossan Polymer Sdn. Bhd.)	Malaysia	Manufacturing, processing and trading of chemicals and rubber compound	100	100
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	80	75
Subsidiary of Cleanera HK Limited				
Dongguan Cleanera Cleanroom Products Company Limited+	The People's Republic of China	Manufacturing and dealing in cleanroom products	82	82
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Kossan Gloves Sdn. Bhd.	Malaysia	Investment holding	100	100

Notes to the Financial Statements (Cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest	
			2020 %	2019 %
Subsidiary of Kossan Gloves Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	100
Subsidiary of Kossan Labuan Bhd.				
PT. Kossan Setia Jaya#	Republic of Indonesia	Property holding	100	100
Subsidiary of Kossan International Sdn. Bhd.				
KISB HK Limited+	Hong Kong	Investment holding	100	100
Subsidiary of KISB HK Limited				
KISB Limited Shanghai+	The People's Republic of China	Trading of machinery parts	100	100
Subsidiary of KISB Limited Shanghai				
Pureshield (Shanghai) Health Science and Technology Co. Limited+	The People's Republic of China	Trading of latex examination gloves	100	100

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

+ Not audited by KPMG PLT.

8.1 Material non-controlling interests in subsidiaries

There are no non-controlling interests that are material to the Group for the year ended 31 December 2020.

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

On 18 September 2020, the Company acquired an additional 5% interest in Doshin Rubber Products (M) Sdn. Bhd. for RM3,500,000 in cash, increasing its ownership from 75% to 80%. The Group recognised a decrease in non-controlling interests of RM3,880,105 and an increase in capital reserve of RM380,105.

8.3 Allotment of shares - Perusahaan Getah Asas Sdn. Bhd.

On 21 February 2020, the Company acquired an additional 149,997 ordinary shares in the capital of Perusahaan Getah Asas Sdn. Bhd. at RM594 per share in settlement of the sum of RM89,098,218 owing to the Company. The Company recognised an increase in investment of subsidiaries of RM89,098,218.

Notes to the Financial Statements (Cont'd)

9. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investment in shares	1,355	1,358	1,400	1,400
Shares of post-acquisition reserves	(3)	(3)	–	–
	1,352	1,355	1,400	1,400

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

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

The following table summarises the financial information of Aseptapak.

	Group	
	2020 RM'000	2019 RM'000
Percentage of ownership interest and voting interest	50%	50%
Summarised financial information		
As at 31 December		
Non-current assets	1,669	1,669
Current assets	1,037	1,043
Current liabilities	(2)	(2)
	2,704	2,710
Year ended 31 December		
Loss and total comprehensive expenses for the year	(6)	(6)
Group's share of results for the year ended 31 December		
Group's share of losses during the year	(3)	(3)

10. OTHER INVESTMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fair value through profit or loss	166	166	91	91
Amortised cost	247	232	–	–
	413	398	91	91

Notes to the Financial Statements (Cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	–	–	(123,663)	(94,586)	(123,663)	(94,586)
Right-of-use assets	–	–	(6,222)	(5,229)	(6,222)	(5,229)
Revaluation on properties #	–	–	(5,077)	(5,228)	(5,077)	(5,228)
Unutilised reinvestment allowance	3,135	19,459	–	–	3,135	19,459
Tax loss carry forwards	981	–	–	–	981	–
Provisions	9,799	–	–	–	9,799	–
Lease liabilities	6,640	5,523	–	–	6,640	5,523
Derivatives	–	–	(2)	(162)	(2)	(162)
Others	–	589	(2,506)	–	(2,506)	589
Tax assets/(liabilities)	20,555	25,571	(137,470)	(105,205)	(116,915)	(79,634)
Set off of tax	(20,361)	(12,172)	20,361	12,172	–	–
Net tax assets/(liabilities)	194	13,399	(117,109)	(93,033)	(116,915)	(79,634)
	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Property, plant and equipment	–	–	(2,292)	(2,420)	(2,292)	(2,420)
Revaluation on properties #	–	–	(544)	(567)	(544)	(567)
Tax loss carry forwards	981	–	–	–	981	–
	981	–	(2,836)	(2,987)	(1,855)	(2,987)

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.

Notes to the Financial Statements (Cont'd)

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

Unrecognised deferred tax assets

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

	Group	
	2020 RM'000	2019 RM'000
Tax loss carry forwards	58	58
Tax at 24% (2019: 24%)	14	14

A tax loss of RM57,766 (2019: RM57,766) can only be utilised once capital allowance has been fully exhausted for and will expire in 2025.

Deferred tax assets have not been recognised in respect for tax loss carry forwards amounting to RM57,766 (2019: RM57,766) because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Notes to the Financial Statements (Cont'd)

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

Movement in temporary differences during the year

	Note	Property, plant and equipment RM'000	Right-of- use assets RM'000	Revaluation on properties RM'000	Unutilised reinvestment allowance RM'000	Lease liabilities RM'000	Derivatives RM'000	Tax loss forwards RM'000	Others RM'000	Provisions RM'000	Total RM'000
Group											
At 1 January 2019		(92,429)	(6,114)	(5,311)	8,217	6,334	(65)	-	131	-	(89,237)
Recognised in profit or loss	23	(2,157)	885	83	11,242	(811)	(97)	-	458	-	9,603
At 31 December 2019/1 January 2020		(94,586)	(5,229)	(5,228)	19,459	5,523	(162)	-	589	-	(79,634)
Recognised in profit or loss	23	(29,077)	(993)	151	(16,324)	1,117	160	981	(3,095)	9,799	(37,281)
At 31 December 2020		(123,663)	(6,222)	(5,077)	3,135	6,640	(2)	981	(2,506)	9,799	(116,915)
Company											
At 1 January 2019		(2,219)	-	(591)	-	-	-	-	-	-	(2,810)
Recognised in profit or loss	23	(201)	-	24	-	-	-	-	-	-	(177)
At 31 December 2019/1 January 2020		(2,420)	-	(567)	-	-	-	-	-	-	(2,987)
Recognised in profit or loss	23	128	-	23	-	-	-	981	-	-	1,132
At 31 December 2020		(2,292)	-	(544)	-	-	-	981	-	-	(1,855)

Notes to the Financial Statements (Cont'd)

12. TRADE AND OTHER RECEIVABLES

	Note	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	12.1	–	–	102,279	84,833
Current					
Trade					
Trade receivables		602,598	398,053	–	19
Less: Allowance for impairment loss		(2,066)	(2,237)	–	–
	12.5	600,532	395,816	–	19
Amount due from related parties	12.2	49	185	–	–
		600,581	396,001	–	19
Non-trade					
Amount due from subsidiaries	12.3	–	–	343	92,173
Amount due from holding company	12.4	–	10	–	–
Other receivables		10,196	13,732	229	196
Refundable deposits		6,193	5,509	108	109
		16,389	19,251	680	92,478
		616,970	415,252	680	92,497
		616,970	415,252	102,959	177,330

12.1 The non-trade amount due from subsidiaries are unsecured, subject to interest at 2.09% (2019: 2.6%) per annum and repayable beyond the next 12 months.

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

12.3 The non-trade amount due from subsidiaries are unsecured, subject to interest at 2.09% (2019: 2.6%) per annum and repayable on demand.

12.4 The non-trade amount due from holding company in 2019 was unsecured, subject to interest at 2.6% per annum and repayable on demand.

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

- The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.
- The Group considers that any trade receivables with past due less than 90 days are having low credit risk by considering historical payment trends and financial strength of the receivables. The amount of the allowance on these balances is negligible.

Notes to the Financial Statements (Cont'd)

13. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
At cost:		
Raw materials	104,261	78,842
Work-in-progress	6,800	5,551
Finished goods	328,888	237,132
	439,949	321,525

14. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2020 RM'000	2019 RM'000
Contract assets	120	–
Contract liabilities	(187,987)	–

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

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

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

Group	2020 RM'000	2019 RM'000
Contract liabilities at the beginning of the period recognised as revenue	–	–
Advances received during the year	187,987	–
	187,987	–

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	585,007	99,450	185,564	41,512
Short term deposits placed with licensed banks	504,500	62,800	57,000	15,000
	1,089,507	162,250	242,564	56,512

Notes to the Financial Statements (Cont'd)

16. CAPITAL AND RESERVES

16.1 Share capital

	Number of shares 2020 '000	Amount 2020 RM'000	Group and Company Number of shares 2019 '000	Amount 2019 RM'000
Ordinary shares, issued and fully paid with no par value classified as equity instruments:				
At 1 January	1,278,936	323,885	1,278,936	323,885
Bonus issue	1,278,936	–	–	–
Shares buy-back	(2,752)	–	–	–
At 31 December	2,555,120	323,885	1,278,936	323,885

During the year, the Group and the Company undertook the issuance of bonus shares to increase its number of shares from 1,278,935,808 to 2,557,871,616 which was completed on 13 October 2020.

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

16.2 Translation reserve

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

16.3 Capital reserve

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

16.4 Treasury shares

Treasury shares comprises cost of acquisition of the Company's own shares. At 31 December 2020, the Group held 2,752,000 (2019: Nil) of the Company's own shares.

Notes to the Financial Statements (Cont'd)

17. LOANS AND BORROWINGS

	Note	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Non-current					
Term loans - unsecured	17.1	106,972	163,291	–	–
Hire purchase financing - unsecured	17.2	204	–	204	–
		107,176	163,291	204	–
Current					
Term loans - unsecured	17.1	64,551	77,200	–	–
Hire purchase financing - unsecured	17.2	96	–	96	–
Revolving credit - unsecured		188,000	229,017	–	–
Trade finance - unsecured		195,214	95,726	–	–
		447,861	401,943	96	–
		555,037	565,234	300	–

17.1 Term loans - unsecured

Unsecured term loans consisting of:

- MYR denominated term loan of RM2.39 million (2019: RM3.09 million) representing a 5-year term loan obtained in 2019 with monthly repayment installments, and bears interest rates of 3.1% - 4.35% (2019: 4.38%) per annum,
- MYR denominated term loan of RM nil (2019: RM7.50 million) representing a 5-year term loan obtained in 2015 with quarterly repayment installments, and bears interest rates of 4.25% - 4.70% (2019: 4.45% - 4.70%) per annum,
- MYR denominated term loan of RM nil (2019: RM153.00 million) representing a 7-year term loan obtained in 2017 with quarterly repayment installments, and bears interest rates of 3.71% - 5.02% (2019: 4.90% - 5.32%) per annum,
- MYR denominated term loan of RM22.90 million (2019: RM34.90 million) representing a 5-year term loan obtained in 2017 with monthly repayment installments, and bears interest rates of 3.00% - 4.25% (2019: 4.25% - 4.50%) per annum,
- MYR denominated term loan of RM116.20 million (2019: RM nil) representing a 3-year term loan obtained in 2020 with monthly repayment installments, and bears interest rates of 2.75% (2019: nil) per annum, and
- MYR denominated term loan of RM30.00 million (2019: RM42.00 million) representing a 5-year term loan obtained in 2018 with monthly repayment installments, and bears interest rates of 3.00% - 4.29% (2019: 4.30%) per annum.

Notes to the Financial Statements (Cont'd)

17. LOANS AND BORROWINGS (CONT'D)

17.2 Hire purchase financing payable

The hire purchase financing are payable as follows:

	Payment 2020 RM'000	Group and Company Interest 2020 RM'000	Principal 2020 RM'000
Less than one year	107	11	96
Between one and five years	213	9	204
Total undiscounted lease payments	320	20	300

18. TRADE AND OTHER PAYABLES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Trade					
Trade payables		179,402	143,093	–	–
Amount due to related parties		2,872	–	–	–
		182,274	143,093	–	–
Non-trade					
Amount due to holding company	18.1	–	10	–	–
Amount due to related parties	18.1	1,880	1,949	–	31
Other payables	18.2	79,583	37,524	1,246	1,110
Dividend payable		–	38,368	–	38,368
Accrued expenses		34,715	32,234	11,513	5,237
		116,178	110,085	12,759	44,746
		298,452	253,178	12,759	44,746

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

18.2 Included in other payables are remediation costs amounting to RM40,694,000 (2019: RM nil) for remediation fees payable to foreign workers in respect of the detailed information as disclosed in Note 33.

Notes to the Financial Statements (Cont'd)

19. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2020			2019		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives at fair value through profit or loss						
- Forward foreign exchange contracts	616,826	17,860	(2,747)	207,097	2,349	–

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

20. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sales of rubber products	3,638,472	2,217,170	–	–
Dividend income	–	–	384,581	695
Management fees	–	–	31,500	15,552
	3,638,472	2,217,170	416,081	16,247

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

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

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

Transaction price allocated to remaining performance obligations

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

Notes to the Financial Statements (Cont'd)

21. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense on:				
- Bank overdraft	26	35	–	1
- Term loans	9,879	16,129	–	–
- Trade finance	3,212	4,046	–	–
- Revolving credit	5,610	3,221	–	–
Interest on lease liabilities	656	657	12	12
	19,383	24,088	12	13
Recognised in profit or loss	14,963	15,567	12	13
Capitalised into qualifying assets as a reduction of borrowing costs:				
- property, plant and equipment	3,174	6,425	–	–
- right-of-use assets	1,246	2,096	–	–
	19,383	24,088	12	13

22. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors:				
- Fees	495	330	495	330
- Remunerations	17,674	17,124	16,737	6,552
	18,169	17,454	17,232	6,882
Other key management personnel:				
- Remunerations	12,291	10,375	3,386	2,744

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

Notes to the Financial Statements (Cont'd)

23. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
Current year	282,537	56,947	–	169
Under/(Over) provision in prior year	29,489	1,387	(8)	(392)
	312,026	58,334	(8)	(223)
Deferred tax expense				
Origination and reversal of temporary differences	47,838	3,653	(1,088)	(72)
(Over)/Under provision in prior year	(10,557)	(13,256)	(44)	249
Initial application of MFRS 16	–	(220)	–	–
	37,281	(9,823)	(1,132)	177
Total tax expense/(credit)	349,307	48,511	(1,140)	(46)

Reconciliation of tax expense

Profit/(Loss) before tax	1,441,410	276,372	377,522	(1,055)
Add:				
Share of losses of equity-accounted joint venture, net of tax	3	3	–	–
	1,441,413	276,375	377,522	(1,055)

Income tax calculated using Malaysian tax rate of 24% (2019: 24%)	345,939	66,330	90,605	(253)
Effect of tax rates in foreign jurisdiction	(1,737)	(200)	–	–
Initial application of MFRS 16	–	(220)	–	–
Non-deductible expenses	7,795	7,044	597	1,001
Tax incentives	–	(2,752)	–	–
Effect of reinvestment allowance recognised	(7,525)	(9,452)	–	–
Income not subject to tax	(12,619)	(628)	(92,267)	(628)
Revaluation reserve crystallised	(23)	(23)	(23)	(23)
Others	(1,455)	281	–	–
	330,375	60,380	(1,088)	97

Under/(Over) provision in prior year				
- income tax expense	29,489	1,387	(8)	(392)
- deferred tax expense	(10,557)	(13,256)	(44)	249
	349,307	48,511	(1,140)	(46)

Notes to the Financial Statements (Cont'd)

24. PROFIT/(LOSS) FOR THE YEAR

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the year is arrived at after charging/(crediting)					
Auditors' remuneration					
Audit fees:					
- KPMG PLT		471	441	59	59
- Other auditors		67	68	–	–
Non-audit fee					
- KPMG PLT		9	9	9	9
- Local affiliates of KPMG PLT		155	–	35	–
Material expenses/(income)					
Depreciation of property, plant and equipment	3	109,144	90,491	890	548
Depreciation of right-of-use assets	4	4,451	5,245	93	379
Depreciation of investment properties	5	–	–	1,147	392
Impairment of intangible assets	7	–	1,639	–	1,639
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		18,449	15,438	1,418	750
- Remediation fees		57,095	–	–	–
- Wages, salaries and others		348,570	287,944	34,378	14,200
Realised loss on foreign exchange		346	386	–	–
Research and development expenses		3,169	2,388	–	–
Property, plant and equipment written off		1,519	361	1	–
Loss on disposal of right-of-use assets		103	64	–	–
Unrealised foreign exchange loss on receivables		4,650	4,718	–	–
Realised gain on foreign exchange		(17,192)	(12,093)	–	–
Unrealised fair value changes on derivatives		(15,113)	(2,349)	–	–
Unrealised foreign exchange gain on loans		–	(363)	–	–
Gain on disposal of property, plant and equipment		(51,724)	(639)	(9)	(121)
Interest on short-term deposits		(9,661)	(4,252)	(1,216)	(2,061)
Interest on amount due from subsidiaries		–	–	(1,653)	(1,563)
Rental income		(456)	(259)	(914)	(703)

Notes to the Financial Statements (Cont'd)

24. PROFIT/(LOSS) FOR THE YEAR (CONT'D)

	Note	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Expenses arising from leases					
Expenses relating to short-term leases	a	354	147	–	–
Expenses relating to leases of low-value assets	a	69	90	7	–
Net gain on impairment of financial instruments					
Financial assets at amortised cost		171	–	–	–

Note a

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

25. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2020 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2020 RM'000	2019 RM'000
Profit for the year attributable to owners of the Company	1,086,670	224,653

Weighted average number of ordinary shares

	Group 2020 '000	2019 '000
Weighted average number of ordinary shares at 31 December	2,557,752	2,557,872*

	Group 2020 Sen	2019 Sen
Basic earnings per share	42.49	8.78*

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

* The weighted average number of ordinary shares and basic earnings per share at 31 December 2019 have been adjusted to reflect the Company's share performance. Details are as disclosed in Note 16.

Notes to the Financial Statements (Cont'd)

26. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2020			
Second Interim 2019 ordinary	3.00	38,368	19 June 2020
Interim 2020 ordinary	3.00	76,736	9 December 2020
Total amount		<u>115,104</u>	
2019			
Interim 2018 ordinary	3.00	38,368	30 January 2019
Final 2018 ordinary	3.00	38,368	21 June 2019
Interim 2019 ordinary	3.00	38,368	20 January 2020
Total amount		<u>115,104</u>	

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

	Sen per share	Total amount RM'000
Second interim 2020 ordinary	3.00	76,594
Special dividend	8.00	204,250
		<u>280,844</u>

27. OPERATING SEGMENTS

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

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

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

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

Notes to the Financial Statements (Cont'd)

27. OPERATING SEGMENTS (CONT'D)

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

Geographical segments

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

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

	2020 RM'000	2019 RM'000
Group Revenue		
Sales office located in Malaysia		
- for local market	216,029	154,315
- for export market	3,318,826	2,009,794
Sales office located outside of Malaysia	103,617	53,061
	<hr/> 3,638,472	<hr/> 2,217,170
Non-current assets		
Located in Malaysia	1,258,488	1,191,350
Located outside of Malaysia	15,197	15,538
	<hr/> 1,273,685	<hr/> 1,206,888

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 2020 and 31 December 2019.

Notes to the Financial Statements
(Cont'd)

27. OPERATING SEGMENTS (CONT'D)

	Technical rubber products		Gloves		Cleanroom products		Others		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Business segments										
Total external revenue	163,176	180,740	3,323,238	1,962,389	152,058	74,041	-	-	3,638,472	2,217,170
Segment results	34,678	27,372	1,389,909	266,078	18,572	2,634	3,556	(8,394)	1,446,715	287,690
Share of losses of joint venture							(3)	(3)		(3)
Finance costs							(14,963)	(15,567)		(15,567)
Finance income							9,661	4,252		4,252
Tax expense							(349,307)	(48,511)		(48,511)
Profit for the year							1,092,103	227,861		
Segment assets	209,428	209,307	2,867,780	1,863,145	87,987	44,479	468,780	260,314	3,633,975	2,377,245
Segment liabilities	27,624	29,675	1,127,453	798,166	22,356	6,477	43,303	91,916	1,220,736	926,234
<i>Included in the measure of segment assets are:</i>										
Capital expenditure	9,106	12,093	148,026	187,368	730	439	16,042	7,830	173,904	207,730
<i>Included in the measure of segment results are:</i>										
Depreciation	7,814	7,512	98,279	81,358	505	583	2,546	1,038	109,144	90,491

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

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

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

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	FAAC / (FLAC) RM'000	Mandatorily at FVTPL RM'000
2019			
Financial assets			
Group			
Other investments	398	232	166
Trade and other receivables	415,252	415,252	–
Cash and cash equivalents	162,250	162,250	–
Derivative financial assets	2,349	–	2,349
	580,249	577,734	2,515
Company			
Other investments	91	–	91
Trade and other receivables	177,330	177,330	–
Cash and cash equivalents	56,512	56,512	–
	233,933	233,842	91
Financial liabilities			
Group			
Loans and borrowings	(565,234)	(565,234)	–
Trade and other payables	(253,178)	(253,178)	–
	(818,412)	(818,412)	–
Company			
Loans and borrowings	–	–	–
Trade and other payables	(44,746)	(44,746)	–
	(44,746)	(44,746)	–

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	17,860	2,349	–	–
Financial assets at amortised cost	22,028	11,241	2,869	3,624
Financial liabilities at fair value through profit or loss:				
- Mandatorily required by MFRS 9	(2,747)	–	–	–
Financial liabilities at amortised cost	(14,307)	(14,547)	(12)	(1)
	22,834	(957)	2,857	3,623

28.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Risk management objectives, policies and processes for managing the risk (Cont'd)

Once they become regular customers and proven to be creditworthy, these customers will be assigned a credit term approved by management and letter of credit will no longer be required.

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

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

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

Group	2020			2019		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current (not past due)	457,483	–	457,483	322,190	–	322,190
0-30 days past due	108,399	–	108,399	60,372	–	60,372
31-120 days past due	34,084	–	34,084	12,344	–	12,344
More than 120 days past due	2,632	(2,066)	566	3,147	(2,237)	910
	602,598	(2,066)	600,532	398,053	(2,237)	395,816

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

	Total RM'000
Group	
Balance at 1 January 2019/31 December 2019/1 January 2020	2,237
Net remeasurement of loss allowance - credit impaired	(171)
Balance at 31 December 2020	2,066

Cash and cash equivalents

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

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

Other receivables

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

Notes to the Financial Statements (Cont'd)

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 RM1,349,314,000 (2019: RM664,001,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

Recognition and measurement of impairment loss

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

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

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

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

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

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Inter-company loans and advances (Cont'd)

Recognition and measurement of impairment loss

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

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

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

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

28.5 Liquidity risk

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

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

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

Notes to the Financial Statements
(Cont'd)**28. FINANCIAL INSTRUMENTS (CONT'D)****28.5 Liquidity risk (Cont'd)***Maturity analysis*

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

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2020							
<i>Non-derivative financial liabilities</i>							
Term loans - unsecured	171,523	2.75 - 5.02	178,429	68,688	65,655	44,086	-
Revolving credit - unsecured	188,000	2.55 - 4.35	188,000	188,000	-	-	-
Trade finance - unsecured	195,214	0.56 - 3.50	195,214	195,214	-	-	-
Hire purchase financing	300	2.17	320	107	107	106	-
Lease liabilities	15,641	2.36 - 4.55	16,287	4,334	4,165	4,283	3,505
Trade and other payables	298,452	-	298,452	298,452	-	-	-
	869,130		876,702	754,795	69,927	48,475	3,505
<i>Derivative financial liabilities</i>							
Forward foreign exchange contracts							
(gross settled):							
Inflow	(15,113)	-	(616,826)	(616,826)	-	-	-
Outflow	-	-	601,713	601,713	-	-	-
	854,017		861,589	739,682	69,927	48,475	3,505

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group 2019							
<i>Non-derivative financial liabilities</i>							
Term loans - unsecured	240,491	4.25 - 5.32	261,871	86,890	67,382	107,599	-
Revolving credit - unsecured	229,017	3.80 - 4.35	229,017	229,017	-	-	-
Trade finance - unsecured	95,726	3.30 - 3.90	95,726	95,726	-	-	-
Lease liabilities	12,876	4.31 - 5.40	19,448	3,975	3,947	2,226	9,300
Trade and other payables	253,178	-	253,178	253,178	-	-	-
	831,288		859,240	668,786	71,329	109,825	9,300
<i>Derivative financial liabilities</i>							
Forward foreign exchange contracts (gross settled):							
Inflow	(2,349)	-	(207,097)	(207,097)	-	-	-
Outflow	-	-	204,748	204,748	-	-	-
	828,939		856,891	666,437	71,329	109,825	9,300

Notes to the Financial Statements
(Cont'd)**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							
2020							
<i>Non-derivative financial liabilities</i>							
Hire purchase financing	300	2.17	320	107	107	106	-
Lease liabilities	191	2.39 - 4.55	198	125	73	-	-
Trade and other payables	12,759	-	12,759	12,759	-	-	-
Financial guarantee	-	-	1,349,314	1,349,314	-	-	-
	13,250		1,362,591	1,362,305	180	106	-
2019							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	318	4.53 - 5.18	335	138	125	72	-
Trade and other payables	44,746	-	44,746	44,746	-	-	-
Financial guarantee	-	-	664,001	664,001	-	-	-
	45,064		709,082	708,885	125	72	-

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk

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

28.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

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

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

Forward foreign exchange contracts used to hedge receivables and payables

	Amount to be received/(paid) USD'000	Average contract rate USD/MYR	Equivalent RM'000
Group			
Hedged item			
2020			
Trade receivables	188,968	4.1142	777,458
Trade payables	(39,150)	4.1030	(160,632)
	149,818	4.1172	616,826
2019			
Trade receivables	49,951	4.1460	207,097

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.1 Currency risk (Cont'd)

Exposure to foreign currency risk

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

	Group Denominated in USD	
	2020	2019
	RM'000	RM'000
Bank account	12,252	7,023
Trade receivables	544,165	366,269
Trade payables	(18,283)	(23,934)
Loans and borrowings	–	(41,467)
Forward foreign exchange contracts used to hedge receivables and payables	15,113	2,349
Net exposure	553,247	310,240

Currency risk sensitivity analysis

A 5% (2019: 5%) strengthening of RM against USD at the end of the reporting period would have decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss	
	2020	2019
	RM'000	RM'000
Group		
USD	(21,023)	(11,789)

A 5% (2019: 5%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on equity and post-tax profit or loss respectively, on the basis that all other variables remained constant.

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	15	504,500	62,800	57,000	15,000
Lease liabilities		(15,641)	(12,876)	(191)	(318)
Revolving credit - unsecured	17	(188,000)	(229,017)	–	–
Trade finance - unsecured	17	(195,214)	(95,726)	–	–
Hire purchase financing - unsecured	17	(300)	–	(300)	–
Term loans - unsecured	17	(116,231)	–	–	–
		(10,886)	(274,819)	56,509	14,682
Floating rate instruments					
Term loans - unsecured		(55,292)	(240,491)	–	–
Amount due from subsidiaries		–	–	102,622	177,006
		(55,292)	(240,491)	102,622	177,006

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

28.6.2 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 (2019: 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		
2020		
Floating rate instruments	(210)	210
2019		
Floating rate instruments	(914)	914
Company		
2020		
Floating rate instruments	390	(390)
2019		
Floating rate instruments	673	(673)

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information

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

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				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		
Group										
2020										
Financial asset										
Forward foreign exchange contracts	-	17,860	-	17,860	-	-	-	-	17,860	17,860
Financial liabilities										
Forward foreign exchange contracts	-	(2,747)	-	(2,747)	-	-	-	-	(2,747)	(2,747)
Term loans - unsecured	-	-	-	-	-	-	(168,569)	(168,569)	(168,569)	(171,523)
	-	(2,747)	-	(2,747)	-	-	(168,569)	(168,569)	(171,316)	(174,270)
2019										
Financial asset										
Forward foreign exchange contracts	-	2,349	-	2,349	-	-	-	-	2,349	2,349
Financial liabilities										
Term loans - unsecured	-	-	-	-	-	-	(229,441)	(229,441)	(229,441)	(240,491)

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Company								
2020								
Financial asset								
Amount due from subsidiaries	-	-	-	-	-	102,622	102,622	102,622
2019								
Financial asset								
Amount due from subsidiaries	-	-	-	-	-	177,006	177,006	177,006

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (Cont'd)

Level 2 fair value

Derivatives

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

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value

Non-derivative financial liabilities

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

Financial instruments not carried at fair value

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

29. CAPITAL MANAGEMENT

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

The debt-to-equity ratios at 31 December 2020 and at 31 December 2019 were as follows:

	Note	Group 2020 RM'000	2019 RM'000
Total borrowings	17	555,037	565,234
Lease liabilities		15,641	12,876
Less: Cash and cash equivalents	15	(1,089,507)	(162,250)
Net (cash)/debt		(518,829)	415,860
Total equity		2,384,834	1,424,290
Debt-to-equity ratio		—*	0.29

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

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

Notes to the Financial Statements (Cont'd)

30. CAPITAL AND OTHER COMMITMENTS

	2020 RM'000	Group 2019 RM'000
Property, plant and equipment		
Within one year:		
Contracted but not provided for	17,671	–

31. CONTINGENT LIABILITY

	2020 RM'000	Group 2019 RM'000
Contingent liability arising from:		
Remediation fees	6,964	–

During the financial year, the Group announced to pay an estimated RM50 million remediation fees to its foreign workers. These remediation payments were categorized by the Group according to eligibility criteria. The remaining foreign workers who did not fall under the initial eligibility criteria were separately identified by the Group under a residual category. The Group has assessed that it is not probable that the present obligation to pay remediation payments to foreign workers under this residual category exists at the end of the reporting period because these foreign workers were unreachable at the time of payment. The details in relation to the remediation fees is as disclosed in Note 33.

32. RELATED PARTIES

Identity of related parties

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

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

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

Notes to the Financial Statements (Cont'd)

32. RELATED PARTIES (CONT'D)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 22), are shown below. The balances related to the below transactions are shown in Notes 12 and 18.

	2020 RM'000	2019 RM'000
Group		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
<i>Kossan Holdings (M) Sdn. Bhd.</i>		
Payment of lease liability	(638)	(438)
<i>Kossan Chemical Industries (M) Sdn. Bhd.</i>		
Payment of lease liability	(1,992)	(2,004)
<i>Improgen Sdn. Bhd.</i>		
Payment of lease liability	(132)	(263)
<i>Kossan Paint (M) Sdn. Bhd.</i>		
Sales*	83	278
Purchase of consumables and property, plant and equipment	(1,103)	(876)
<i>Pan Asian Corporation Sdn. Bhd.</i>		
Payment of lease liability	(741)	(741)
<i>Chemtube (M) Sdn. Bhd.</i>		
Sales*	3	–
Purchase of consumables and property, plant and equipment	(1,544)	(1,107)
Transactions with corporations in which Directors have financial interest		
<i>HT Ceramics (M) Sdn. Bhd.</i>		
Sales*	5	1
Purchase of consumables and property, plant and equipment	(1,204)	(2,431)
<i>Kossan F.R.P. Industries (M) Sdn. Bhd.</i>		
Sales*	34	5
Purchase of consumables and property, plant and equipment	(173)	(200)
<i>Gummitech Industries Sdn. Bhd.</i>		
Rental income	133	133
<i>Kossan Adhesive (M) Sdn. Bhd.</i>		
Sales*	9	–

Notes to the Financial Statements (Cont'd)

32. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	2020 RM'000	2019 RM'000
Company		
Transactions with corporation in which Directors have financial interest		
<i>Gummitech Industries Sdn. Bhd.</i>		
Rental income	133	133
<i>Hai Poh Marketing Sdn. Bhd.</i>		
Purchase of motor vehicle	–	(30)
Transactions with subsidiaries		
<i>Kossan Latex Industries (M) Sdn. Bhd.</i>		
Dividend income	174,000	–
Management fee income	8,040	4,656
<i>Perusahaan Getah Asas Sdn. Bhd.</i>		
Dividend income	195,000	–
Management fee income	9,576	4,836
Rental income	235	24
<i>Wear Safe (Malaysia) Sdn. Bhd.</i>		
Management fee income	7,392	4,028
<i>Ideal Quality Sdn. Bhd.</i>		
Management fee income	3,432	940
<i>Kossan Industries Sdn. Bhd.</i>		
Dividend income	14,009	–
Management fee income	2,820	888
Rental income	546	546
<i>Cleanera HK Limited</i>		
Dividend income	1,573	695
<i>Hibon Corporation Sdn. Bhd.</i>		
Management fee income	240	204
<i>Premium Medical Products Sdn. Bhd.</i>		
Interest income	1,644	1,563
<i>Kossan Security Services Sdn. Bhd.</i>		
Security charges	(144)	(108)

* 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.

Notes to the Financial Statements (Cont'd)

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Following the recent industry news in regards to the allegations that Malaysian rubber glove makers are linked to forced labour issues and the U.S. Customs and Border Protection imposition of detention order on imports of a leading Malaysian glove company over forced labour concerns, the major industry players have been taking measures to comply with the requirements in relation to foreign labour issues.

On 1 October 2020, the Group has announced to pay an estimated RM50 million remediation fees to foreign workers.

The commitment to ensure foreign workers are free from debt bondage and forced labour is in line with the Group's prior implementation of zero-cost recruitment policy. The Group has been consistently making payments to the foreign workers in relation to this matter.

As at 31 December 2020, the Group has made remediation payments of RM16.4 million to its foreign workers and made a provision for remediation costs of RM40.7 million for the remainder as disclosed in Note 18.2.

The remediation payment program will be completed within the next 15 months.

34. SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR END

On 1 April 2021, in line with the Group corporate social responsibility, an amount of RM50 million was made as contribution towards the Malaysia Government in its vaccination program against Covid-19.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 56 to 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Dato' Lim Kuang Sia
Director

Lim Leng Bung
Director

Klang, Selangor Darul Ehsan

Date: 13 April 2021

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Lee Hon Chee**, the officer primarily responsible for the financial management of Kossan Rubber Industries Bhd., do solemnly and sincerely declare that the financial statements set out on pages 56 to 137 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Lee Hon Chee, MIA CA6481, at Klang in the State of Selangor Darul Ehsan on 13 April 2021.

Lee Hon Chee

Before me:

Commissioner for Oaths
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

to the members of Kossan Rubber Industries Bhd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kossan Rubber Industries Bhd., which comprise the statements of financial position as at 31 December 2020 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 137.

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 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Recoverability of trade receivables

Refer to Note 12 – Trade and other receivables

The key audit matter

As at 31 December 2020, the Group has significant trade receivables with a total carrying value of RM601 million. Certain customers having experienced higher days sales outstanding than the Group's average days sales outstanding, which increase the inherent exposure to credit risk. This results in a risk over the recoverability of the Group's trade receivables.

Independent Auditors' Report (Cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the Group's policy on valuation of trade receivables against the requirements of MFRS 9, *Financial Instruments*;
- We assessed the adequacy of impairment loss provided by management and compared the impairment loss based on Expected Credit Losses model;
- We challenged the Group's assumptions and judgements in making provisions by reference to historical credit loss experience and considered the forward looking information incorporated in the impairment assessment, if any;
- We obtained and tested the accuracy of the receivables ageing as at year end by testing the age profile of the trade receivables balance to invoices raised; and
- We considered the adequacy of the Group's disclosure on the degree of estimation involved in arriving at the allowance for impairment loss.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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.

Independent Auditors' Report (Cont'd)

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report (Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

OTHER MATTER

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Malaysia

Date: 13 April 2021

Lee Yee Keng
Approval Number: 02880/04/2021 J
Chartered Accountant

LIST OF PROPERTIES

as at 31 December 2020

No.	Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2020 RM'000
1	HSD 27360, PT12772, No 14, Lrg Sg Puloh, Tmn Klg Utama, 42100 Klang	1 unit double storey link house	24/3/1995*	27 yrs	990 sq.ft	Freehold	Staff quarters	51
2	HSD 27361, PT12773, No 16, Lrg Sg Puloh, Tmn Klg Utama, 42100 Klang	1 unit double storey link house	24/3/1995*	27 yrs	990 sq.ft	Freehold	Staff quarters	51
3	Lot 754, Jalan Hj Sirat, 42100 Klang	Industrial land Factory	1/1/2011*	– 26 yrs	246,550 sq.ft	Freehold	– Factory	7,691 6,645
4	Lot 782, Jalan Sg Putus, 42100 Klang	Industrial land Factory and office 5 storey office	1/1/2011*	– Factory–33 yrs Office–26 yrs 13 yrs	47,480 sq.ft	Freehold	– Factory and Office Office	1,109 938 2,936
5	HSM 21404, Lot 16632, Jalan Meru, 41050 Klang	Industrial land Warehouse and Hostel	24/3/1995*	– n/a	6,055 sq.mtr	Freehold	– Under construction	1,043 229
6	GM 551, Lot 2401, Batu 17, Jln Sungai Sembilang, 45800 Jeram	Industrial land Factory/office	1/1/2011*	– 22 yrs	94,895 sq.ft	Freehold	– Factory	1,300 2,067
7	HSM 3930, PT 5708, (a) (formerly Lot 2796)	Industrial land Factory	1/1/2011*	– 18 yrs	213,916 sq.ft	Freehold	– Factory	3,830 3,660
8	(b) (formerly Lot 1365), Jln Sungai Sembilang, 45800 Jeram	Industrial land Factory/Office Factory	1/1/2011*	– 22 yrs 13 yrs	217,800 sq.ft	Freehold	– Factory/ Office Factory	1,114 5,678 3,595
9	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	27 yrs	174 sq.mtr	Freehold	Hostel	169
10	HS (M) 1168, PT 476, Batu 15 1/4, Jalan Kapar, Mukim Jeram	Industrial land Staff quarters	27/2/2003	– 17 yrs	5,527 sq.mtr	Freehold	– Staff quarters	355 70
11	HSM 4378, PT 7355, (formerly Lot 6134 and 6135), Batu 16, Jalan Kapar, Jeram	Industrial land Factory	1/1/2011*	– 10 yrs	20,357 sq.mtr	Freehold	– Factory	2,457 6,496
12	Geran 244725, Lot 12262, (formerly Geran 40417, Lot 4761), Mukim Jeram, Kuala Selangor	Industrial land Factory	19/5/2004	– 16 yrs	2.969 hectares	Freehold	– Factory	1,148 7,016

List of Properties
(Cont'd)

No.	Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2020 RM'000
13	Geran 125449, Lot 6129, 5 1/4 Mile, Jln Hj Abdul Manan, Jln Meru, 41050 Klang	Industrial land Factory	1/1/2011*	– 14 yrs	37,411 sq.mtr	Freehold	– Factory/ Office	10,218 18,494
14	Geran 173931, Lot 63617, (formerly HSD 116842, PT 54925), Mukim Kapar, Daerah Klang	Industrial land Factory Extension of buildings	1/1/2011*	– 7 yrs 6 yrs	4.355 hectares	Freehold	– Factory Factory	6,570 26,130 1,086
15	Geran 173929, Lot 63616, (formerly HSD 116841, PT 54924), Mukim Kapar, Daerah Klang	Industrial land Factory and Office Plant A Plant B Plant C	1/1/2011*	– 10 yrs 9 yrs 3 yrs	4.544 hectares	Freehold	– Factory and office	6,800 15,357 5,813 11,919
16	Geran 128405, Lot 24077, (formerly Lot PT 13726), Jln Meru, 41050 Klang	Industrial land Factory	1/1/2011*	– 13 yrs	21,805 sq.mtr	Freehold	– Factory/ Office	5,900 18,372
17	HSM 43179, PT 71276, (formerly GM 1724 & 1725 Lot 5068 & 5069) Jalan Meru, 41050 Klang	Industrial land Factory	9/11/2010	– 8 yrs	21,105 sq.mtr	Freehold	– Factory/ Office	10,405 16,528
18	Geran 45715, Lot 6130, Jln Meru, 41050 Klang	Industrial land Factory	1/1/2011	– 12 yrs	4.0519 hectares	Freehold	– Factory	15,603 28,739
19	HSM 4233, PT 7201, (formerly Lot 1367), Jalan Kapar, Mukim Jeram	Industrial land Warehouse	21/7/2009	– 2 yrs	0.8043 hectares	Freehold	– Warehouse	836 270
20	GRN 52936 Lot 6104; GRN 52937 Lot 6106; GRN 52939 Lot 6108, Mukim Kapar	Industrial land Factory	10/6/2013	– n/a	12.766 acres	Freehold	– Under Construction	21,506 42,764
21	5100 E. 2nd Street, Benecia CA 94510, United States of America	Industrial land and warehouse	31/5/2012	21 yrs	4.15 acres	Freehold	Warehouse and office	12,544
22	HSD 116993, Lot 55083, No 3, Jalan Korporat, Mukim Kapar	Factory & hostel constructed on rented property	1/1/2014	7 yrs	12,000 sq.ft	–	Factory and hostel	982
23	Geran 45732, Lot 6075, Mukim Kapar, Daerah Klang	Industrial land Factory	28/2/2014	– 2 yrs	10 acres (3.7492 hectares)	Freehold	– Factory and office	20,191 34,401

List of Properties (Cont'd)

No.	Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2020 RM'000
24	HSD 283117, PT 7414, Mukim Bestari Jaya, Daerah Kuala Selangor	Industrial land Factory	18/3/2014	– n/a	56 acres (226,620 sq.mtr)	Freehold	– Under Construction	36,589 5,985
25	LOT 54933, Mukim Kapar, Daerah Klang	Industrial land Hostel	18/5/2020 1/6/2017	3 yrs	11,314 sq.mtr 69,770 sq.ft	Freehold	– Hostel	7,282 7,848
26	Geran 52935, Lot 6103, Mukim Kapar, Daerah Klang	Industrial land Factory	12/12/2014	– 2 yrs	5.3292 hectares	Freehold	– Factory and office	40,611 46,379
27	Geran Mukim 3334, Lot 779, Mukim Kapar, Daerah Klang	Industrial land Factory	22/6/2015	– n/a	3.406 acres (148,376 sq.ft)	Freehold	– Under Construction	9,105 162
28	HS(D) 264386, PT26537, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Commercial land Office complex	5/2/2016	– n/a	2.5 acres	Freehold	– Under Construction	42,638 11,828
29	4-10 Jalan Rantau Panjang KU/4, Rantau Panjang, 42100 Klang, Selangor	Apartment	7/10/2015	20 yrs	830 sq.mtr	Freehold	Hostel	103
30	Geran HS (D) 17768 PT 7836 Mukim Kapar, Lot 7836, Jalan Haji Abdul Manan, Off Jalan Meru	Industrial land Building	9/5/2016	– 3 yrs	9,822.53 sq.mtr	Freehold	– R & D and Training Centre	14,467 12,492
31	Geran HS (D) 162809 PT 81982 Lot 7835, Mukim Kapar, Lot 7836, Jalan Haji Abdul Manan, Off Jalan Meru	Industrial land	4/9/2019	–	108,900 sq.ft	Freehold	Vacant	9,975
32	H.S(M) 18836, PT 887, No. 22 Jalan Iman Abdul Aziz 8, Tmn Melawati, 42200 Kapar, Selangor	Double Storey house	10/10/2018	25 yrs	1,400 sq.ft	Freehold	Hostel	394
33	HSD 24212, PT 10477, Mukim Bidor Batang Padang, Perak	Commercial land	12/3/2018	–	6.718 acres	Leasehold 99 years expire 11/22/2114	Vacant	779
34	HSD 24213, PT 10478, Mukim Bidor Batang Padang, Perak	Industrial land Building	12/3/2018	– –	817.392 acres	Leasehold 99 years expire 11/22/2114	– Under construction	96,376 2,160

List of Properties
(Cont'd)

No.	Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2020 RM'000
35	GM 17811, Lot 34639 NO.14, Jln Sg Beting 2, Off Jln Sg Putus, 42100 Klang, Selangor	Factory	11/4/2019	12 yrs	1,022 sq.mtr	Freehold	Factory	2,542
36	GM 17812, Lot 34640 NO.16, Jln Sg Beting 2, Off Jln Sg Putus, 42100 Klang, Selangor	Factory	11/4/2019	12 yrs	1,019 sq.mtr	Freehold	Factory	2,542
37	B-36-17, Trefoil @ Setia City GRN 323445, Lot No. 91250 Mukim bukit Raja, Daerah Petaling, Negeri Selangor	Small Office Flexible Office	13/12/2019	2 yrs	45 sq.mtr	Freehold	Hostel	327
38	B-36-18, Trefoil @ Setia City GRN 323445, Lot No. 91250 Mukim bukit Raja, Daerah Petaling, Negeri Selangor	Small Office Flexible Office	13/12/2019	2 yrs	45 sq.mtr	Freehold	Hostel	327
39	2-5-4 Block 2, Pangsapuri Pantai Indah, 45800 Sungai Sembilang, Selangor	Apartment	24/12/2020	16 yrs	94 sq.mtr	Leasehold expire 6/9/2059	Hostel	93
40	1-10-02 Block 1, Pangsapuri pantai indah, 45800 Sungai Sembilang, Selangor	Apartment	24/12/2020	16 yrs	103 sq.mtr	Leasehold expire 6/9/2059	Hostel	124
41	1-8-6 Block 1, Pangsapuri Pantai Indah, 45800 Sungai Sembilang, Selangor	Apartment	24/12/2020	16 yrs	112 sq.mtr	Leasehold expire 6/9/2059	Hostel	154
42	Geran 45731, Lot 6074, Mukim Kapar Daerah Petaling, Negeri Selangor	Industrial land Factory	6/7/2020	- 18-21 yrs	4.0494 hectares	Freehold	- Under Construction	29,395 13,035
TOTAL								784,788
Investment Properties								
43	J1, Utama Modern Industri, Blok AH No.2, Sukatani, Serang, Indonesia	Industrial land	22/3/2013	nil	22,000 sq.mtr	Freehold	Vacant	5,223
TOTAL								5,223

ADDITIONAL COMPLIANCE INFORMATION

(a) Utilization of Proceeds

The Company did not implement any fund-raising exercise.

(b) Material Contracts

The Company and its subsidiaries 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.

(c) Conflict of Interest

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

(d) Audit and Non-Audit Fees

The audit fees paid or payable by the Company and the Group to the external auditors amounted to RM59,400 and RM471,480 respectively.

The non-audit fees paid or payable by the Company and the Group to the external auditors, or firms affiliated to the external auditors' firm amounted to RM44,200 and RM164,295 respectively.

(e) Variation in Results

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

STATISTICS ON SHAREHOLDINGS

as at 31 March 2021

Total number of issued shares	: 2,557,871,616
Class of Shares	: Ordinary Share
Number of Shareholders	: 26,079
Voting Right	: 1 vote per Ordinary Vote

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	133	0.51	2,691	0.00
100 - 1,000	7,855	30.12	5,472,494	0.21
1,001 - 10,000	13,598	52.14	54,628,762	2.14
10,001 - 100,000	3,589	13.77	108,212,861	4.24
100,001 to less than 5% of issued shares	901	3.45	972,749,588	38.12
5% and above of issued shares	3	0.01	1,411,053,220	55.29
Total	26,079	100.00	2,552,119,616*	100.00

* Exclusive of 5,752,000 treasury shares

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares			
		Direct Interest	%	Indirect Interest	%
1	Tan Sri Dato' Lim Kuang Sia - Own Account - Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Lim Kuang Sia (PB)	5,018,904	0.20	1,203,962,404 ¹	47.17
2	Lim Leng Bung	250,000	0.01	1,200,784,420 ²	47.05
3	Tan Kong Chang	–	–	100,000 ³	0.00 ⁴
4	Lim Siau Tian	–	–	–	–
5	Lim Siau Hing	–	–	–	–
6	Lim Ooi Chow	–	–	–	–
7	Lee Choo Hock	–	–	–	–
8	Hoh Kim Hyan	–	–	–	–
9	Mohamed Shafeii Bin Abdul Gaffoor	–	–	–	–

¹ through holding company and spouse² through holding company³ through spouse⁴ negligible

Statistics on Shareholdings (Cont'd)

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd	1,200,784,420	47.05
	- Malaysia Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Kossan Holdings (M) Sdn Bhd		
	- Kossan Holdings (M) Sdn Bhd		
2	Employees Provident Fund Board	232,888,300	9.13
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (F TEMPLETON)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (RHB INV)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (AM INV)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (BNP NAJMAH EQ)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (ARIM)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (NOMURA)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (F.TEMISLAMIC)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (AMUNDI)		
	- Citigroup Nominees (Tempatan) Sdn Bhd		
	Employees Provident Fund Board (RHBISLAMIC)		

Statistics on Shareholdings (Cont'd)

TOP 30 SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	KOSSAN HOLDINGS (M) SDN BHD	1,040,784,420	40.78
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	210,268,800	8.24
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	160,000,000	6.27
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	40,274,900	1.58
5	TIAN SENN RESOURCES SDN BHD	32,204,600	1.26
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (2)	28,200,000	1.10
7	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	28,193,600	1.10
8	CITIGROUP NOMINEES (ASING) SD N BHD CBNY FOR NORGES BANK (FI 17)	22,284,975	0.87
9	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	19,708,400	0.77
10	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	18,060,600	0.71
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	17,607,300	0.69
12	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	16,488,842	0.65
13	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	16,338,486	0.64
14	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	14,145,866	0.55
15	PERTUBUHAN KESELAMATAN SOSIAL	12,601,100	0.49
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	11,647,600	0.46
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	10,783,600	0.42
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	9,446,100	0.37
19	LEMBAGA TABUNG HAJI	9,072,000	0.36

Statistics on Shareholdings (Cont'd)

TOP 30 SHAREHOLDERS (CONT'D)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	9,062,900	0.36
21	HSBC NOMINEES (ASING) SDN BHD JPMBL SA FOR STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY POOL	9,036,300	0.35
22	DB (MALAYSIA) NOMINEE (ASING) SDN BHD BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)	8,468,900	0.33
23	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	8,176,900	0.32
24	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FOCUS FUND	8,073,400	0.32
25	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR SAUDI ARABIAN MONETARY AUTHORITY	7,285,152	0.29
26	ATTRACTIVE FEATURES SDN. BHD.	7,176,200	0.28
27	HSBC NOMINEES (ASING) SDN BHD SBL OF MORGAN STANLEY & CO. INTERNATIONAL PLC	7,000,000	0.27
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)	6,758,000	0.26
29	HSBC NOMINEES (ASING) SDN BHD CACEIS BK LUX FOR MOST DIVERSIFIED PORTFOLIO SICAV-TOBAM ANTI-BENCHMARK EMERGING MARKETS EQUITY FUND	5,913,700	0.23
30	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS	5,803,300	0.23
	TOTAL	1,800,865,941	70.55

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty First (41st) Annual General Meeting (“AGM”) of the Company will be conducted fully virtual for the purpose of considering and if though fit, passing with or without modifications the resolutions set out in this notice:

Meeting Platform	: https://web.lumiagm.com/
Day and Date	: Friday, 28 May 2021
Time	: 10.30 a.m.
Broadcast Venue	: Training Centre Ownership Room, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan / KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan
Mode of Communication	: Type text in the Meeting Platform

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon.
2. To approve the payment of Directors’ fees of RM495,000.00 for the financial year ended 31 December 2020. (2019: RM330,000.00) **(Ordinary Resolution 1)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 86 of the Company’s Constitution and being eligible have offered themselves for re-election:
 - (i) Tan Sri Dato’ Lim Kuang Sia **(Ordinary Resolution 2)**
 - (ii) Tan Kong Chang **(Ordinary Resolution 3)**
 - (iii) Lim Ooi Chow **(Ordinary Resolution 4)**
4. 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 5)**

SPECIAL BUSINESS

5. Proposed Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 **(Ordinary Resolution 6)**

“THAT pursuant to sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company (excluding treasury shares) as at the date of this Annual General Meeting (“AGM”) and that the Directors be and are also empowered to obtain the approval for the listing 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 (Cont'd)

6. Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **(Ordinary Resolution 7)**

"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 and new of shareholders' mandate for the Company and/or its subsidiaries ("Kossan Group") to enter into recurrent related party transactions of a revenue or trading nature with the Related Party ("Proposed Renewal and New Shareholders' Mandate for RRPT"), which are necessary for the day-to-day operations of the Kossan Group, provided such transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, particulars of which are set out in Section 2.5 of the Circular to Shareholders of the Company dated 23 April 2021.

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

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 ("Act") (but 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 Constitution of the Company, as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal and New Shareholders' Mandate for RRPT."

7. Proposed Renewal of Shareholders' Mandate for Share Buy-Back ("Proposed Share Buy-Back") **(Ordinary Resolution 8)**

"THAT subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, the Company's Constitution 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 did not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company.

Notice of Annual General Meeting (Cont'd)

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".

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

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG (SSM P.C. No. 201908000832, MIA 4797)
CHIA YEW NGO (SSM P.C. No. 202008000487, LS 1831)
Company Secretaries
Klang, Selangor Darul Ehsan

Date: 23 April 2021

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

The AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the RPV facilities. No members/proxy(ies) will be physically present at the broadcast venue on the day of the meeting.

- (i) Only members whose names appear in the Record of Depositors as at 20 May 2021 shall be entitled to participate and vote at the AGM or appoint a proxy(ies) to participate and vote in his/her stead via RPV.
- (ii) A member entitled to participate and vote remotely in the AGM via RPV is entitled to appoint a proxy(ies) to virtually participate and vote remotely in his/her stead. A proxy may but need not be a member of the Company.
- (iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

Notice of Annual General Meeting (Cont'd)

- (iv) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account. Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- (v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, be executed under its common seal or the hand of the attorney duly authorised.
- (vi) The instrument appointing a proxy must be deposited at the office of the share registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or via electronic means through the Boardroom Smart Investor Online Portal at <https://www.boardroomlimited.my/> (please refer to the Administrative Details for further information on electronic submission) not less than 48 hours before the time of the meeting and any adjournment thereof.

3. Ordinary Resolution 1: Non-Executive Directors' ("NED") Remuneration

- 3.1 Section 230 (1) of the Companies Act 2016 provides, amongst others, that the fee of a director and any benefits to a director of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that shareholders' approval shall be sought at the 41st AGM on Ordinary Resolution 1 on the payment of directors' fees for the preceding year 2020. None of the NED received any benefits in 2020.
- 3.2 Any NED who are shareholders of the Company shall abstain from voting on Ordinary Resolution 1 concerning the remuneration to the NED.

4. Ordinary Resolutions 2 to 4: Re-election of Directors who retire in accordance with Article 86 of the Company's Constitution.

- 4.1 Article 86 of the Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. Three (3) Directors are to retire in accordance with Article 86 of the Constitution.
 - a) For the purpose of determining the eligibility of the Director to stand for re-election at the 41st AGM, the Nominating Committee ("NC") has assessed each of the retiring Directors, taking into account the following:-
 - (i) The Director's performance and contribution based on assessment for 2020;
 - (ii) The Directors' level of contribution to Board deliberations; and
 - (iii) The level of competence demonstrated by the Director, and his ability to act in the best interest of the Company in decision making.
 - b) Based on the assessment results, the individual Director has met the performance criteria required of an effective and high-performance Board. The Board approved the NC's recommendations that the Directors retiring pursuant to Article 86 be eligible to stand for re-election. All the retiring Directors had abstained at Board deliberations and decisions on their eligibility to stand for re-election.
- 4.2 Any director referred in Ordinary Resolutions 2 to 4, who is a shareholder of the Company, shall abstain from voting on the resolution in respect of his re-election.

Notice of Annual General Meeting (Cont'd)

5. Ordinary Resolution 5: Appointment of Auditors

- 5.1 The Audit Committee ("AC") at its meeting held on 16 February 2021 undertook an annual assessment of the suitability and independence of the external auditors, KPMG PLT. The AC took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussion at the private meetings, which demonstrated their independence, objectivity and professionalism.
- 5.2 The AC was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by KPMG PLT to the Company for FY 2020 did not in any way impair their objectivity and independence as external auditors of the Company.
- 5.3 The Board at its meeting held in April 2021 approved the AC's recommendation for the shareholders' approval to be sought at the 41st AGM on the appointment of KPMG PLT as the external auditors of the Company for FY 2021 under Ordinary Resolution 5.

6. Explanatory Notes on Special Business

(i) Ordinary Resolution 6: Proposed authority to allot shares pursuant to sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 6, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. This authority will provide flexibility to the Company for any possible fund-raising exercise, including but not limited to placement of shares for purpose of funding investment projects, working capital and/or acquisition. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and/or utilisation of proceeds arising from such an issue of shares.

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

(ii) Ordinary Resolution 7: Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")

The proposed Ordinary Resolution 7 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 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 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 Part A of the Document to shareholders of the Company dated 23 April 2021.

Notice of Annual General Meeting (Cont'd)

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

(iii) Ordinary Resolution 8: Proposed Renewal of Authority for Share Buy-Back

The proposed Ordinary Resolution 8, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of ten per cent (10%) of the issued share capital of the Company (excluding treasury shares) by utilizing funds allocated out of retained profits of the Company. Further information on the Proposed Renewal of Authority for Share Buy-Back is set out in Part B of the Document to Shareholders dated 23 April 2021 accompanying the Company's 2020 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election at this Annual General Meeting can be found on pages 15 to 19 on the Profile of the Board of Directors in the Company's 2020 Annual Report.

Personal Data Privacy

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

**KOSSAN RUBBER INDUSTRIES BHD.**Company No. 197901003918 (48166-W))
(Incorporated in Malaysia)**No. of Shares held****CDS Account No.****PROXY FORM**

I/We _____ (FULL NAME IN CAPITALS)
of _____ (ADDRESS)

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

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

And /or

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

or failing him/her THE CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf, at the Forty First (41st) Annual General Meeting of the Company to be conducted fully virtual on our following Meeting Platform on Friday, 28 May 2021 at 10.30 a.m. or at any adjournment thereof, in the manner indicated below:

Meeting Platform : <https://web.lumiagm.com/>
Day and Date : Friday, 28 May 2021
Time : 10.30 a.m.
Broadcast Venue : Training Centre, Ownership Room, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan / KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan
Mode of Communication : Type text in the Meeting Platform

Agenda		First		Second	
		Proxy A		Proxy B	
		For	Against	For	Against
AS ORDINARY BUSINESS:					
Ordinary Resolution 1	To approve the payment of Directors' fees of RM495,000 for the financial year ended 31 December 2020.				
Ordinary Resolution 2	To re-elect Tan Sri Dato' Lim Kuang Sia retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 3	To re-elect Tan Kong Chang retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 4	To re-elect Lim Ooi Chow retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 5	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 6	To approve authority to allot shares pursuant to sections 75 and 76 of the Companies Act 2016.				
Ordinary Resolution 7	To approve renewal and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature:				
Ordinary Resolution 8	To approve renewal of shareholders' mandate for share buy-back.				

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

Dated this _____ day of _____ 2021.

Signature of Member(s) / Common Seal

Fold this flap for sealing

Notes:

The AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the RPV facilities. No members/proxy(ies) will be physically present at the broadcast venue on the day of the meeting.

- (i) Only members whose names appear in the Record of Depositors as at 20 May 2021 shall be entitled to participate and vote at the AGM or appoint a proxy(ies) to participate and vote in his/her stead via RPV.
- (ii) A member entitled to participate and vote remotely in the AGM via RPV is entitled to appoint a proxy(ies) to virtually participate and vote remotely in his/her stead. A proxy may but need not be a member of the Company.
- (iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- (iv) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account. Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- (v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, be executed under its common seal or the hand of the attorney duly authorised.
- (vi) The instrument appointing a proxy must be deposited at the office of the share registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or via electronic means through the Boardroom Smart Investor Online Portal at <https://www.boardroomlimited.my/> (please refer to the Administrative Details for further information on electronic submission) not less than 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.
C/O BOARDROOM SHARE REGISTRARS SDN. BHD.**

11th Floor Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7890 4700
Fax : 03-7890 4670
Website : www.boardroomlimited.com

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ANNUAL REPORT 2020

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